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The Development of the Cracker MSME Cluster in Garut Regency, Indonesia

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Abstract

Garut Regency is developing the UMKM cluster to support the Indonesian government's program to improve the UMKM industry. This study describes developing a cracker MSME cluster framework in Garut Regency. The qualitative method was carried out through an interview with the head of the cracker center community in Garut Regency. The data were then analyzed using a reduction technique which was then tested for validity through triangulation. The results showed that the infrastructure, the location of the cracker center, the lack of consumer convenience, the low capital financing, and the competitiveness of product marketing had a moderate level of competence, which indicated that the existing entrepreneurial competencies were quite good for their business. This research implies that it can be considered in developing the cracker UMKM cluster, making it the first cluster in Garut Regency.

Keywords: Cluster Industry, Small-Medium Enterprises, Cluster Development, Entrepreneurial Competencies

1. Introduction

1.1 Research Background

The number of MSMEs in Indonesia in 2023 will reach more than 67 million units, of which 98.67% are small businesses, and the rest are medium enterprises. The Indonesian government fosters MSMEs through the cooperatives and MSME Offices in each Province or Regency/ City. As a vital component of the national economy, genuine efforts are needed to build larger economies of scale through consolidation and integration among micro-enterprises. Therefore, the correct consolidation pattern is needed to create synergies for developing micro-enterprises. Through the concept of clustering, it will be easier and more efficient for business actors to obtain empowerment and information to increase the scale of the business production capacity (Raghuvanshi & Garg, 2022). In addition, within the framework of strengthening micro-enterprise institutions, assistance is needed so that the business cluster becomes "upgrading." That is also supported by digitalization which makes business processes more efficient, secure, sophisticated, and fast (Alamanda et al., 2019).

The research results by Timothy (2022) showed that the classic problem faced is low productivity. This situation is caused by internal problems faced by MSMEs, namely:

1. the low quality of MSME human resources in management, organization, mastery of technology, and marketing;
2. weak entrepreneurship of MSME actors; and
3. limited access of MSMEs to capital, technology, market information, and other factors of production.

Meanwhile, the external problems commonly faced by MSMEs include the significant transaction costs due to the unsupportive business climate and the scarcity of raw materials.

Government policies in the future need to be made more conducive to the growth and development of MSMEs. The government needs to increase its role in empowering MSMEs, developing mutually beneficial business partnerships between prominent and small entrepreneurs, and improving the quality of their human resources. So the effort to develop the MSME cluster is a stabilizer and dynamist of the economy because MSMEs have better performance in the workforce, increase productivity, and can keep up with the prospects of big business (Raghuvanshi & Garg, 2022).

1.2 Research Problem

The cracker center in Garut Regency faces many obstacles; besides the need to ensure the availability of raw materials, and other supporting materials, other problems are as follows. Inadequate road infrastructure and demanding access to accommodation reduce consumer comfort; the lack of additional capital financing during production has resulted in many cracker craftsmen making loans to moneylenders; then, the limited product marketing due to competition from other cheaper regional products and the rise of counterfeit products. This study aims to identify the internal problems faced in developing the cracker UMKM cluster in Garut Regency based on these problems.

1.3 Literature Review

1.3.1 Cluster Industry Development in Indonesia

The concept of a cluster was first introduced by Porter (1998) by introducing the concept of industrial cluster in his book "The Competitive Advantage of Nation" as a policy to increase the competitiveness of the United States of America. Clusters are groups of interrelated industrial businesses, and clusters have two key elements, namely: (1) companies in the cluster must be interconnected and (2) located in a place that is close to each other that is easily recognized as an industrial area.

Competitiveness between MSME sectors is influenced mainly by intangible resources (Castillo et al., 2019), which are difficult to imitate by competitors, demand conditions followed by company strategy, structure and competition, and related institutions. These intangible resources include intellectual resources (knowledge packages, human capital, and information) (Castillo et al., 2019). According to Ghouri et al. (2021), a well-competitive downstream industry contributes to the traditional four main competitive priority dimensions: cost, flexibility, quality, and delivery.

Clusters have become common in developing countries and various business sectors (Castillo et al., 2019). Traditional and natural resource-based industries are the most abundant in Asian countries (Yilanci et al., 2021). Historically, these clusters engaged in activities traditionally intended for local use. Clusters are widespread in many South and East Asian countries (Kowalski & Mackiewicz, 2021). Utami et al. (2022) show that active agribusiness clusters have a strategic role in the long-term transformation process in the economy in the food sector.

The MSME cluster is a particular form of industrial organization and entity that has attracted the attention of researchers from various perspectives (Aldianto et al., 2020). MSMEs, which generally produce traditional products and are located in specific geographic concentrations, have been well cared for in developed and developing countries (Ghourri et al., 2021). The MSME business cluster development approach has been recognized globally for its role in driving economic progress and maintaining competitive advantage (Ramesh et al., 2022) during the global competition.

The Porter model cluster approach is a development of the industrial district or industrial area developed by Alfred Marshall in 1920 (Porter, 1998). Unlike Marshall, which only focuses on similar companies, Porter's cluster model does not limit it to just one industry but is broader (Desrochers & Sautet, 2004). The industry concentration in a specific location can impact cost savings for cluster companies (localization economies). These savings can come from the increased availability of specialized input suppliers and services; the addition of a trained and specialized workforce; public infrastructure investments made for specific industry needs; financial markets that are closely linked to the industry; and the increasing trend of transfer of information and technology between companies (Alamanda et al., 2019).

Various views on cluster development in small businesses are still being debated (Tambunan & Supratikno, 2004). Many analyzes related to general factors and their influence on cluster development have been carried out, but studies have not provided a definite model for implementing cluster success (Shakib, 2020). Castillo et al. (2019) assert that although there is a consensus that clustering is necessary, tools and approaches are insufficient to study cluster performance. Outputs, indicators, and approaches to measuring cluster performance do not exist in the literature. Dhewanto et al. (2013) also state that although many examples of successful clusters have been formed, the framework or formula for cluster success is not yet available.

Like in other developing countries, the development of MSME clusters in Indonesia faces various obstacles. Tambunan & Supratikno (2004) states that the failure to develop MSME clusters in Indonesia is due to the non-optimal handling of one or more critical success factors of cluster development. One or more factors are essential for the successful development of the MSME cluster. Unconsidered cluster-to-market links were one of the main reasons for failure.

Rothenberg et al. (2016) state that the development of MSME clusters in Indonesia has unclear policy directions, the practice of clustering rural industries only shows trial and error opportunistic behavior rather than a well-organized business environment. Most government intervention is focused on the establishment and marketing stage of industrialization, leaving the middle stage of industrial structure formation and business cooperation into market competition. As a result, these emerging local clusters are overshadowed by government politics and rhetoric instead of being sustained by a conducive business environment. At the same time, government policies play an essential role in the success of cluster development. The rational function of clusters requires not only the wishes and actions of members for consumers and rivals but, above all, a clear state policy on this issue, without which risks can grow substantially, and positive aspects may remain unused (Vlaisavljevic et al., 2020). The development and success of a cluster depend on the proper development of achievable objectives for a particular industry, defined geographic area, or strategically important activity identified and supported by the government. Even cluster studies produce different results in different sectors. Vlaisavljevic et al. (2020) mention that cluster development in different industries requires a different approach.

The formation of clusters will improve relations between cluster members and encourage them to undertake several collaborative and collective projects to increase competitiveness. The relationship is powerful and encourages the process of information sharing, technology transfer, and co-production (Green et al., 2017). As happens in any traditional cluster, developments in the cluster lead to building a knowledge base. It happens because of the abundance and diffusion of local wisdom knowledge among units close together. Any changes introduced by any unit are easily spread to other units in a short time and show cooperation between various companies (Mehra, 2012). Integrating and collaborating with various stakeholders involved in the cluster is the core of the formation of industrial clusters. This is confirmed by Tambunan & Supratikno (2004), which states that the prerequisite for

successful cluster development is the cluster's potential to access growing markets. So it is necessary to consider the factors related to market integration in developing MSMEs in Indonesia.

Referring to this opinion, MSMEs who are members of the cluster should be able to integrate and collaborate to increase competitiveness. However, several studies are not in line with this statement. He & Ouyang (2011) stated that there is cooperation and competition between cluster members in the process of integration. Cluster-based integration of SMEs is when local industry clusters in the same area form a complete or almost complete value chain cluster. Nwosu (2017) argues that collaboration and formal networks enable firms to achieve economies of scale and complement each other with diverse competencies, skills, and technologies.

1.3.2 Entrepreneurial Competencies

According to Hsieh et al. (2019), an entrepreneur has a particular soul and ability to create and innovate. Someone who has creative and innovative abilities can create something different, can start a business, can create something new, can find opportunities, dares to take risks, and can develop ideas and gather resources (Tantawy et al., 2021). Because entrepreneurs are synonymous with entrepreneurs and act as owners and managers, entrepreneurs are the ones who capitalize, regulate, supervise, enjoy and take risks. As mentioned above, to become an entrepreneur, one must first have basic capital in the form of an idea or mission and a clear vision, a strong will, sufficient capital, money and time, and enough energy and thoughts. These capitals are insufficient if they are not equipped with some abilities or competencies (Ataei et al., 2020).

Meredith & Howard (1997) stated that an entrepreneur must have the following competencies: discipline, high commitment, honesty, creative, innovation, and always work with achievement. The successes and failures of entrepreneurs are identified based on their attitudes and behavior in everyday life. Gedik et al. (2015) found that characteristics or elements of entrepreneurship are achievement, motivation, independence, creativity, risk-taking (moderate), tenacity, future orientation, communication and reflection, leadership, locus of control, instrumental behavior, respect for money, while Rosado-Cubero et al. (2022) added the ability to innovate as characters needed by a modern entrepreneur.

2. Method

The Method section describes in detail how the study was conducted, including conceptual and operational definitions of the variables used in the study, Different types of studies will rely on different methodologies; however, a complete description of the methods used enables the reader to evaluate the appropriateness of your methods and the reliability and the validity of your results, It also permits experienced investigators to replicate the study, If your manuscript is an update of an ongoing or earlier study and the method has been published in detail elsewhere, you may refer the reader to that source and simply give a brief synopsis of the method in this section.

This study uses a qualitative approach to the type of survey. In-depth interviews were conducted with key informants, namely the head of the Garut cracker UMKM cluster association. The sampling technique used the purposive sampling method, followed by the snowball sampling method. Informants submitted by one resource person and another must have the following characteristics:

1. Cracker craftsmen are included in the MSME criteria by applicable regulations.
2. As one of the cracker center MSMEs registered in Garut Regency
3. Have a license for registering MSMEs according to regulations
4. Still producing and having a workforce.

Three informants meet these characteristics, namely O1, a chairman of the MSME cracker community in Garut Regency, O2, and O3, who are cracker craftsmen. After determining the research method, the researcher arranges the research instrument. The instrument in this study was in the form of an interview guide. Questionnaire used a structured type, where each informant was given a grid of questions as follows:

1. Internal Factors (Problems)

MSME internal factors are factors that influence the company's marketing strategy that comes from within the company itself, which consists of:

- a. Industrial infrastructure that supports the continuity of the production process.
- b. Production financing and company capital in carrying out production activities.
- c. Marketing companies in marketing their products so that consumers buy them.

2. External Factors (Carrying Capacity)

The company's external factors are factors that affect the company's marketing strategy originating from outside the company, which consist of:

- a. Consumer convenience can affect product purchase orders.
- b. The company can accept requests for the number of products by the strength of financing and capital.
- c. Competition among companies with similar products affects product pricing and quality.

The results of the interviews were then analyzed using data reduction techniques, namely sharpening and classifying, directing, removing unnecessary, and organizing data so that conclusions could be drawn and verified. The data is then presented in narrative text and other forms. After the data is concluded, the validity test is carried out using data triangulation. Triangulation involves several researchers in collecting and analyzing data and using various theoretical perspectives in the research.

3. Results and Discussion

In identifying and evaluating marketing opportunities, there were three questions: what did the interviewees do when they saw a good marketing opportunity, their frequency of asking for input from other parties, and the frequency of sharing and discussing product marketing experiences with other parties. The analysis in this aspect is as follows:

When they see a good marketing opportunity, O1, O2 and O3 are at a moderate level, aware of new marketing system trends, and take immediate action when they realize an opportunity. The triangulation results have shown the consistency of entrepreneurial competencies in O1, O2, and O3. O1 took the opportunity to open a new branch which would become the center. O2 always takes the opportunity to meet customer needs for cracker in the form of craker industry. In addition to self-help, O3 took the opportunity to take advantage of programs held by the government.

As quoted from the following interview with O3:

"Sometimes there is a program from the government, but when it is not there anymore, we prepare ourselves; it is like a self-help system, that is the point."

When asking for input from others, O1, O2, and O3 were at a moderate level. In contrast, the resource persons were interested in asking for input from others that could be used to take business opportunities. When asked what the intensity was, O1 stated that he asked for input 2-3 times a month, unlike O3, once a month. O2 does it regularly once a week via email, hotline, and social media on his device, which can be in the form of suggestions, criticisms, or orders.

Likewise, with sharing experiences, O1, O2, and O3 are at a moderate level and like to share their business experiences with others. O1, O2, and O3 usually share in the business community they follow. O2 often participates in seminars in government programs. As quoted from the following interview with O2:

"So far, I have often participated in seminars and workshops from government programs to add to my relationship with learning."

It is different with O3, whose age is already middle-aged, so O3 regularly shares according to the gathering time of the Garut cracker UMKM cluster industry community. As quoted from the following interview with O1:

"If I just get together in Garut cracker UMKM cluster, if there is training from the government, come, if not, just stay here while monitoring the employees."

At the identity and solving problems stage, two parts are asked of the resource person, namely what the resource person does to solve the problem and what the resource person does in overcoming several conflict conditions.

In solving problems, O1, O2, and O3 are at a moderate level, where they can prepare solutions related to the problems at hand. O1, O2, and O3 are to find out if a problem occurs and also develop practical solutions related to the problem at hand. As quoted from the following interview with O3:

"We believe that every problem has a solution, no matter how serious the problem, there must be a solution ... and there must be a solution, armed with training and workshops to seminars organized by the government."

In overcoming several conflict conditions, O1 and O3 are at a high level, where if several problems occur at one time, they immediately prioritize problem-solving and prepare the required solutions. In contrast, O2 shows a low level. Because the results of the O2 triangulation show a level that is not consistent with O1 and O3, it is necessary to find out the cause of the difference. O1 and O2 can provide solutions for the common good. Tantawy et al. (2021) define an entrepreneur as someone with a unique, inspiring, or creative instinct and mindset. For example, O2 realized that if his team was not cooperative, it could affect productivity, which could hinder the achievement of company goals. So O2 will always try to motivate his team members. As quoted from the following interview with O3:

"Anyway, we have to know the problem; we have to know the condition of partners and employees so that the problem can be solved together."

In the decision-making stage, three parts are asked of the resource persons, namely the resource person's understanding of the problem and conflict situation, how the resource person considers it adequate to solve the problem, and what the resource person does to anticipate a problem.

In understanding a problem or conflict situation, O1, O2, and O3 are at a moderate level, where the resource person can provide practical solutions to the problems at hand; problem-solving still depends on the complexity of the problems at hand and generally makes a target for solving a problem. The solution takes a short time to complete for easy constraints, while for more complex problems, the resource person will need more time to solve it. As quoted from the following interview with O1:

"For example, from human resources, what is his mistake and why do we need to study it first, we check it before asking directly, the name is also human, there must be obstacles, some are very personal."

Ineffective ways to solve a problem, O1, O2, and O3 are at a moderate level, namely, choosing standard methods to solve a problem. The triangulation results have shown a level of consistency. The triangulation results have shown a consistent level of entrepreneurial competencies in O1, O2, and O3. O1 and O2 prefer to rely on intuition when making decisions on a problem, but if needed, O1 and O2 also like to look for new information that can support decision-making. At the same time, O3 prefers to discuss with related parties before finally deciding on a problem. O1 prefers to do reprimands to solve problems that occur. As quoted from the following interview with O1:

"The most effective way has consequences for a deterrent and disciplinary effect."

In anticipating problems, O1, O2, and O3 are at a moderate level, where they tend to wait for the problem to come first and then look for a solution. The triangulation results have shown the consistency of entrepreneurial competencies in O1, O2, and O3.

Each of O2 and O3 already understands the impact of their decisions, but the solutions they offer are still short-term to solve the current problem. As quoted from the following interview with O3:

"Based on experience, if there is a problem, if there is a problem, check it first before taking action, then check the truth and then take action."

O1 prefers to prevent before problems come. O2 understands the impact of the decisions taken and also prepares solutions for possible impacts. However, the nature of O2's anticipation cannot yet be categorized as high because the anticipation is meant only to play it safe. As quoted from the following interview with O2:

"So, finally, we have monitoring in terms of operations and production, if at the motorcycle dealer there is quality control, so there are parties who handle quality control."

At the communication stage, four parts are asked of the resource person, namely the ability to interpret information, communication style when dealing with people in various situations, whether the speaker is a talkative type or a suitable listener type, and how to convey information to others.

In interpreting information, O1 and O3 are at a high level because they can understand the information that has just been received, or they are looking for additional information to enrich their understanding. They also tend to use their language when passing on the information to others, while O2 is at a moderate level.

Because the results of the O2 triangulation show levels that are not consistent with O1 and O3, it is necessary to find out the cause of the difference. Even though he managed to understand the info, O2 still chose the same language style when passing information on to others. In addition, O2 also did not confirm the team regarding their understanding of the information that had been submitted. Ajzen (1991: 196) states that beliefs such as past experiences or secondary information, such as factors that can increase or reduce the degree of difficulty in behavior, can affect a person's intentions and actions in behavior.

Regarding communication style when dealing with people in various situations, O1, O2, and O3 are at a moderate level. Namely, the resource person adapts the language style to the needs of many parties. The triangulation results have shown the consistency of entrepreneurial competencies in O1, O2, and O3. The resource person will pay attention to who the interlocutor is and use the language style that the other person most easily understands.

"For example, if I have input or criticism, it can be directly or indirectly, such as via cellphone or social media, you can, through direct chat, you can also do it."

Regarding conveying information to others, O1 and O2 were moderate. O1 and O2 passed on the information using their language style and clarified the team's understanding of the information presented. O3 is at a low level because the results of the O3 triangulation showed varying levels with O1 and O2, it was necessary to determine the cause of the difference. O3 did not clarify the team's understanding of the information submitted. Meanwhile, the research of Mustafa et al. (2016: 162, 164) states that a proactive personality is closely related to a person's intention to become an entrepreneur. However, in this case, O3, generally less proactive, is an entrepreneur. So it can be concluded that the case of O3 is an exception.

At the innovative thinking stage, the informants ask for four parts:

1. interest in doing different ways of doing work.
2. discussion activities about new ideas.
3. attitudes toward trying new approaches to solving a job or problem.
4. attitudes towards new approaches and technologies.

For interest in different ways of doing work, O1, O2 and O3 are at a moderate level, i.e., effectively applying the new way. O1, O2 and O3 like to find new ways to make their work more accessible. As quoted from the following interview with O2:

"In innovative thinking, we must consider overall aspects such as finance, marketing, resources, and operations, all of which must have followed the technology; otherwise, we will be left behind."

In discussing new ideas, O1, O2 and O3 are at a moderate level, open to accepting new ideas from other parties. The triangulation results have shown the consistency of entrepreneurial competencies in O1, O2 and O3. As quoted from the following interview with O2:

"Personally, for example, if someone gives input, giving an idea, we are open to it. Instead, we thank you for being helped."

In trying new approaches to solving problems, O1, O2 and O3 are at a moderate level, open to accepting new ideas from other parties. As quoted from the following interview with O3:

"In the cracker industry, it is clear that there must be innovation and bright ideas to keep up with the times, so we are very open if anyone contributes ideas and input."

In responding to new technologies, O1, O2 and O3 are at a moderate level, namely finding out about technology related to business. As quoted from the following interview with O2:

"Following technological developments, we have tried to follow the development of examples in the marketing sector, we have gone online. The financial system has also been upgraded to online using internet banking to increase consumer confidence; tracking shipments can also be done via the internet to increase consumer confidence whenever there is a problem. God willing, we will deal with it immediately."

4. Conclusion and Recommendation

4.1 Conclusion

The results show that of the five entrepreneurial competence steps studied, the Garut Regency cracker center entrepreneurs have a moderate level of competence, which indicates that the existing entrepreneurial competencies are good enough for their business. In identifying and evaluating marketing opportunity competencies, when they see a good marketing opportunity, O1, O2 and O3 are at a moderate level, where they are aware of the new marketing system trend and take immediate action when they realize an opportunity. The triangulation results have shown the consistency of entrepreneurial competencies in O1, O2 and O3. The medium level indicates that the business actors of cracker MSME cluster can market based on the trend of the new marketing system.

In the competence of identifying and solving problems, the medium level indicates that the business actors of Garut cracker MSME cluster can prepare solutions related to the problems at hand and make priority solutions if several problems occur at one time. In decision-making competence, the medium level indicates that the business actors of Garut cracker MSME cluster can provide practical solutions to the problems at hand. Make decisions depending on the complexity of the problem, make a target for solving a problem, use standard methods in solving problems, and still wait for problems to come and then look for solutions.

In communication competence, the medium level indicates that the business actors of Garut cracker MSME cluster can understand the information quickly. They have just been received or look for additional information to enrich their understanding of the information, adjust the language style to the needs of many parties, and pass on information to other parties using their language style. In innovative thinking competence, the medium level indicates that the business actors of Garut cracker MSME cluster are effectively implementing new methods. They are open to accepting new ideas from other parties, interested in trying new approaches that are considered adequate, and interested in discovering new technologies that are considered adequate and can support the success of work or business.

Regarding the internal problems of MSMEs, no complex problems have been found outside the scope of the research variables, which means that MSMEs can still overcome existing problems. From the education level factor of MSME workers are adequate and able to support MSME activities, workers in MSMEs Garut cracker MSME cluster have very high motivation. That can be due to encouragement both from within and outside.

4.2 Recommendation

At this stage, suggestions are expressed based on the analysis of research results, which show that the identification of problems and the development of the Garut cracker MSME cluster with the entrepreneurial competencies that currently exists is good enough to run the business of the Garut cracker MSME cluster, is at medium level. The medium level indicates that there is room for the development of entrepreneurial competencies, in order to be able to produce a high level of entrepreneurial competencies.

This research is still being carried out on developing the Garut cracker MSME cluster. Further research can be carried out at other centers to obtain comparisons and compare how MSMEs were formed through their

experiences. This comparison can provide a more general picture and can be generalized to the same phenomenon in Indonesia.

The education and skills of employees owned by entrepreneurs are critical and the principal capital, so they need to be improved continuously and sustainably through training and skills activities held by MSMEs or the government through the relevant office. Related parties such as the government are expected to provide and develop programs that can improve aspects of entrepreneurship, human resources, and innovation to improve the performance of MSMEs in Garut cracker MSME cluster. One of the things needed is human resource competency training. Seeing the potential of the people of Garut, it is hoped that the city government or related parties will provide the support that is not in the form of advice because it is not very influential. It is hoped that in the future, the government program can provide direction on the right technology to use, as well as provide training in the use of that technology.

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