

Capacity Building Strategy for Increasing Economic Productivity of Small and Medium Industries

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ABSTRACT

Purpose – Research to determine the effect of increasing the Capacity of Small and Medium Industries (IKM) to increase the capacity and productivity of economic activities. Research in the city of Bukittinggi from July to October 2022.

Methodology/approach – Descriptive qualitative research methods, interview analysis techniques, group discussion forums and the Delpi technique. First, interview 6 SMI actors, second, 5 expert informants and three government stakeholders.

Findings – Research Findings The factors increasing IKM capacity are Capital, HR Quality, Facilities, Marketing, Production Quality, Financial Management, Technology, Promotion, Availability of Raw Materials and Environmental Support, the results of factors that greatly influence IKM capacity are HR Quality with a score of 5.00 or 100% with Very important criteria and results based on the Effectiveness Level of the government's response to the factor known that Capital has a high effectiveness of the government's response with a score of 4.20 or 84% with Effective criteria, while a low level of effectiveness of the government's response is Financial Management with a score of 2, 80 or 56% with Less Effective Criteria. Research results strategies, improving financial management, academic collaboration and information technology enhancement as well as increasing raw materials and government supervision.

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INTRODUCTION

Small and Medium Industry or abbreviated as IKM is one of the important sectors in the Indonesian economy, where IKM provides many jobs, and IKM is the cornerstone and basis for the economy of developing countries to be more advanced (Rahmad et al., 2019). Based on data from the Indonesian Central Statistics Agency (BPS) (2020) with a total of 4.21 million IKM. In the era of decentralization, local governments are trying to develop SMEs in their regions as one of the efforts to encourage regional economic growth (Widiyantoro et al., 2021). Local governments manage the use of resources based on their local potential, including regulating regional IKM. The basis of IKM activities in the regions is the common people. Because of this, SMEs are one of the important foundations in the national economy, so local governments need to pay more attention to SMEs development (Arifin, 2011).

Small industry has enormous potential to accelerate equitable distribution of economic growth and social welfare (Windusancono, 2021), the importance of the role of small industries in developing the

national economy, although they have great potential for the economy, small and medium industries still face many problems (Atmaja, 2018). The intense competition in today's industrial world as a result of technological developments requires every company to be more thorough and focused in assessing and focusing on product competition and industrial systems (Panambunan & Loho, 2016). A company's evaluation of its own products and systems and of the products and systems of its competitors lets the company know what it must do to face its competitors. While the focus of a company's products and systems will determine the future of the business (Fardiansyah et al., 2022).

Productivity in a company is an issue that is always hot and endless to discuss (Astuti, 2017). Strategic issues are productivity problems that exist within an organization, especially in achieving performance, but there are many internal and external aspects to support and create effectiveness within a company (Anh & Tien, 2021). The increase in the growth of the Small and Medium Industries has an effect on the value of investment, the value of products and the value of existing raw materials, if the investment decreases, it will reflect a decrease in the productivity of the company (Guillen et al., 2018). Bukittinggi is a city with a well-known Small and Medium Industry and is also known as a national scale trading center. Thus, the economy of Bukittinggi is supported by Small and Medium Industry business actors (Adella et al., 2022). The progress of Small and Medium Industries in an area is the responsibility of the regional government to advance the economy of the community, where the economic progress of the community will increase the productivity of the activities and the economy of the area, so it is the responsibility of the regional government to foster and promote small and medium industries (Siregar et al., 2021).

Gherhes research results (2016), that small and medium industries in business development are often constrained, one of which is business capital to develop their business (Gherhes et al., 2016), where with limited capital, business actors will find it difficult to compete in business to develop, where the economy has been hit after the Covid-19 pandemic (Redjeki & Affandi, 2021). Small and medium industries in high competition economic conditions will also find it difficult to obtain raw materials for production, this is another obstacle (Irfayanti & Azis, 2012), so they will produce with limited capacity, with fixed production costs, the reason is capital problems and difficulty getting raw materials for production (Gebremariam & Marchetti, 2018).

Based on the initial survey conducted specifically regarding the capacity of IKM in the Pakan Kurai sub-district, there are several basic obstacles or problems in the small and medium industrial sector. First, they are often hampered by limited capital, most business actors start their businesses using personal funds, so that the production capacity they run is only limited to the amount of capital they have, which makes small industries unable to develop optimally. Second, the availability of raw materials, such as the purchase price of raw materials which is quite expensive or the location of the supplier of raw materials which is too far makes business people have to pay more to get raw materials. Third, production capacity, most small industries do not dare to produce goods or services in large quantities, they tend to produce based on orders from consumers. The four promotions and marketing are only done by word of mouth and are still afraid to use advertising media or participate in various exhibition events held by related parties. Fifth, technological limitations, most small industries still use very limited technology, so their production is not maximized. Sixth, Human Resources or HR are still underprivileged, therefore there is a need for training for HR to improve the skills and abilities of employees so that the quality of production is getting better. Seventh, there is no partnership network, the limited partnership network owned by industry players makes it difficult for small industrial products to compete in the global market.

From the background and problems above that occurred in the City of Bukittinggi, what this research wants to know is First, the factors that can influence the increase in IKM Capacity in the City of Bukittinggi ?. Second, what is the strategy for IKM in Bukittinggi City in increasing capacity in order to increase the productivity of IKM ?

LITERATURE REVIEW

Strategic Management

Strategic management focuses on efforts to integrate management, marketing, finance or accounting, production or operations, research and development, and computer information systems to achieve organizational success. The objective of strategic management is to exploit and create new and different opportunities for the future (Steiss, 2019). According to Hand and Lufly (2014), aspects of strategic management include disclosing the vision and mission of business entities, determining implementing strategies, as well as assessing performance and carrying out adjustments and corrective actions to goals, creating strategies, implementing and adjusting corrective actions (Hahn & Lülfs, 2014). Meanwhile, according to Ginter (2018) in his book strategic management has strategic aspects. These aspects include (Ginter et al., 2018); a) developing the vision and mission of the organization, b) setting organizational goals, c) formulating strategies to achieve goals, d) implementing and implementing strategies, e) evaluating results and improving and adjusting strategies.

Productivity

Productivity is the relationship between inputs and outputs of a productive system, or the relationship between output and input (Kaab et al., 2019), when more output is produced with the same amount of input, productivity goes up. Likewise, when fewer inputs are used for the same number of outputs, productivity also increases (Pishgar-Komleh et al., 2020). In carrying out production activities and using human resources in an effective way will give better results (Mousa & Othman, 2020). Productivity is one of the measuring tools for companies in assessing the work performance achieved by their employees.

Capacity

The term capacity in various dictionaries has a number of meanings. Capacity is the total amount of goods, the total amount that can be produced, and a person's ability to do something (Weidel, 2018). Capacity is the ability to perform appropriate tasks effectively, efficiently and sustainably, whether individual or organizational to perform functions effectively, efficiently and sustainably (Hope, 2017).

Conceptual framework

Small and Medium Industries or IKM in Bukittinggi City is one of the national-scale trade centers and has many IKMs, but the productivity level of IKMs is still limited because there are many internal and external obstacles. that is:

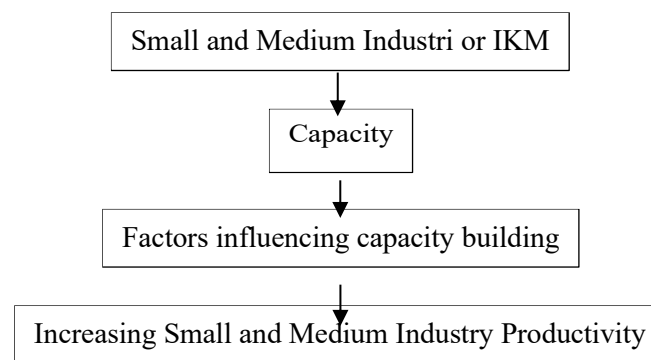


Figure 1. Conceptual Framework

METHOD

The research method used in this study is a descriptive research method with a qualitative approach, focusing on solving the right problem in finding strategies to increase the productivity of IKM in the city of Bukittinggi. The data sources in this research are: Firstly, the primary research data is the opinions of the respondents which are personal perceptions and conveyed directly.

Second, the data in general is the acquisition of 13 2data through the activities of the author directly at the secondary. The data analysis technique used in this research is interview technique, FGD (Forum Group Discussion) and Delphi technique. Interviews are useful for exploring the factors that influence capacity building, then the most dominant factors are compiled using a Likert scale, then FGDs (Focus Group Discussions) are carried out with experts and asking for the right strategy for capacity building in order to increase IKM Productivity in Bukittinggi City. This research consisted of 3 stages of interviews. Informants in the first phase of the interview were 6 SMI actors, to obtain information on the factors that influence the capacity building of SMIs. The second stage of the interview with the informants was 5 experts, to see the level of importance and effectiveness of the government's response to the factors and the third stage of the interview was the stakeholders of the Bukittinggi city government to get input on the right strategy in improving the factors that influence the increase in the capacity of IKM.

RESULT AND DISCUSSION

First Phase Interview

the first phase of interviews distributed questionnaires to IKM actors to determine the factors that influenced the increase in the capacity of IKM City of Bukittinggi. Informants in the first phase of the research interview were 6 people. The results of the interview revealed that there were several factors that influenced the increase in the capacity of IKM in the Pakan Kurai sub-district, according to informants who came from IKM actors, the factors that influenced the increase in IKM capacity were capital, quality of human resources, facilities and infrastructure. Business, Marketing, Production Quality, Finance/Bookkeeping Management, Technology, Promotion, Availability of Raw Materials and Environmental Support.

Second Phase Interview

Second phase of the interview, the researcher distributed questionnaires to 5 expert staff. The second phase of interviews with experts aims to determine the level of importance of various factors that influence the increase in the capacity of IKM City of Bukittinggi and to see whether the government's response to these factors has been effective.

The results of interviews on the level of importance and the level of effectiveness of the government's response to the factors can be seen as follows:

1. Interest Level

Results The level of importance of the factors that influence the capacity building of IKM can be seen in the table below:

Table 1. Interest Level

FACTOR	AVERAGE	TCR
HR Quality	5,00	100,00
Capital	4,80	96,00
Marketing	4,80	96,00
Production Quality	4,80	96,00
Promotion	4,80	96,00
Business Facilities and Infrastructure	4,60	92,00
Availability of Raw Materials	4,40	88,00
Financial Management/bookkeeping	4,20	84,00
Financial Management/bookkeeping	4,00	80,00
Environmental Support	4,00	80,00

Based on the interest level table above, it can be seen that according to experts regarding the level of importance of factors influencing the increase in IKM capacity, Capital has a score of 4.8 or 96% with Very Important criteria, HR Quality has a score of 5.0 or 100% with very important criteria, facilities and infrastructure have a score of 4.60 or 92% with very important criteria, marketing has a score of 4.80 or 96% with very important criteria, production quality has a score of 4.80 or 96% with very important criteria, Financial Management/Bookkeeping has a score of 4.20 or 84% with Important criteria, Technology has a score of 4.00 or 80% with Important criteria, Promotion has a score of 4.80 or 96% with Very Important criteria, Availability of Raw Materials has a score of 4, 40 or 88% with Important criteria and Environmental Support has a score of 4.00 or 80% with Important criteria.

So it can be concluded that the factor that has the highest influence on increasing the capacity of IKM is the quality factor of human resources with a score of 5.0 or 100% with very important criteria, while the factor that has the lowest effect on increasing the capacity of IKM is the technology factor with a score of 4.0 or 80% with Important Criteria and environmental support factor with a score of 4.0 or 80% with Important Criteria.

2. Government Response Effectiveness

The results of the study have the government's response to factors been effective, can be seen in the table below:

Table 2. Government Response Effectiveness

FACTOR	AVERAG E	TCR
HR Quality	4,20	84,00
Capital	4,00	80,00
Marketing	3,80	76,00
Production Quality	3,80	76,00
Promotion	3,80	76,00
Business Facilities and Infrastructure	3,60	72,00
Availability of Raw Materials	3,40	68,00
Financial Management/bookkeeping	3,20	64,00
Financial Management/bookkeeping	3,20	64,00
Environmental Support	2,80	56,00

Based on the table above, it can be seen that according to experts regarding the effective level of government response to factors, it states that Capital has a score of 4.2 or 84% with Effective criteria, Human Resources Quality has a score of 4.0 or 80% with Effective criteria, Facilities and Infrastructure has a score of 3.80 or 76 with the criteria of Fairly Effective, Marketing has a score of 3.60 or 72% with the criteria of Quite Effective, Quality of Production has a score of 3.40 or 68% with the criteria of Quite Effective, Financial Management/Bookkeeping has a score of 2.80 or 56% with Less Effective criteria, Technology has a score of 3.20 or 64% with Less Effective criteria, Promotion has a score of 3.80 or 76% with Enough Effective criteria, Availability of Raw Materials has a score of 3.20 or 64% with Less criteria effective and Environmental Support has a score of 3.80 or 76% with the criteria of Quite Effective.

So it can be concluded that the highest factor in the effective rate of government response to the factor is the Capital factor which has a score of 4.2 or 84% with the criteria of Effective, while the lowest factor in the effective rate of government response to the factor is the Finance/Bookkeeping Management factor which has a score 2.80 or 56% with Less Effective criteria, Technology has a score of 3.20 or 64% with Less Effective criteria and Availability of Raw Materials has a score of 3.20 or 64% with Less effective criteria.

With the results of the data above, the Experts provide strategic suggestions in improving the factors that influence the increase in IKM capacity as follows:

First Informant: Mr. A, 49 years old, Masters degree, Occupation Member of the Legislature of the city of Bukittinggi.

1. Increase Capital with CSR Funds and apply for a board of directors
2. Improving the quality of human resources by increasing training
3. Improvement of Facilities and Infrastructure by proposing through the council fikiran and input from the Bukittinggi City Legislature
4. Product Quality Improvement by carrying out Supervision from related agencies
5. Improving financial / bookkeeping management by providing bookkeeping training and collaborating with academics / campuses
6. Improvement of Technology by providing appropriate Technology trainers
7. Increasing promotion by providing promotional training with digital marketing
8. Increasing the availability of raw materials by making policies and regulations for the availability and stability of raw material prices
9. Increasing Community Support by making clear rules and cooperation between IKM and the governmentPeningkatan Sarana dan Prasarana dengan mengusulkan melalui fikiran dewan dan masukan APBD Kota bukittinggi

Second informant: Mr. B, 66 years old, Masters degree, Retired City Government of Bukittinggi and Chairman of one of the city's community organizations.

1. Increasing Capital with CSR Funds, submitting the fikiran of the board and adoptive father of business
2. Improving the quality of human resources by increasing training
3. Improvement of Facilities and Infrastructure by proposing through the board of directors and input in the musrenbang through Village funds
4. Increasing Marketing by participating in exhibitions and offering products to the market via the internet network
5. Product Quality Improvement by increasing supervision from the government and authorized officials
6. Improving financial management/bookkeeping by providing training in manual bookkeeping and computer applications
7. Improvement of technology by providing training on understanding new and appropriate technologies
8. Increasing promotion by promoting products through social media (digital marketing)
9. Increasing the availability of raw materials by increasing supervision from the government on the availability of raw materials and price stability of raw materials
10. Increasing Community Support by holding meetings with local communities to support businesses.

Third informant: Mrs. C, 48 years old, D3 education, self-employed

1. Increasing Capital with capital injections from banks, NGOs, private and individual investors
2. Improving the quality of human resources by means of guidance, direction, monitoring and related parties to guarantee the quality of IKM products so that they have competitiveness
3. Improving facilities and infrastructure by conducting field reviews to facilitate the needs of IKM so that they are right on target and effective.
4. Increasing Marketing by means of the need for a support system that leads IKM actors to market as needed.
5. Improving product quality by controlling the standardization of IKM products from various institutions related to production so that quality can compete
6. Improving financial management / bookkeeping by providing financial management and bookkeeping training for IKM actors so that business knowledge is applied from conventional to modern systems
7. Improvement of Technology by providing trainers/coaching/development of knowledge about technology to support IKM

8. Increasing Promotion by means of cooperation, direction, guidance to develop promotions
9. Increasing the availability of raw materials by guaranteeing stable and easy-to-obtain raw material prices.
10. Increasing Community Support by carrying out good cooperation between IKM and the government

Fourth informant: Mr. D, Masters Degree, Occupation of Related Officials in the Small and Medium Enterprises Sector of the City of Bukittinggi

1. Capital Increase by providing capital assistance and CSR funds
2. Improving the quality of human resources by providing regular training and education.

Fifth informant: Mrs. E, 47 years old, Masters degree, Civil Servant in the City of Bukittinggi

1. Increasing Capital by providing capital assistance through CSR, KUR, Fokir Board and adoptive fathers.
2. Improving the quality of human resources by means of technical training
3. Improved facilities and infrastructure by facilitating machine revitalization.
4. Increasing Marketing by facilitating domestic and foreign exhibitions.
5. Improving Product Quality by facilitating Halal Labeling, Packaging and fostering quality control groups.
6. Improving financial management/bookkeeping by providing financial management technical guidance.
7. Improvement of Technology by providing trainers and facilitation of IT technology and appropriate technology
8. Increasing Promotion by utilizing social media through marketing promotions such as Tokopedia, sopie and others
9. Increasing the availability of raw materials by cooperating with raw material providers.
10. Increasing Community Support by making government policies and regulations

Interview Stage three

The third stage of the interview was with the stakeholders of the Bukittinggi city government, which aimed to get input on the right strategy in improving the factors that influence the increase in the capacity of IKM.

This research is in accordance with the Vision of the City of Bukittinggi, namely Creating a Great Bukittinggi, Based on Basandi Syara' Customs, Syara' Basandi Kitabullah, Formulation of this Vision with the aim of creating the development and implementation of innovative ideas by utilizing existing minds and resources to produce a work who excel in realizing the great Bukittinggi.

The concept of "Great" can be interpreted as H: Humanist, E: Entrepreneur, B: Wise, A: Religious/Fair, T: Exemplary, the realization of HEBAT society through Basandi syara', syara' Basandi Kitabullah is a manifestation of the people of Bukittinggi City who will be created in the future. The GREAT society in question is a civilized, religious, superior, highly competitive and independent society. A civilized society is the embodiment of civil society, which upholds human values, advanced and advanced in technology and science based on religious values. Civilized and Religious is, is a form of manifestation of the embodiment and perfection of religious life, as a manifestation of the commands of Allah Subhanahu wa ta'ala.

Based on the research conducted, in line with the Mission "Great in the People's Economy Sector". Some of the strategies undertaken to realize this mission are:

1. Increasing the role of sharia capital institutions and coaching programs to increase the growth of creative industries and MSMEs in order to reduce poverty.
2. Creating policies or regulations that are more in favor of MSME actors.
3. Realizing business opportunities and opportunities for small and medium traders (MSMEs).

4. Creating BUMD in order to increase the independence of the Bukittinggi City government
5. Increasing the role of the government in information services, counseling and promotion of local products and business actors
6. Creating a clean, safe and comfortable Market order for traders and visitors.
7. Increasing the role of technology in the people's economic sector

CONCLUSION

Based on the results of the analysis it can be concluded in the study, namely:

First, factors to increase the capacity of IKM, namely Capital, Quality of Human Resources, Business Facilities and Infrastructure, Marketing, Production Quality, Financial Management / Bookkeeping, Technology, Promotion, Availability of Raw Materials and Environmental Support.

Second, based on the level of importance, the factor that greatly influences the capacity of IKM is the quality of human resources with a score of 5.00 or 100% with very important criteria.

Third, based on the level of effectiveness of the government's response to the factor, it is known that Capital has a high effectiveness of the government's response with a score of 4.20 or 84% with the criteria of Effective, while the level of effectiveness of the government's response is low, namely the Availability of Raw Materials with a score of 3.20 or 64% with Less Effective Criteria, Technology with a score of 3.20 or 64% with Less Effective Criteria and Financial Management / Bookkeeping with a score of 2.80 or 56% with Less Effective Criteria

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