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Development formulation of crafts weaving *batik ikat* East Java: Strategic block and interconnection

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ABSTRACT

Batik tenun ikat has been the traditional legacy in some areas of East Java. This research is based on the findings and analysis on batik tenun ikat in Kediri and Lamongan. The data was collected from observation, in depth-interview, and printed documentations. The SWOT analysis showed that batik tenun ikat in Kediri and Lamongan got the position number two (2). Thus, the priority strategies are 1) extending partnership, 2) diversification of products and 3) e-marketing and integrated one-web destination. In applying those strategies the need of implementation of strategic block and interconnection is inevitable. Strategic blocs and interconnection would deeply increased the connectivity among the actors and hence between the economic elements.

ABSTRAK

Batik tenun ikat telah menjadi warisan tradisional di beberapa daerah Jawa Timur. Penelitian ini didasarkan pada temuan dan analisis tentang batik tenun ikat di Kediri dan Lamongan. Data dikumpulkan dari pengamatan, wawancara mendalam dan dokumentasi tercetak. Analisis SWOT menunjukkan bahwa batik tenun ikat di Kediri dan Lamongan mendapat posisi nomor dua (2). Dengan demikian, strategi prioritas adalah 1) memperluas kemitraan, 2) diversifikasi produk dan 3) e-marketing dan integrated web-based. Dalam menerapkan strategi-strategi kebutuhan pelaksanaan blok strategis dan interkoneksi tidak bisa dihindari. Blok strategis dan interkoneksi mendalam akan meningkatkan konektivitas di antara pelaku bisnis dan antara unsur-unsur ekonomi.

1. INTRODUCTION

The *Batik ikat* conditions in the area of Kediri and Lamongan have recently shown that they begin facing difficulties in expanding the market. Although this *batik* type is one of commodity exports to Japan and Canada, as well as in the local or domestic level, the demand for this kind of *batik* is still less than those for *batik* or *batik* result of mass production (by machines).

As asserted by John Sadowsky (2011) in marketing strategy of a commodity, the role of social media in the emerging narrative is to form a brand image so that these commodities can be strengthened to become important in their own place and in the space of perception and the hearts of consumers and customers. These narrated capabilities should be built into a commodity. *Batik Ikat*, as a

work of art, is still stuck in the traditional ancient narrative that *batik* is a typical regional clothes that have highly cultural and historical value.

The traditional narratives are less able to bridge the gap of market segmentation, targeting. As such its positioning is stuck in formal dress and perceived by parents as the old-fashioned mode of communication that many people are now using social media. This leads to the links between traditional narrative *batik ikat* cloths with a mode of communication of Social media. These conditions make *batik ikat* remain far from that desired by consumers' primarily young people who are potential market segment.

For that reason, the idea to use the formulation of business strategies should be based on socio-economic aspects, i.e. strategy and strategic net-

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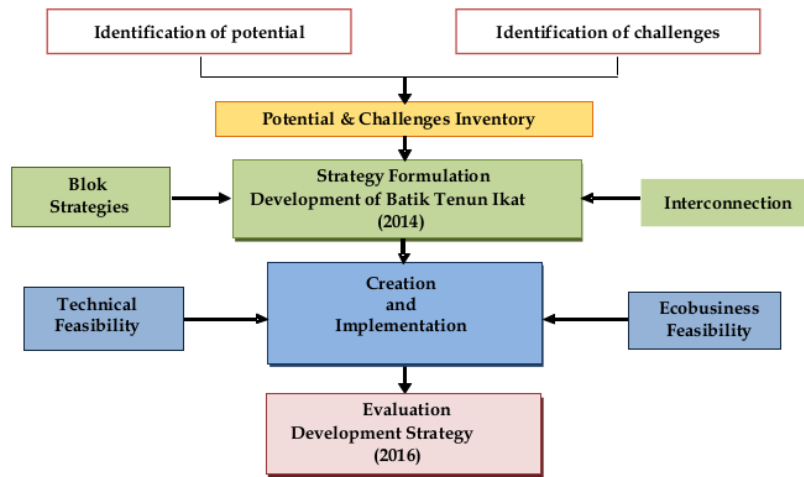


Figure 1
Steps of the Research

work interconnect blocks. In contrast to strategy formulation of industrial products, they rely more on innovation and diversification, strategic networking strategies prioritize solidity block interconnection of the manufacturer or seller with producer or seller more in order to meet market demand.

As described above, the objectives of the study can be formulated that is to formulate and implement strategies and evaluate the development of batik ikat through the Strategic and Interconnection Block in East Java. Research batik ikat also has two points urgency. The first is the craft of batik ikat is the symbols of the continuity of national identity amid scours international cultures that are increasingly obscure our identity. The second is the national identity represented by batik ikat must be developed and that is why its development strategy is essential and urgent.

This study attempts to find the conditions of the batik ikat and its development that has been described above, at least three formulations of the problem asserted such as a) whether the strategy is the most profitable and can be applied to boost the development of batik ikat in East Java? b) How the strategy is based on socio-economical through strategic blocks and interconnects, can improve the performance of batik ikat in East Java? And c) whether the strategy of development through strategic block and interconnect is effective in developing batik ikat in East Java? This is a follow up of previous studies by conducting further studies related to the development of batik ikat, entitled. The framework of this research can be seen in Figure 1.

2. THEORETICAL FRAMEWORK

Tenun Ikat (Weaving)

Indonesia is rich in traditional culture. One form of traditional culture is ikat. The term "Ikat" in the weave according to Loeber and Haddon was first introduced in Europe by Prof. AR Hein in 1880, which in Dutch, it is called ikatten which means the finished result of the technique of ikat cloth (Kartiwa, 1993, 7). There are three types, namely ikat warp, weft ikat and double ikat, the difference lies in the yarn used. According to R. van Heine Geldern (in Kartiwa, 1993, 7) ikat in Indonesia has been known since prehistoric times.

Some regions in Indonesia produce woven cloth with a pattern of certain unique style that characterizes the region. In its development, ikat must compete with screen printing cloth and manufacturer-made machines which are sold at a relatively cheaper and can be produced in larger scale. In addition, producers and manufacturers of screen printing fabrics made of fabric with motifs more modern and up to date. To overcome these problems, the entrepreneur batik ikat should have different marketing strategies with employers' fabric screen printing and manufacturing, resulting in products that are made can still be sold in the market.

Marketing Strategy

Michael E. Porter in Stonehouse and Snowdon (2007) defines strategy as the actions or activities that have been done differently to create a unique and valuable position. It is common that each company implements competitive strategies in order to compete. The most important thing in competitive

strategy is to be different-essence is doing a different activity from competitors (Stonehouse and Snowdon 2007). They must perform benchmarking, constant such as comparing products, prices, distribution channels, and promotion by competitors (Kotler and Armstrong 2012). Thus, the company can make more effective marketing in the face of competitors as well as be able to prepare the defense to face the action/response of competitors.

Tull and Khale define marketing strategies as the plan which is a fundamental tool to achieve its goals by implementing marketing programs and develop a sustainable competitive advantage in the market (Tjiptono 2008, 6). Before planning a competitive marketing strategy, the company must see the position in the market. In doing so, they can apply the right strategy for the company. In this case, there are three types of companies in the market that includes market leader (market leader), market challenger, and a market follower. Market leader is a company that dominates the market and excel in the industry, the market is the company's number two challenger who aggressively attack the market leader to gain a greater market share, while the market follower is the company's number two who chose to follow the strategy adopted by the market leader (Kotler and Armstrong 2012). Corey stated that the marketing strategy consists of five elements which include market selection, product planning, pricing, distribution systems and marketing communications (Tjiptono 2008, 6).

Distribution and Intermediaries

Distribution, as defined by Kotler and Armstrong (2012) is the activity of the delivery of products from producers to consumers as end users. In the process of distribution, companies can use the system of direct and indirect sales. Companies that use a system of direct sales will be dealing directly with consumers, while companies using indirect sales system must cooperate with the intermediary (middleman) and distribution channels (distribution channel) to offer its products to the market (Kotler and Armstrong 2012). Stanton (1990) defines an intermediary as a person or company that connects the flow of goods from producer to final consumer and industrial consumers (Kotler and Armstrong 2012).

In general, intermediaries are divided into merchant middleman and middleman agent. Merchant middleman is an intermediary who has the goods for resale; while the middleman agent is the intermediary who simply finds a buyer, negotiate and conduct transactions on behalf of producers,

commonly known as broker (Kotler and Armstrong 2012). Distribution channel is the channel through which the products, which connects between producers and end consumers.

Channel Control Strategy

Control is important to master all the intermediaries or members in the distribution channel. By doing so, company can centrally control activities to achieve a common goal (Tjiptono 2008, 211). The number of intermediaries is crucial effort controls or controls carried out by the company. Producers and intermediaries must make approval regarding the requirements and responsibilities of each intermediary or channel members (channel). One thing that should be agreed is the price policy, conditions of sale, territorial rights, and specific services that must be implemented by each party (Kotler and Armstrong 2012). Thus, the company must also set the number of intermediaries/distribution channel members as a marketing strategy. In this respect, there are three kinds of strategies that can be used (Kotler and Armstrong 2012). They are as the following:

1. Intensive distribution, in this case the company or manufacturers use many intermediaries, providing their products in many shops, so that when consumers want products already available on the spot.
2. Exclusive distribution, in this case the manufacturer limits the number of intermediaries and only give the agency the exclusive rights to certain intermediaries for distributing the products in its territory.
3. Selective distribution, in this case the manufacturers use more than one intermediary but not as much as that used in the intensive distribution. The focus is on developing a good working relationship with the intermediary chosen so that efforts can be made to the maximum sales.

Electronic Emotional Branding (E-branding)

The concept of e-branding (electronic branding) is already familiar to the audience involved in the world of marketing economy. Yet, it is not the case with emotional e-branding. Emotional e-branding is an attempt to engage customers or buyers emotionally to a product or commodity that we try. Broadly speaking, emotional e-branding involves four elements: 1) customized experience, 2) multimedia capabilities, 3) emotional communications, and 4) communities. Of the four elements are then added the 3C strategy as emotional operation of e-branding, i.e. 1) customization, 2) culture, and 3) communication (Aghapour et al. 2011).

Furthermore, **1** multimedia capabilities are also important, given that the branding is done here is electronic branding. Thus, the multimedia capabilities will be very supportive at all. Becomes less useful as a trading business has its own website, but less able to manage the site properly. Site sale or promotion of goods via the internet must always be developed. It is also continuous with emotional communications. With the development of social media now, all the information is an asset for entrepreneurs. It would be very difficult to establish emotional communication when a business or a product is not supported with multimedia capabilities.

Demands for mutual linkage and mutually inform each other between producers and consumers make emotional communication and multimedia capabilities run in coexistence. Communities become an important social buffer for an emotional e-branding. With the community there will be a group of people who become guarantors of the existence of a product. With the community anyway, will awaken a network bridge between products of social interaction with the community of users (consumers).

Strategic Block and Interconnection

The rational choice theory states that in conditions of a dilemma, most people will choose to maximize the usefulness or value added from things that cause the condition dilemma. Gneezy et al (2006) argued in the development of the theory of rational choice, that choice was made by a man rational based on considerations of profit and loss rather than using consideration the final result. Thus, the end results of a decision made by each person using the measure of profit or loss. Humans choose something because they think something is beneficial to choose from. If it is not profitable it will not be chosen by the man. Thus, the end result is only associated with the rationality of profit and loss.

In the development of conceptual, collectivity in elections rationality of human decision is handed down through the concept of the block. These blocks were then used in the discipline, studies, and military and economic studies to reduce the risk of loss in decision making. Blocks, which mean also a collection of human or production units within a frame of interest and the same goal, at a certain point be the answer for every decision maker to make decisions that do not harm. Furthermore, a strategic blocks the development of the concept of how the concept of "block" not only prevents decision makers from the loss but also improve the chances will utility maximization (val-

ue added) of the decision.

Strategic elements are developed by the developed countries to consider the calculation of the maximum of the decisions that have been there. It is also the cause of regional trade Blocs in the study of international political economy. Trade Blocs do exist and are used to minimize the loss of trade resulting from the transactions and decisions of inter-state trade (Foxley 2010). The concept of "blocks", ultimately derived on a smaller scale and for other disciplines.

The development of *batik ikat* is based strategic block that is the realization that 1) *batik ikat* should be developed in a way distribution impose limits on commodity markets unmatchable and 2) involving a social community (community engagement) or social networks in the process of development. Therefore, the block can be intended also as a strategic effort *batik ikat* producers can reconstruct their market segmentation. Market segmentation is then reconstructed by producers of *batik* and *ikat* is strengthened through inter connectivity between *batik ikat* producers in East Java through the virtual network, the Internet.

Another concept is the strategic blocks or social networking community involvement. This concept is often referred to as community engagement. Why is it to be a community? By involving the social community in the development of *batik ikat*, their commodities will be friendly impressive. *Batik ikat* will be the commodity that joins hands with the surrounding community. Thus, the endorsement for commodities of *Batik Ikat* is not only be carried out by producers of these commodities, but also developed by a community that has become a development partner.

By the emphasis on community involvement (community engagement) based youth, women, and netizens, developed strategic blocks for commodities of *batik ikat* will by itself form the segments of the market for the commodity. With the reconstruction of this segment, the next is to maintain and expand the market segmentation. That's necessary for interconnection, which can be defined briefly as the connectivity between elements of *batik ikat* developers. Any connectivity through a website should be integrated between producers, consumers, and governments.

2 RESEARCH METHOD

This study uses a combination of approaches, namely quantitative and qualitative approaches. There are 4 main stages in this study, namely: (1) the preliminary phase (exploration study) through

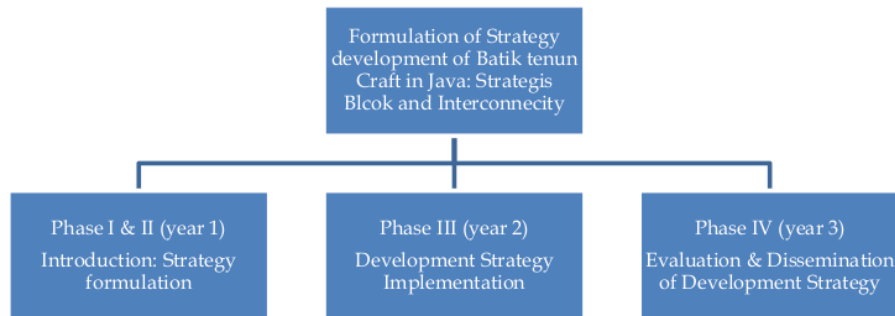


Figure 2
Research Framework

library research and field studies to determine the condition and problems faced by the *batik ikat* in East Java, especially in the areas of Kediri and Lamongan, (2) formulation phase development strategy of *batik ikat* is through the Strategic and Interconnection Block in East Java, (3) Implementation stage development strategy formulation is done to test the effectiveness of the formulation of the development strategy of *batik ikat* through the Strategic and Interconnection Block in East Java, (4) Phase evaluation and dissemination of the development strategy is done so that it can be used as a blueprint for a business strategy similar commodities in the outer East or other regions in Indonesia. The chart of this research can be seen in Figure 2.

The research objects are *batik ikat* crafts, local governments, and related offices in the province of East Java that are relevant to this study. The location focuses on the areas of production centers of *batik ikat* in East Java, in the areas Kediri and Lamongan with research time for three years, starting from 2014 up to 2016. This study was carried out intensively in Kediri and Lamongan, considering both the regions are the major centers for the production of *batik ikat* in East Java. The data were collected by observation, questionnaires, interviews, and documentation. Observation was done to obtain an overview and *batik ikat* conditions that exist in the areas of Kediri and Lamongan. A cross check of the data with secondary data was done by the researchers through a variety of sources of publication.

For the interview techniques, the researchers obtained the primary data from the manufacturers and the owners of the center of *batik ikat* concerning *batik ikat* in the regions. The techniques of analysis were qualitatively and quantitatively. The first analysis was done by checking the data (editing), coding, and analyze secondary sources for the facts then made the classification of research output. The second analysis is to decrease the results of inter-

views (primary data) into derivative indicators that are used for a series of subsequent tabulation.

4. DATA ANALYSIS AND DISCUSSION

Description of *Batik Ikat* Weaving Kediri (Airport)

Based on literatures and interviews the researchers also obtained the data and the fact those human resources (Craft and workers) who pursue the craft of *batik ikat* production in Bandar Kediri seems to be less. This is due to the pessimism among the Craft to continue to pursue the business of *batik* weaving. In addition to the lack of support from local government, the lacks of market enthusiasm for *batik ikat* itself influence the pessimism. In addition there is another obstacle, namely the increase in the price of production materials. *Misris* yarn prices, as the main ingredient *ikat* production of *batik* cloth, which is imported from India increased from Rp. 400,000, - to Rp. 750.000, - per five kilograms. In addition, the dye used to color fabrics has also elevated prices, from the origin of Rp. 160.000, - per one kilogram to Rp. 200.000, - per kilogram.

From interviews conducted by Mr. H. Mustain, the researchers got an information that the *batik ikat* Crafts at Bandar Kediri still has some major obstacles. The first problem is the solidity of the Craft professionalism associated with them form a cooperative effort to promote *batik ikat* them. This is reflected in the Craft at Bandar Kediri that tends to competing each business strongly, killing others. The second problem is the lack of product innovation conducted by the Craft of *batik ikat* Bandar Kediri.

Description *Batik Ikat* Weaving Lamongan (Parengan)

The field observation was done to the center of *batik ikat* Parengan village, Lamongan, precisely at a kiosk *batik ikat* Paradila. Paradila stall owners also recognize that the wallet and the skull cap is prod-

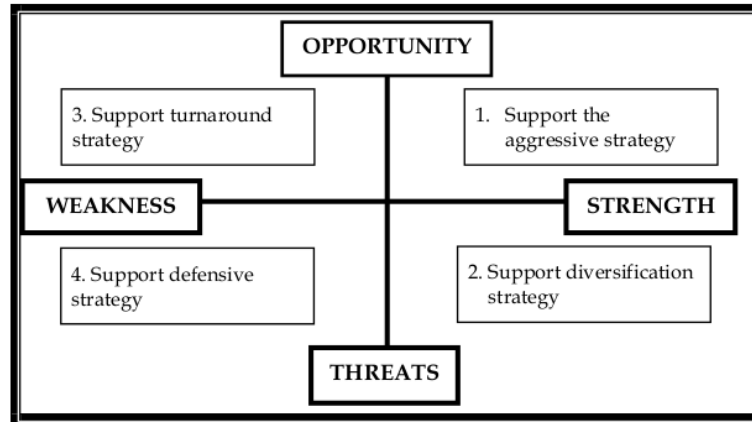


Figure 3
SWOT Analysis Diagram

uct innovation that they did in the 2014's. If *ikat* ordinary is valued Rp. 120,000, - to Rp. 125.000, -, this price can be for *songket* motive of Rp. 200.000, - up to millions of dollars.

From the results of field observations conducted by researchers, the data were obtained that the efforts and support by the government Lamongan and guiding efforts to promote *batik ikat* is somewhat larger than the city government of Kediri. One of them is on display this *batik ikat* commodity is always at the central office of Department of Cooperatives, Industry, and Trade (*Koperindag*) Lamongan District Government.

From the results of field studies as well, the researchers obtain the data concerning *batik* industry of *ikat* in Lamongan. From the data taken from the government version of Lamongan, it was found that the highest investment value to commodities *batik ikat* is Rp. 400,000,000, - in the name of H. Fadel in the village of *Parengan*. This value is relatively high when compared with other producers that the value of its investment in the range of Rp. 10.000.000, - up to 250.000.000, -. As for the number of workers at most in a single unit of production are 155 workers with details of 70 female workers and 85 male workers.

SWOT analysis (Strengths, Opportunities, Weaknesses, Threats)

The purpose of this analysis is to justify the selection and determination of the early formulation development strategy design *batik ikat* through the Strategic and Interconnection Blocks in East Java.

1) Strategic SWOT quadrant

SWOT analysis was done using the method of IFAS/EFAS, an assessment to determine the posi-

tion of objects on SWOT quadrant. From these assessments known coordinates on the X axis and Y axis. It is presented in Figure 3.

Quadrant 1: This is a very favorable situation, where the *batik ikat* crafts existing in East Java have strengths and opportunities so that the strengths that can be used to take advantage of existing opportunities. The strategy should be applied in these circumstances is to support the aggressive growth (Growth oriented strategy).

Quadrant 2: This is a win-win situation, where the *batik ikat* crafts existing in East Java have the strengths and the threats that the strengths that can be used to address existing threats. The strategy should be applied in these circumstances is to use force to confront the threats and seize the opportunities of long-term diversification strategy.

Quadrant 3: This is an unfortunate situation, where the *batik ikat* crafts in East Java which has thus far but still have a chance so that weaknesses can be minimized to seize the opportunities that exist. The strategy should be focused to minimize internal weaknesses to seize opportunities as possible.

Quadrant 4: This is a very unfavorable situation, where the *batik ikat* crafts in East Java that is facing external threats and internal weaknesses, and the strategies are defensive strategies.

2) Matrix of SWOT

This method aims to determine the basic strategies that can be applied problem solving qualitatively. The ways to do is combining a combination of the two components of SWOT as follows:

- a. SO: Strategy/alternative solutions by leveraging the power (S) to the maximum to seize opportunities (O)

Table 1
Analysis Matrices of External Factor Weighting

External Factors				
No	Description	Weight	Score	Value
Strengths				
1	Availability of raw materials and supporting materials	0.15	4	0.45
2	Quality, specification, and product design uniqueness	0.15	3	0.30
3	Availability of expertise and skills	0.10	4	0.20
4	Having famous identity and trade mark	0.10	4	0.30
5	Supports and commitment from government and the entire society related to industry development	0.50	4	0.20
	Sub-Total	0.50		1.45
Weaknesses				
1	Availability of raw materials and supporting materials	0.15	3	0.45
2	Limited business capital	0.10	3	0.30
3	Still traditional business operation	0.10	2	0.20
4	Law in using technology in business and production process	0.05	3	0.30
5	Not optimal promotion yet	0.50	4	0.20
	Sub-Total	0.50		1.45
	Total	1.00		3.30

Source: Analysis result, 2014.

- b. ST: Strategy/alternative solutions by leveraging the power (S) to the maximum to anticipate threats (T) and trying to make it as an opportunity (O)
- c. WO: Strategy/alternative solutions to minimize your weaknesses (W) to grab the opportunities (O)
- d. WT: Strategies alternative solutions to minimize your weaknesses (W) to avoid any better than threats (T).

3) Assessment of SWOT Quadrant

SWOT quadrant assessment was carried out by the weighting method on each element of the internal and external aspects predetermined for later determined the rating based on the existing condition and the opinion of the experts associated with *batik ikat* both in Kediri and in Lamongan. Weight value is the value of each element contained in the internal and external aspects obtained from the primary survey has been done before by researchers. Giving weight category is done by dividing the amount of internal and external aspects of the value of the number of total weight is valued 1. How is this done to show the effect of each element of the internal and external aspects in determining the development strategy?

The rating value is the value factors or variables that are based on the existing condition and the opinion of the experts associated with *batik ikat* crafts both in Kediri and in Lamongan especially on how big influence on the development of *batik ikat* production activities both in Kediri and in Lamongan. The rating is calculated for each factor by providing a scale ranging from 4 (outstanding) to 1 (poor) based on the influence of these factors on the condi-

tion of *batik ikat* production activities both in Kediri and in Lamongan concerned. Variables that are positive (all variables in the category of strengths and opportunities) are rated ranging from +1 to +4 (very good). On the contrary, the variable is said to be negative, if a large weakness of the value is 4, whereas if the weakness is below average, the value is 1.

Table 1 and Table 2 show the results of the calculation and weighting of internal factors and external factors. It indicates that the weighting of internal and external factors above shows the position of *batik ikat* crafts in East Java is as follows: Strengths - Weaknesses = 1.85 to 1.45 = + 0.40. Opportunities - Threats = 1.65 to 1.85 = - 0.20.

Mapping the balance score above shows that *batik ikat* position in East Java with X = + 0.40 and Y = - 0.20 (Figure 4). This result indicates that the *batik ikat* artisans in East Java is in a position Quadrant II, which means *batik ikat* artisans in East Java still has a favorable situation with the existing powers can be used to deal with existing threats.

Table 3 describes the synthesis of the results of the analysis in the form of grains of landing scenario development strategies are effective and relevant.

The analysis of quantitative models of strategy formulation is based on the number value of the score on each factor as presented in Table 4. It shows that the highest score on ST strategy is 3.70, y, followed by Strategy S-O with the value of 3.50 and Strategy W-T with the value of 3.30 and Strategy W-O strategy with a value of 3.10. The results of this analysis indicate that the priority of the development strategy of *batik ikat* in East Java is as follows:

Table 2
Analysis Matrices of External Factor Weighing

External Factors				
No	Description	Weight	Score	Value
Opportunities				
1	Positive recognition towards <i>Batik ikat</i> as great and unique art works	0.15	4	0.60
2	The prospective national and international market shares	0.10	4	0.40
3	Opportunity to use information technology utility	0.15	3	0.45
4	Opportunity to use technology in production process	0.05	2	0.10
5	Guarantee of sustainability of the business: difficulty entering the new comers for competition because of the unique and specific products	0.05	2	0.10
	Sub-Total	0.50		1,65
Threats				
1	High fluctuation of raw materials and support price	0.05	4	0.20
2	Not yet optimal capital and financing concept	0.05	4	0.20
3	Not healthy competition among the producers	0.15	3	0.45
4	Changes of orientation and preferences	0.10	4	0.40
5	AFTA and ACFTA economic and free trade	0.15	4	0.60
	Sub-Total	0.50		1.85
	Total	1.00		3.30

Source: Analysis results, 2014.

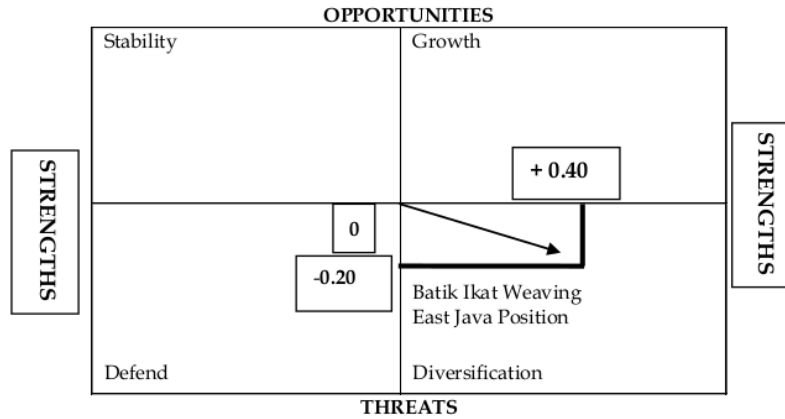


Figure 4
Results of SWOT Analysis

Source: Analysis results, 2014.

Priority I: ST strategy.

Priority II: SO strategy.

The priority of the development strategy of *batik ikat* in East Java with ST strategies include: [1] Increase intensive cooperation with suppliers to maintain continuity of supply of both quantity and quality sufficient; [2] Increase the variety of creative product design based on local wisdom that elegant; and [3] Improving the marketing of products through e-marketing with the use of ICT integrated web-based one.

Batik ikat Weaving Development as One Creative Industry

Batik ikat is one of the creative industries which

have the potential of highly prospective for development in this era because it will contribute to the economic development of the region as well as regional and national economies. Creative industry is an industry that can be used as a mainstay industry. In the creative industries component, the main capital of creative industries is intellectual, and creative industries contain elements of art, culture, technology and business.

The scope of creative according to UNCTAD (United Nations Conference on Trade and Development), is expressed in a broad field relating to the relationship of different sub-sectors ranging from traditional art craft to multimedia services that consist of visual arts, literature and publishing,

Table 3
Matrix of development Strategy

EXTERNAL FACTORS	STRENGTHS-S	WEAKNESSES-W
	EXTERNAL FACTORS	1 Availability of raw materials and supporting materials 2 Quality, specification, and product design uniqueness 3 Availability of expertise and skills 4 Having famous identity and trade mark 5 Supports and commitment from government and the entire society related to industry development
OPPORTUNITIES-O	STRATEGY (S-O)	STRATEGY (W-O)
1 Positive recognition towards <i>Batik ikat</i> as great and unique art works 2 The prospective national and international market shares 3 Opportunity to use information technology utility 4 Opportunity to use technology in production process 5 Guarantee of sustainability of the business: difficulty entering the new comers for competition because of the unique and specific products	1 To increase brand awareness through e-branding 2 To increase adoption and use of ICT based integrated web 3 To increase the provincial and local government role for preparing and facilitating batik ikat weaving facing AFTA and ACTA	1 To increase technology using in production process 2 To increase quality and quantity of sustainable promotion
TREATS-T	STRATEGY (S-T)	STRATEGY (W-T)
1 High fluctuation of raw materials and support price 2 Not yet optimal capital and financing concept 3 Not healthy competition among the producers 4 Changes of orientation and preferences	1 To increase intensive cooperation with suppliers to maintain continues supplies both quality and quantity 2 To increase creative product design variation based local friendliness	1 To increase intensive cooperation among batik producers for avoiding bad competition 2 To increase access to financing and business capital

Source: Analysis results, 2014.

design, traditional knowledge, digital animation and multi-media, music, performing arts, and audio-visuals (UNCTAD 2010).

Batik Ikat Weaving: Strategic Blocks and Inter-connection

Based on the results of SWOT analysis, it indicates that the *batik ikat* artisans in East Java is in a position Quadrant II, which means *batik ikat* crafts in East Java still have a favorable situation with the existing powers that can be used to address existing threats. The strategy should be taken in these circumstances which are to use force to confront the threats and seize the opportunities of long-term diversification strategy. The diversification is basically a good diversity of interrelated businesses (business related) and is not related to each other (unrelated business).

Diversification strategy is a company where the company's growth strategy to expand its operations by entering different industries. Harney (2012) stated strategy of diversification as:

"The firms' commitment to diversify; together with strengths, skills or purposes that span this diversity is demonstrated by the way new activities are related to the old activities."

Diversification can be classified into related and unrelated diversification. A company is said to have related diversification (diversification low level) when the intertwined relationships among business units; for example, units may share a product or service, technology or distribution networks. The more tightly interwoven among business units, the related the lower the level of diversification is (Harney, 2012). Oki (2013) states that related diversifica-

Table 4
Priority Matrix of development Strategy

INTERNAL FACTORS		STRENGTHS- S	WEAKNESSES- W
EXTERNAL FACTORS			
OPPORTUNITY- O	Strategy S-O = 1.85 (S) + 1.65 (O) = 3.50	Strategy W-O = 1.45 (W) + 1.65 (O) = 3.10	
THREATS -T	Strategy S-T = 1.85 (S) + 1.85 (T) = 3.70	Strategy W-T = 1.45 (W) + 1.85 (O) = 3.40	

Source: Analysis Results, 2014.

tion means the organization into the activities related to the primary business or a core business of the company; usually through a market or an existing technology. The mutually unrelated diversification strategy does not depend on some form of linkage with the business which exists.

SWOT analysis results indicate that the strategy should be applied in the development of batik ikat in East Java is the strategy of diversification. These results are then analyzed again by using a quantitative model analysis to determine the formulation of strategies that are relevant and effective. Based on the analysis of quantitative models to determine the formulation of a relevant and effective strategy, the priority of the development strategy of batik ikat in East Java is ST strategy that is to use force to confront the threats and seize the opportunities of long-term diversification strategy, followed in sequence by SO strategy, strategy WT, and WO strategy.

The priority of the development strategy of batik ikat in East Java with ST strategies includes:

1. Increase intensive cooperation with suppliers to maintain continuity of supply of both quantity and quality sufficient;
2. Increase the variety of creative product design based on local wisdom that elegant; and,
3. Improving the marketing of products through e-marketing with the use of ICT integrated web-based one.

The second priority of the strategy of development of batik ikat in East Java with SO strategies includes:

1. Increase brand awareness through e-branding;
2. Increase adoption and use of ICT integrated web-based one; and,
3. Improving the active role of provincial and local governments in preparing and facilitating the batik ikat crafts in the face of AFTA and ACFTA.

The third priority of the development strategy batik ikat in East Java with WT strategies include:

1. Increase intensive cooperation between batik ikat

- in order to avoid competition between producers;
2. Improving access to finance and venture capital.

The fourth priority of the development strategy batik ikat in East Java with WO strategies includes:

1. Increase the use of technology in the production process;
2. Improving the quality and quantity of an ongoing promotion

The priority development strategy of batik ikat in East Java mentioned above can be optimized when combined with a strategic approach and interconnect blocks. As described in the previous section, the concept of a strategic block basically been to protect the batik ikat in East Java, both located in Kediri and Lamongan of internal competition (between the artisans) in order to improve the competitiveness of batik ikat artisans in Java East. Competitiveness is the ability to maintain market share.

As Stonehouse and Snowdon (2007) said, the competitiveness of a company is based on increased productivity. Increased competitiveness can be interpreted as the company's ability to stimulate development, increase productivity, and expand the market to face the competition. Productivity is a determining factor for the competitiveness of enterprises. Productivity growth is one indicator of competitiveness depends on a number of factors, among which the most important is the investment in the information technology sector. The use of information technology can improve business transformation through speed, accuracy and efficiency of information exchange large amounts (UNDP 2007).

Strategic bloc is a strategy empowering batik ikat producers in East Java. This empowerment strategy specifically refers to the integration of the business operations of batik ikat in East Java, both from upstream to downstream through a holistic approach, not only in downstream (marketing aspect), but also in fulfilling the raw materials and supporting materials needed though This study focused on the downstream. Strategic bloc is not

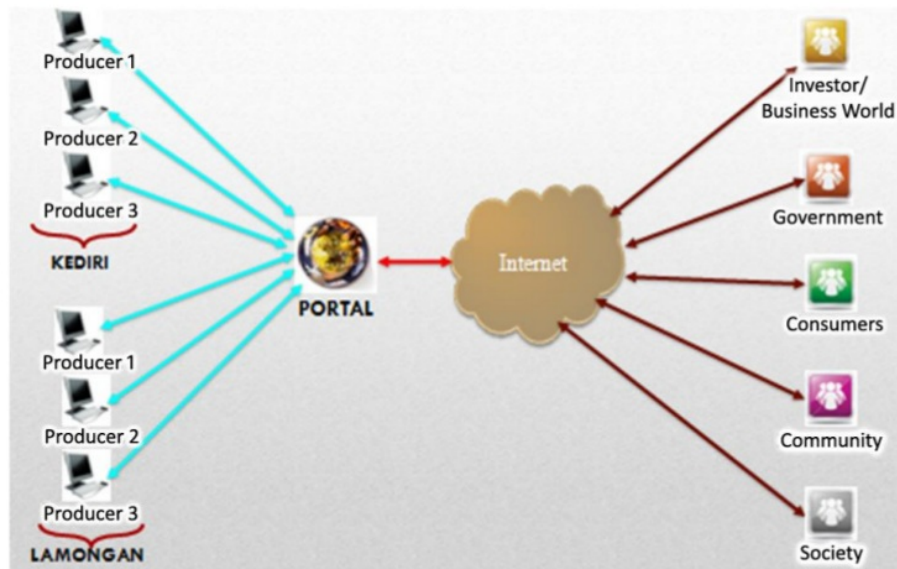


Figure 5
Strategy Formulation

only necessarily shut out the outside interaction, but rather the deep integration of so many parties in one destination to accommodate the interests of all parties. Development *batik ikat* based strategic block basically using community engagement or community involvement.

By involving the social community in the development of *batik ikat* in East Java, the *batik ikat* commodities will be impressed friendly. *Batik ikat* in East Java will become a commodity that is in synergy with the surrounding community. Thus, the endorsement for commodities *batik ikat* in East Java will not only be carried out by the producers of these commodities, but will also be developed by a community that has become a development partner (as seen in Figure 5). Figure 5 is an abstract visual simulation of strategy formulation and strategic block interconnection. The manufacturers of each region, Kediri and Lamongan, are integrated through a virtual portal. From an integrative virtual portal is then stakeholders and other consumers will be able to access directly the goods and services supplied by manufacturers of *batik* weaving.

The emphasis on community involvement (community engagement) is based on the youth, women, and netizens, developed strategic blocks for commodities *batik ikat* in East Java by itself would establish market segments as well as efforts to make new branding via e-branding for these commodities. With the reconstruction of the seg-

mentation and new branding, the next to do is to maintain and expand market segmentation and reinforce the new branding.

This strategic block will not achieve optimal results as expected if it is not supported by the connectivity between *batik ikat* crafts in East Java. This connectivity will facilitate communication and coordination of the craftsmen in an effort to find solutions to the problems being faced by craftsmen *ikat* in East Java and promotional activities in conjunction with the formation of new branding. That's necessary for interconnection, which will ensure the connectivity between elements of *batik ikat* developers. Any connectivity through a website is integrated between producers, consumers, and governments that shaded the commodity. Thus, it is expected to eliminate competition between *batik ikat* producers which will further enhance the bargaining power of producers that can ultimately improve the competitiveness of *batik ikat* artisans in East Java.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

Based on SWOT analysis, it shows that the position of *batik ikat* weaving in East Java is in quadrant II, which means *batik ikat* crafts in East Java still have favorable situation with the existing strengths and these can be used to address existing threats. Strategies that are relevant and effective in this condition are to use force to confront the threats and seize opportunities through the long-term diversifica-

tion strategy. Priority development strategy *batik ikat* in East Java, among others: [1] Increase intensive cooperation with suppliers to maintain continuity of supply of both quantity and quality sufficient; [2] Increase the variety of creative product design based on local wisdom that elegant; and [3] Improving the marketing of products through e-marketing with the use of ICT integrated web-based one.

The priority development strategy of *batik ikat* in East Java mentioned above can be optimized when combined with a strategic approach and interconnect blocks. Strategic bloc is a strategy empowerment for *batik ikat* producers in East Java. This empowerment strategy specifically refers to the integration of the business operations of *batik ikat* in East Java, both from upstream to downstream through a holistic approach, not only in downstream (marketing aspect), but also in fulfilling the raw materials and supporting materials.

This study focused on the downstream. Strategic bloc is rather the deep integration of so many parties in one destination to accommodate the interests of all parties. The development *batik ikat* should be based on strategic block which is basically by using community engagement or community involvement. Any connectivity through a website should be integrated between producers, consumers, and governments that shaded the commodity. Thus, it is expected to eliminate competition between *batik ikat* which will further enhance the bargaining power of producers that can ultimately improve the competitiveness of *batik ikat* crafts in East Java.

More importantly, the local government must be active and reactive in helping the development of centers of *batik ikat* in Kediri and Lamongan. Strategic blocks and interconnect models are the optimal and maximum results if this model accommodates local government without eliminating stretching markets developed by each production center of *batik ikat*, both in Kediri and in Lamongan.

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