Knowledge management as a source of innovation and business process development to improve the competitiveness of small and medium enterprises (SMES) in the madurese handicraft souvenir sector (case study: XYZ souvenir)

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Abstract. XYZ Souvenir is one of the UKM engaged in the creative and Madura souvenir craft made of flannelette. The problem faced today is how to maintain the sustainability of SMEs if they have different backgrounds and knowledge that make them have to share knowledge to maintain the sustainability of SMEs. Product innovation, optimization of raw materials, customer needs, target markets, marketing methods, are examples of knowledge that are not all known by each of the internal actors of SMEs. By implementing a knowledge management framework based on four KM conceptual models by Stankosky and mapping the Cimosa business process, which is intended to explore the tacit and explicit knowledge of internal actors related to the sustainability of SMEs. Qualitative methods are used in this study and the data collection model is in the form of interviews. With the implementation of the framework, there are nine critical success factors identified in the craft industry, especially those operating in the Madura region. Determinants of success are Price, Promotion, Packaging, Product Innovation, Online Stores, Product Quality, Finance, Human Resources, Collaborative Sources. In a four-action framework analysis, there are no success determinants that are eliminated because no success determinants are eliminated at an early stage so there is no reduction in the development of SME business processes in the reduction phase. The critical success factor development is carried out on the nine main criteria in the craft industry and creates two additional critical success factors, namely unique and trademark. In mapping, Cimosa's business processes, the process management phase consists of improving vision and mission, improving objective strategies, improving SOPs, and improving, evaluating, and monitoring processes. Support processes include human resources and IT process, production, and financial process, while the Core Process includes research and development, marketing process, and logistic process.

1. Introduction
The Indonesian Ministry of Industry targets Small and Medium Industries (SMEs) to grow above 10% by 2018. This target is above the growth of SMEs throughout 2017, which is projected to be around 9%. For this reason, a strong SME is needed that can compete in the international world. Indonesian SME products must go global. Entering the global market, Indonesian SMEs must be able to make a breakthrough. Breakthroughs include comparative studies abroad, exchanging information such as by
improving the design, variety, and touch of product technology. Government policies, among others, make it easier to get raw materials. This is for the competitiveness of national SMEs to be more competitive on the global scene [1]. SMEs day-to-day business operations specifically require close attention [2–4]. This frequently leads to situations where insufficient time is available for strategic issues. This, in conjunction with lack of financial resources and expertise, very often results in most knowledge being kept in the minds of the owner and some key employees rather than recorded or shared through substitution arrangements [5,6]. Knowledge management is a surprising mix of strategies, tools, and techniques, some of which are nothing new under the sun. Storytelling, peer-to-peer mentoring, and learning from mistakes, for example, all have precedents in education, training, and artificial intelligence practices. Knowledge management makes use of a mixture of techniques from knowledge-based system design, such as structured knowledge acquisition strategies from subject matter experts and educational technology (e.g., task and job analysis to design and develop task support systems [7].

XYZ Souvenir determines to have the right business model in accordance with the goals and objectives set by the XYZ Souvenir management. The business model will describe the rationale of how an organization creates, delivers and captures value [8–10]. Business Model is a hypothesis about how a company makes money in the long run: what the company will sell, and to whom, how the company will collect revenue, what technology will be used, when the company will rely on its business partners and about the cost management [8]. CIMOSA is a generic method that can be used regardless of the organizational model used. CIMOSA is divided into several levels depending on how detailed the company's business processes are to be mapped. CIMOSA not only provides integration of infrastructure concepts but also relates to two other concepts, namely life cycle (related to the development and maintenance of companies and product models) then frameworks (company development models and product models). CIMOSA is an architecture that directs and integrates hardware and industrial application funds, among other things, company activities. The need to integrate business dating from fast market evolution that forces corporate adaptation [7]. Referring to the problems faced by XYZ Souvenir, the purpose of this study is to identify the business models that are applied using the knowledge management approach and to formulate alternative business development strategies with the CIMOSA Business Model.

2. Methods
This research was conducted at XYZ Souvenir, located in Bangkalan, Madura, from June 2019 to August 2019. XYZ Souvenir was chosen deliberately on the basis that the company is currently developing its business. The data used in this study are primary and secondary data. Primary data were obtained from observations, focus group discussions, and direct interviews with internal and external respondents. Secondary data information obtained from company documents related to the problem together with supporting data from the literature, the Internet, scientific journals and the results of previous studies. This research is a descriptive case study that aims to make a more detailed, in-depth and comprehensive study of a particular object, which is usually relatively small in a certain period of time. This research uses the Business Model. Knowledge Management is used to identify the critical success factors of SMEs and the CIMOSA Business Model to formulate strategies for each XYZ Souvenir business development. Several interviews were also conducted to collect data. Respondents in this study were classified into internal and external respondents. Internal respondents were chosen based on their knowledge of the conditions of the XYZ Souvenir specifically and their full authority in determining the policies in the XYZ Souvenir. The research framework can be seen in figure 1.
3. Result And Discussion

3.1. Business Model and Business Type of XYZ Souvenir

To find out the business processes of XYZ Souvenir SMEs, an analysis was conducted using the four KM pillars conceptual model framework by Stankosy (1999).

3.1.1. Leadership. The leadership applied to the XYZ Souvenir is based on the principle of kinship, although there has been a division of positions between members of the organization but applying leadership is still based on deliberation, this is what makes a conducive work climate for employees. Cultural aspects greatly affect the business process of XYZ Souvenir because the making of design and product innovation is based on Madura culture. One of them is the "carok" model, which is a one-on-one tradition of fighting using sickles. The business strategy adopted by XYZ Souvenir is based on the vision and mission that has been designed so that it can be developed and aligned with the ideals to be achieved by the company. The growth of XYZ Souvenirs from year to year increases with the segmentation of local people and foreign tourists. The leadership communication applied by XYZ Souvenir, both verbal and non-verbal communication, has applied a very good ethical concept because it is based on kinship.
3.1.2. Organization. The production processes and procedures applied by XYZ Souvenir have implemented SOPs in the manufacturing of various kinds of souvenirs produced. However, the application of product inspection must still get more attention, and this is due to differences in employee expertise so that the results given can also be different. The product workflow system that has been used is also quite good because there is no buildup of goods in the production process flow. Organizational education that is applied between employees and superiors can be established properly, as well as communication between employees.

3.1.3. Technology. The marketing process of XYZ Souvenir is carried out with websites and social media, and cooperation is also carried out with several shipping service companies so that the distribution of goods can be guaranteed and controlled. The payment process for online consumers is done through the Bank using a transfer facility between accounts so that the flow of funds can be clearly known. However, the application of technology in the XYZ Souvenir business process is still lacking, the production process is done manually and there is still little application of the technology. The use of communication technology is very good, both for internal and external communication of SMEs with the application of electronic media and the application of communication technology.

3.1.4. Learning
The use of instincts in the learning process of XYZ Souvenir is not widely used because it is more focused on the use of data, information and real facts. The application of innovations and inventions needs to be done regularly so that they can compete with other competitors. XYZ Souvenir carries out the learning process by providing supplies for employees through seminars, training, as well as SME forums and communities. Discussion forums are also conducted through internal and external organizations to share knowledge.

3.1.5. Multiple disciplines. XYZ Souvenir has not conducted regular evaluations of the application of SOPs and has not been able to optimally implement the automation system in the production process because the production process is still done manually. Organizational capacity building to handle internal and external functions and relationships is done regularly through internal meetings and forum discussions. The development of organizational behavior is carried out by attending seminars and sharing experiences between employees.

3.1.6. Environmental Instrument
XYZ Souvenir is very concerned about social groups and lifestyles in society. The groups and lifestyles that develop in this society, certainly determine the sustainability of the business, as a process that can never be separated from its environment. In addition, XYZ Souvenir also considers political risks and their effects on the organization. This is worth considering because changes in political actions and policies in a country can have a large impact on the country's financial sector and economy. Economic conditions also have a strong impact on the performance of each business because it can affect the income or expense of the business. The demographic environment of business processes can also affect market segmentation of the business processes that are carried out.

3.2. Identification Critical Success Factor of XYZ Souvenir
The following are critical success factors used in research:

3.2.1. Price. Price competition in handicraft SMEs is very tight, this is because pricing is the most important thing in business processes.

3.2.2. Promotion. Product marketing is one important factor in determining business success. With good marketing, management can introduce our products to consumers so that our products can be known and get a place in the hearts of consumers. Promotions and attractive offers can also increase consumer interest in buying our products so they can increase market share.
3.2.3. Packaging. Attractive packaging is also an important aspect of business processes. With a unique packaging can make the difference between each product with the same type.

3.2.4. Innovation Product. In the handicraft industry, aspects of innovation are very important to be developed. The development of time, technology, and the desire of consumers demand the creativity of the craft industry SMEs in fulfilling consumer satisfaction.

3.2.5. Online Shop. The rapid development of information technology requires handicraft industry SMEs to do marketing online so that it can make it easier to get product information and product purchases for consumers.

3.2.6. Quality Product. Product quality is very important to increase consumer confidence. By producing quality products that can foster a high sense of trust for SMEs and consumers.

3.2.7. Financial. The financial situation of SMEs is also an important aspect in the development of business processes. With a stable financial situation, SMEs can develop both in terms of business processes and human resource development.

3.2.8. Human Resource. Human resources are an important aspect of SME businesses, especially craft. Competent resources in their field can have an impact on product variety and SME product development.

3.2.9. Source Cooperate. The cooperative relationship between suppliers of raw materials and SMEs, as well as the relationship between SMEs and product distributors, is certainly an important aspect in the success of an SME business.

3.3. Blue Ocean Strategy. Analysis of the addition of a critical success factor to XYZ Souvenir, so that it can move from the red ocean strategy to the blue ocean strategy can be seen in figure 2.

The four action frameworks for enhancing the development of XYZ Souvenir business processes are as follows:

3.3.1. Eliminate. At this stage, the elimination of critical success factors is carried out that are considered not important in the development of business processes. There is no critical success factor eliminated in XYZ Souvenir.
3.3.2. Reduce. At this stage, a critical success factor reduction is carried out, which is the impact of elimination because there is no critical success factor that is eliminated in the initial stages, so there is no reduction in the development of XYZ Souvenir business processes.

3.3.3. Raise. At this stage the critical success factor development is carried out which is considered important in developing business processes. For XYZ Souvenir, the development of critical success factor is carried out on ten main criteria in the craft industry including, price, promotion, packaging, product innovation, product quality, customer relations, financial, human resources, and corporate resources. This is done because there is a close relationship between critical success factors, so when an increase is made to one critical success factor, it will have an impact on other critical success factors.

3.3.4. Create. At this stage, the development of the idea of adding a critical success factor is developed to make XYZ Souvenir get out of the red ocean strategy competition. There are two additional critical success factors that are carried out at this stage, namely unique and trademark.

3.3.4.1. Unique. What is meant by unique criteria at this stage is the different types of raw materials used. Batik raw materials in making souvenirs can be created by forming their own motives that are not owned by other competitors.

3.3.4.2. Trademark. The creation of a trademark can have a very good impact on business development. By having its own trademark XYZ Souvenir can have its own market share that is not owned by other competitors. Trademark, which is meant by this criterion, is the creation of Madura special characters. This character can also be developed in collaboration with the Indonesian animation industry so that it can market the character and become an icon of Madura Island.

3.4. Cimosa Business Process
An overview of the XYZ Souvenir business process mapping can be seen in figure 3.

![XYZ Souvenir CIMOSA business model](image-url)

**Figure 3.** XYZ Souvenir CIMOSA business model
An overview of the XYZ Souvenir business process mapping based on the predetermined critical success factor is as follows:

3.4.1. In managing the process, the critical success factor is quality, so that the design of the strategy that will be used is improving the vision and mission of SMEs, improving objective strategies, improving standard operating procedures (SOPs), and also improving, evaluating, and monitoring the process.

3.4.2. In the supporting process, the critical success factors are price, packaging, financial, and company sources. The design strategies to be used are improving the productivity of human resources and its processes, reducing production costs and operating costs, and increasing company revenues.

3.4.3. In the core process, critical success factors are promotion, product innovation, online stores, uniqueness and trademarks. The design strategies to be used are improving research and development, expanding marketing networks and improving the quality of order delivery services.

4. Conclusion
The conclusion from the results of this study, there are nine determinants of the success of XYZ Souvenir that can be identified, namely price, promotion, packaging, product innovation, online stores, product quality, finance, human resources, and collaborative resources. The strategies that emerge in the business processes mentioned above in the first process based on critical success factors in the Manage Process, Core Process, and Support Process are:

4.1. Manage Process
Improving the vision and mission of SMEs, improving objective strategies, improving standard operating procedures (SOPs), and also improving, evaluating, and monitoring the process.

4.2. Core Process
Improving the productivity of human resources and its processes, reducing production costs and operating costs, and increasing company revenues.

4.3. Support Process
Improving research and development, expanding marketing networks and improving the quality of order delivery services.

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