

TECHNOLOGY SERVICE PROGRAM APPLICATIONS FOR CRAFT EXPORT SMES IN BANTUL, YOGYAKARTA

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ABSTRACT

Bantul, Yogyakarta local Department of Industry and Trade is committed to develop its craft Small Medium Enterprise (SMEs) specifically those that are already entering international market. Other than supporting local and traditional crafts industry, the local government is also ensuring that craft production should be environmentally friendly and practising labor intensive work system. The purpose of this community service program (Knowledge and technology for export producers/IBPE) is to increase the quality and competitiveness of local SMEs industries. This program is the grant program supported by The Ministry of Higher Education (Dikti). Two SMEs partners working on crafts made from vinyl and natural fibers were selected as SMEs development model.

The quality improvement programs include increasing the quantity of production, widening the market coverage, layout production planning, designing better workshop, and website development to increase international market coverage. In order to achieve the target, several programs have been planned and conducted. It covers: running trainings and skill buildings on lay out management, marketing management, accounting and financial report, entrepreneurships, work motivation, and export import business procedures.

Other than trainings, several subsidies have been allocated for machineries, sign board placement, website design development, showroom design, export import crafts expo, joining on local government training programs, and other entrepreneurships simulations. Finally, this program also assists the partners for acquiring intellectual property rights on product design. In general, the IBPE team concludes that sustainable supports and monitoring are needed. It is to see whether or not the program is effective to the partners. If not, other programs should be offered. In general many crafts SMEs are still uncovered by government and universities community programs. Many works are still needed to be done to increase the local competitiveness of crafts export industries in Yogyakarta.

Keywords: Crafts industry, SMEs, export orientation, community services

INTRODUCTION

Bantul as one of residence in the Special Region of Yogyakarta Indonesia has recorded export activities valuing 44 million \$ US, in October 2012 (www.metronews.com, 2013). The increase in export for Bantul cannot be separated from the effort continuously given by the central government through the ministry of trade and industry in improving the existence of the local SMEs to export. Significant amount of fund has been located by the national government to increase the local creative SMEs to be able to enter global market by improvement in product quality, innovation, and human development. Appropriate subsidies to improve product qualities, business facilities, innovation, and human skills development

for SMEs with export orientation is expected to boost the SMEs participation to global market (Antaranews, 2013).

In order to be effective, the IBPE team has previously run field survey in Bantul crafts industries, particularly identifying those already participating craft export activities. Among many that we have identified, the IBPE team decided to focus on supporting two export oriented craft SMEs namely “Raffal Craft” and “Syifa Handycraft”. These two partners are expected to be able to increase Bantul contributions to export and more specifically to encourage the surrounding SMEs to increase their willingness to participating into export activities. The other reasons for focusing the IBPE grant program to Raffal Craft and Syifa Handycraft are the number of innovative designs that these two partners have been produced as well as the environmentally friendly raw materials that these two partners used in their craft products. The overseas partners are highly appreciating creative products with environmentally friendly materials. Traditional designs are highly demanded as more customers enjoy ethnic designs.

Based on in depth observations on these two craft SMEs partners, the IBPE team noted these following major problems. 1. The quality of both SMEs partners are in some degree inferior to global market competitiveness. Consistent standard quality when meeting with huge number of quantity is difficult to obtain. This is because majority of works are done manually. Thus, quality is not uniform among products produced. 2. Lack of optimum management for *lay out* in production processes and machineries. 3. Lack of experience on website operation which impacts on limited access for global market expansion. 4. The showroom arrangements for product display. 5. Human resources skills, for both owners and employees. For the problem number five, the IBPE team has managed some skills building program to the partners by sending them to inhouse training as well as training provided by others like local government or other private providers. Some trainings given include: training on *lay out* design and arrangements, motivation training, organization training, marketing training, accounting and financial report training, entrepreneurship training, export-import training and lastly assistance for acquiring intellectual property right. These selected trainings were due to the need for competitive products and business processes capabilities to participate in international crafts market.

Having analyzing the main problems of crafts production encountered by the two SMEs partners as well as the possible solutions that could reduce the problems, the activities run by the IBPE team are to be focused on solutions to the problems identified.

Within this third year program, the IBPE team expects that these two partners can significantly contribute to the increase in export value of Bantul residence. The better experience of the SMEs partners after three years consecutive assistant should make them more confidence in participating to the export market. Raffal Craft and Syifa Handycraft should have wider network for market since they can have direct communication with their potential customers using their private website. In align with the national government commitment to support SMEs to go global, the IBPE team believes that all programs run in this third year will support the national government strategy for the higher participation of SMEs in global market. It is important to consider that SMEs in Indonesia provide the biggest employment. It is the most stable industry during any economic crises. Even though GDP contribution from SMEs sector is yet significant, but it provides the sources of incomes to the majority of household life across Indonesia. Therefore the survival of SMEs is very vital for the economy of Indonesia.

Problems Encountered by Craft Smes in Bantul

In general, problems encountered by SMEs partner (“Raffal Craft” and “Syifa Handicraft”) in this IBPE project third year are:

1. Problems concerning the quality and the quantity of products being produced. This problem happen due to the limitation of the technology applied for crafts standard as well as the provision of some machineries to qualify the big orders. Without being assisted by technology and machineries, product quality standard is difficult to be fulfilled. As majority of output are still involving manual activities, the standard among products output is hard to achieve. In specific condition when order comes from big trade agency, often that these two partners cannot fulfill the order due to limited manual capacities.
2. Human resource capabilities are another major issue for these two crafts SMEs. All business entities need good functional capabilities such as marketing, finance, human resources, and production. There hasn't been any professional management capability to prepare for international market competition by this craft SMEs. Human resources capabilities are limited in skills and education, thus creativity is limited. Work motivation is low. If there are better jobs, they would easily shift to those better jobs. Some skilled employees who are already obtained the skills are decided to leave the job for doing their own business independently. In some case this will result the owner to find new workers and train them from beginning. In some other case, these ex employee can often be good partners when big order received and they can be sub producers to support the production. High turn over in terms of labor can be problematic but somehow can be beneficial.
3. There is high dependency over these two SMEs partners on big trade agencies. Raffal and Siva crafts are often have no resources to serve other market due to capacity limitation to fulfill order that are already demanded by big trader partners. They have limited opportunities to explore their independent market due to time consumption to fulfill the target order from trade partners.
4. There remains unfair competition in the crafts local market due to price competition as well as intellectual property rights. Quite common in the crafts competitive activities where one SMEs have spent time and all effort to design the innovative products. Of course since this is the first innovative products launched in the market, the price was set high. In no more than a month, once the market has recognized the new product, it will be easily be replicated with much lower price. There often no appreciation for intellectual property right. This is the reasons why many SMEs are not highly interested to enroll their patent since it costly and time consuming. They finally choose to leave other competitors to produce their design since creating newer design could be more productive than managing intellectual property rights.

PROGRAM IMPLEMENTATION

In offering the solutions encountered by Raffal and Syifa handicrafts, all programs are intended to focus on the problem identified. Within our third year community development program, majority of the program are similar to the previous years, however, some additional and different resources provided to enrich the contents. Different tools and equipments also

selected to support the SMEs crafts productions. Follows are all activities have been implemented to provide solutions as identified for “Raffal Craft” and “Syifa Handicraft”.

Before conducting the field program implementation, several visits have been arranged for effective socialization of the programs designed. It is important to socialize the programs since this program will also take the production time of our SMEs partner. We tried to be effective and do not want to disturb their working hours. Owners are very responsive and appreciate our contributions. Owners are also positively participating in development program according to our suggestions. Some program implementations are listed as follows:

1. Different from previous years, the third year machinery stimulation is given by subsidizing the SMEs partners with Genset (electricity generator). This machine is meant to prevent the production problems when there is power outage in the middle of production process. Genset is vital since this will determine the reputation for the SMEs that they can be depended as promised. If Raffal and Syifa cannot fulfill the targeted production as signed in the contract, often that they have to face penalty or losing their profit. The more they experience the production failure due to electricity outage the worse the profit they could create. Genset availability will certainly increase SMES productivity. Other lost occurred when electricity is problematic is that the owner remains to pay the labor cost while production below the targeted standard. Other than genset subsidy, the IBPE team also managed to subsidize the additional electricity power into 1300 watt. Using this additional power will increase more electricity equipments and machines to be used in the production processes.
2. Assistances and guidance on lay out planning are given by making draft of more efficient arrangement of raw materials and tools used in the crafts production. How the steps should be arranged in order and how employee should be placed according to their specific tasks are carefully arranged. This form of assistances is targeted for the efficiency of crafts production. Other than lay out design, team IBPE provided Syifa craft big rectangle working table and display glass cabinet for sample product.
3. Follows are schedule for training managed by IBPE team for human skills development.

Table 1. Shedule Activities 3rd year

<i>No</i>	<i>Training and Supporting</i>	<i>Date</i>
1	Marketing Management	23 April 2016
2	Product Innovation	30 April 2016
3	Lay out Arrangement	14 May 2016
4	Accounting and Finance	4 June 2016
5	Working Motivation	23 July 2016
6	Entrepreneurship skills	8 &9 August 2016
7	Export Import Management	15-19 August 2016
8	Brand Building	27 August 2016

4. Since the location of both SMEs partner are not directly in the commercial roads, a board sign is necessary as for direction to find the SMEs address. The IBPE team decided to order a middle size board sign made from strong materials as a

board for new customers when finding our partner SMEs' addresses. This sign board is located right in the corner of the turn road towards the SMEs location. This board sign particularly useful for first timer consumers as well as for potential consumers.

5. The current business should undergo online business. One of the identified problems was on high dependency between these two SMEs on their big trading agencies. In this situation, SMEs received limited profit while the trading agencies could set their own bigger profit as they control the market. Website design to promote SME crafts products should allow more direct communication between our SMEs partners with open customers in this global world. The website will allow the ease in searching network and for customers. It will also allow the potential sources of finding more alternative crafts suppliers. The challenges when designing website is not on the web development, but more on the web maintenance. This is important since SMEs should have someone who regularly updates the website also response to the visitors when any visitors communicate in the website. Website operation allows direct communications to buyers. This system is expected to increase the profit received by SMEs since they have reduce the third party or middleman between sellers and buyers. Other benefits by operating website is the cheap way of promoting and developing the business.
6. If the first and second year IBPE team managed the SMEs to be able to participating in craft events such as national or local crafts expo, this third year we have organized our SMES partner "Syifa Craft" to participate in Bantul crafts expo on 11 August 2016. Regularly joining to such expo is very important to gain more buyers and wider network. It helps to build awareness among crafts lovers. Even though usually during the event our SMEs partners do not make big profit, but more importantly is that they get more networks that usually contact and make business order after the expo events.
7. IBPE team managed the access to the local Department of trade and industry in order to get our SMEs partner to have access as member for SMES group under the Government assistances. The benefits of being member in this group are that our SMES partner will always be included in the following activities:
 - a. Being registered as member of PLUT (Centre for integrated business services).
 - b. Free consultancies from Government on SMEs facilities, trainings, expo, etc.
 - c. Free information access among government departments on SMEs activities.
 - d. Free library facilities for SMEs.
8. In order to widen the market coverage, the IBPE team assists the market coverage by introducing the crafts product to the Cooperation Primary Shop UPN Veteran Yogyakarta. The reasons to introduce many SMES crafts product to this shop that is located in the higher education area is more to also provide easier accesses for students to learn about creative crafts production. While also benefitting our SMEs partners, it can also as learning media for students in entrepreneurship skills. Other than dropping some products to UPN Veteran Yogyakarta, IBPE team also managed to deal with crafts exhibitors that have their showroom in Candi Boko and Candi Plaosan. Candi Boko and Candi Plaosan are tourism areas

which will be strategic location to sell local crafts products. Finally, IBPE team also organized the crafts products display to be shown in PRONAS (National product) that is located in XT Square Yogyakarta.

9. It is important in the current competition that all new design and innovation be registered as intellectual property. IBPE team has assist the design for the two partners until they finally decided the most valuable design to be registered to the Intellectual property agency in Yogyakarta. This agency is managed by the ministry of law and human rights. The process for patent product design cannot be acquired instantly and usually take awhile. Several requirements should be fulfilled in order to be accepted as original design.
10. By subsidizing with some machines, tools, and human skills development, IBPE team has recorder significant improvement on income and profit within the last three years of IBPE grant community program development.
 - a. The first SME Partner Raffal craft maintains its trade partners, additionally this year new partners are Swiss bakery Jogja and Semarang. Orders made by Swiss bakery are increasing significantly within one year, particularly during the national special celebrations such as Idul adha, Idul Fitri, Christmas, and New Year. The web modemku.com has recorder many increases in the number of customers. This web with its magic studio assists visitors to make mini studio to create attractive product in the photos. This studio only focus on making tiny or small size product photos to be shown as display for anyone who want to sell any products online. The magic studio certainly helps to increase the quality of the picture thus enable to have the product looks much better in the online display.
 - b. Similarly, Syiffa Craft also increasing their business collaboration with Bakery shop DELICIA. During Idul fitri and Christmas, orders are commonly at peak. The Police office (Samsat) also building partnership in having our SMEs to produce files containers made ofrom vinyl. There also permanent customers located in Bengkulu who always make regular order every months. Products ordered for Bengkulu market covers: Cookies containers, bread trays, general containers, tissue box, Aqua glass tray. Some European export trade partners order products such as accessories for furniture, part of bedding, full bedding, key chains, key box, and common containers. All made with traditional design, many made from natural fibers. At least, the minimum of 600 pieces of each category is ordered by European trade partners. Other products that are gaining popularity in the international markets are photo frame, packing frame, batik bag, etc. The buyer backgrounds range from carpenters, fashion, accessories, tourism, furniture, etc. Market covers Europe, Asia, Australia, and America.

CONCLUSION

The contribution and active role of the Government (National and local) and Higher Education Institutions are important in order to maintain the quality of SMEs and protecting the vulnerable SMEs from global market competition.

Community development and learning capabilities for SMEs should be well managed in order to develop SMEs long term capabilities to success in the global crafts market. Since SMEs provide the biggest employment for Indonesia, success in SMEs community

development and learning capability may increase the long term SMEs competitiveness in the global market.

SMEs craft industry in Bantul has contributed significant amount of export capacity to The Province of Yogyakarta. Bantul local government should therefore increasing its role to those SMEs have been participating in export, since local government support is necessary due to competitive nature of international competition that is very unpredictable and many local crafts SMEs are still very vulnerable.

RECOMMENDATION

So far the National and local government have provided reliable supports and programs for SMEs craft industry. Since SMES development cannot be done instantly, therefore continuous efforts and supports should be given to local SMES. Supports and efforts are not only in the forms of funding and training. Trade facilities, infrastructures and access to global markets should be endorsed by the government and SMEs could fill what the government has been provided.

The uniqueness of the local SMES is the localities that differentiate the local products from the other local/national/international products. This local uniqueness should be introduced and promoted as differentiation that can be a tool for global market. Global market is now seeking ethnic products which this opportunity should be translated as positive market opportunity.

IBPE grant program is a positive and beneficial program that should be continued by the Ministry of higher Education and Technology. This program can be a great learning media for academic in experiencing with real life businesses and for SMEs and government to increase the quality and prosperity of the citizens.

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