STRATEGY FORMULATION FOR DEVELOPING BATIK TULIS

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ABSTRACT

The objective of this study was to formulate a development strategy in order to maintain the existence of Batik Tulis Rolla Junior. The study used a case study approach with Rumah Batik Tulis Rolla Junior as the research object. The data were analyzed by a value chain approach to determine the internal and external conditions influencing the existence of the Batik Tulis Rolla Junior. Furthermore, this study also used the analysis of Internal Factor Evaluation (IFE), External Factor Evaluation (EFE), Internal-External (IE) Matrix, SWOT, and Quantitative Strategic Planning Matrix (QSPM) to create the development strategy. The results show that the strategies that can be recommended to Rolla Junior include 1) increasing the capital by Kredit Usaha Rakyat (KUR) program, 2) conducting expansions to other regencies, 3) creating a website/blog to promote and perform business transactions, 4) increasing the frequency in joining exhibitions or EXPO both in regional and national levels, 5) conducting researches to solve the problem of coloring which requires sun rays, 6) conducting cooperations with raw material suppliers (backward integration), and 7) finding alternative suppliers of raw materials especially from the areas closer to Jember district.

Keywords: development strategy, batik tulis Rolla Junior, SWOT, QSPM

ABSTRAK

Penelitian ini bertujuan merumuskan strategi pengembangan sehingga dapat menjaga eksistensi Batik Tulis Rolla Junior. Penelitian menggunakan pendekatan studi kasus dengan Rolla Junior sebagai objek penelitiannya. Data dianalisis dengan pendekatan rantai nilai untuk mengetahui kondisi internal dan eksternal yang berpengaruh terhadap Batik Tulis kemudian menggunakan analisis Internal Factor Evaluation (IFE), External Factor Evaluation (EFE), Internal-External (IE) Matrix, SWOT, dan Quantitative Strategic Planning Matrix (QSPM) untuk menyusun strategi pengembangan Batik Tulis Rolla Junior. Hasil penelitian menunjukkan bahwa strategi-strategi prioritas yang dapat direkomendasikan kepada Rolla Junior yaitu 1) peningkatan permodalan melalui program Kredit Usaha Rakyat (KUR), 2) melakukan ekspansi ke luar daerah Jember, 3) membuat situs web/blog untuk mempromosikan dan transaksi jual beli produk, 4) peningkatan kuantitas keikutsertaan dalam acara pameran atau EXPO baik di tingkat regional maupun nasional, 5) melakukan penelitian untuk mengatasi kendala pewarnaan yang membutuhkan sinar matahari, 6) melakukan kegiatan kerja sama dengan pemasok bahan baku (integrasi ke belakang, dan 7) mencari alternatif daerah pemasok bahan baku khususnya yang lebih dekat dengan kabupaten Jember.

Kata kunci: strategi pengembangan, batik tulis Rolla Junior, SWOT, QSPM

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INTRODUCTION

Batik has become part of creative industries in Indonesia, and recently, the business sector of creative industries has comparatively and competitively been able to exploit natural resources or potential areas in Indonesia. The value of the national batik industry production in 2010 reached USD 8.4 billion employing 17,082 people in 326 Batik business units in Indonesia (Sudantoko, 2011).

Jember Batik has been established as a superior product by the Department of Industry and Trade in Jember; therefore, it requires product promotional activities conducted by the local government; however, the government has not maximized its participation in marketing activity to promote the product. The coordination among the Small and Medium Enterprises (SMEs), local authorities, and related agencies have not been integrated so that the promotion activity of Jember Batik out of the area has not been maximized. This Jember Batik has the characteristics of tobacco leaf, cocoa, dragon fruit, bamboo, butterfly, bird, and musical instrument patterns.

The House of Batik Rolla Junior is one of the Small and Medium Enterprise (SME) engaged in training, selling and popularizing the original Jember Batik. Also, as one of the Small and Medium Enterprises (SMEs), the House has a strategic role in national economic development, contributes to the economic growth and employment, and plays a significant role in improving the image of Jember Batik from the local level to the national level.

Most workers in the House of Rolla Junior Batik are females who are often absent from work due to various reasons; as a result, this condition often inhibits the production of batik. However, the House has 127 employees so that the process of production can still run even though some of the employees are absent without any notice.

The problems faced by this House can be overcome if there is a balance between the improvement of the internal and external factors. The internal factors include the improvement of the quality of human resources (especially the entrepreneurs), so that they can improve their business management. Moreover, the external factors create the need for a healthy business climate, an implementation of balanced and mutual profitable partnership, an even and continuous information flow, an increase in the role of supporting institutions, associations, governments, or other institutions.

Although the House of Rolla Junior Batik has a number problems, it has maintained its existence by continuing its development and growth. This can be seen from its sales report that increases every year. In 2010, it was recorded that sales reached Rp460,071,900, and in 2011, it increased by 133% reaching USD981,937,156. In 2012, the House’s relisted sales increased by 23.3% reaching Rp1,210,473,250; in addition, its sales value was above the average sales of the Medium Enterprises in Jember Regency i.e. Rp600,000,000 in 2012.

The positive trend of the House of Rolla Junior Batik in increasing its product sales should be maintained through the formulation and implementation of a development strategy. The implemented development strategy should involve mapping and control of the value chain in order to improve the competitiveness of a business unit. It can integrate all activities to create a link among companies and their customers, suppliers, and members of other distributions. The value chain approach is a holistic technique to improve the ability of companies to face competitiveness.

From the above description, the House of Rolla Junior Jember Batik requires to implement an appropriate business development strategy in order to face competition and make its business development strategy to be known by the community of Jember in particular and to the Indonesian society in general. In addition, the development of this business is expected to empower women in Jember. Thus, it can indirectly help the improvement of the welfare of the Jember community. Therefore, the authors are interested in conducting a research in the Development Strategy Analysis for the House of Rolla Junior Batik in Jember.

on the Effect of Business Environment on the Batik Craftsman Performance in Bangklan. The researchers mentioned above used a technique similar to that of this study in which guidelines for preparing a strategy by David (2012) were used. Based on the previous studies mentioned earlier, most of them used SWOT analysis on weaknesses, strengths, opportunities and threats identification. Also, they used QSPM to analyze priority of strategy on strategy determination to overcome the existence problems.

The purposes of this study were to identify the value chain of the House of Rolla Junior Batik, to analyze the factors that become opportunities, threats, weaknesses, and strengths affecting the development of the House, and formulate business development strategies that can be implemented by the House in continuing its development and growth.

METHODS

This research developed the development strategy framework based on the preparation of a strategy argued by David (2012), and the flow chart of this research can be seen in Figure 1. This was a descriptive, qualitative and quantitative study, and the types and sources of data used were primary and secondary data. The primary data were obtained directly from the source while the secondary data were obtained through interviews and other interested parties involved in this research.

The research was conducted in the Educational Training Institution and House of Rolla Junior Jember Batik, East Java. The selection of the locations was determined (purposive sampling) by the consideration that the researchers live closer to the research locations, and it is the only institution existing in Jember. The respondents of this research included the owner of the House of Rolla Junior Batik, Head of Department of Industry and Trade of Jember, Head of Department Small and Medium Enterprises, and Cooperative unit in Jember.

The strategy formulation was conducted in three phases including input, synchronization, and decision. The first phase, input contains the basic information required to formulate a strategy. The model used at this stage was the Internal Factor Evaluation (IFE), and External Factor Evaluation (EFE). Evaluation on internal factors was performed by calculating the average weight of each internal key factor and subsequently arranging the results in a matrix evaluation of each factor. In matrix evaluation, the factors of strengths and weaknesses were added by using the weighting method of paired comparison. Then, matrix of Internal Factor Evaluation (IFE) was used to see the internal location of the company.

![Figure 1. The framework of research](image-url)
The second phase, synchronization focused on the creation of an alternative strategy to integrate internal factors (strengths and weaknesses) and external factor (opportunities and threats). The models used in this phase included the Strength-Weakness-Opportunities-Threats (SWOT) matrix and Internal-External (IE) matrix (Sudirman, 2012). This phase also provided some alternative strategies that become inputs for the model of Quantitative Strategic Planning Matrix (QSPM) at the decision phase (Nejad, 2012).

RESULT

Internal Factor Analysis

The main strength owned by the House of Rolla Junior Jember Batik in developing its products is that it has an appropriate promotional method i.e. by actively participate in exhibitions of excellence local products, and these can attract visitors’ attention so that the promotion of the products can be effective. This factor has a value of 4 and weighs 0,082 resulting in a weighted average score of 0,29 so that this factor has highly relative importance in the development of Batik in Jember. In addition, another strength owned by the House is that it has good business prospects and a friendly environment since the House has implemented an environmentally-friendly production to produce high quality of batik products. This factor has a weight of 0,079 with a rating of 4 resulting in a score of 0,318, thus indicating that this factor is an important strength, and the performance of the House is excellent so that its potential should be optimized. The results of IFE analysis can be seen in Table 1

However, the main weakness owned by the House of Rolla Junior Batik is the lack of online marketing. In the era of globalization, it requires the use of technology in various fields, including online marketing. Currently, online sales are increasingly prevalent so that it is a necessary activity on sales promotion method. Lack of internet service usage has ranked number 1 and its weight value is 0,079, thus resulting in a score of 0,079. This indicates that this weakness factor is an important drawback requiring an immediate action.

The result of the analysis shows the total weighted score of 2,52, and this suggests that the capacity as the internal factor for the House of Rolla Junior Batik in the development of its batik products is above average. Therefore, it can be seen that the House has the strength to cover up its weaknesses in order to maximize its development.

<table>
<thead>
<tr>
<th>Strength</th>
<th>Quality</th>
<th>Rating</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Having a good business prospect and friendly environment</td>
<td>0,079</td>
<td>4</td>
<td>0,318</td>
</tr>
<tr>
<td>Having the appropriate promotional method by actively participate in exhibitions of local excellence products</td>
<td>0,082</td>
<td>4</td>
<td>0,329</td>
</tr>
<tr>
<td>Having high quality products</td>
<td>0,062</td>
<td>4</td>
<td>0,247</td>
</tr>
<tr>
<td>Having a wide range of marketing</td>
<td>0,079</td>
<td>3</td>
<td>0,238</td>
</tr>
<tr>
<td>Managing a working atmosphere and mutual cooperation between the employees and the managerial team well</td>
<td>0,059</td>
<td>3</td>
<td>0,176</td>
</tr>
<tr>
<td>Updating its batik patterns</td>
<td>0,059</td>
<td>4</td>
<td>0,235</td>
</tr>
<tr>
<td>Having a training facility in making batik</td>
<td>0,082</td>
<td>3</td>
<td>0,247</td>
</tr>
<tr>
<td>Having creativities to innovate (production and marketing)</td>
<td>0,056</td>
<td>4</td>
<td>0,224</td>
</tr>
<tr>
<td>Total strengths</td>
<td>0,559</td>
<td>2</td>
<td>2,015</td>
</tr>
</tbody>
</table>

Tabel 1. The result of internal factor evaluation (IFE)

<table>
<thead>
<tr>
<th>Weakness</th>
<th>Quality</th>
<th>Rating</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of educated human resources</td>
<td>0,103</td>
<td>1</td>
<td>0,103</td>
</tr>
<tr>
<td>Limited knowledge of science and technology</td>
<td>0,103</td>
<td>1</td>
<td>0,103</td>
</tr>
<tr>
<td>Limited working capital</td>
<td>0,074</td>
<td>2</td>
<td>0,147</td>
</tr>
<tr>
<td>Less intensive networking</td>
<td>0,082</td>
<td>1</td>
<td>0,082</td>
</tr>
<tr>
<td>Lack of online marketing</td>
<td>0,079</td>
<td>1</td>
<td>0,079</td>
</tr>
<tr>
<td>Total weaknesses</td>
<td>1,000</td>
<td>0</td>
<td>0,514</td>
</tr>
<tr>
<td>Weighted total score</td>
<td></td>
<td></td>
<td>2,529</td>
</tr>
</tbody>
</table>
External Factor Analysis

Evaluation of external factors was performed by calculating the weighted average of each external key factors arranged in a matrix evaluation of each factor. In the evaluation matrix, the factors of opportunities and threats were added by using the weighting method of paired comparison. Moreover, the use of the External Factor Evaluation (EFE) matrix was intended to see the external circumstances. The results of EFE analysis can be seen in Table 2.

The main opportunity owned by the House of Rolla Junior Batik to develop its product is the "Go Green" governmental program where the score is 0.098. The House uses natural dye which is safe for skin and environmentally friendly, and its policy in using natural dyes is in accordance with the “Go Green” governmental campaign. In addition, the government of Jember Regency promotes batik since it becomes an icon for its current multiple exhibition events held each year, and this becomes a potential opportunity for the development of Rolla Junior Batik. Batik becomes one of the excellent products of Jember, so the government supports it for its development, especially in the form of multi-event promotion activities held in Jember.

The factor that has the highest drawback score is the weather constraint especially for coloring with a weight of 0.101. Some colors will not produce maximum brightness if they are not dried in the sun. Because of this reason, the House of Rolla Junior Batik is unable to fulfill its consumers’ demands during the rainy season.

The analysis also shows the result of a total weighted score of 3.041, and this score is above the average, suggesting that the House gives responses to external factors for its development. This result indicates that the House has been able to maximize its opportunities and avoid its threats. This phenomenon is expected to continue so that the existence of Rolla Junior Batik can be maintained and it can continue its development and growth.

Company Site Analysis

Based on the results of the analysis using IFE and EFE, scores of IFE of 2.52 and EFE of 3.024 were obtained. These scores were then incorporated into the analysis on Internal External (IE) factor. The evaluation results in Figure 2 show that the site of the House of Rolla Junior Batik is in quadrant II (Growth and Build). Therefore, the strategies that can be applied for the optimal development of the House are by applying intensive and integrated strategies which can be conducted by mergers and strategic alliance. Intensive strategy can be performed through market penetration, market and product development, and integration strategy can be performed by backward, forward and horizontal integrations.

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Quality</th>
<th>Rating</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>The existence of the governmental &quot;Go Green&quot; program</td>
<td>0.098</td>
<td>4</td>
<td>0.391</td>
</tr>
<tr>
<td>Small loan program with little interest for SMEs</td>
<td>0.085</td>
<td>3</td>
<td>0.257</td>
</tr>
<tr>
<td>Batik promotion by the local Government of Jember since Batik becomes an icon of the annual current exhibitions of multiple events</td>
<td>0.071</td>
<td>4</td>
<td>0.284</td>
</tr>
<tr>
<td>Availability of batik market which always evolves</td>
<td>0.059</td>
<td>4</td>
<td>0.237</td>
</tr>
<tr>
<td>Quality of reasonably good raw materials</td>
<td>0.071</td>
<td>3</td>
<td>0.213</td>
</tr>
<tr>
<td>Increasing number of working visits from other local governments</td>
<td>0.088</td>
<td>3</td>
<td>0.266</td>
</tr>
<tr>
<td>Strong customer loyalty</td>
<td>0.056</td>
<td>4</td>
<td>0.225</td>
</tr>
<tr>
<td>Good relations with the national entrepreneurs</td>
<td>0.068</td>
<td>3</td>
<td>0.204</td>
</tr>
<tr>
<td>Total of opportunities</td>
<td>0.530</td>
<td></td>
<td>2.077</td>
</tr>
<tr>
<td>Threat</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low level of purchasing power</td>
<td>0.074</td>
<td>2</td>
<td>0.148</td>
</tr>
<tr>
<td>High cost of raw material support</td>
<td>0.074</td>
<td>2</td>
<td>0.148</td>
</tr>
<tr>
<td>Increase in fuel prices leading to an increase in promotion costs, especially transportation of raw materials</td>
<td>0.094</td>
<td>2</td>
<td>0.189</td>
</tr>
<tr>
<td>Weather constraints, especially for coloring process</td>
<td>0.101</td>
<td>3</td>
<td>0.302</td>
</tr>
<tr>
<td>Limited availability of human resources</td>
<td>0.059</td>
<td>3</td>
<td>0.178</td>
</tr>
<tr>
<td>Total threats</td>
<td>1.000</td>
<td></td>
<td>0.964</td>
</tr>
<tr>
<td>Weighted total score</td>
<td></td>
<td></td>
<td>3.041</td>
</tr>
</tbody>
</table>
The position on IE matrix shows that in the internal position, the House of Rolla Junior Batik is strong whereas in the external position, it is medium. This suggests that House has been able to optimize its existing opportunities and minimize its coming threats. The internal positions are in an average performance showing that the existing strengths are able to cover up the weaknesses.

Formulation of Selecting Strategy

Formulation of alternative strategies was obtained by using SWOT analysis. According to David (2009), an alternative strategy is divided into four, namely, SO strategy (strength-opportunities), WO strategy (weaknesses-opportunities), ST strategy (strength-threats), and WT strategies (weaknesses-threats). The preparation of the strategy on the SWOT matrix which produced 13 alternative strategies in accordance with the internal and external factors to increase competitiveness of Rolla Junior Batik can be seen in Figure 3. Options of strategies are listed by the priority, namely:

1. Capital increase through small loans program (KUR)

KUR is a governmental program that assists the development of small, and medium enterprises, and it can provide capital for the SMEs whose development is often hampered because of the difficulty in obtaining the capital. By this program, it can help them to carry out a larger number of production and other activities so that they can support their development. The House of Rolla Junior Batik should strengthen its capital for expansion and increased production. With a substantial capital through KUR program, it may obtain the flexibility to explore both the production and its marketing activities, and finally, it can maintain its existence and continue its development.

2. Market expansion to other areas

Business market development can be performed by expanding the business to new areas. Frequently, the community of a local area is so familiar with a product that they become uninterested in the product; therefore, the business requires to expand its business to a new area. Jember Batik which indicates the characteristics of Jember has unique patterns that can be promoted to different areas. Also, Batik becomes a collection item so that it needs to be expanded to other regions to attract its potential customers. The House of Rolla Junior Batik should begin its expansion to the surrounding areas, especially areas that have an interest in batik and have no uniqueness. The expansion is expected to support the development of Jember Batik especially the products of the House of Rolla Junior Batik.

3. Creating a web site/blog to promote, buy and sell products

In the globalization era, information technology is growing fast by online, and human depends on technology tools to seek for information, and advertisements are posted online in the internet to attract customers. To answer this challenge, the House of Rolla Junior Batik should create a web/blog to promote the Jember Batik and to buy and sell through online transactions. The blog/website must contain detailed information on the products as well as information of the company, and this is expected to facilitate customers to get an easy access on the information of Rolla Junior Batik products.

4. More frequent participations in EXPO exhibitions both in regional and national levels

An EXPO exhibition is a very effective promotional event to promote products. To expand its marketing area, the House of Rolla Junior Batik should increase its frequency in participating in exhibitions so that its products can be promoted in regional and national levels. An EXPO activity is a very effective venue for promoting products and making transactions. In addition, business agreements with suppliers and buyers can be made in this event.

5. Research implementation to overcome obstacles on staining

When the rainy season comes, the House of Rolla Junior Batik is unable to meet its customers’ demand. For this reason, it is necessary to find a way to solve this problem so that it can increase its customers’
satisfaction. Therefore, the House needs to collaborate with research institutions such as universities to solve the problem. Through the faculty projects and student assignments, the activities of this research had been carried out without requiring a large capital, and this is expected to solve the problem of coloring to meet the its customers’ high demand at any season.

6. Cooperation implementation with raw material suppliers (backward integration)

To ensure the availability and quality of the raw materials, the House of Rolla Junior Batik requires to build a cooperation with its suppliers. This cooperation is expected to be the form of subsystem agribusiness integration especially in batik industry. This integration can increase the value of the company due to the optimization of all sectors of the House to achieve production efficiency.

7. The search for alternative suppliers of raw materials, especially in areas closer to the company

The raw materials, which come from Pekalongan Central Java, have a high cost due to the transportation cost; as a result, the House of Rolla Junior Batik should look for alternatives to purchase the raw materials. The closer the sources of raw materials is, the less the cost of production is especially the transportation costs, resulting in lower prices of the products being sold.
Implications of Managerial

This study was conducted to formulate the development strategies for the House of Rolla Junior Batik from its internal and external conditions and location of the company. The development strategy is required to maintain the existence of the company to continue its development. The generated strategies in this study are expected to be recommendations for the House to perform the development of the company. The managerial implications in this research include:

1. Capital increase through KUR program can be performed by borrowing from financial institutions that have been set by the government and by preparing the company's profile and financial report of the company.

2. Market expansion can be performed by cooperation in the form of partnerships to promote batik in other areas. The program can be carried out only for limited partnerships on marketing and production process by outlets established in other areas.

3. Creation of a website/blog to promote, buy and sell the products that can be performed by using free websites like BlogSpot or wordpress. The information must clearly state both products and corporate information, and the news should include tourist information on Jember Regency.

4. More frequent participations in EXPO exhibitions both regional and national levels. The House of Rolla Junior Batik must actively seek for information on product exhibitions either via internet or direct information from relevant sources and institutions.

5. Research implementation to overcome the staining problem. The House of Rolla Junior Batik needs to collaborate with research institutions such as universities to solve this problem through the faculty projects and student assignments.

6. Conducting cooperation with raw material suppliers to ensure the availability and quality of the materials.

7. Finding alternative suppliers of raw materials, especially the supplier which is closer to the company to minimize the cost of transportation.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the objectives of this study, it can be concluded that the strategic factor becoming the highest relative importance is the appropriate method of promotion i.e. by actively participating in exhibitions of local excellence products. The main weakness of the strategic factors becoming the highest relative importance is the lack of online marketing. In addition, the strategic factor that becomes a chance of the highest relative importance is the governmental "Go Green" program. Finally, the strategic factor that becomes a threat to the highest relative importance is the weather constraint, especially for the coloring process.

The House of Rolla Junior Batik is located on quadrant II (Growth and Build), indicating that the external position is strong, and the internal position is in medium level. Therefore, the House can implement the strategy in the form of intensive market development and integration strategy in the form of backward integration.

The main strategy priority is the capital improvements through KUR program, and the second strategy priority is to expand the market into other regions of Jember. The third strategy priority is to make a website/blog to promote, buy and sell products, and the fourth strategy priority is more frequent participations in EXPO exhibitions both in regional and national levels. The fifth strategy priority is to conduct research to overcome the staining problem, and the sixth strategy priority is to conduct cooperation with raw material suppliers (backward integration). Finally, the seventh strategy priority is to search for alternative suppliers of raw materials, especially areas closer to the location of the company.

Recommendations

Suggestions for the House of Rolla Junior Batik are as follows: 1) the House requires to optimize its chain value that covers all of the major and supporting activities. The major activities include the production process and distribution whereas the supporting activities include supports from the financial institutions, local government, raw material transportation services, training and human resource development, and marketing information; 2) to keep the positive trend of the development of batik, the House requires a number of strategies based on the priorities obtained from the results of this study so that the existence of the House to continue its development can be maintained; 3) to improve the competitiveness of the House which is currently in the medium position in the internal factors and strong position in the external ones, it requires to overcome the factors that become the major weaknesses and improve the factors that become the main strengths which have the highest relative importance; 4) the
House requires to innovate in terms of production and marketing to maintain its existence in order to continue its development; 5) for further research, in-depth research on effective promotional activities and efficient production processes to enhance shareholder values can be conducted.

REFERENCES


