

BUSINESS MENTORING MODEL FOR BATIK AND HANDICRAFT SMES IN INDONESIA: A CASE STUDY OF BATIK AND HANDICRAFT SMES ASSISTED BY THE CENTER FOR HANDICRAFTS AND BATIK OF THE MINISTRY OF INDUSTRY OF THE REPUBLIC OF INDONESIA

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Abstract

This research focuses on determining the appropriate mentoring model for Batik and Handicraft SMEs assisted by the Indonesian Ministry of Industry's Ministry of Industry and Culture. In this study, we conducted exploration and explanation of the appropriate business assistance strategy for the batik and handicraft industry. By exploring the required business assistance strategies, it is hoped that the mentoring program can be carried out more optimally. In addition, this research can be used for SMEs to grow and develop sustainably. The different aspects of mentoring and performance indicators in each type of organization make this research conducted to find out the model of business assistance for Batik and Handicraft SMEs following the characteristics of the business. This study uses a sequential mixed method design that combines qualitative and quantitative designs with respondents of Batik and Handicraft SMEs assisted by the Center for Crafts and Batik of the Ministry of Industry of the Republic of Indonesia and Batik SMEs assisted by the LPPM UNY Business Incubator. The saturated sample technique is used for quantitative data by utilizing the entire population as the research sample. The results of this study, from 11 (eleven) the main business performance indicators, 3 (three) indicators that SMEs need to give attention to are market, innovation, and quality. (1) ability to enter the new market, (2) conduct periodic innovation, and (3) maintain product quality. On the Stakeholder aspect, SMEs need support from Government, Private Sector, and Academics to develop their business. On the Incubation aspect, SMEs named three training themes which help the business after the business incubation period: Marketing, Branding, and Finance especially for Cost Of Good Sold (COGS) calculation

Keywords: Mentoring Model, Key Performace Indicator, Stakeholder, SME

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INTRODUCTION

Entrepreneurship is a key component of economic growth because the entrepreneur can generate jobs and innovation (Bosma and Levie, 2010; Carree and Thurik, 2010). Entrepreneurship has been recognized as an important mechanism for promoting the growth and development of regions and countries (Ribeiro-Soriano, 2017; Sá et al., 2019). Creating an 'entrepreneurial ecosystem' that supports and sustains existing businesses as well as keeping up with new developments is critical (Galvão et al., 2018). In line with the statement, Mazzarol (2014) stated that the entrepreneurial ecosystem is a model or strategy that fosters economic development to encourage entrepreneurship, small business growth and innovation. The development of technology and globalization today requires all sectors to always be competitive, including SMEs. Competition does not only occur on a local scope but also occurs on a global scope. This encourages increasing competition in both large and small industries. Large industries are believed to have been able to face these challenges through large resources. Meanwhile, small industries or commonly referred to as Micro, Small and Medium Enterprises need special attention in dealing with this (Harrigan et al., 2012). SME sector that is growing in Indonesia is batik and handicrafts SME's. Handicraft is one type of micro-enterprise where the owner plays an important role, that is, is directly involved in the business, assumes great personal responsibility, and prefers to be financially independent. (Dragin et al., 2015). Furthermore, the results of Dragin (2015) research state that in economic policy, the craft business needs to be encouraged to develop pillars of business competitiveness, such as increasing the information space and creating a more favorable situation for the sale of goods and the provision of services, as well as the dissemination of knowledge and skills to the greatest extent. required in conducting the business, as indicated in the business risk assessment.

Sustainable business development perspective required that the business to be able to compete with the latest and/or unique products, services, models and processes (The Global., 2012). Unfortunately, there are still many SMEs in the batik and handicraft sector that do not fully understand. Although various efforts have been made by the government in order to encourage the growth of SMEs, the implementation is still considered not optimal. The mentoring program is one of the government's efforts to support the growth of SMEs. Although many mentoring programs have been implemented, most of these programs are general and centralized. This situation happened because not all types of businesses are suitable in implementing the mentoring program. Therefore, a special assistance design is needed that is able to solve problems directly case by case to get maximum results. Before determining the right mentoring program, it is necessary to conduct an analytical study of the appropriate program for SMEs, especially in the batik and handicraft industries.

This research will explore and explain the appropriate business assistance strategy for the batik and handicraft industry in Yogyakarta and Central Java. This study will be conducted on SMEs under the Center for Crafts and Batik, Indonesia Ministry of Industry business incubation program. By exploring the required business assistance strategies, it is hoped that the mentoring program can be carried out more optimally and the SMEs can grow and develop in a sustainable manner.

In addition to create business incubation program which can make batik and handicraft SMEs able to compete, quality is the main factor that must be met by SMEs. In some studies, organizational performance needs special attention (Hudson et al., 2001). In an organization there are many factors that can affect performance, including marketing capabilities (Merrilees, et al., 2011) effectivity (Odoom., 2017), inovacion (Hooq, 2009). To be able to

survive and develop, an organization must be able to highlight their competitive advantage. Organizations need to know the key performance indicators that are used as the main points in their business. Key Performance indicators for each type of organization are different. This study intends to explore the key performance indicators that are the advantages of the batik and handicraft business. Therefore, based on some of the explanations above, the researcher intends to conduct research on the business mentoring model for batik and handicraft smes in indonesia: a case study of batik and handicraft SMEs assisted by the center for handicrafts and batik of the Ministry of Industry of The Republic of Indonesia

1. ANALYTICAL FRAMEWORK

1.1. Business Mentoring Model SMEs

In the mentoring program, SMEs are trained to develop their businesses to overcome common problems often faced by SMEs, including: 1) limited funding for business development; (2) lack of information and access to raw materials and markets; (3) the low quality of human resources; (4) low ability to produce innovative products; and (5) weak assistance (incubation). (Hasbullah dkk, 2014).

Rosyadi dkk (2020) on the research with tittle The Multi-Stakeholder's Role in an Integrated Mentoring Model for SMEs in the Creative Economy Sector explain; to design the Mentoring Model, there are substantial aspects that must be considered, namely (a) market development, (b) business licenses and legal entities, (c) use of social media and IT technology, (d) financial management and product copyright protection and (e) Internationalization and the development of entrepreneurship as well as the existence of multi-stakeholder wars determine the success of an SME. In addition to considering the substantial aspects, in determining the appropriate business assistance model for Batik and Handicraft SMEs, it is also necessary to explore the stakeholders needed by SMEs to be able to develop business. On the ather research by Rosyid, et al (2020) and Hasbullah et al(2014), The business mentoring model for SMEs, both the creative economy sector and the food sector, needs to involve stakeholders, namely the community, social media, business people, academics and the government.

1.2. Key Performance Indicator SMEs

Considering the characteristics and complexity of SMEs are different from large companies, the Key Performance Indicators for SMEs must also be adjusted, in this case they can be applied more simply. KPI (Key Performance Indicators) allows SME management to control and monitor business performance by selecting several KPI success in each performance element. Nastasiea and Mironeasa (2016) state that SMEs should take several steps before choosing the best KPI (Key Performance Indicators) for their business, including:

- 1) Have clearly identified business processes
- 2) Define standards or requirements for each process
- 3) Have a measure of results/output, both quantitatively and qualitatively
- 4) Determine the variance and adjust the process to meet its short-term goals

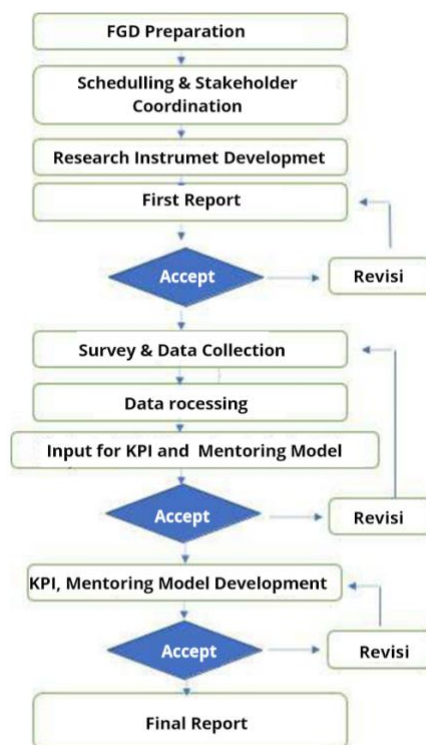
In determining KPIs, it is very important for SMEs to limit them to factors that are really important for them to achieve their goals. In addition, the number of indicators in the KPI should be limited to help all parties focus their attention on achieving the same KPI. If the KPI of MSMEs is "to increase customer satisfaction", then the KPI can be done with a different focus for each department. For example, the Production department has the KPI "number of units rejected by the quality inspection department" while the Sales department has the KPI

“customer waiting time to be served his call”. The success of the Production and Sales divisions in achieving their departmental KPIs will help MSMEs in achieving their overall KPIs.

2. METHODOLOGY

This research used a sequential mixed method design (Creswell & Plano, 2007), which combines qualitative and quantitative designs sequentially. This research conducted on Batik and Handicraft SMEs assisted by the Center for Crafts and Batik of the Ministry of Industry of the Republic of Indonesia and also Batik SMEs assisted by the LPPM UNY Business Incubator with a total of 60 (sixty) Batik and Handicraft SMEs. For qualitative data, the data processing technique uses editing, sorting, tabulating, and interpreting. Then for the validity of the data, the researchers used source triangulation which included sources from the government sector, private sector, SME sector, and SME user/consumer sector. Data analysis techniques in qualitative research consist of three streams of activities that occur simultaneously, namely: Data Reduction, Data Presentation, and Data Verification.

Figure 1: Research Design



3. RESULTS AND DISCUSSION

In accordance with the background and problem formulation described in the previous section, this study intends to determine the role of stakeholders in the business assistance process for Batik and Handicraft SMEs, the key performance performance indicators that influence the success of Batik and Handicraft SMEs, and a suitable mentoring model in business assistance

to Batik and Handicraft SMEs in Indonesia assisted by the Center for Crafts and Batik of the Ministry of Industry of the Republic of Indonesia. The research results are as follows:

3.1. The Role of Stakeholder

- a. Batik & Craft SMEs need support from the government in developing their business. This can be through training, mentoring, business matching, or various grant funding competition schemes.
- b. The assistance expected by the SMEs, according to their needs, are assistance which especially in increasing the export network.
- c. Support from academics is needed for the development of the Batik & Handicraft UMKM business in terms of training from lecturers and placement of internship students.
- d. The desired form of help is mostly about digital marketing.
- e. The role of the private sector is also needed to support the development of the Batik & Handicraft UMKM business. Among them is a business creativity competition to obtain funding & business assistance. But currently the role of the private sector is still limited.

3.2. Performance Indicator

- a. Batik and handicraft SMEs under assisted by the Center for Crafts and Batik of the Ministry of Industry of the Republic of Indonesia have been able to identify business processes starting from the search for raw materials, processing to distribution of finished products.
- b. Batik and handicraft SMEs under the guidance of BBKB have SOPs that are used as a reference in running their business, some SOPs are stated in written form and some are not written but have become a mutual agreement between business owners and employees.
- c. Most SMEs do not yet have a detailed description of their production results. Some business actors have not done so since the pandemic because of changes in production patterns.
- d. Batik and handicraft SMEs under the guidance of BBKB are almost entirely capable of customization and adjustment to meet customer needs.
- e. From 11 business performance indicators proposed by SMEs, 3 indicators that received attention were those regarding market, innovation and quality.

Table 1: Business Key Performance Indicatorsby SMEs

KPI SMEs	Crucial KPI for SMEs (%)
Innovation	18
Market	14
Customer	14
Quality	14
Process	11
Finance	10
Personnel	7

Maintenance	5
Competitor	4
Efficiency	4
Environment	2

- f. The achievements of the three main performance indicators are quite good, judging by the ability to gain new markets, innovate regularly and maintain product quality

3.3. Mentoring Model

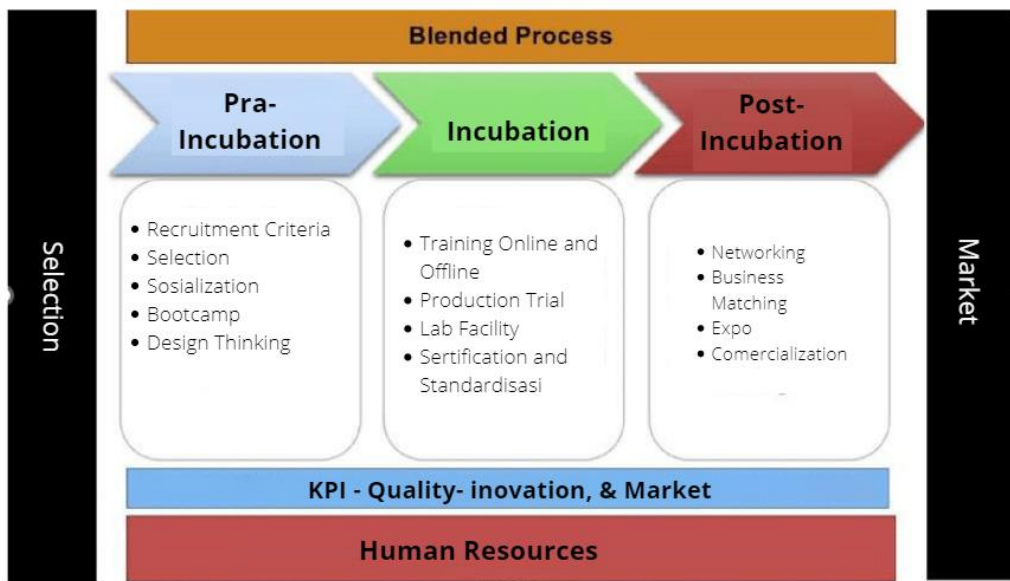
- a. Pre-Incubation - SMEs that join the incubation are beginner SMEs but already have potential products and have certain characteristics for the handicraft and Batik product sector. Their motivation is to expand their network and gain experience.
- b. Incubation - In incubation there are three types of training that are considered very useful for SMEs after the mentoring period, namely Marketing, Branding and Finance training in calculating the Cost of Production
- c. Post-Incubation - The majority of tenants have got clear target market and strategies to be targeted at post-incubation besides that they are also able to take advantage of the networks obtained from both stakeholders and fellow entrepreneurs.
- d. Facilities: There are still a few tenants who use laboratory and testing facilities during business incubation, but some have used intellectual property rights for their products.
- e. Coaching and Mentoring: The majority of SMEs want to get experienced trainers and mentors who are able to provide specific advice that is suitable for each product, and for the mentoring method the majority prefer two-way mentoring.

4. CONCLUSION

4.1 Propose Mentoring Model

Based on various analyzes and interviews, this study proposes a mentoring model as a research outcome that can be considered by research partners, namely **Center for Crafts and Batik of the Ministry of Industry of the Republic of Indonesia**. The proposed mentoring model is a generic mentoring model obtained from interviews with **Batik and Handicraft SMEs in Indonesia assisted by the Center for Crafts and Batik of the Ministry of Industry of the Republic of Indonesia**.

Figure 2: Mentoring Model



In general, the mentoring model is a mentoring model based on the Key Performance Indicators (KPI) based on the results of interviews. The KPIs are quality, innovation and market. This model can be used as a foundation for programs and activities at BBKB, both training and mentoring.

Based on the picture above, the mentoring model flow begins with selecting tenants who will include in the BBKB training and mentoring process. Furthermore, the selected tenants enter the process of pre-incubation, incubation, and post-incubation. In the pre-incubation stage, tenants will be given training and mentoring programs focusing on Quality KPIs. In this stage, product quality is built through several activities, such as technical training for batik and handicrafts, using the BBKB laboratory to conduct quality tests and production tests, training related to product certification, and others

The last stage in the mentoring process is the post-incubation stage, where tenants are prepared to enter the Market. In this stage, the activities carried out are expected to support the Market KPI. Activities that can be carried out are building networking, market expansion, commercialization of batik and handicraft products, and business matching. Furthermore, after the tenants have passed this stage, they are ready to be released into the Market to develop.

Implementing the mentoring model above will depend on the conditions and situations in the field. Based on the results of interviews, some of the current mentoring activities can be done online. This shows the need for a mentoring model design that is flexible and capable of being implemented online, offline, or blended

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