Development of Metal and Machinery Small and Medium Enterprises (SMEs) in West Lombok Regency with the Blue Ocean Strategy Approach

Muhammad Zainuddin*1, Sudarmiatin2, Agus Hermawan3

1,2(University of Malang, Jl. Semarang No.5, Malang, East Java, Indonesia

*muhammad.zainuddin.2204139@students.um.ac.id

Received: 2022-October-30
Rev. Req: 2022-November-21
Accepted: 2022-December-12

doi: 10.54956/eksyar.v9i2.358


This is an Open Access article distributed under the terms of the Creative Commons Attribution 4.0 International license (https://creativecommons.org/licenses/by/4.0/)

ABSTRACT: Blue Ocean Strategy aims to open new market share to minimize competition with similar competitors. After receiving a touch from the West Lombok Regency Industry and Trade Service (Prindag Lobar), the Metal and Machinery Community Activity Unit in West Lombok initially produced gates, trellises and other similar works, creating quite a lot of competition. So that with the guidance of the Service which offers solutions with the Blue Ocean Strategy, the metal and machine industry (SMEs) in West Lombok Regency can compete. This study used a qualitative method, data obtained from in-depth interviews with section heads of the metal, machine, electronics and transportation equipment (ILMEA) industry, descriptive analysis and source triangulation. This article reveals that Blue Ocean Strategy manufactures metal products and machinery in different segments. The Blue Ocean Strategy segment is offered in the form of changing the mindset and technical skills of metal and machining (SME) players. Metal and machinery SMEs are trained to manufacture machine products needed by the food and beverage industry. One of the concrete steps is the manufacture of machines for making palm sugar machines, coffee roasting machines and other processing machines. This has an impact on the shift of the metal and machine SME segment from household products to processed machine products.
I. INTRODUCTION

Small and Medium Enterprises, or what is commonly referred to as (SMEs), produce various types of goods used in everyday human life. While SMEs are all activities that market (SMEs) products. SMEs with a variety of products produced can support the country's economy (Kemenprin, 2018) and even be able to survive amidst the hurricane waves of the 1998 global economic crisis. During the Covid-19 pandemic, many companies went out of business, but SMEs in Indonesia could survive and continue to produce (Kemenprin, 2020).

Badan Pusat Statistik (BPS) noted that the number of micro and small Enterprises (SMEs) in Indonesia in 2020 was 4,209,817 businesses, while in NTB, there were 104,588 with various businesses. Through the Industry and Trade Office, the West Lombok Regency Government fostered (Prindag Lobar) 110 (SMEs) engaged in metal and machining. (SMEs) metal and machinery workshops in West Lombok Regency (Prindag Lobar) have survived amid the Covid-19 pandemic storm with various products and achieved an investment value of 10,349,895,000 (ten billion three hundred forty-nine eight hundred and ninety-five thousand rupiahs) in 2020. Maintaining the existence and increasing the competitiveness of metal and machining workshops for small and medium Enterprises requires various strategies.

According to Wheelan and Hunger (1995), strategic management is a unified series of decisions and actions that determine the company's performance in the long run. In general, strategic management has aspects that are always considered in determining the strategy to implement. In the management world, we are familiar with the Red Ocean Strategy and the Blue Ocean Strategy.

The red ocean strategy is a strategy that has accepted boundaries and known competition rules (Kim & Mauborgane, 2014). This competitive picture indicates a situation of intense industrial competition. This phenomenon is what happened to the small and medium metal and machinery workshops in West Lombok Regency.

Metal and machinery business actors produce various kinds of household needs such as bars, gates, railings, shoe racks or similar products resulting in unhealthy competition
with uncontrolled price drops. Seeing this problem, concrete steps are needed to solve the existing problems.

Based on the technical problems in the development of Small and Medium Enterprises in metal and machinery (SMEs) in West Lombok Regency, we can formulate the existing problems, including: 1) What strategy is recommended by the West Lombok Industry and Trade Office (Prindag Lobar) to (SMEs) metal and machinery workshops?, 2) What steps were taken by the Prindag Lobar Service in fostering metal and machining workshops for (SMEs)?, 3) what obstacles were faced by (SMEs) for metal and machinery workshops.

An approach that is often used in competitive strategy is to develop a formula for how a business will compete, and what the goals are, both in a technical and managerial context. Competitive strategy is a combination of company goals or objectives to be pursued with policies pursued so that business targets are achieved. The important aspects in the competitive strategy are: 1) the target market to be addressed; 2) marketing; 3) sales; 4) distribution; 5) manufacturing or manufacturing; 6) the right manpower; 7) purchase of raw materials; 8) research and development (R and D); 9) finance and control (Porter, 1997).

One of the tools for formulating a competitive strategy is the Blue Ocean Strategy. Blue ocean appears when Kim and Mauborgne (2005) try to define a new market space that is not tight with elements of competition. The term blue ocean refers to an industry or market that has not yet been discovered so that it has not been touched by competition. Demand in the blue ocean is created and not contested, so the market size and demand in the market are unlimited.

This strategy can be a competitive strategy tool to formulate a company's long-term strategy. According to Kim & Mouborgne (2006), the formulation of the Blue Ocean Strategy will create value innovations that will positively affect the cost structure and offer value for buyers. To achieve this, companies must expand their alternative industry boundaries and market boundaries to non-customers. Value innovation is a cornerstone for blue oceans. According to Kim and Mauborgane (2014), value innovation is created in areas where company actions positively influence the cost structure and bids for buyers. Cost savings are made by eliminating and reducing factors that become points of competition in the industry.

II. METHOD

According to Creswell (2014), qualitative research is a method for exploring and understanding the meaning of what is considered a social problem. This study used a qualitative method by conducting in-depth interviews with the heads of the sections for the metal, machinery, electronics and transportation equipment industry (ILMEA). West Lombok.

In conducting interviews, researchers listened carefully and took notes from informants (Sugiyono, 2009). In-depth interviews have several stages in the data collection process, and these stages are as follows: Initial preparation and Interview process. In the initial preparation stage, the researcher made an appointment with informants to conduct interviews. Interview process, at this stage, the researcher conveys the problem that is the topic of research. Then the researcher gave the intention of coming as an opening in
starting the interview process regarding several key questions that had been prepared beforehand to facilitate the researcher in the interview process.

An interview is a meeting of two people to exchange information and ideas through question and answer, so that meaning can be constructed on a particular topic. (Esterberg, 2002). The interviews in this study were interviews with informants. Documentation: According to Sugiyono (2017), documents are records of past events.

Primary data in the form of interview results with (SMEs) metal and machinery workshop owners. Secondary data in this study is in the form of metal and permesians (SMEs) activity reports. This research was conducted at the Office of Industry and Trade Office of West Lombok Regency (Prindag Lobar), West Nusa Tenggara, which began in October 2022 until it was completed.

Observation: According to Nasution in Sugiyono (2019) states that observation is the basis of all knowledge. Observations in this study were observations of Small and Medium Enterprises centres for metal and machinery workshops in West Lombok Regency and the West Lombok Industry and Trade Office (Prindag Lobar). Source triangulation, researchers compare and check back the degree of trust of an informant obtained through different times and tools in qualitative research (Moleong, 2011).

III. RESULT AND DISCUSSION

West Lombok Regency Disperindag Strategy Recommendations for Metal and Machining Workshops

To increase the competitiveness of (SMEs) welding and machining workshops in West Lombok Regency, the West Lombok Regency Industry and Trade Service took the following steps:

1. Collecting data on Small and Medium Enterprises (SMEs) metal and machinery workshops. Data collection and guidance will be carried out from 2014 to 2022. In 2020 the number of metal and machinery (SMEs) in West Lombok Regency was 110.

2. Since 2014, it has been difficult for the metal and machining workshop SMEs to compete because the products produced are still uniform, so the performance of the metal and machining workshop SMEs has not experienced growth.

3. Called as many as 25 metal and machinery (SMEs) spread across several sub-districts for guidance and training with the criteria of: 1) active coordination with the agency, 2) active in reporting business developments, 3) implementing the recommendations during monitoring and evaluation, 4) able to implement the results of training and mentoring.

The Steps Taken by the West Lombok Regency Disperindag in Metal and Machining Workshops

1. The Industry Office is working with the Nolen Quality Training Center Training Institute based in West Lombok Regency to carry out a training program for
making production equipment such as ant sugar makers, and coffee roasting equipment.

2. Apart from working with Training Institutes, the Agriculture Service is also working with the coffee community and the IT community to develop an Android-based coffee roaster.

3. Identification of Business Opportunities

The West Lombok Regent Regulation (Perbup.) number 21 of 2017 concerning the use of local products makes it an opportunity to produce supporting tools for (SMEs)- (SMEs) actors in other fields such as (SMEs) and sugar processing, (SMEs) processing coffee roasters or (SMEs) food processing other. The market opportunities that can be developed are the manufacture of the following products:

a. Ant sugar crystallizer machine

West Lombok, one of the districts in the province of NTB, produces sap as the raw material for ant sugar, but the tools used are still traditional, so they are less effective and efficient.

b. Coffee Roasting Machine

Since 2020 coffee shops have started to become a tradesman for most people as a place to drink coffee and have discussions, but the coffee roasting machines used to roast coffee are always brought in from outside NTB (West Nusa Tenggara) because in NTB, not a single (SMEs) is capable of producing this machine.

4. The purpose of manufacturing machinery products is to increase the competitiveness of metal and machinery workshops for small and medium enterprises, both at the local and national levels, because the need for processing machine tools, especially in West Lombok District, is very high.

Obstacles Faced by the West Lombok Regency Disperindag in Metal and Machining Workshops

1. Identification of Problems in the Field

The implementation of guidance for (SMEs) metal and machinery workshops by the West Lombok Regency Industry and Trade Office begins with identifying the problems faced. Based on the performance data from these (SMEs), the problems encountered were identified.

2. Product problems produced by (SMEs):

The coaching and training conducted by the West Lombok Disprogdag are no longer based on household goods products such as fences, clotheslines for shoe racks and others, but the training is increased with the aim of machine metal (SMEs) being able to make processed machine products. After the products made during coaching and training are finished, these tools are marketed to (SMEs) and sugar processing and coffee processing (SMEs). However, problems arise, namely the product needs development and research, while the Lobar Industry and Trade Service as the supervisor for the metal and machine industry has not budgeted for
Research and Development (R&D) costs so that the machines produced by (SMEs) tend not to be precise according to user needs.

3. Solutions to Overcome Problems:

Products. In every training, the Regional Office of Industry and Trade applies the Three Helix, namely collaboration between (SMEs) machines as machine makers and industry as machine users and academics for standardization and digitization. So that the machine produced will be in accordance with what is needed by the user/ market.

IV. CONCLUSION

To increase the competitiveness of (SMEs) metal and machinery workshops in West Lombok Regency, the Department of Industry and Trade has been carrying out data collection and coaching since 2014. Metal and machinery workshop (SMES) was given a Blue Ocean Strategy in facing competition by considering the opportunity for the existence of Regent Regulation no. 21 of 2017 concerning the use of local products. The obstacle faced by SMEs for metal and machinery workshops in West Lombok Regency is the lack of research and product development (R&D) funds, but this can be overcome with the Three Helix strategy. We recommend that the (SMEs) metal and machinery workshops coordinate more actively with the Prindag Office and consumers so that the products produced always receive input and improvements. The Prindag Service should facilitate the (SMEs) metal and machinery workshops in obtaining SNI (Standar Nasional Indonesia) product licenses.

V. REFERENCES


[12] Hardy AP, (2020). West Lombok Disperindag Effective Move to Overcome the Era of Disruption with the Blue Ocean Strategy, downloaded on October 20, 2022 from the Department Sure West Lombok Disperindag Overcomes the Era of Disruption With Blue Ocean Strategy (savananews.com)


[33] _______,(2017), District Head Regulation no. 21 of 2017 concerning the Use of Local Products, West Lombok, West Nusa Tenggara.