IDENTIFICATION OF ENHANCING FACTORS FOR INCREASING THE POWER COMPETITIVENESS OF SMALL MEDIUM INDUSTRY OF BATIK IN SIDOARJO DISTRICT WITH INTEGRATION OF GREEN INNOVATION APPROACH AND ISM

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ABSTRACT

Purpose: Identify the inhibiting factors of increasing competitiveness in the small and medium batik industry in the district of Sidoarjo.

Design/methodology/approach: The data collection process uses a questionnaire compiled with the Green Innovation approach with five main variables, Green Resource, Green Process, Green Product, Green Innovation, and Competitive Advantage. Green Innovation is a process of continuous innovation that considers the integration of the environment, finance, social systems in the company from the stage of ideas through research and development and commercialization that affect new products, services, technology, business, and organizational models. Determination of alternatives and strategy analysis using the Interpretative Structural Modeling (ISM) approach is a method that uses the opinions of experts on the questionnaire that has been distributed.

Findings: Based on the analysis results, 14 inhibiting factors and six priority levels were obtained, with the highest value of the power driver in the training and outreach factor (10) as the main inhibiting factor in increasing competitiveness. Therefore, it requires the involvement of all parties related to the batik SMEs to improve their competitiveness and the strategies they choose.

Research limitations/implications: This research was conducted at the Small and Medium Industry (IKM) of batik in the district of Sidoarjo, which is one of 15 districts in East Java who chose One Village One Product (OVOP) as strategies increase the power of competitiveness. Number of samples relative small if it is compared with the number of batik SME di East Java.

Practical implications: Result of this research can be used to increase competitiveness of SME Batik in East Java and Indonesia.

Originality/value: This research is original.

Paper type: Research paper.

Keyword: Enter key words or phrases in alphabetical order, separated by commas and maximum of six words. IKM, OVOP, Green Innovation, ISM, Inhibiting Factors

Received: July 25th, 2020
Revised: August 17th, 2020
Published: September 30th, 2020
I. INTRODUCTION

As one of the cultural heritages, Batik has made Indonesia an international name since it was designated by UNESCO as an Intangible Cultural Heritage of Humanity in Abu Dhabi on October 2, 2009, which has the potential to support the people's economy, because it has a significant influence on world demand, turning into a classy business (Republika.co.id, 2009), a market leader, and has comparative and competitive competitiveness with several export destination countries, including the United States, Belgium, Britain, Japan, and South Korea.

Recognition from UNESCO can end, if not maintained, its existence and sustainability (Pradito, Jusuf, & Atik, 2010). This is what supports the spread of the batik industry in 101 centers, namely Central Java, West Java, East Java, Yogyakarta, Sumatra, Kalimantan, Sulawesi, and Papua (WartaEkonomi.co.id, 2018); (Elim, 2018).

In line with Presidential Regulation 28/2008 on the National Industrial Development Policy which stipulates that each regency/city must develop regional commodity commodities and the launch of One Village One Product (OVOP) by the Governor of East Java in 2008 which opens opportunities for 15 districts/cities to implement the strategy to improve the competitiveness of selected batik (Kamil, 2011), namely:

Table 1. Competitiveness Improvement Strategies

| No. | Regency / City | Competitiveness Strategies |
|-----|---------------|----------------------------|
| 1.  | Bangkalan     | KID                        |
| 2.  | Banyuwangi    | KID                        |
| 3.  | Magetan       | IK                         |
| 4.  | Pacitan       | IK                         |
| 5.  | Pamekasan     | IK                         |
| 6.  | Sidoarjo      | OVOP                       |
| 7.  | Sumenep       | KID                        |
| 8.  | Trenggalek    | IK                         |
| 9.  | Tuban         | OVOP                       |
| 10. | Mojokerto     | OVOP                       |

Information:
KID = Regional Core Competencies
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II. METHODOLOGY

A. Green Innovation

Green Innovation is a process of continuous innovation with consideration of environmental, financial, social integration in company systems from the idea stage of research and development (R&D) and commercialization that influences new products, services, technology, business and organizational models (Charter & Clark, 2007), which was applied to the questionnaire according to the literature and expert opinion as an inhibiting factor.
B. Interpretative Structural Modelling (ISM)

ISM is a decision-making analysis tool in complex situations by grouping and linking it on a map to strategic policy planning (Santoso & Darwanto, 2015) by prioritizing qualitative factors and proposing hierarchical structures based on sequence and category (Rimantho & Rosdiana, 2018), whose application:

| Classification | Strategic Issues discussed |
|----------------|---------------------------|
| ISM on Waste Management | The Objectives of Waste Management in India: A Futures Inquiry (Sharma, Gupta and Sushil, 1995) |
| ISM in The Innovation Process | The Development of a Cleaner Production Model and Applied Management Solutions for the Pharmaceutical Industry (Zadeh, Aleagha and Nia, 2018) |
| ISM for a Community Development | Modeling and Forming Relationships Between the Obstacles Faced in the Innovation Process in Turkey (Doğ et al., 2010) |
| ISM for SMEs | Model of a Coastal Area Community Development Program by a Government Power Plant (Premana, 2010) |
| ISM for Written Batik | Interpretive Structural Modeling of Identified Barriers to Lean Implementation in SMEs (Shrimali, Soni and Pawar, 2018) |
| | Interpretive Structural Modeling of Identified Success Factor to Lean Implementation in SMEs (Shrimali, 2019) |
| | Analysis of The Obstacles to Implementing Cleaner Production in the Semarang Batik Village Using the ISM Approach (Pujotomo, Sriyanto and Widyawati, 2017) |

This Interpretative Structural Modeling published by J. Warfield in 1973 Pradito et al. (2010) is a Soft System Methodology or SSM Sumadyo (2016) with stages:

1. Breaking down the program to several sub-elements
2. Determine the contextual relationship between sub-elements. For each element that shows a pairwise comparison, use expert opinion.
3. Arranging the Structural Self Interaction (SSIM) matrix using symbols, namely:
   - V = factor i influences factor j
   - A = factor i is influenced by factor j
   - X = factors i and j influence each other
   - O = factors i and j do not affect each other
4. Make the Reachability Matrix (RM) and replace the symbols V, A, X, and O with numbers 1 or 0.
5. Calculates based on the rules of transitivity, so that the SSIM matrix is corrected until a closed matrix (loop matrix) occurs.
6. Determine the level of sub-elements for each element according to vertical and horizontal levels.
7. Arranging a Driver-Power-Dependence (DPD) matrix and Level Partitions.
8. Classifying sub-elements into four sectors Diabat, Govindan, & Panicker (2012), namely:
   a. AUTONOMOUS (weak driver - weak dependent variables),
   b. DEPENDENT (weak driver - weak dependent variables),
   c. LINKAGE (strong driver - strongly dependent variables),
   d. INDEPENDENT (strong driver - strongly dependent variables)

III. RESULTS AND DISCUSSION

Based on the results of the survey, literature, and expert opinion, there are 14 indicators, which are factors that inhibit the increase in competitiveness in the Small and Medium Industry (IKM) of written batik.

Table 4. Inhibiting Factors

| No. | Variable       | Indicators                                                                                      | Source                          |
|-----|----------------|-----------------------------------------------------------------------------------------------|---------------------------------|
| 1   | Green Resources| Potential Human Resources The availability of main and supporting raw material                  | Grant, 1999                     |
|     | Innovation     | Equipment used today Availability of information needed Efficiency and effectiveness cost      | Yuan & Zhang, 2013              |
|     |                | Concern for environmental impacts Efficiency and effectiveness of resources (energy, water, and etc) | Baumann, Boons, & Bragd, 2002 |
| 2   | Process Innovation | Technical methods and renewal                                                                 | Chen, 2008                      |
| 3   | Product Innovation | The use materials that can be recycled Training and outreach from the government to SME’s      | Dangelico & Pujari, 2010       |
| 4   | Green Innovation | Regulation and Policies Customer needs                                                      | Kemp, 2009                      |
|     |                | Competitive, Cheap Price, Surplus Value, Scarcity, Not easy to imitate, and Unique             | Charter & Clark, 2007           |
| 5   | Competitive Advantages | Choice of strategy                                                                            | Nunes & Bennett, 2010          |
|     |                |                                                                                               | Jin, Hopkins, & Wittmer, 2010   |
|     |                |                                                                                               | Wu, Lin, Chien, & Hung, 2011   |

A. SSIM Matrix

SSIM is compiled based on the opinion of experts and the literature on the questionnaire in the form of symbols to show the relationship between factors i and j. is an inhibiting factor in increasing competitiveness in IKM written batik:

Table 5. Inhibiting Factors
B. Reachability Matrix

The following stages are from the reachability matrix:

1. Replace the symbols V, A, X and O on RM with numbers 1 or 0, according to the provisions:
   - If the symbol V, then entries (i, j) are one and entries (j, i) are 0.
   - If the symbol A, then entries (i, j) are 0 and entries (j, i) are 1
   - If the symbol X, then entries (i, j) are one and entries (j, i) are 1.
   - If the symbol O, then entries (i, j) are 0, and entries (j, i) are 0.

2. Determine the driven power (DP), dependency (Dpd), and level partitions (LP) to create the ISM model.

| In  | 1   | 2   | 3   | 4   | 5   | 6   | 7   | 8   | 9   | 10  | 11  | 12  | 13  | 14  | DP | LP |
|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|----|----|
| 1   | 1   | 1   | 1   | 1   | 1   | 1   | 1   | 1   | 1   | 0   | 1   | 1   | 0   | 0   | 0  | 1   | 1   | 10  | 3   |
| 2   | 0   | 0   | 1   | 0   | 1   | 1   | 1   | 1   | 1   | 0   | 1   | 1   | 0   | 0   | 0   | 1   | 1   | 9   | 4   |
| 3   | 0   | 0   | 1   | 1   | 1   | 1   | 0   | 1   | 1   | 0   | 0   | 0   | 0   | 0   | 1   | 1   | 7   | 6   |
| 4   | 1   | 1   | 1   | 1   | 1   | 1   | 0   | 0   | 0   | 0   | 1   | 0   | 1   | 1   | 1   | 9   | 4   |
| 5   | 0   | 1   | 1   | 0   | 1   | 1   | 1   | 1   | 1   | 0   | 1   | 0   | 1   | 0   | 1   | 9   | 4   |
| 6   | 1   | 0   | 1   | 1   | 1   | 1   | 1   | 1   | 0   | 1   | 0   | 0   | 0   | 1   | 0   | 8   | 5   |
| 7   | 0   | 1   | 1   | 1   | 1   | 0   | 1   | 1   | 1   | 0   | 0   | 0   | 0   | 1   | 8   | 5   |
| 8   | 1   | 1   | 1   | 1   | 1   | 1   | 1   | 1   | 0   | 0   | 0   | 0   | 0   | 1   | 10  | 3   |
| 9   | 0   | 1   | 0   | 1   | 1   | 0   | 1   | 0   | 1   | 0   | 0   | 0   | 0   | 1   | 1   | 7   | 6   |
| 10  | 1   | 1   | 1   | 1   | 1   | 1   | 1   | 1   | 1   | 0   | 0   | 1   | 1   | 12  | 1   |
| 11  | 1   | 1   | 1   | 0   | 1   | 0   | 1   | 1   | 1   | 1   | 0   | 1   | 1   | 11  | 2   |
| 12  | 1   | 1   | 1   | 1   | 0   | 0   | 0   | 0   | 0   | 0   | 1   | 1   | 0   | 7   | 6   |
| 13  | 1   | 1   | 0   | 1   | 1   | 0   | 1   | 0   | 1   | 1   | 1   | 1   | 1   | 11  | 2   |
| 14  | 0   | 1   | 1   | 1   | 0   | 1   | 1   | 1   | 0   | 1   | 0   | 0   | 1   | 9   | 4   |

Dpd

8 12 11 13 12 10 9 10 9 4 3 4 11 11

C. Model ISM

In this ism model describes the hierarchical structure between factors at all levels:
D. MICMAC Analysis

From the value of driven power and dependence, the Micmac analysis can be described as follows:

Figure 5. Driven Power – Dependence Matrix (Micmac Analysis)

ACKNOWLEDGMENTS

The authors much acknowledge the support from Brawijaya University Malang Indonesia for providing the necessary resources to this research. The authors are also grateful to the anonymous reviewers and journal editorial board for their many insightful comments, which have significantly improved this article.

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