

RESEARCH REPORT

**THE ROLE OF CULTURE LEAD DEVELOPMENT
IN EMPOWERING THE SMALL-MEDIUM ENTERPRISES (SMES)
IN INDONESIA AND BRUNEI DARUSSALAM**



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FOREWORD

The development of culture-based enterprises becomes a business mainstream in Indonesia and Brunei Darussalam. Entrepreneurship is a cultural activity. This phenomenon is in line with the concept that humans cannot be separated from culture. The existence and preservation of culture depend much on sharing (understanding, recognition, inspiration and shared practice) among community members and their social conscience (social awareness) on the importance of keeping and maintaining culture. There is a reciprocal relationship between human and culture. Successfully, the culture drives the innovation and motivation for entrepreneur to make their business more sustainable. Thanks to God, Indonesia and Brunei Darussalam government, UNISSA, my parents, my family, and my informants. Thanks for all your support.

Pekalongan, December 2018

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ABSTRACT

The potency of Muslims such as social capital and their spirituality are significant for the resilience of SMEs in Indonesia and Brunei Darussalam. The life of the community develops as the culture develops. In a culture, reflects the worldview, the value that is believed, and the behavior shown by each society. Culture Lead Development (CLD) becomes the mainstream in the development of SMEs. Culture lead society development. The analysis of a social system in a society covers the economy and social contexts of the society itself. The phenomenon of social system holds its own characteristics based on the culture bearing the different analysis. It caused by the social values in each region which are the results of the individual values of the interacted society.

The culture constellation using a symbolic-reciprocal environment clearly illustrates that humans are both individual beings and social beings. Development and culture has reciprocal relationships. Development will meet its form if humans have a culture that will be applied in development. Culture will develop into a new culture after development can be felt by humans, and so on.

Emphasizing that the economic system does not stand alone but it is integrated with the environmental system is the principle that underlies the spirituality and industry balance. All goods and services produced to meet human needs are extracted from nature, whether from mining, agricultural or fishery materials. Behavioral trends in the economic and transaction field cannot be separated from the attention form cultural research. Most of the production and consumption systems directly extract natural resources and environmental services. Human survival determines cultural sustainability. The symbiotic relationship between culture and social order is long-term. The harmony of society is continuously formed because there is a conformity of shared value.

The method in this research uses in-depth surveys and interviews towards the research object. This research applies qualitative research method with sampling method. The qualitative data based on the fact that the field is the data alive,

dynamic and changing, descriptive approach here not only exposure data is passive, however the description is critical analysis with a correlational perspective. The research uses descriptive-evaluative approach. A descriptive research is to describes about a variable, symptom, or phenomenon. While evaluative approach is use to analyze the process which is undertaken in order to determine a policy by using a technique that develops the thinking framework in order to make a decision in entrepreneurship. This qualitative study used for an output of strategic policy output in the form of the SMEs' managers economic independency strategy through the utilization of crativity and innovation in Indonesia and Brunei Darusalam

Research found that culture is humans' identity as well as their resource. Human develops through culture. Culture as a resource has stayed and settled in the minds and souls of every human being. There is a reciprocal relationship between human activity in SMEs and culture in Indonesia and Brunei Darussalam. The abstraction process from resources to a culture coming from innovation and creativity has a strong relationship with the spirituality level of entrepreneurs. Culture and innovation are the keys to achieve the sustainability of SMEs in both countries.

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CHAPTER I

INTRODUCTION

A. Research Background

The position of small businesses in the economic development of a developing country like Indonesia is very important. The majority SMEs business actors, which mostly are Moslem, in Indonesia become a very serious concern for the Ministry of Religious Affairs of the Republic of Indonesia. This is related to the function of religion in the life of society that is comprehensive, not only regulating the worship such as prayer, zakat, fasting, hajj but also in *muamalah* with other communities, especially in terms of meeting the needs of everyday society. In addition to religion, culture also brings a very significant influence, considering that religion and culture are closely related, especially in Java, which appears in various cultural activities that is vividly colored with religious nuances.¹ The working culture grows from the religious' work ethic. Their own ethics reflects the understanding and knowledge of the meaning of work instilled by religious values.²

The value of belief that comes from the Islamic religion has the role to form motivation and business entrepreneurship behavior which is very instrumental in business management. In short, the development of sharia economy is also represented through the level of welfare of Muslims as SMEs businessmen. Limitations of SMEs such as material or raw material, financial and management needs often become a barrier to the development of SMEs themselves. Because of the size of enterprises which are small and medium-sized, access to functions such as training belongs to human resource, market knowledge and technology management.

¹ Aydemir, M. & Egilmez, O. 2010. "The Relationship between the Religiosity and the Ethical Attitudes of Managers: An Empirical Study", *2ND International Symposium on Sustainable Development*, June 8-9-2010, Sarajevo, pp. 247-253

² Larrosa, J. 2011. *When Religion and Organization Conflict*, Tesis Master of Arts in *Communicaton*, University of Texas At Arlington.

Culture Lead Development becomes the mainstream in the development of SMEs, especially for a country that is very respectful of the culture of the nation (Abdullah, 1988). Indonesia and Brunei Darussalam as a country with Muslim majority are known to be very respectful of their respective cultures.³ Therefore, this research intends to elaborate how the culture of a nation can be a soft system in an effort to empower and develop the economic condition of its people, through the small and medium enterprises it possesses.

In Indonesia, Pekalongan City is known as a city of creative economy and commercial city with small and medium scale industry.⁴ The main problem for managers of SMEs to date, in addition to the difficulty of developing the industry, is also the difficulties in terms of human resources. Business competencies that are often inappropriate or insufficient for SME development make SME difficult to grow. Therefore, culture in society including work culture, environment management culture, entrepreneurship of culture must be taken into account. Indonesia has many culture resources, many ethnics and many traditions. For example, Pekalongan City as a coastal city is rich with traditional traditions that breathe Islam, such as alms, *manakiban*, *kliwonan*, *syawalan*, and so on. These traditions have been done since hundreds of years ago and become a magnet for society not only in Pekalongan City, but also from outside of Pekalongan City.

In addition to these communal in nature tradition, the culture of Pekalongan City's people is also reflected in the batik industry that is generally done by SMEs. Batik has also been a tradition for generations since hundreds of years ago. Batik business is generally done in the family business, from generation to generation. Competence to manage this batik business is obtained in every generation from the previous generation. The work culture gained by each generation forms the next generation's work culture. Batik is a cultural potential that is tangible and intangible heritage for the people of Pekalongan City. The same problems of SMEs comes from other local product like batik Trusmi, Cirebon; batik Semarang, local art and cuisine, Minggon Jati, Batang City; Batik Laweyan, Solo; *ondel-ondel* manufacturing industry, Kampung Pulo, Jakarta; Weaving Industry, Troso Village,

³ Vickers, A. 2009. *Peradaban Pesisir, Menuju Sejarah Budaya Asia Tenggara*, penerjemah Arif B. Prasetyo, Denpasar: Pustaka Larasan.

⁴ Menno, S., Alwi, M. 1994, *Antropologi Perkotaan*, Jakarta: Raja Grafindo Persada.

Jepara Regency; Carving Craft Industry, Jepara; Ceramic Handicraft Industry, Kasongan, Bantul, Yogyakarta; Silver Craft Industry, Yogyakarta; RepublicTelo, Malang, East Java. Therefore, it is not surprising that batik and other business still exists although it often faces business problems, such as innovation, monetary crisis, scarcity of capital goods, high production costs, changes of market orientation, strategy competition and so on.

In several studies which have been conducted, shows that SMEs are grass-roots businesses that are resistant to crises. Why is that? And what makes SMEs survive in times of economic crisis? Studies continue to advance SMEs so that the industry can contribute in the economy of the country such as providing employment opportunities to the people as well as being the driving pulse for large industries.⁵

This research in addition to choose Indonesia as research location, is also choose Brunei Darussalam. The similarity of Muslim population as the majority is one of the reasons. In addition Brunei Darussalam as one of the countries that has the resources of oil and natural gas which is extraordinary, as a special attraction for researchers, because for a country with the form of kingdom/sultanate, Brunei Darussalam still gives attention and supports in the development of entrepreneurship. This is a distinct advantage, how entrepreneurial culture evolves while Brunei Darussalam is famous for its abundant natural resources.

Brunei Darussalam is associated with some of the former sultanates in Indonesia. Two in particular was the Sultanate of Sambas and the Sultanate of the Matan. The Sultanate of Sambas connection can be attribute of Sultan Tengah, the first Sultan of Sarawak and the younger brother of Sultan Abdul Jalilul Akbar, the 10th Sultan of Brunei who married the sister of Sultan Muhammad Safiuddin, the Sultan of Sukadana.

Another historical relationship that Brunei Darussalam has with Indonesian historian in a paper presented in the Third History Seminar organized by the Brunei History Center in 2013. His paper was entitled “*Hubungan Kerajaan Melayu Minangkabau Dengan Brunei: Sebuah Tinjauan Sejarah dan Budaya*” (*The*

⁵ Kogid, M., Mansur, K. Mulok, D. & Akmadia, W.2009. Industri Kecil Dan Sederhana (Iks) Dan Pinjaman Kewangan Di Sabah: Satu Analisis Empirikal(Small And Medium Industry (Sme) And Financial Assistance In Sabah: An Empirical Analysis), pp.185 198.

Relationship of The Malay Minangkabau Government with Brunei: A Review of its History and Culture).

According to Zuzneli Zubir, Minangkabau had connection with Brunei in the past. The first connection according to the Indonesian historian, was through the propagation of Islam. Islam spread to Minangkabau around the 14th and 15th centuries. It was not until the end of the reign of King Adityawarman at the end of the 14th century, that the influence of Hindu-Buddha ended in Minangkabau. By the mid 16th century, Sultan Alif converted to Islam. With the spread of Islam, travellers from Minangkabau brought teachings of Islam to other parts of the region. One such place was to the Tapu Island in the Philippines. According to Joesoef Sou'yb, a Muslim propagator named Makhdum Awal from Minangkabau died there. Makhdum, together the first mosque in Sulu in 1450-1480 during the period of Satid Syarif Abubakar hailed from Johor, and later married the princess of King Baginda, putting him in line become the next King of Sulu.

The Brunei-Minangkabau connection is also made through descendants of Istano Pagaruyung. Based on the writings of Pehin Jawatan Dalam Seri Maharaja Dato Seri Utama Dr. Hj Muhammad Jamil Al-Sufri Begawan Pehin Udana Khatib Hj. Umar in his book, Zuzneli Zubir noted that the historical migration of Minangkabau to Brunei was during the reign of Sultan Nasarudin, the 15th Sultan of Brunei reigning 1690-1710. During that time, Raja Umar, a member of the Minangkabau Royal Family, came to Brunei.

The Brunei-Minangkabau relationship can also be seen through similarities in culture. There are a number of words which are very similar. These include Bedil (Badia in Minangkabau), Langkau (Langkau), Jamban (Jamban), Gendang (Gandang), Lapau (Lapau), Surau (Surau), Masin (Masin), Sokong (Sokong), Elok (Elok), Inda (Indak), Kalatmata (Kalokmato/ Ngantuk), Banar (Bana), Basuh (Basuah), Hampir (Hampia), Nini (Niniak), Bulih (Buliah).⁶

Sultan's policy is always strived to support the balance of the availability of these natural resources in order to keep it sustainable. Policies to cultivate other natural resources such as the electricity energy policy are issued by the prime minister, which initiates tariff policies related to energy consumption. Therefore, the

⁶ Rozan Yunos, 2017, *The Golden Islamic Heritage of Brunei Darussalam, A Collection of Selected Historical Articles*, Brunei: UNISSA Press, p. 33-37

royal party is also requested a public response related to the ideas of new energy. Positive responses indicate that in Brunei, the attention to energy use should be more tightened as the use of savings and communities are encouraged to further improve lifestyles with energy efficiency priorities.

Brunei Darussalam also has a strong commitment to build a local business that focuses on the growth of small and medium industries (SMEs). Coordinating with the Brunei Economic Development Board (BEBD) to strengthen the domestic sector, the Local Business Development Strategy is formulated to meet Brunei's vision in 2035. BEBD has formulated several programs to develop capabilities, capital and connectivity with the aim of creating creativity for local businesses by promoting the environment friendly business.

In addition, by inviting Ministry of Culture, Youth and Sports, Alcoa of the USA, Brunei Darussalam Islamic Bank, Petroleum Geo Services of Norway and Citi Foundation of the USA, some programs run by YDR include motivational seminars, business mentoring, business workshops and micro business schemes. Business types which are developed include bread industry, sewing, food, catering service, salon, car wash, and so forth.

In an effort to attain Brunei Vision 2035 to expand the economy of countries other than oil and natural gas, Brunei Darussalam continues to certify halal industrial brands that have been started since 2009. With rapid industry climate change and regional competition in various industries, Brunei Darussalam seeks to be free from dependence on oil and natural gas, switching to global halal markets.

The Brunei Halal brand is a product of the government's seriousness and efforts to introduce the Islamic heritage to the world. This brand of Brunei halal becomes a pioneer for SMEs entrepreneurs to enter the global market competition, create investment opportunities for Brunei Darussalam in other countries and create jobs in line with the high educated workforce. Brunei Wafirah Holding, the brand owner of Brunei Halal has been operating since 2009, and has expanded its business to Europe by optimizing sales and distribution in August 2011 at Saltley Business Park in United Kingdom under the Brunei company Wafirah Ltd.

In addition to developing the Brunei Halal market, Brunei is also exploring opportunities in pharmaceuticals and cosmetics. The goal is to build trust in brands through strategies that promote halal integrity in products and compliance with rules

covering materials/components, production, logistics and distribution. The Brunei Halal brand is further aims to meet the consumption of the Muslim world community, as well as making the concept of halal as a world solution.

Brunei halal also encourages the growth of small and medium enterprises (SMEs) to expand its business to export market. Especially since many small businesses do not have HACCP and ISO certificates, Brunei Halal is committed to working with SMEs in order to export the products they produce, by fulfilling the requirements of the products, packaging and commercial accreditations that apply.

The policy of Brunei halal is understandable as well as the implementation of the concept of state religion that is Islam. Yet, religious freedom (other than Islam) is protected by the Brunei Darussalam government. Population demographics based on religion are as follows: Islam 67%, Buddhist 13%, Christian 10%, and 10% others are followers of other teachings/beliefs. Togetherness of religion and cultural culture greatly affect the daily life that can be seen as "Brunei hospitality" or Bruneien Hospitality ".

The Brunei Darussalam government continues to promote local labor in the private sector, while the majorities work in the public sector. To accommodate the readiness of the workforce, the Ministry of Resources or Human Resources Development Fund of the Department of Economic Planning and Development (DEPD) conducts activities for undergraduate graduates such as the fresh graduate seeking employment, short courses such as language courses for business and training communication skills.

The Ministry of Industry and Resources has announced that among the economic focus is development/diversification that includes an emphasis on the agricultural sector that generates about 288 billion Brunei out of a total of 1.515 trillion revenues, exceeding industrial sectors, tourism, fisheries sector as in the forestry sector. The government has allocated some land from 4 districts and about 55% of the land is allocated for agriculture.

In addition to agriculture, Brunei Darussalam is also developing an aquaculture economy, identified as the largest sector/major in the fishery industry with a contribution of \$200 billion to Brunei until 2023. Several aquaculture strategies for fisheries are implemented to enable them to penetrate export markets.

One of the quality assurance objectives is through Good Aquaculture Practices (GAP), which is a system or management followed by every aquaculture entrepreneur in order to produce quality products. GAP is trying to produce disease-free products and safe for consumption. It aims to create an environmentally friendly fishing climate. Operators from aquaculture businesses strive to apply quality to their products in order to encourage their opportunity to penetrate the wider market.

Business development in Brunei Darussalam also grew increasingly with the opening of *Icenter* which began to operate in 2008 under the control of Prince Mohamed Bolkiah, who at that time also served as minister of commerce and foreign affairs ministry. *Icenter* is an incubation of information and communication technology (ICT) that focuses on developing ICT entrepreneurs towards Made-in-Brunei productions. The development of SMEs and cultures in Indonesia and Brunei Darussalam became a very interesting idea to be studied. Therefore, the researchers submit a research proposal with the title "The Role of Culture Lead Development in Empowering the Small-Medium Enterprises (SMEs) In Indonesia and Brunei Darussalam"

B. Research Questions

1. How does culture play a role in the process of empowering small and medium enterprises managed by Muslim entrepreneurs in Indonesia and Brunei Darussalam?
2. What aspects form the culture of entrepreneurship in Indonesia and in Brunei Darussalam?
3. What are the constraints to the empowerment of small and medium enterprises managed by Muslim entrepreneurs in Indonesia and Brunei Darussalam?
4. What contribution(s) can be given in the process of empowerment and development of small and medium enterprises managed by Muslim entrepreneurs through the culture in Indonesia and Brunei Darussalam?

C. Significance of the Research

1. Economic development of Muslim communities in Indonesia and in Brunei Darussalam through the empowerment of SMEs.

2. Analyzing the role of Culture Lead Development for the empowerment of SMEs in Indonesia and in Brunei Darussalam.
3. Informing the issues that are rooted in the SME resource management culture in Indonesia and Brunei Darussalam.
4. Assisting the government in describing and analyzing the role of culture in the process of empowering SMEs in both Indonesia and Brunei Darussalam.
5. Mapping the factors that become the obstacles in empowering SMEs based on Culture Lead Development in Indonesia as well as in Brunei Darussalam.

D. Objectives of the Research

1. Understanding the current state of SMEs related to social cultural and religion in Pekalongan City, Indonesia and Brunei Darussalam.
2. Identifying the problems faced by SME managers in Pekalongan City and Brunei Darussalam from the cultural, social, business climate and so on.
3. Producing research and scientific publications based on the conditions that will be found in the field, to bring the ideas/concepts to solve one of the problems of empowering SMEs in the City of Pekalongan and Brunei Darussalam.
4. Acquiring SME development strategy by using culture lead development strategy in Pekalongan City and Brunei Darussalam so as to be able to achieve economic independence in their respective countries.

E. Previous Researches

Table 1.1.
Previous Researches

No	Title and Researcher's name	Method	Result	Difference
1.	Empowerment and Entrepreneurship: a Theoretical Framework, Haya Al-Dajani, Susan Marlow	Longitudinal qualitative	Entrepreneurship is popularly presented as an individually focused economic undertaking. However, this paper demonstrates it is also a socio-politically situated activity; within this particular context, marginalised	The research will be doing in culture lead development perspective, so the effect of values in every culture must be learn carefully, to look their relationship with the development of

			subordinated women were empowered through their home-based enterprises	SMEs in Indonesia and Brunei Darusalam
2.	Development of SMEs in A Developing Country: The Indonesian Story Tulus Tambunan, 2017	Qualitative	<ol style="list-style-type: none"> 1. More than 90 % of SMEs outside from agriculture sector. 2. The constraints of SMEs: regulation, lack of financial, low human resource and technology being a fundamental problem of Indonesian entrepreneurs 	The research to be conducted focused more on how is the SMEs empowerment through revolving fund through financial institutions such as BMT and cooperatives in Indonesia and Malaysia is undertaken and identifying the appearing obstacles especially for the muslim SMEs businessmen.
3.	Best Practices In Achieving A Customer-Focused Culture, Bronwen Bartley, Seishi Gomibuchi and Robin Mann	Quantitative Qualitative	A framework for the examination of customer-focused culture was developed and the findings from the study reveal practical “new” insights into best practices in customer focus	We want to search about culture role in order to develop SMEs motivation
4.	Small And Medium Industry (Sme) And Financial Assistance In Sabah: An Empirical Analysis, Mori Kogid, Kasim Mansur, Dullah Mulok & Wilson Akmadia, 2009.	Quantitative	<ol style="list-style-type: none"> 1. The Sme businessmen capital source generally sourced from their own savings as the income from their previous job or family loan. 2. The loan convenience of financial institutions encourages Smes in Malaysia grow faster. 	In the research to be conducted, not only the rational-economic needs that will be studied, but also covers the notion of involvement of culture, behavior, and value that forms the financial behavior of SMEs businessmen in both countries.
5.	Financing Small and Medium Enterprises in Asia and the	Quantitative-qualitative	1. Financing is a critical constraint for SMEs for several reasons	The research to be conducted is integrative because

	Pacific Masato Abe, 2013		2. Owner don't manage working capital effectively, information asymmetry between banks and SMEs retards the loan application and approval process and underdeveloped by serving as facilitators and communicators: government should not provide financing directly if possible	in the analyzing process, the identification of the issue on the weakness of financial accessibility is not only viewed from technical managerial point of view, but also involves knowledge, value, and cultural social from the background of SMEs businessmen in both countries.
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F. Theoretical Foundation

The resiliency of SMEs becomes the backbone of a country's economy, including in Indonesia. In Brunei Darussalam the existence of SMEs also becomes very important, although the natural potentials are very abundant. The potential of Muslims are significant social capital and religious capital for the resilience of SMEs. The life of the community develops as the culture develops. In a culture, reflects the worldview, the value that is believed, and the behavior shown by each society.

Economy and religion have a strong relation, even in every country, it easy to find. Relation between economy and religion had been knew for a long time ago, like what Max Weber said by his writing, "Die Protestantische Ethic und der Geist des Kapitalismus" (The Protestant Ethic and The Spirit of Capitalism) and "Die Protestantische Sects und der Geist des Kapitalismus" (The Protestant Sects and The Spirit of Capitalism). Collaboration between spirituality development and wealth reaches becomes a unique chemistry; the act which doing in meditation and meditation which happen in the act.⁷ This is important to note that spiritual well

⁷ Hasan, Sudirman, 2009 Sufism and The Spirit of Capitalism, Malang, UIN Malang Press, p. 26; Syam, N. 2005. *Islam Pesisir*, Yogyakarta: LkiS.

being actually has important role by four domains like what Fisher said, personal, communal, environmental and transcendental.⁸

This research think that under the culture, the Small-Medium Enterprises empowering will be successfully because by culture, the people have the same share value which strengthening their motivation to develop their business.⁹ So this research feel that culture lead society development. In society culture, we need the organizational learning theory, because it's very usefull to explain how the people get the same feeling and bring together to change their life, more better. Culture and value are two the most important issues facing organization. We should analyze the process that involving both of influencing and constructing the human feeling, thinking and behaving.

Organizational learning has been generally defined as a vital process by which organization adapt to change in their social, political or economic settings. Senge (1997) pointed that organizations learn only through learning individuals. Mahler (1997) said that organizational learning emphasizes a socially constructed process, which proceeds through sharing interpretations of events and through reflection on these interpretations. Also Kim (1993); Nonaka (1991); Senge (1990) argue that organizational learning is a process that creates new knowledge for individuals. An organization learns through its individual members, and hence, organizational learning is shaped by individual learning. It is established that the more individuals learn, the more likely that their organizations will attain success.¹⁰

Bergquist (1993) argues that learning, on the individual and group level, becomes necessary for the success and survival of organization. Therefore, the change process has shifted its focus from developing new products and technologies to the behavioural aspect of change and to attitudes about change.¹¹ Schein (1984 & 1986) mentioned the change must happen to adapt to the business environment, as

⁸ Fernando, Mario et.al, 2010, "The Relationship Between Spiritual Well-Being and Ethical Orientations in Decision Making: An Empirical Study with Business Executives in Australia", *Journal of Business Ethics*, DOI 10.1007/s10551-009-0355-y; Weber, M. 1993.*The Sociology of Religion*, 4th Edition, Translated by Ephraim Fischhoff, USA: Beacon Press.

⁹ Madjid, N., 1993, *Islam Kemodernan dan Keindonesiaan*, Bandung: Mizan; Rutten, M. 2003. *Rural Capitalists in Asia (A Comparative Analysis of India, Indonesia and Malaysia)*, London: Routledge Curzon.

¹⁰ Moores, K. 2009, "Paradigms and Theory Building in the Domain of Business Families", *Family Business Review*, Vol.22, pp.167-180.

¹¹ Alas, R. 2009."The Impact of Work-Related Values on the Readiness to Change in Estonian Organization", *Journal of Business Ethics*, Vol.86, pp. 113-124.

well as dealing with internal integration challenges¹², to gain competitive advantage and more sustainable.

The normative pillar allows us to justify why the transmission of values and other element occurs. This is so since the institutionalizing mechanism of this pillar is composed of norms and values, such that in the specific case of family firms the owning families-in their guise as institution- will carry out a normative institutionalizing process, transmitting their norms and values to the firms over which they exert a notable influence. On the other hand, the cognitive pillar allows us to justify why this transmission of values and other cultural element is perceived, processed and analyzed by the member of the firm who do not belong to the family. These employees can never remain immune from the pressures, in institutional terms, coming from the owning families, who manage the firm according to their own culture.¹³ The existence of SMEs is not only the responsibility of business actors, but they require the role of higher education institutions and government, especially in preparing the required resources. This is why, collaborative-integrative role of the college line or academicians who has academic scientific potential must dig values and issues that are fundamental. The next line is both local and central government agencies. The importance of making the policy clearly requires the recommendation or the result of the study of the research that has been previously done so that it becomes policy that is based on academic study (policy academic based). The next tripartite line is the SME business itself, which is adaptive and cooperative in the development of its business. In addition to cross culture, SME development also needs to be done through cross policy and cross institution.

In Pekalongan City, the development of SMEs is also influenced by both internal and intra-SME work patterns, which is better known as contractor and sub contract patterns, in addition to cost savings in indirectly strengthening social capital with smaller entrepreneurs. For big entrepreneurs, there are several advantages: 1. Labor is cheaper in smaller industry, 2. Equipment in small industry is simpler, so the depreciation is low, 3. Efficiency in small industry because the equipment is more special, 4. Marketing dynamics do not burdening the contractor to make

¹² Tomei, P. A. and Ferrari, P.J. 2010. "Cultural Management in Family Business", *Brazilian Business Review*, Vol.7, pp. 23-44.

¹³ Vallejo, M.C. 2011. "A Model to Study The Organizational Culture of The Family Firm", *Small Business Economy*, Vol. 36, pp. 47-64.

adjustments to facilities or labor, 5. Costs are more efficient, 6. No space required for the stock of goods. For small entrepreneurs, some of the benefits are: 1. Continuity of production, 2. Obtaining technical and management guidance, 3. Down Payment, 4. Supply of raw materials.¹⁴

The access weaknesses are influenced by both internal and technical factors such as knowledge, motivation and trust, or external by both technical and non technical such as: cheap financing, socialization, marketing, location, distance, service and so on. The management of revolving funds is one of the factual applicative programs to solve the problem of SME development with Muslim actors. The economic competitiveness of the society is projected to increase with the support of competitive capital as well.

The definition of SMEs in Indonesia and Brunei Darussalam is generally based on the criteria of the number of workers and the amount of capital used (for Indonesia), the number of workers and the level of product sales per year (for Brunei Darussalam). From the criteria of SMEs in both countries, it is clear that financial capital includes how the access to finance is in particular concern. Financial ability will determine the rate of business development: wage patterns, the amount of output, promotion, product type, innovation and so forth.

Characteristics of entrepreneurs such as innovative, creative, never give up, confident, business minded, etc are very determining business behavior. Claessens (2006) states that access to financial services is divided into several dimensions: availability, cost, and range, type and quality of the financial services themselves.

G. Research Method

1. Research Model

The method in this research uses in-depth surveys and interviews towards the research object. This research applies qualitative and quantitative research method with sampling method. The qualitative data based on the fact that the field is the data alive, dynamic and changing, descriptive approach here not only

¹⁴ Saleh, I.A. 1986. *Industri Kecil, Sebuah Tinjauan Dan Perbandingan*, LP3ES, p. xvii

exposure data is passive, however the description is critical analysis with correlational perspective.¹⁵

Samples are taken from the existing research subject of population. The source of the data that used in this research is primary data which is taken directly from the field and secondary data as the complements. Observation, interview and documentation use to find the data. All of analysis done by descriptive-evaluative approaches. According to Arikunto, descriptive research is not intended to test a certain hypothesis, but only describes about a variable, symptom, or phenomenon. While evaluative approach is a process which is undertaken in order to determine a policy by using a technique that develops the thinking framework in order to make a decision.¹⁶

By considering the research focus, it needs for a research to be conducted with qualitative approach, this qualitative method uses quantitative and qualitative data through desk study, in depth interview, and focus group discussion (FGD) with some key informants as triangulation technique which they are understand about the problems that become the object of the study. This qualitative study used for an output of strategic policy output in the form of the SMEs' managers economic independency strategy through the utilization of culture in Indonesia and Brunei Darussalam, based on the problems found in the field through SWOT analysis model. As for the qualitative study is to process the data for the scientific publication research output. Furthermore, a research will be conducted and the research findings will be published through international scientific journal themed. The research direction plan after the proposed activity like the research by qualitative method is to map the problems through analysis method and make SMEs empowerment development strategy in Indonesia and Brunei Darussalam. Last and it's very important to do is implementation of the strategy in the form of policy proposal for Indonesia and Brunei Darussalam government.

2. Research Location and Time Period

¹⁵ Creswell, John W. 1998. *Qualitative Inquiry And Research Design, Choosing Among Five Traditions*, Sage Publications, USA

¹⁶ Arikunto, S. 2010. *Prosedur Penelitian Suatu Pendekatan Praktek*, Jakarta, Rineka Cipta.

The research locations are Indonesia; Jakarta, West Java, Central Java, East Java and Brunei Darussalam. As for the research time period and research result implementation is 3 (three) months.

CHAPTER II

THEORETICAL FOUNDATION

A. Culture in Economics in Developing Countries

1. Culture and Human Identity

Culture is humans' identity. Through culture, humans express their understanding of social and natural life. Culture becomes a media connecting humans with each other, and between humans and their surrounding environment and humans with the giver of creation, that is God.

Culture is understood in various dimensions: history, religiosity, ethnicity, literature, economics, even politics. Cultural studies brought consequences of different understanding from one another. The age of culture is directly proportional to human history. Therefore, culture is the easiest marker to be studied in human history.

Culture is an object of study that is never become obsolete in the academic world. Cultural studies are sometimes political rather than aesthetic. The object of study in cultural studies is not as an object defined in a narrow sense, namely the object of aestheticism (high-level art); it is also not the culture defined in equally narrow terms, namely as a process of aesthetic, intellectual, and spiritual development; but culture that is understood as the text and practice of everyday life. This is the culture definition that covers the two previous definitions.¹ But on the other hand, in terms of social awakening, culture becomes an ideology which substantively will change and drive humans' actions and ways of thinking. Changes that occur in humans' mindset and behavior trigger the output of knowledge, industry and technology. The results of the formed culture are reflected in the daily tools that forms civilization. Therefore, oftenly, cultural studies are always related to materialism.

¹ John Storey, 2010, *Pengantar Komprehensif Teori dan Metode Cultural Studies dan Kajian Budaya Pop*, Yogyakarta: Jalasutra, p. 2-3

There are several definitions of culture, **first**, culture as something rational, or obviously a cognitive category: culture can be explained and understood as a general state of thought. This concept contains the idea of improvement, a goal or aspiration about individual achievement or emancipation. In one content, culture can be a reflection of a very individualist philosophy and on the other hand, it is an example of a philosophical commitment to particularity and difference, even "privilege" or superiority of mankind. **Second**, culture is a more objective and collective category: culture means a state of intellectual and / or moral development in society. This is an attitude that links culture with the idea of civilization and an attitude inspired by the evolution theories by Charles Darwin (1809-1882) and inspired groups of social theorists currently known as 'early evolutionists' who pioneered anthropology, with their competitive views on 'degeneration' and 'progress', and linked this effort to the nineteenth-century imperialism. However, this view adopts culture into the realm of collective life, not into individual consciousness.

Third, culture is a category that is descriptive and concrete; culture is seen as a large collection of art works and intellectual works in a particular society: This is the daily language use for the term 'culture' and in it includes notions of particularity, exclusivity, special training or knowledge or socialization. It includes a very well-established view of culture as a symbolic realm that is intentionally produced and then settles; even though the symbolism is esoteric.

Fourth, culture is a social category; culture is understood as a whole way of life that belongs to a group of people; this is a pluralistic and potentially democratic understanding of culture that has become a focal point in sociology and anthropology and, lately, in a more local sense, in the realm of cultural studies.²

The symbiosis between culture and social awakening, is that the idea of "culture" is evidently began to emerge in the late 18th century and continued into the 19th century as part of, and in large part as a reaction to, massive

² Chris Jenks, *Culture, Studi Kebudayaan*, Terj. Erika Setyawati (Yogyakarta: Pustaka Pelajar, 1993, p. 9-10).

changes that are taking place in the structure and quality of social life . These changes, at the social, political and personal level, are not only confusing, but also make people lost their way; and, at least controversial. Such changes, through industrialization and technology, are unprecedented in human experience; the changes are very very expansionist, unstoppable, and all the limits are swallowed up; extraordinarily productive, both in terms of good and bad; and understood and legitimized through an ideology of progress.³ The concept of culture implies a relationship with the accumulation of shared symbols which are representations of and have important meaning in a society. Culture runs and develops. Culture processes and reveals, just as culture builds structure and stores something in it. Culture is a way of life and lifestyle of a person.⁴

The understanding that culture is basically the study of humans not in their position as individuals but as groups. Or in other words, phenomena in cultural studies are collective phenomena not individual phenomena. This means that even though subjects (cultural actors) and objects of cultural studies are human, but culture is not merely related to humans as individuals but with humans as their position as part of society. Or more precisely, culture is always related to the social life of a group of people/society and the social environment in which they live.⁵ Culture is an individual-psychological construct as well as a social-macro construct. That is, to a certain extent, culture exists in each and every person individually as well as a social-global construct. Individual differences in culture can be observed in people from one culture to the extent to which they adopt and engage in attitudes, values, beliefs and behaviors, which are based on consensus/agreement, shaped their culture.⁶

When society is identified as an organization consisting of a collection of individuals who interact, certainly, the existence of culture cannot be denied. At first an organization as part of its environment conduct reciprocal interactions -

³ Chris Jenks, 2013, *Culture, Studi Kebudayaan*, Yogyakarta: Pustaka Pelajar, p. 2

⁴ Chris Jenks, 2013, *Culture, Studi Kebudayaan*, Yogyakarta: Pustaka Pelajar, p. 179-180.

⁵ Ahmad Sobirin, 2009, *Budaya Organisasi, Pengertian, Makna dan Aplikasinya dalam Kehidupan Organisasi*, Yogyakarta: STIM, YKPN, p. 58

⁶ David Matsumoto, *Pengantar Psikologi Lintas Budaya*, (Yogyakarta: Pustaka Pelajar, 2008, p. 6-7).

extraction and enactment. To maintain this relationship, an organization internally determines and chooses self-identity in order to show who it is, both to internal parties and external parties. This process is repeated until the internal parties truly believe the validity of the identity needs to be maintained and at the same time create a (positive) image among external parties. The image can be positive and can be negative depending on the perceptions of external parties, however that is the profile of the organization in the eyes of external parties which is not necessarily the same as what the internal organization wants. If, let's say, the community considers negative organizational image, like it or not, the organization must fix the image to be positive. This is important because the reputation of the organization depends on the perception of the image. Organizational reputation means credit points for organizations that can also be interpreted as means that organizations succeed in establishing an organization's identity and image.⁷

2. Culture and Human Necessities

Humans act in the simplest understanding is to meet their own needs. The drive to maintain life and realize welfare goals determines humans in committing acts. Human limitations in terms of resources, require the presence of others to help him fulfill his desires. Culture embodies human desires, and positions humans in their social relations. This is where the importance of the role of culture in meeting human needs. Relations in society are created because of needs: between consumers and traders, between traders and producers, between producers and providers of raw materials, between producers and workers and so on. Economic actions carried out by humans are a marker for human seriousness in maintaining their species on earth.

The fundamental social object is a 'unit act', which when it join with at least one other social object, it forms an actionset or interaction between ego and alter: Interaction inhabits cultural fields formed from cultural objects or sometimes called symbolic objects. Social action depends entirely on its location

⁷ Ahmad Sobirin, 2009, *Budaya Organisasi, Pengertian, Makna dan Aplikasinya dalam Kehidupan Organisasi*, Yogyakarta: STIM, YKPN, p. 249.

in culture; in essence social actions are meaningful and therefore are carried out through symbolism. Only through signs and symbols can the actor be connected with his world; through symbolism he can study, make judgments inside and try to play certain power or control over his environment. According to Parsons's opinion, without cultural ones, namely symbolic ones, there will be no interaction. The cultural or symbolic one is the relationship medium and the adhesive glue that brings people together in a communication. If human action is anywhere and anytime expected to show the elements of a system, then, as a result, such systems, intrinsically cultural, are potentially universes with unlimited potential where all actions get meaning and are interpreted by ego and by alter. The discussion illustrates a continuity in meaning that is always and continues to exist at all levels in the social system from the individual unconscious, individual awareness, collective awareness, and even functional prerequisites in the system concerned. This uniform and stable isomorphism guarantees that the order, as centuries-old sociological problem, can always be controlled and regulated through the complementarity of consensual perspectives that applied to all institutions in society as well as their culture.⁸

There is a connection between humans, nature and culture. To transparently break down the relationship between nature and culture, it is better to start by analyzing nature as a house, while culture as home furniture. A house without furnishings can remain exist, but that shows as a house that lose its aesthetic and pragmatic functions. Even as an uninhabited house and no furniture, it suggests that there are no signs of life. In this sense, it is further emphasized that history and culture deepen the meaning of life in nature.

Nature requires culture, in the context of natural empowerment *an sich*. The meaningfulness of nature is, in fact, in the context of cultural intervention. This intervention does not stop at the level of interpretation of the symbol. A plural symbol in nature. Interventions continue to reach the scope of creativity, means that cultural forces play a key role in transforming the meaning of nature which in a certain form is static about dynamic forms. The manifestation of

⁸ Chris Jenks, 2013, *Culture, Studi Kebudayaan*, Yogyakarta: Pustaka Pelajar, p. 85-86.

cultural creativity in nature eventually led to the need for consumption of historical processes. Therefore, nature does like a house that needs residents, then it also needs furniture. Some parts of natural values, in fact, are meaningful because of culture.

Conversely, culture can only be understood in its relation to nature. Culture, thus, requires nature. This relationship sustained. That is, without nature, culture loses the plurality of creativity, especially in physical form and even its whole. This is reasonable because the existence of nature in the eyes of culture is placed as a place to be cultured, not only that, nature is one of the basis and perhaps the most fundamental for carrying out cultural processes as what is thought, felt and especially done. Everything that is thought, felt and done on and from nature if it can enter and give meaning to life in all areas of life, is clearly a scientific moral obligation to carry it in historical processes.⁹

3. Culture: Tangible and Intangible Involvement

Sociologists and anthropologists have explained the concept of culture in various ways. In its most common and most widely used sense, this term directs us to consider all that is symbolic; ideational and educated aspects in human society. In an older sense culture is precisely a collective noun that is used to define the realm and environment of mankind which clearly marks its ontology and is separate from the environment which is purely natural physical.

Discussing about culture means reaffirming a philosophical commitment to distinctions and particularities of 'humanity'. Even animals, even dolphins that can mumble, do things as demanded by nature ('do `nature), while human beings inevitably change their world into, and by using, a series of symbolic representations. Thus, the symbolic satisfies and absorbs human projections into different objects and situations, and the symbolic one also acts as a mediator between those objects and situations.

The symbolic representations shaping human knowledge, in various groupings, are various classifications and manifestations, which are the cultural

⁹ Juraid Abdul Latief, *Manusia, Filsafat, dan Sejarah*, Jakarta: Bumi Aksara, 2006, p. 35

ones. Thus, the idea of culture gave birth to a concept which, on one level, provided a principle of uniformity for all population groups worldwide; including humans who once inhabited this earth and humans who once inhabited this earth, anytime and anywhere. So, culture, in regard with early anthropology, is the general realm of mankind; culture distinguishes a person's behavior from the behavior of other beings and is something that conceptually distinguishes from the dominant source of explanation, namely biological determinism and, later, genetic determinism.¹⁰

In an effort to understand aspects of human life, sociology and anthropology initially had the same orientation. Both sought to understand humans through the application of scientific techniques. Therefore it is unsurprising that the study objects of these two disciplines often overlap. Efforts to differentiate the study objects of these two disciplines are carried out through an agreement which confirms that sociology emphasizes the study of phenomena related to all human life in its position as a society, and anthropology is oriented towards the study of the origin and development of human culture. However, in their practice, the overlapping between the two disciplines are still cannot be avoided.¹¹

4. Cultural Conformity and Sustainability Strategy.

In the entrepreneurial perspective, the organizational concept for companies as a place for community gathering is very important, because this determines the life and death of the company. Human survival determines cultural sustainability. The symbiotic relationship between culture and social order is long-term. The harmony of society is continuously formed because there is a conformity of shared value. The role for culture is to legitimize the social order and thus enable the existence of a separate culture but is integrated with the social structure. The social system consists of a social structure and three other sub-systems, all of which are functionally interconnected and one of which

¹⁰ Chris Jenks, 2013, *Culture, Studi Kebudayaan*, Yogyakarta: Pustaka Pelajar, p. 4-6.

¹¹ Ahmad Sobirin, 2009, *Budaya Organisasi, Pengertian, Makna dan Aplikasinya dalam Kehidupan Organisasi*, Yogyakarta: STIM, YKPN, p. 49, mengutip dari *Mary Jo Hatch, 1977, Organization Theory*, New York: Oxford University Press, p. 203.

is 'cultural'. Although it is the economy that drives this system and makes it adapt to its environment, it is the family that protects, nurtures and preserves the 'units' or the personalities within the system through socialization and compassion. Cultural systems are full of prerequisites for achieving goals and integration. In essence this means that culture has a central role in ensuring the balance and internal homeostasis of a system as a whole. Culture must provide a symbolic environment conducive to social actors who continue to move towards their goals, and must preserve and maintain cooperation and unity among these actors given the various obstacles to achieving these goals. Therefore, what is meant by cultural should mean the existence of beliefs, interests, and shared ideologies that serve to legitimize the social order.¹²

In the development of culture, the role of culture is not only limited to the substance of abstraction in the domain of human thoughts, but it has manifested itself in a more concrete strategy. In the economic field, for example, branding strategies become innovations that have tremendous impact. Brands are deliberately created to show there is a relationship between producers and consumers. Entrepreneurs make culture an inspiration for the creation of certain brands. Business is a social system that brings together the goals of entrepreneurs in the way they choose. Thus, unsurprisingly, entrepreneurs try hard to make brands as consumers' interest variable.¹³ Business resilience depends on the success of the company in transferring their products values through brands to consumers so that it can be understood and foster consumer trust to the company. Culture inspires entrepreneurs to create new values for the products they produce. Consumers do not always focus on the price of goods, but on the value implied in the goods consumed. Prices, shapes and types of goods become less important than the message of the value implied by the goods.

¹² Talcott Parson, 1951, *The Social System*, London: Routledge & Kegan.

¹³ Caroline A.A. Meads and Preadeep Sharma, 2008. "The Socio-Cultural Role of Brand in Business Value Creation", *Design Management Review*, 19, 2, p. 29-85.

Behavioral trends in the economic and transaction field cannot be separated from the attention form cultural research. A field of research conducted in psychological anthropology is research on cultural value orientation, such as that developed by Clyde Kluckhohn and his wife, Florence Kluckhohn. They assume that in the framework of the cultural system, of each culture, there is a series of abstract concepts and a broad scope, which lives in the minds of most citizens, about what must be considered important and valuable in life. Thus, the cultural value system also functions as an orientation guide for all human actions in their life. A cultural value system is a system of action that is higher than the higher systems of actions , such as the system of norm, law, customary law, ethical rules, moral rules, courtesy rules, and so on. Since childhood, an individual has been infused with the cultural values of his community, so that the concepts have been rooted in his mentality and then are difficult to replace with other conceptss in a short time. The questions that have the highest value in human life and those in every culture in the world, involve at least five things, namely: (1) the matter of human nature or the meaning of human life; (2) the matter of man nature, or the question of the meaning of human relations with the surrounding environment; (3) a matter of time, or a human perception of time; (4) the matter of activity, or about the meaning of work, workpiece and human deeds; (5) the matter of relational, or the relationship between humans with eachother. Technically, these five problems are often called value orientations.

According to Koentjaraningrat, there is a culture that considers life to be a source of concern and suffering, which humans must always remember and realize (this is what Kluckhohn formulated with the word evil). In many cultures there is also other conception of life, namely that life is a source of pleasure and all things that are beautiful and meaningful, and that humans are obliged to live their lives with full of enthusiasm (this is what Kluckhohn stated, was formulated as good). In various other cultures, people's lives are considered determined by fate and cannot be changed, while there is a culture that has a conception that every human being can strive to adapt their life to their own will.

Humans live in their beliefs. In order to maintain the beliefs, values or customs that have been believed, it is obvious that one will not be silent, on the contrary, he is not only trying to give an argument why he is firm in his beliefs. More than that, he tried to influence other people so that they also adhered to the same beliefs, values and habits. If this process of influence is successfully carried out, at first there will be only one, two, or three that are affected, but over time, more and more people will also be affected. It is then that there will be a shift in the ownership of beliefs and values from those who belonged solely to the individual (the person who first promoted beliefs and values) turned to shared ownership, while the first person will be treated as a central figure (leader). At that time there is also social awareness (social conscience) of many people regarding the importance of maintaining shared beliefs, values or customs. Conversely, if someone is not so firm in maintaining the beliefs, values or old customs, it will trigger the acceleration of the process of acculturation to new beliefs and cultures.¹⁴ This is where culture can become an adhesive or as a barrier to an organization or society's order.

Essentially, culture is the result of human response and adaptation to changes in the environment, both changes related to nature and social. With regard to nature, many cultures conceptualize nature as something so powerful and perfect, so that humans should submit to it (subjugation to nature). In contrary, there is a culture that teaches its citizens from a very young age that even though nature is fierce and perfect, human reasoning must be able to explore secrets and finally conquer and use them for their needs (mastery over nature). A cultural value that has such an orientation has motivated the development of science and technology, especially in the cultures of European and American nations. But many also don't teach their citizens to submit to nature and try to master it, but to live in harmony with it (harmony with nature).¹⁵ Nature and humans alike have a changing nature, that change can be caused

¹⁴ Ahmad Sobirin, 2009, *Budaya Organisasi, Pengertian, Makna dan Aplikasinya dalam Kehidupan Organisasi*, Yogyakarta: STIM, YKPN, p. 59.

¹⁵ Koentjaraningrat, 1990, *Sejarah Teori Antropologi II* (Jakarta: UI Press), p. 77.

by God's will or human's desire. The results of the response will give birth to a new culture, followed a new civilization.

B. Small Medium Enterprises in Development Countries

1. Challenges

The toughest challenge of a developing country is to meet the needs of its people, whether food, clothing and housing needs, educational needs, infrastructure facilities, transportation, health facilities and so on. The level of welfare of people in developing countries is generally dominated by low income. This is due to socio-economic inequality. Availability of employment has become the main project for developing countries such as Indonesia. It is inversely proportional to the high level of needs for both basic and other needs, encouraging and forcing people to develop businesses (entrepreneurships).

The demand for entrepreneurial management requires many supporting factors: financial, management, market, product type, work ethic and so on. Work ethic is one of the important factors for humans in managing a business. The interconnection of culture and work ethics requires more in-depth study. Culture will never exist without human existence. Culture is a representation of the presence of humans on this earth. Without culture, human are considered absent.¹⁶

The next challenge in business development is the level of human ability in exploring their creative potential. Outwardly, everyone has that potential. With its conceptual abilities, humans are able to explore the potentials that exist in each of God's creations and turn them into works of civilization and culture for the welfare of a common life. Culture is a process of creation by humans based on their creative ability to explore and cultivate the potential that exists in the universe. So in the process of forming culture there are several factors, namely: 1) the factor of human conceptual knowledge, a creative ability that has high creativity, 2) the potential contained in the universe as it is that is bound to the natural laws contained in it, 3) the process of creation itself is measured in

¹⁶ Musa Asy'arie, 2016, *Dialektika Islam Etos Kerja dan Kemiskinan*, Yogyakarta: LESFI, p. 114

time, space and management, and 4) actualization that has positive and negative impacts on human life.

The factor of human creative ability and the potential contained in the universe are economic and independent factors, while the process and its actualization are fully an ethical domain where humans are not free, but must consider risks and calculate aspects of goods and bads for common life. The process of creative thinking must be based on transcendence that forms belief in God's power. Thoughts that penetrates physical boundaries to reach metaphysical knowledge that provides ethical guidance in the process of forming culture and its application so that it does not have a destructive effect on common life.¹⁷

In the context of the development of a country, the issue of entrepreneurship is a complex problem. These problems require a variety of approaches. One of the approaches used is the cultural approach. The potential of culture in a nation is identical with the potential of its own community. Development and culture has reciprocal relationships. Development will meet its form if humans have a culture that will be applied in development. Culture will develop into a new culture after development can be felt by humans, and so on.

The experience of developed countries shows that the flow of economic growth comes from knowledge-based business. The vast of knowledge grows two-fold every year. Learning market includes not only formal students, but also life-time learners. Thus, a new meaning of business education and learning is born, as well as new markets and demands.¹⁸

In Indonesia, development pretending to fill national independence, did not make individual citizens happy, they reunited back with their respective tribes. If this dissatisfaction felt by all the tribes, these disappointed tribes tend to separate themselves from Republic of Indonesia. This trend was realized, then it was crushed militarily, not by changing the way of disappointing

¹⁷ Musa Asy'arie, 2016, *Dialektika Islam Etos Kerja dan Kemiskinan*, Yogyakarta: LESFI, p. 118-119

¹⁸ Daoed Joesoef, *Bangunlah Jiwanya, Bangunlah Badannya*, 2018, Jakarta: PT. Kompas Media Nusantara, p. 170.

development. So, there was a "civil war", *a wrong war, against a wrong enemy, at the wrong place, triggered by the wrong reasons.*

Development policies which are reduced to economic development in terms of income (GNP, GDP, average income per capita). It aims to increase the plus-value of things, not plus-value of humans. Since development is economic development, it is considered natural that he is guided by pure and simple economic discipline, which is sensitive to market behavior and ignores human behavior, as well as the social space in which humans live. The cultural approach was chosen because culture is a system of values that is lived out, because what is discussed is human. He is the first and foremost target of national development. The universal is not human nature, but human's ability to create cultural reality and behave in such a manner.¹⁹ The need for a cultural approach in the economic development of a country provides an opportunity for human imagination to contribute, and develop human nature, is no longer the object of development, but the subject of development.

2. Strategy

Business opportunity strategies are always important for business sustainability. In realizing this strategy, entrepreneurs try to identify the availability of internal resources and business development in general. Strategy is one of the formal tools of the organization in addition to the other two formal devices: structure and system. Strategy is often defined as planning and allocation of resources deliberately made by an organization to position itself to be more profitable than the position of competitors engaged in the same field of activity. This definition shows that strategy is a management tool as well as other management tools that are deliberately designed so that the organization can achieve long-term goals as part of achieving the organization's vision and mission. Therefore, a simple strategy is often referred to as how do we get there—a tool to achieve long-term organizational goals. To achieve these objectives, there are two main activities related to the concept of organizational strategy,

¹⁹ Daoed Joesoef, *Bangunlah Jiwanya, Bangunlah Badannya*, 2018, Jakarta: PT. Kompas Media Nusantara, p. 177-178.

namely the process of strategy (strategy formulation) and content of strategy (strategy implementation).²⁰

Small and medium-sized businesses in developing countries, generally characterized by family businesses, and the majority use patrilineal power patterns, where the policy maker is centrally in the hands of the family head who also doubles as the founder of the business (founder). This family business structure has its own impact on the sustainability of small and medium businesses. To find out how the relationship between organizational structure and culture and its influence on company strategy, it is important to remind the concept developed by Alfred D. Chandler, a management expert on concepts that until now are still widely followed by other management experts, namely structure follows the strategy. This theory asserts that the formulation and implementation of strategies will be able to help the company achieve its objectives if followed by the preparation of the right structure. Otherwise, then the strategy formulation is limited to mere discourse-only on the conceptual plane. If this concept is associated with theory of fit, the strategy must be compatible with the organizational culture so the same thing applies to the organizational structure, that is, the structure must be compatible with the culture.

In small and medium enterprises, the family structure (father-mother-child) in the core circle and between siblings in the outer circle are also naturally develops in the pattern of business management. It can be said that the family structure is the same as the business structure. This brings significant managerial implications, ranging from division of labor, division of power, flow of communication to the process of taking power. In the organization's internal relations, the order or hierarchy of the family business structure is not always formal, especially in the cultural communication of family members that have occurred in a long time with all experience.²¹ Emotional closeness and openness among members of both the core family and the big family causes informal

²⁰Ahmad Sobirin, 2009, *Budaya Organisasi, Pengertian, Makna dan Aplikasinya dalam Kehidupan Organisasi*, Yogyakarta: STIM, YKPN, p. 267.

²¹ Also read Ahmad Sobirin, 2009, *Budaya Organisasi, Pengertian, Makna dan Aplikasinya dalam Kehidupan Organisasi*, Yogyakarta: STIM, YKPN, p. 276.

relations to occur in business management. Bureaucracy is not too important and often overlooked.

Discussions on organizational structure (business) are often reflected in the organization map. Taxonomically the organization map illustrates 3 main things:

- a. Level of specialization or organizational complexity.
- b. Level of formalization of the organization.
- c. Level of centralization/decentralization of organization.

Furthermore, specialization or organizational complexity can be divided into 3 (three) parts, namely:

- a. Horizontal differentiation.

Horizontal differentiation explains how much work must be done by employees, the level of need for professions and the specialization of employees, the need for training and education of employees in relation to the tasks and work they must do and the level of departmental organization. The more the jobs, professions and specialties, the more the need for special trainings will be and the more the departmentalizations, the more complex the organization will be.

- b. Vertical differentiation

Vertical differentiation is related to the number of levels in an organization. The fewer levels of the organization, the wider the range of control a manager must run. Conversely the more levels of the organization the narrower the range of control.

- c. Spatial differentiation.

Spatial differentiation is related to the location of the organization. The farther the distance between organizational units, departments and the people working in it, the more complex the organization.

Organization formalization relates to the level of work standardization, namely the extent to which organizational activities are carried out based on regulations, rules and work procedures. Likewise formalization explains the extent of the routine of a job. As a result, the basic idea of formalization explains the extent to which a job can be managed and controlled.

Centralization/decentralization explains the level at which organizational decisions will be made, who has the authorization for decision making, who has the power and where the decision will be made.

The organizational structure typology is divided into 5 groups :

- a. Simple structure
- b. Machine bureaucracy
- c. Professional bureaucracy
- d. Divisional form
- e. Adocracy

Each typology has different implications for coordination mechanisms, key organizational parts and forms of centralization/decentralization of organizations. For example, in the type of machine bureaucracy, it can be ascertained that the role of the top leader greatly determines the course of the organization because everything, including coordination of work and organizational decision making, is in their hands. Because everything is at the top, the organization forms like a pyramid upside down where the number of personnel at the top of the organization is far more than the number of personnel at the lower level. That is why this form of organization is often referred to as a very bureaucratic and central structure (high structure). The opposite is a decentralized decentralized form organization that mostly involves middle and lower level management in determining the organization's structure (low structure).²²

The issue of business strategy in the Indonesian context is of particular concern when industrial-based economic development is truly enacted. The enactment of industrial revolution is often unaccompanied by a complete set of work in which humans become victims or as a "cost" of industrial progress that occurs. The cultural era of economically advanced societies turns out to require multidisciplinary studies.

David Yusuf (2018) called it a substantial change in the lives of modern society requiring pluridisciplinary leadership called to confront the "industrial

²² Ahmad Sobirin, 2009, *Budaya Organisasi, Pengertian, Makna dan Aplikasinya dalam Kehidupan Organisasi*, Yogyakarta: STIM, YKPN, p. 276-277.

revolution" whose principles are being condemned as well as the "scientific and technological revolution" whose initial manifestations have been felt through a series of actual differences and it is necessary to be distinguished with changes due to expansion of the industrialization system.

The industrial revolution adhered to the idea that objective world domination thanks to the accumulation of knowledge, improvement of technical equipment, and industrial development was able to guarantee a general rise in the level of life and, from there, the progress of humanity. However, the factual results are in the form of a serious imbalance between technical equipment (machinery) and financial equipment (capital) involved in industrial activities. Humans are only the appendix of each of these equipment, workers are determined to serve machines to function as employers serve capital to be useful. The extent to which "nature"-with its traditional potential known and respected by farmers and craftsmen-is left to be fully exploited thanks to technical progress and industrialization, without taking into account the "needs" and "natural life" of the mother nature. In other words, humans and nature fell prey to the industrial revolution.

This scientific revolution which then followed to correct in a gradual way, even reversed the situation through its reasoning ability by showing the significance of the potential capacity and activity power of humans and nature that had been underestimated. In other words, changing the human-natural partner from "victim" to "master". This heavy double promotion places science and culture at the center of decisive dynamics and conflicts of the modern world. Science became the most revolutionary productive force of society and its development and its various applications, and intensified the acculturation of the creative forces and talents of a large mass of human beings, so that the prevailing revolution was also the greatest cultural revolution in history.²³

²³ Daoed Joesoef, 2018, *Bangunlah Jiwananya, Bangunlah Badannya*, Jakarta: PT. Kompas Media Nusantara, p. 194-196.

3. Environmental Change

Changes in the environment for humans are basically natural problems, because each second, human always interact with their environment. The problem is the varying level of survival and adaptability of humans that shows varying results. Adaptation by following the flow of change, or adaptation while maintaining the values that are believed. Changes in human life from the simplest to even the most modern lifestyle are basically reflects the win-lose value with the ideology that humans have in each of their civilizations.

Value is everything that we use as a standard in weighing (judgment) and / or that is worth within itself (intrinsic value), which in large part is in the form of intangible things, such as ideas and science. Even so, it is in essence, not a rule (rules), but an illumination that is so deep that it lies on the boundaries between fair and unfair, good and bad, tools (means) and goals (ends).²⁴

To deal with change, humans also need to change. The socio-economic field requires people who have "power of the reason". if its formation is trained and nurtured regularly and systematically, it is a fertile source of creativity. In general, creativity is solely connected with artistic activities. However, creativity does not only mean the act of "creating", but more broadly than that, namely the human life that states itself every time he can with his own efforts to fulfill his elementary needs. The existence of this creativity is reflected in the ability to meet the needs, in the material possessed as a result of effort, but in essence all of that comes from an energy that supports humanity in his thinking, in his will, in his actions. It is this creativity that would distinguish the modern economy from the previous economy.²⁵

Human creativity has double dimensions, individual and social. Humans are required to be creative in interacting with themselves and their environment, both social environment and business environment. Humans and their environment are well-maintained organizations. Creativity encourages people to be flexible in behaving. All humans are members of organizations, formal and

²⁴ Daoed Joesoef, *Bangunlah Jiwanaya, Bangunlah Badannya*, 2018, Jakarta: PT. Kompas Media Nusantara, p. 207

²⁵ Daoed Joesoef, *Bangunlah Jiwanaya, Bangunlah Badannya*, 2018, Jakarta: PT. Kompas Media Nusantara, p. 260

informal. Human success still exists, indicating that humans are able to maintain organizational harmony.

In the 1960s a new theory developed which until now has received considerable attention, namely population ecology theory and contingency theory. Both of these theories become the source of the emergence of the theory of fit -theory about the synchronization of internal relations of the organization. Contingency theory, which is basically a development of the open system theory, asserts that organizations (including business forms) are not in isolation spaces that are separate from the external environment. That is, organizations are not immune from changes that occur in the external environment. Instead, organization is an integral part of a larger social system. Therefore, according to this theory, changes that occur in the external environment which are within certain limits cannot be controlled by the internal parties of organization. This can also be interpreted that for an organization to carry out its activities, be able to survive and develop, like it or not the organization must always adapt and be in harmony with the environment. Or in other words, a match between an organization and the external environment is a prerequisite for the success of an organization. This compatibility of the two environments became known as the theory of fit-alignment theory.²⁶ The harmony of humans and their organizations in the face of change gave birth to a new culture, including in arranging the socio-economic order with the scientific revolution along with the industrial revolution to bring human creativity. This is where the importance of a cultural approach, as a human identity that has reason and taste in a complementary way.

²⁶ Ahmad Sobirin, 2009, *Budaya Organisasi, Pengertian, Makna dan Aplikasinya dalam Kehidupan Organisasi*, Yogyakarta: STIM, YKPN, p. 265

CHAPTER III

SMALL AND MEDIUM ENTERPRISES IN INDONESIA

A. SMEs and Indonesian Economic Context

As in any other developing countries, SMEs are also often associated with government efforts in overcoming various economic and social problems, such as: reducing unemployment, eradicating poverty and development equalization. As a form of effort in overcoming these various economic and social problems, the Indonesian government always supports and fosters existing SMEs. In this case, the Indonesian government established two institutions that specifically build and develop SMEs, namely: the Ministry of Cooperative and SMEs and the Creative Economy Agency (*Badan Ekonomi Kreatif/Bekraf*).

It is unsurprising that later, SMEs gave such an important role to Indonesia's economic growth. It was recorded in 2015 that the number of SMEs in Indonesia reached 60.7 million business units, with a growth rate of 2.4 percent during 2011 - 2015. In line with its growth, the workforce absorption by SMEs in the same period also continued to increase, with an average of 5.9 percent, with the total workforce in 2015 reached more than 132.3 million.¹ It is unsurprising, that with such growth, SMEs contributed 61.41 percent or Rp. 6,228,285.0 billion of the total National GDP of Rp. 10,141,340.0 billion in 2015. The contribution of SMEs in National GDP can be seen in the following table:²

¹ Bappenas, "Penguatan UMKM Untuk Pertumbuhan Ekonomi Yang Berkualitas," *Warta UMKM*, 2016.

² Kementerian Koperasi dan UKM, "Laporan Kinerja Kementerian Koperasi dan UKM Tahun 2016" 2017

Table 3. 2.
SME contribution on national GDP on 2013-2015

Year	National GDP value (in billion IDR.)	SME contribution in national GDP (in billion IDR.)	Percentage
2013	8.241.864,3	4.869.568,1	59,08
2014	9.014.951,2	5.440.007,9	60,34
2015	10.141.340,0	6.228.285,0	61,41

Source: Ministry of Cooperative and SME data

The important role of SMEs is also shown by the value of exports and investments in Indonesia. During 2011-2015, the value of SME investments continued to have average increase of 10.6 percent. Meanwhile, the export value of non-oil and gas SMEs in Indonesia was also increasing. With the number of SMEs as many as 59,262,772 units, it was noted in 2015 that the total value of contributions to the value of Indonesia's non-oil exports was Rp. 185,975.0 billion (15.73%) of the total Indonesian non-oil and gas export value of Rp. 1,182,643.0 billion. The value of this contribution was increased by 0.05% from 2014. The contribution of SMEs in Indonesia's non-oil and gas export value can be seen in the table as follows:

Table 3.3
SME Contribution in non-oil and gas export in 2013-2015

Year	Non-oil and gas export value (in billion IDR)	SME contribution in non-oil and gas export (in billion IDR)	Percentage
2013	1.185.391,0	166.626,5	14,06
2014	1.161.327,5	182.112,7	15,68
2015	1.182.643,0	185.975,0	15,73

Source: Ministry of Cooperative and SME data

Based on data on table 3.2. SMEs contribution to Indonesian exports in 2015 was only 15.73%, far smaller than in other countries in Southeast Asia. In Thailand, for example, the contribution of SMEs to exports amounted to 29.5%, while in the Philippines it was 20%. Meanwhile, at the global level, SMEs in

Germany contributed to 55.9% of their exports, while in Japan it reached around 53.8%.³

The current entry of Indonesia in the One Trillion Dollar Club with 16 other countries, where Indonesia's GDP in 2017 is at US \$ 1.01 trillion, is also inseparable from SME role. Even it was predicted that Indonesia's economy will occupy a position as the country with the fifth highest GDP in the world under Japan.⁴ This condition proves that empirical studies that have stated that SMEs have a complementary role with large companies in the creation of employment opportunities and economic growth is true. Urata in his study of Indonesian SMEs stated that SMEs play several important roles in Indonesia. First, as a major player in economic activity in Indonesia; second, as providers of employment opportunities; third, as an important player in local economic development and community development; fourth as market creators and innovations through their flexibility and sensitivity as well as the dynamic interrelationships between company activities; and fifth, to contribute to the increase in non-oil and gas exports.⁵

According to Sulistyastuti, there are at least four reasons why SMEs in Indonesia are said to have a very important and strategic role. First, judging from the capital aspect, SMEs do not need large capital as large companies, so the establishment of this business is not as difficult as large companies. Second, in terms of workforce aspect, SMEs do not demand certain formal/high education. Most of it is based on experience (learning by doing) which is related to historical factors (path dependence). This is often found in the craft, carving, and batik industries. Third, in terms of location, most of SMEs are located in rural areas and do not need infrastructure as large companies. Fourth, seen from the resilience aspect, it has been proven that SMEs have strong survival when Indonesia was hit by the economic crisis.⁶

³ Kementerian Koperasi dan UKM, "Laporan Kinerja Kementerian Koperasi dan UKM Tahun 2016" 2017

⁴<https://finance.detik.com/berita-ekonomi-bisnis/d-3930816/pwc-ekonomi-indonesia-bisa-menyalip-rusia-dan-jerman-di-2030>, accessed on November 4th, 2018, 17:36.

⁵Shujiro Urata, *Policy Recommendation for SME Promotion in the Republic of Indonesia*, JICA, Tokyo, 2000

⁶ Sulistyastuti, "Dinamika Usaha Kecil Dan Menengah (UKM) Analisis Konsentrasi Regional UKM Di Indonesia 1999 - 2001."

Meanwhile, Albert Berry, et.al. stated that the existence of SMEs in Indonesia is very important considering several reasons. First, as a potential source for providing jobs. Second, spurring economic growth. Third, as a source of domestic production, the substitution of imported consumer goods is cheap and acquisition of foreign exchange through exports. Fourth, as an industrial supporter that produces components (tools and spare parts) for large companies (including multi-national companies).⁷

Therefore small industries are a sector considered to be developed. Thus it is expected that there is a statement which states that if only 5 percent of all small and medium scale industries in Indonesia can be empowered, it will be a strong support for large scale industries, and SMEs will be able to increase their existence in the national economy with various contributions , both in macro and micro terms.⁸

SMEs contribute to Indonesian economy. The influence of SMEs existence is not only in the economic sector, but also in social, cultural, educational and health sectors. The field of SMEs developed is very diverse ranging from, crafts, trade, culinary, animal husbandry, agriculture, plantations and so on. The existence of SMEs is also equally distributed across all provinces in Indonesia. Statistics shows that the number of SMEs in Indonesia reaches 57,895,721 units. This number of SMEs is very significant in workforce absorption, exceeding 114,144,082 people.

⁷ Albert Berry, Edgard Rodriguez, and Henry Sandee, "Small and Medium Enterprise Dynamics in Indonesia," *Bulletin of Indonesian Economic Studies* 37, no. 3 (2001): 363–84, <https://doi.org/10.1080/00074910152669181>.

⁸ Indi Sutopo, "PRODUKTIVITAS DAN KETAHANAN BISNIS INDUSTRI KECIL (Studi Empiris Industri Batik Tulis Trusmi Kecamatan Plered Kabupaten Cirebon)," *Dinamika Keuangan Dan Perbankan* 3, no. 1 (2011): 102–12.

Table 3. 4.
Number of Indonesian SMEs and Workforce Absorption in 2017

No.	Indicator	Unit	2013
	MSME number	Unit	57 895 721
2	Growth of MSME number	Percent	2.41
3	MSME workforce number	People	114 144 082
4	Growth of MSME workforce number	Percent	6.03
5	MSMEs GDP contribution (constant price)	Billion IDR	1 536 918.80
6	Growth of MSMEs GDP contribution	Percent	5.89
7	MSMEs export value	Billion IDR	182 112.70
8	Growth of MSMEs export value	Percent	9.29

1. Pekalongan Batik Industry, Jawa Tengah

Batik is familiar to Indonesians. Similarly, the city of Pekalongan, that is no longer known as a small city on Java, because the name of Pekalongan City is now global. UNESCO has awarded the title of The City of Batik and Creative City to Pekalongan City. These 2 (two) titles are very beneficial for the batik industry which has become the icon of Pekalongan.

Table 3. 5.
MSME number & MSME workforce in accordance to Pekalongan City Act no.20 of 2008 in 2017

No.	Enterprise Scale	2010 National Data		Kota Pekalongan	
		Number (Unit)	Workforce (People)	Jumlah (Unit)	Tenaga Kerja (Orang)
1.	Large Enterprise	4,838	2,839,711	34	4,509
2.	Medium Enterprise	42,631	2,759,852	687	17,661
3.	Small Enterprise	573,601	3,627,164	5,326	27,088
4.	Macro Enterprise	53,207,500	93,014,759	13,602	29,500

Source : Trade, Cooperative, and SME Agency Office of Pekalongan City, 2017

Table 3. 6.
Trade, Cooperative, and SME Agency of Pekalongan City Batik SMEs Partners Data

No.	Sentra Name	Address	Regency/City	Commodity/Product Name
1	2	3	4	5
1	PAGUYUBAN KAMPOENG WISATA BATIK PESINDON	JL. HAYAM WURUK PESINDON GG. 1	PEKALONGAN CITY	BATIK
2	PAGUYUBAN KAMPUNG BATIK KAUMAN	KAUMAN GG. 1 NO. 41	PEKALONGAN CITY	BATIK
3	PAGUYUBAN PENGRAJIN CANTING "SEKAR JAGAD"	KELURAHAN LANDUNGSARI	PEKALONGAN CITY	CANTING
4	SENTRA IKM BATIK	KELURAHAN MEDONO	PEKALONGAN CITY	BATIK
5	SENTRA IKM BATIK	KELURAHAN PASIRSARI	PEKALONGAN CITY	BATIK
6	SENTRA IKM BATIK	KELURAHAN PRINGLANGU	PEKALONGAN CITY	BATIK
7	SENTRA IKM BATIK	KELURAHAN TEGALREJO	PEKALONGAN CITY	BATIK
8	SENTRA IKM BATIK	KELURAHAN TIRTO	PEKALONGAN CITY	BATIK
9	SENTRA IKM BATIK	KELURAHAN BANYURIP AGENG	PEKALONGAN CITY	BATIK
10	SENTRA IKM BATIK	KELURAHAN BANYURIP ALIT	PEKALONGAN CITY	BATIK
11	SENTRA IKM BATIK	KELURAHAN BUARAN	PEKALONGAN CITY	BATIK
12	SENTRA IKM BATIK	KELURAHAN JENGGOT	PEKALONGAN CITY	BATIK
13	SENTRA IKM BATIK	KELURAHAN KRADENAN	PEKALONGAN CITY	BATIK

Source : 2017 Trade, Cooperative, and SME Agency Office of Pekalongan City

Table 3. 7.
Trade, Cooperative, and SME Agency of Pekalongan City Batik MSMEs Partners Data

No	Sentra Name	MSME Number	Capacity per Month	Turnover	Asset	Workforce	Enterprise Sector
1	2	3	4	5	6	7	9
1	PAGUYUBAN KAMPOENG WISATA BATIK PESINDON	32	18,150			408	PROCESSING INDUSTRY
2	PAGUYUBAN KAMPUNG BATIK KAUMAN	49	21,000				PROCESSING INDUSTRY
3	PAGUYUBAN PENGRAJIN CANTING "SEKAR JAGAD"	81	7,776				PROCESSING INDUSTRY
4	SENTRA IKM BATIK	25	15,895	4,377,170,00	1,760,090,00	314	PROCESSING INDUSTRY
5	SENTRA IKM BATIK	79	128,732	8,123,530,00	1,760,850,00	1,169	PROCESSING INDUSTRY
6	SENTRA IKM BATIK	44	35,204	4,455,300,00	901,740,000	480	PROCESSING INDUSTRY
7	SENTRA IKM BATIK	30	34,168	3,589,340,00	1,777,040,00	632	PROCESSING INDUSTRY
8	SENTRA IKM BATIK	41	39,618	7,538,900,00	1,248,270,00	679	PROCESSING INDUSTRY
9	SENTRA IKM BATIK	31	22,720	4,260,800,00	1,687,380,00	399	PROCESSING INDUSTRY

10	SENTRA IKM BATIK	26	50,320	12,065,600, 000	822,670,000	249	PROCESSING INDUSTRY
11	SENTRA IKM BATIK	30	9,820	1,053,200,0 00	339,390,000	191	PROCESSING INDUSTRY
12	SENTRA IKM BATIK	29	10,382	14,861,000, 000	909,640,000	498	PROCESSING INDUSTRY
13	SENTRA IKM BATIK	57	38,485	7,798,480,0 00	1,625,150,0 00	559	PROCESSING INDUSTRY

Source : Trade, Cooperative, and SME Agency Office of Pekalongan City

The development of batik industries up to the present time is not only domestics, but also overseas, as in the following table:

Table 3. 8.
2017 Export Realization

NO	ENTERPRISE NAME	COMMODITY	VOLUME (Kg)	VALUE (US\$)	VALUE (IDR)	DESTINATION
1	BINTANG TRIPUTRATEX, PT	House dress	19.259,00	208.853,33	2.780.382.401,23	Malaysia
2	BLUE SEA, PT	Surimi	2.616.000,00	5.425.950,00	72.867.074.400,00	Korea
3	EMIR SASTRA PRATAMA, PT	Woven sarong	185.962,25	941.100,75	12.556.221.172,00	Thailand
4	GARMENINDO TEXTILE INDUSTRY, PT	Palekat sarong, sajadah, ladies dress, ladies blouse, veil, t-shirt, cloth, bedsheet, bedcover	385.119,00	577.308,00	7.826.832.811,80	Singapore, Thailand
5	JACKY BATIK, CV	Batik sarong	17.610,00	110.304,19	2.326.381.360,00	Nigeria, Singapore
6	MAYA FOOD, PT	Sardines	155.500,00	339.250,00	4.527.154.700,00	Bangladesh, Vietnam
7	MULIA JAYA SEJAHTERA ABADI TEXTILE, PT	Cotton thread, woven thread	1.460.041,20	3.798.692,43	53.424.791.566,65	Vietnam, Turkey
8	PISMATEX, PT	Woven sarong	403.217,86	3.956.282,33	52.931.965.019,90	Malaysia, Thailand, Dubai
9	RAVEENA GARMENINDO, CV	Batik sarong, woven sarong, garment	24.872,00	222.808,00	2.990.679.546,00	Thailand
10	SHAMLAN PUTRA, CV	Batik sarong	16.312,25	73.494,60	984.418.607,80	Singapura, Thailand
11	SURYA MINA,	Palm meal / Dry Salt	47.185,93	27.238,50	365.730.426,00	China, Srilanka

	CV	Fish				
12	TEMBAGA BATIK	Batik cap cloth	2.317,00	45.639,65	609.198.048,20	Australia
13	TOBAL BATIK	Bedcover, kimono, chusion, beauty bag	68,00	7.117,86	96.089.036,88	Jerman
14	WALET KEMBAR LESTARI, PT	Swallow nest	1.095,30	1.283.939,00	17.261.058.144,00	China
	Total		5.335.559,79	17.017.978,64	231.547.977.240,46	

Source : Trade, Cooperative, and SME Agency Office of Pekalongan City

The geographical condition of Pekalongan City, which is on the northern coastline, has a lot of influence on a fairly extensive trading network. Not only that, the influence of communication with many ethnicities makes the character of Pekalongan people more egalitarian, both with natives, Arabs and Chinese, especially in trade activities. Even from the textile industry, ranging from traditional textile factories using only hand looms, to modern textile industries with machine-powered looms. In the same way, individuals who run retail businesses can be very diverse, from peddlers to stall or shop owners, many Chinese communities play roles in Java besides Sumatra. The production of coastal batik grew rapidly around the 1870s, supported by the progress of transportation in the presence of trains and steamers. Batik traders and producers try to meet diverse consumer tastes, which always demand new innovations. As a result, batik made along the coast, especially in Pekalongan, became very dynamic.⁹



Figure 3. 1.
Indonesian Batik Week

⁹ Ishwara, H., Yahya, L.R.S., Moeis, X. (2011). *Batik Pesisir Pusaka Indonesia*, Jakarta: KPG (Kepustakaan Populer Gramedia).

The process of the batik industry in Pekalongan City takes place with a subcontracting contract pattern. Entrepreneurs seeking for orders look for production-level entrepreneurs who have networks with order buyer. This networking greatly determines the success of goods ordering transactions. The owner of the order usually has a record of the performance of prospective relations through their previous contracts. With the pattern of order, which is then done in the sub-order or sub-contract, some orders are produced at the batik tenant's house and some others take it home to be produced at home (putting out system). This is what makes a lot of residents in all corners of Pekalongan City work on batik *sanggan* (batik production workshop), whether it is *nyolet* or *njahit* (sewing) in their homes. In practice, subcontracting can occur vertically or horizontally. This is related to who gives capital such as the needed mori cloth and dye and thread. As stated by Beneria and Roldan (1987) that based on the supply of raw materials, horizontal subcontracting or horizontal subcontracting does not require the order giver or customer to provide the raw materials. While in vertical subcontracting, the order giver must provide the raw material needed..¹⁰



Figure 3. 2.
Pekalongan Batik Craftsmen on Their Activities

¹⁰ Setyarini, V.E. (1994). *Sistem Borongan Bagi Buruh Batik Wanita Studi Kasus di Perusahaan Batik Sumiharjo*, Fakultas Sastra: Universitas Gadjah Mada, Yogyakarta, hlm. 11.

Batik activities in Pekalongan City show the spirit of mutual cooperation. The form of cooperation between entrepreneurs and families with similar professions even the neighbors in their neighborhood described batik as not a personal endeavor, but a community effort. So it is unsurprising if when one enters batik villages, the scent of batik dye spreads everywhere. It appears that workers do not use any work safety gear, namely masks or gloves. The home environment is no longer clean, *kolang-kolang* or waterways are muddy, red, black, or dark blue depending on the color that is most widely used. The unique but tragic thing is the emergence of the opinion of the batik community that if the flow of water from Kolang-Kolang which will flow into the river to the sea is related to the fate of batik makers. The more colorful the waterways are, the more the batik makers in receiving a lot of customers and this is a good sign economically. Conversely, the clearer it is, this indicates the batik business is sluggish and it means the income of batik craftsmen is declining. Therefore it is unsurprising that environmental conditions are not considered to be a problem for batik makers.

Field data illustrates that there is also a physical gap between employers and workers. The batik masters' houses look spacious because they have a quite large yard with a large building size. On the other hand, the size of the houses of people who work as bulk laborers makes it impossible for them to produce in their homes, so they often work on the porch of their homes, with minimal conditions.

Pekalongan batik entrepreneurs generally have felt the attention of Pekalongan City government through the Department of Trade, Industry, Cooperatives and MSMEs, especially in the fields of production, industrial waste treatment, offline and online marketing, and managing business licenses and copyrights, by collaborating with the related agencies.

Pekalongan City Government continues to hold batik exhibitions both nationally and internationally through the activities of National Batik Week and International Batik Week, as well as Batik Market Night in the Sentono batik wholesale center area in Pekalongan City. The government's hope is to increase consumer interest in batik production and increase the motivation of entrepreneurs to continue to create and innovate both batik designs and models.



Figure 3.3.
2018 International Batik Exhibition



Figure 3. 4.
2018 International Batik Exhibition



Figure 3.5.
2018 International Batik Exhibition

At batik exhibition events, which are always held by the government of Pekalongan City annually, representatives of batik entrepreneurs from almost all provinces in Indonesia are participating. The involvement of banking institutions in the development of the batik business is also quite significant through the partnership program. The presence of banking institutions in the exhibition arena strengthens the form of cooperation that is always open and offered to batik entrepreneurs to keep developing.



Figure 3.6.
2018 International Batik Exhibition



Figure 3. 7.
2018 International Batik Exhibition

2. Semarang Batik Industry, Central Java Province

Semarang City has a craft center as well as an industry that is the community's pride, namely the batik center. The attention of the community has led to the awareness of batik making as a culture identity especially in Kampung Djadoel Rejomulyo, Semarang. The seriousness of preserving the batik business that has been going on for generations is manifested in the community's vision and mission.



Figure 3. 8.
Kampung Batik Djadoel Rejomulyo, Semarang



Figure 3. 9.
Kampung Batik Djadoel Rejomulyo, Semarang



Figure 3. 10.
Kampung Batik Djadoel Rejomulyo, Semarang



Figure 3. 11.
Jenis Pelayanan di Kampung Batik Djadoel Rejomulyo, Semarang

The batik entrepreneurs in Djadoel village, Semarang are not only having tendencies on economics, but also in social and education about batik. This is evidenced by the batik making practices for visitors or tourists both from within and outside of the country. Apart from entrepreneurs, the Semarang city government is also concerned about the development of Semarangan batik, namely by participating in a series of batik exhibitions held in various cities.



Figure 3. 12.
Semarang City Government Participation in Batik exhibition

3. Local Art and Cuisine, Minggon Jati, Kabupaten Batang

Batang Regency, up to 2018, encourages local entrepreneurs to develop culture-based businesses. One of them is the development of *Djadoel* culinary tourism located in the community attraction area of Batang Regency. This Djadoel market is held weekly on Sundays. It is called Minggon Jati, because this tourism area is located in a community park area that is overgrown with teak trees (*Jati* is Javanese word for teak). This condition is very supportive for the people's culinary market.



Figure 3. 13.
Minggon Jati Activities, Batang Regency



Figure 3. 14.
Minggon Jati Activities, Batang Regency



Figure 3. 15.
Minggong Jati Activities, Batang Regency



Figure 3. 16.
Minggong Jati Activities, Batang Regency



Figure 3. 17.
Minggong Jati Activities, Batang Regency

Trading activities in the Minggong Jati area are multidimensional; the types of food and handicrafts sold, equipments used, clothings worn by the sellers and the atmosphere are all in old Javanese nuances. This breakthrough is a new icon of Batang Regency to attract tourists. This activity is very important for local micro traders, and has succeeded in encouraging small entrepreneurs to remain confident in running their businesses. This activity is very helpful for basket crafts, pottery, coconut shells and various other tools which until now still have their own market share.

4. Industri Batik Laweyan, Solo, Propinsi Jawa Tengah

In addition to Pekalongan City, Solo City is also a business icon in Indonesia through batik. The existence of batik in this city has its own history and characteristics. Soedarmono, who researched *Laweyan* batik in 1977, mentioned that Laweyan was a trading village and batik industry center, which began its development since the early 20th century. The village is located in the west, approximately 4 km from the Surakarta City center. The location of the village was very strategic because of its position as a connector with areas outside the city, especially the Kartasura and Sukoharjo areas. The main route for Jalan Laweyan, is the second protocol road after Jalan Slamet Riyadi which became a connector between Surakarta City and Yogyakarta. The area in 1980

covered approximately 29,267 ha with a population of approximately 2,004. Compared to residents in other villages in Surakarta City, Laweyan is the smallest area in terms of population and area. Administratively, Laweyan Village consists of 1 Village Unit (*Rukun Kampung/RK*), 8 *Pedukungan* Unit (*Rukun Pedukungan/RP*) and 12 Neighbors Unit (*Rukun Tetangga/RT*).

During the Kingdom administration, the Laweyan community consisted of 2 regions: West Laweyan and East Laweyan, separated by the Laweyan River. The characteristics of the population are very different. Residents of Laweyan Barat, in economic and cultural matters, have more to do with the facilities provided by the king. On the other side, the residents of Laweyan Timur, which is inhabited by a large number of traders and batik entrepreneurs, focus more on Laweyan (dead) market. The dead market is now the Lor (North) and Kidul (South) market village.



Figure 3. 18.
Laweyan Batik Village Monumen, Solo

Laweyan continued to develop as the center of the prosperous batik industry in Surakarta during the early 20th century. As a result of the discovery of stamp batik, which replaced *canting*, which was brought into Laweyan in the early 20th century. Laweyan batik industry experienced a phase of modernization. The phase was marked by the emergence of the idea of entrepreneurs producing "sandang" batik products in 1925, and the type of

"tedjo" batik in 1956. "sandang" batik was generally produced according to the size of classic fine batik kebaya fabric. Furthermore, because the goods are produced with low quality and production costs, this type of batik was quickly becoming a people's consumption item. Similarly, the "tedjo" batik produced no longer follows the pattern of the size of batik cloth but is more flexible to comply the scale size.

Since 1987, Laweyan Village has been included in the Laweyan District area. This village has been inhabited by batik entrepreneurs, widely known as a trading village. The village is bordered by the Jenes river. Batangan and Kabanaran which are natural border between the old city of Laweyan and the Kartasura region and provide their role to accommodate the city's wastewater disposal.

Laweyan's settlement structure still reflects its origin as a merchant village in the early 20th century. The geographical center of the Laweyan area is no longer where the former market was located on the banks of the Laweyan river, but is located along the main Laweyan road which lies from from the city to the west. The road became the border between the batik merchant village of Sondakan on the north side of the road and Kampung Laweyan on the south side of the road. While the eastern border of Laweyan, is separated Jagalan street which stretches from north to south. Along the three main roads of the village, Jalan Tiga Negeri, Sidoluhur and Jalan Laweyan, there are shops, workshops, food stalls, doctors whose practice occupying residential buildings, these are the center of the city which is the center of economic activity.

Many local elders stated that their employment was hereditary not from agriculture, nor from employees in the royal service. The majority of the residents of Laweyan are aware of the position of their ancestors in the royal government as traders and craftsmen of traditional batik. The biggest supporters of the growth of laweyan batik craftsmen and traders are:

1. The royal palace because batik has special value as symbolic decoration for their rank and power.
2. A large portion of demands are from regional consumers, because batik has become people's consumption goods. Laweyan is one of the important places where these items are traditionally produced. The

production and distribution of batik as a commodity item for general consumers is quite influential for the growth of the wealth of Laweyan's batik producers.

Almost all batik production in Surakarta is centered in the hands of Laweyan merchants, with 5 types of batik business specialties which consist of: batik company owners, *babaran* company owners, *Wedelan* company owners, *Mbironi* company owners, and *Prembe* (production contractor). In batik activities, the five types of companies show a close cooperative relationship, such as being intertwined in a patron-client bond between the parent and the subsidiary company. The five types of businesses prioritize service for the needs of batik industry owners rather than serving people's needs.

Large orders may encourage the growth of this service business group when compared to similar entrepreneurs who serve people's orders. In addition to obtaining the ease of obtaining work orders because of holding a single license from the parent company, their patron client relationships also seem to be intertwined with historical factors. Many of these service entrepreneurs emerged through a process of service and work trust in the employers of batik company owners.

Since the beginning of the 20th century, local economic growth in Laweyan has changed from a market economy system (*lawe* trading) to a firm's economic system. Where batik trade and industry is carried out through a series of social institutions that are personal in nature but apply the organizational system of various jobs related to the purpose of batik production and distribution.



Figure 3. 19.
Batik Tjahaja, Laweyan Batik Village, Solo



Figure 3. 20.
Batik Tjahaja, Laweyan Batik Village, Solo

The increase in batik production and distribution led to the modernization phase of its production equipment, resulting in a rise in the wealth of Laweyan batik merchants. 1930s Dutch-style manors, replacing old village houses made of teak boards, characterized by jepara carvings. The wealth of Laweyan's merchants collected in the visuals of the gedongan house can be

easily recognized by looking at the style of the luxurious building that looks like a small palace.

Batik and wealth, became the status symbol of the owner who obtained the title of Laweyan "merchant". Therefore they exaggeratedly show off their wealth in the eyes of the people. But not as many other people expected, the high and strong fence walls encircling every house in Laweyan, functioned not only to protect their wealth from bad people, but also to avoid the involvement of other people from knowing the economic interests of their company. They live in their independence which is always surrounded by the interests of money (wealth) and self-esteem (competition). The entrepreneurship traits of these entrepreneurs have influenced the economical attitude of life for Laweyan merchants. Therefore in their exclusive lives, people gave them impression as stingy person, who are only prioritizing their own interests.



Figure 3. 21.

Pekan Nyawang Laweyan Event, September 25th – October 2nd, 2018



Figure 3. 22.
Ngecap Batik Activity

Batik companies that can be found in Laweyan are entirely owned by Javanese people. The famous batik production from the area is printed batik cloth, which is relatively cheap. The term cheap has become a means of promotion that attracts the attention of consumers to leave fine batik, which is unproductive and expensive. The batik tulis production system has become long and slow. With the discovery of "*cap*" (stamp) system, there will be a change in industrial character that is parallel to the development of production nature from the "craft" "carpentry" system.

Most of these carpentry systems have only produced batik in large quantities, so that the goods can penetrate into the company's economic system that is of a manufacturing nature, then there was an increase in the amount of production on a large scale. It was also accompanied by changes in the system of organizing the production of the company in a more intensive way. This change can be seen in the production type division and the labor division system.

The production of batik "*cap*" in Laweyan is generally divided into 3 types, namely rough batik, dagel or dagelan batik and fine batik. Rough and dagel batik are usually sold into the free market in the country and fine batik is produced limited to the amount of orders for city people or in the market of batik shops. Specific to meet the demands of consumers of rough batik and dagel which are quite large in number, batik entrepreneurs organize production time

schedules that are tailored to the consumers' harvest season system. Especially in large batik companies that employ around 60 workers, batik production can still be run throughout the year. When faced with a decrease in the number of requests from consumers as "famine", outside the harvest season or outside the ramadhan month, these entrepreneurs simply reduce one third to half of their laborers. But for medium-sized industrial entrepreneurs, or service entrepreneurs such as *mbabar*, *medel* or *prembel*, the number and schedule of production time is largely determined by the influence of harvest seasons and Javanese holidays.

Javanese are referred to as rough and dagel batik with high purchasing power when the time for the harvest season has arrived. Most production activities are carried out in May to September. In these months, it is certain that large and medium-sized companies compete with each other for consumers and double their production. There are various ways to carry out the means of production and the distribution process.

First, the owner of the batik industry seems to be very careful in keeping the batik stamp, so that the patent motives are not stolen by other entrepreneurs. **Secondly**, employers try to maintain close relations with expert workers whose "ngecap" and "nyoga", usually inherited from family ties. **Third**, continuity of contact to brokers (bakul wade) are maintained, this is considered as a special personal relationship with the "boss" of their batik consumers. During the 1925-1930 period, as was the case in the productive months, there was not infrequent tension in the competition exclusively based on high jealousy, so that feelings of fear and hostility often dragged on to cause fights between workers between companies.

The high productivity period was colored by the crowded Javanese songs sung by factory workers along with the flow of soggy red wastewater which colored the trenches in the merchant's village. Such a situation gives a sign of the heat of competition among family companies, so it is common to cause strife, fights between company workers whose aim is to defend their respective employers. Usually the main problem revolves around the problem of borrowing "cap", taking over patent rights of batik motifs and sometimes fighting over "cap" experts. Divisions among biological families who already have their own companies, the emergence of mutual suspicion and the model of trade marriage

among businessmen families, are usually characteristic of what is called the kinship relationship of Laweyan merchants. This situation shows the existence of a high level of mobility in the economic attitudes of the merchants, so that the individualist nature is stronger in coloring their lifestyle. That is why they see the need to understand their environmental conditions, then decide to build luxurious building houses as an embodiment of family pride. Yet on other occasions, the value of social status is closed by large walls themselves, for their economic interests.



Figure 3. 23.
Religiosity of Batik Laweyan Entrepreneurs

Batik Laweyan has become global, this is evidenced by batik exports and batik exhibitions to the Netherlands and France, like the one done by Susilo (64) who has managed the Cempaka batik business for 3 generations. The developed slogan is also unique, that is "Ora Batikan Ora Well". The batik attention with this Solo style is not only made on cloth, but also various media, such as wall decorations, bracelets, tissue boxes and so on.¹¹

¹¹ Interview with Mrs. Susilo, batik Cempaka owner, Solo, December 9th, 2018



Figure 3. 24.
Batik Laweyan *Wayang* Painting Creativity



Figure 3. 25.
Laweyan Batik Business Activity

In the Laweyan batik company, there are a large number of male workers, as stampers or coolies. Female workers are only few, because the workforce is limited to being employed as canting laborers or batik workers. There are times when these brokers have special skills as fine writing batik, but because the number of these products is very small when compared to stamped (cap) batik, their employers do not consider the presence of these batik artists as important in Laweyan companies. Therefore they were not treated as masons, but as laborers with lower salaries compared to stampers. This situation can also

show the attitude and daily treatment of different employers towards the skilled workers. A new batik worker can get the same treatment with a stamp artisan, from his employer, when the person shows his loyalty as a housemaid. Trust obtained from the employer, for a *pengubeng*, must be accompanied by high values of work ethic. In contrast to the employer's treatment to stampers, in many cases, they obtain special position and attention from employers. Especially for those who come from outside Laweyan and do not have a place to live in the city, they are easily permitted to live with their employers.

Differences in wages and employer treatment of skilled workers are caused by conditional factors that influence the production system. **First**, the value increase of consumption of clothing batik in large quantities, because this type of batik is seen as having functional value and higher economic value for the people, when compared to fine batik. Therefore, the position of clothing batik as a domestic commodity quickly took over the position of fine batik *tulis*, especially in the context of people's consumption goods.

Second, due to the high increase in productivity, especially in stamped batikan products, resulting in a change in the production and distribution system of batik trade. The company from the home craft production system turned into a putting out system where there was a separation between the capital owner and the batik craftsman, so the amount of production was limited only to the needs of the market economy. Changes in this phase shows that it seems that female workers still hold an important role in the production process.

Third, since experiencing changes into the manufacturing system, Laweyan businessmen seem to have begun to implement organizational systems in the company's production process, including: shifting female workers who are considered less productive, using more professional male workers, applying work discipline in the entire working hours, organizing the role of laborers with coolies and use stamps as a mechanical tool that is more mechanical than canting. In this phase batik business in Laweyan is undergoing a process from the cottage industry phase to the putting out system phase. Culturally, everyone involved in the business in the form of production and distribution of the batik trade, gets the "*juragan*" (boss) title.

5. *Ondel-Ondel* Manufacturing Industry, Kampung Pulo, Jakarta

Ondel-ondel is a Jakarta icon that is very famous in Indonesia. Since 1980, someone named Mamet initiated the profile of the Balang and Si Ratu the Betawi doll over the world, from village to village to national and international levels. Kampung Pulo, Central Jakarta is a place known as the center for making *ondel-ondel* which is very legendary for Indonesia.



Figure 3. 26.
Ondel-Ondel Sentra, Kampung Pulo, Central Jakarta

The introduction of *ondel-ondel* as an indigenous Betawi art involves many craftsmen, ranging from teenagers, adults to elderly. In groups that are incorporated into art studios, they jointly work on the process of making *ondel-ondel*, ranging from purchasing bamboo, cutting, making bamboo blades up to sizes that are easily formed into parts of the legs, and bodies. The work is generally done by men, while for women it is enough to help make an *ondel-ondel* costume and make flowers that will be installed on the crown.¹²

Ondel-ondel production requires patience, for the mask/head part, for example, in the early 1980s masks were made from used paper made of paper pulp and mixed with glue. The mixture is affixed to the face model, dried in the sun and then can be painted using paint. Technology plays an important role in making *ondel-ondel*, including making masks no longer using used newspapers,

¹² Interview with Malani, (37), *ondel-ondel* craftsman, November 27th, 2018

but by using fiber which is considered more practical. The difference in material between used paper compared to fiber is very influential on the quality of the ondel-ondel produced. Quality made from fiber is smoother, easier to paint, and durable.



Figure 3. 27.
Al Fathir Betawi Ondel-Ondel Art Workshop activity

Yunus (33) stated that in Kampung Pulo, the craftsmen are not only provided and received orders for ondel-ondel but also handle ondel-ondel reparation. The price of ondel-ondel ranges from 600 to 800 thousand, depending on the size. While the cost of reparation depends on the level of damage, if it is severe and will require high costs, the craftsmen will suggest buying a new one.¹³

¹³ Interview with Yunus (33), Kampung Pulo, November 27th, 2018.



Figure 3. 28.
Ondel-Ondel Production Activity

The existence of the ondel-ondel art group/studio is very instrumental in the continuity of this Betawi culture. One of them is the Al Fathir Betawi studio, owned by Deny Sulaiman (40). The studio which is a family studio has been hereditary since his grandparents. Orders from the Betawi studios have reached areas throughout *Jabodetabek* (Jakarta, Bogor, Depok, Tangerang, Bekasi), which are generally ordered in the events of circumcision, marriage, thanksgiving and so on.



Figure 3. 29.
“Ratu” Ondel-Ondel Product, Al Fathir Art Studio



Figure 3. 30.
Ondel-Ondel Frame Production, Al Fathir art studio

The production of ondel-ondel also requires persistence and patience. Even so, even though their only capital is observation, most craftsmen have been able to do it. They generally do self-taught in the learning process of making ondel-ondel. There are no specific instructors or foremen, they usually remind each other if one of the craftsmen makes a mistake or there is a lack in making ondel-ondel.



Figure 3. 31.
Ondel-Ondel Reparation Workshop, Al Fathir Art Studio

The making of ondel-ondel also faces quite serious problems, including the scarcity of raw materials such as bamboo which are quite rare, and must even be brought in from outside of the region. In addition to raw materials, the development of an increasingly diverse entertainment world also causes ondel-ondel craftsmen to be more innovative in their production. This is a particular concern especially for Betawi figures, because the presence of competitors in the entertainment world and the scarcity of raw materials will affect the sustainability of ondel-ondel.

6. Weaving Industry, Troso Village, Jepara Regency, Central Java Province

Troso Village is the weaving industry center in Jepara Regency. This village is located in Pecangaan Sub-district and has at least 30 *tenun ikat* weaving businesses that are members of the Tenun Troso Association Cooperative. Although this cooperative is currently only a place for gatherings, through this cooperative with the facilitation of the Ministry of Cooperatives and Micro, Small and Medium Enterprises, several troso woven products have obtained 9 patents in 2013 - 2015. One patent belongs to Hadi Suyanto 2013, four patents owned by Arif Iriyanto 2014, and four patents owned by Noor Baedah.¹⁴



Figure 3. 32.
Tenun Ikat Troso Production House, Kayra, Jepara

¹⁴ Interview with Buchori dan Baidah, the owner of Tenun Ikat KF Kayra, November 2nd-3rd 2018.

The (*tenun ikat*) tie weaving business in Troso Village is a hereditary business. Mr. Buchori and Ms. Baidah as the owner of Tenun Ikat KF Kayra stated that her business was a legacy of hereditary business from Ms. Baidah's parents who began since 2005. Ampel Jaya's weaving business owned by Mr. Sunarto and Mr. H's Weaving Limo weaving business Abdul Jamal was also a hereditary endeavor from their parents, as well as other woven weaving businesses in Troso Village. It cannot be known for certain since when the tie weaving business in Troso Village began. There has been an attempt to trace since when weaving began to appear in Troso Village, but the results were still nil.



Figure 3. 33.
Organization Structure
Paguyuban Tenun Troso Cooperation, Jepar

The products produced by the weaving business in Troso Village are: sarongs, cloth, clothes, shoes, wallets and bags. Not all the weaving businesses in Troso Village produce these products. For example, Ampel Jaya's weaving business only produces Balinese weaving which is marketed in Bali. This Balinese weaving product from Ampel Jaya already has a name in Bali, because of its commitment to quality. It is undeniable that Bali weaving produced by Ampel Jaya is the number one product in Bali. Ampel Jaya weaving business which only produces Balinese weaving is followed by KF Kayra weaving

business which also produces the same product. If Ampel Jaya only produces Balinese weaving, KF Kayra main products are Balinese weaving and also other products as previously mentioned above. Unlike Ampel Jaya and KF Kayra, the Tenun Limo weaving business produces a wide range of products other than Balinese weaving. The motif of the weaving products has been registered for copyright.



Figure 3. 34.
Tenun Troso Pattern Copyright

Viewed from the product side, it can be said that Bali is the main focus of marketing of ikat weaving products for KF Kayra and Ampel Jaya weaving businesses. The owner of the KF Kayra weaving business stated that in his production, he focused on Balinese weaving rather than other products because the market share is for sure, although sometimes he also served orders from Kalimantan and Sulawesi.

The constraints faced by the three are relatively the same, namely the difficulty of finding workers, especially since the establishment of factories in Jepara such as garment, bags, shoes and cable factories that absorb large-scale labor so that many workers who initially work in their businesses are moved to these factories. The shift of many workers and other prospective workers to the company is quite reasonable considering that the company can provide more compensation than SMEs in addition to the sense of prestige that began to emerge among the youth. This condition makes the turnover of SMEs in Jepara,

such as weaving, convection and furniture drop dramatically. The turnover of the weaving business itself, according to Mr. Buchori, decreased to 50%, which at first had a monthly turnover of 50 million IDR, decreasing to 20 million IDR to 30 million IDR.



Figure 3. 35.
Tenun Troso Production Process



Figure 3. 36.
Tenun Troso Thread Rolling Process



Figure 3. 37.
Production Room of Weaving Troso

Efforts done by SMEs besides conducting demonstrations to Provincial Council and Municipal Council or DPRD, also increased the wages of their employees so that the employees would work in SMEs. MrBuchori himself increased wage for his employees become Rp 12, 000 for every meter of weaving. If it calculated monthly, the employees' income become Rp 1,500,000,-. This number appears based on the count, per day the employees can produce 5 meters and if it is multiplied by Rp 12,000 then become Rp 60,000,-. One month is counted has 25 days so $25 \text{ days} \times \text{Rp } 60,000,- = \text{Rp. } 1,500,000,-$.¹⁵

¹⁵Interview with Buchori (52 years old), owner of ButikTenunKayra, Jepara November 2018.



Figure 3. 38.
Display Room and TrosokayraJepara Woven Fabric Store

Seen from its market share, craftsmen prefer a comfort zone. As done by Ampel Jaya's weaving business which only focuses on Bali with its Balinese weaving products, and KF Kayra which its main focus is also on Bali with the same products even though KF Kayra is also still producing other products on demand. Although those two UKMs were together with Tenun Limo were facilitated by Muria Kudus University for exhibitions in Thailand and Brunei. From those three SMEs, KF Kayra is the most often SMES that included in exhibitions by the Central Java Industry and Trade Cooperative Office, and also by PT Telkom because it is also a fostered partner of PT Telkom. Whereas the most diligent participants in the exhibition are Tenun Limo either facilitated or independently. Meanwhile, Ampel Jaya rarely joins exhibitions because Bali woven is the only focus for Bali market.

7. Carving Craft Industry, Jepara, Central Java Province

Midhan Anis is one of the carving businesses in Jepara. The first time he began the Jepara carving / furniture business by establishing CV. Byastri Bangun up with his brother-in-law in 1997, but three months later he left and CV. is passed on by other people. Then he founded PT. Ascot Furniture which is a Foreign Capital Company (PMA), with a joint venture pattern, in which capital comes from himself and foreign businessmen, so that he is also the owner of the

company. It's about 17 months managing the joint venture company, then he founded CV. named CV. Manora Karya Utama, with 100% capital from himself, while joining PT. BEVEJE, a PMA and Arredo Gi were only buying agents until 2010. Furthermore, he joined PT. Avant Garde until 2014. In 2014 he returned from Jakarta and opened a retail furniture store in Jepara. In this condition he only served a number of loyal buyers, and even this was subcontracting.



Figure 3. 39.
Wood Smoothing Process



Figure 3. 40.
Wood Cutting Room

Jepara as a carving and furniture production city began to enter PMA since the 1990s. So it was not surprising if he had once established a PMA named PT. Ascot Furniture, even though it was only 17 months old or in 1999, he left and founded CV. itself named CV. Manora Karya Utama. It is a bigger challenge to manage his company by himself; to buy a good material and to give a good service to the customer in order to keep the buyer's loyalty. This condition is different when he runs a joint venture company - where he is also the owner of the company because he owns some shares in the company with others. When managing a joint venture company, he did not need to think about sales at all. This is because in joint venture companies the task is borne by several shareholders.

Competing with PMA is indeed quite heavy considering PMA has advantages in a number of lines, ranging from capital, ease of raw materials, networks to marketing. Not surprisingly, then many PMA dominated the furniture industry in Jepara. Naturally, if he also joins two PMA, PT. BEVEJE and Arredo Gi as buying agents. In the end he is now a sub-exporter of PMA in Jepara. The current condition of the furniture industry in Jepara is that there are many local furniture exporters whose status is now down to being sub-exporters from foreign businessmen, as was done by Midhan Anis.

There are three patterns of entry of foreign investors in Jepara. First, the company was built with full foreign capital. Secondly, foreign entrepreneurs hold local entrepreneurs. Third, foreign businessmen carry out siri marriage or contract marriage with men or women from Jepara and for the company's capital, it remains from a foreign party but is recorded as domestic investment.

Markets that have been reached by the company include local and global markets. Local markets include: Jakarta, Bandung, Semarang. While the international market includes: Australia, USA, Canada, UK, Belgium, Germany, Switzerland, Italy, the Netherlands, Bulgaria, Turkey, Russia, Uzbekistan, Taiwan, Malaysia, New Zealand, Cyprus, Greece, Morocco, Spain, France, Jordan, and Qatar. To reach international markets. He opened the booth on the website <https://www.houzz.com/pro/castellomio-decorator/cv-manora-karya->

utama, and created his own website with the address <http://castellomio.wixsite.com/home>

8. Ceramic Handicraft Industry, Kasongan, Bantul, Yogyakarta Province

Kasongan, Bantul, Yogyakarta is very well known for its ceramic handicraft industry, made from clay. This industry has been going on for decades and has various types of products, such as barrels, statues, various flower vases, jars from small to large size, and the marketing has also spread to foreign countries.

This ceramic production has its own qualities. It is influenced by the types of clay that exists. Each region has different characteristics and qualities. As told by Ali (55 years old) the owner of the silver handicraft. He told that¹⁶

“A lot of the employees come from Brebes because the quality of its clay is not good compared to the area of Yogyakarta and its surroundings, so the quality of the craft is different. Consumers can assess the quality of the products, and the products become less salable. So they don’t open their own business in Brebes and move to become employee here”



Figure 3. 41.
Kasongan Pottery Craft Center, Bantul Yogyakarta.

¹⁶Interview with Ali (55years old), Yogyakarta, 5thNovember 2018.

Businesses that have been established for decades have experienced a variety of problems, starting from capital issues, scarcity of clay, including the presence of factory products made from plastic which affected their business growth. However, they also have their own market share, namely antique collectors.



Figure 3. 42
Pottery Craft Shop, Kasongan, Bantul, Yogyakarta



Figure 3. 43.
Pottery Sale and Purchase Activities, Kasongan, Bantul, Yogyakarta

Business competition and consumer demand are also experienced by ceramic craftsmen. Innovation is the mainstay of this business, such as combination of materials, ornaments, designs and shape of product. For example is the combination of glass pieces which produce mosaics are in great demand by consumers. The appearance of the product becomes more elegant and modern.



Figure 3. 44.
Modern Pottery Crafts that Ready for Export



Figure 3. 45.
Pottery Burning Room

The process of making ceramic crafts can be categorized depending on the weather, besides the patience and imagination of the craftsmen. Weather plays an important role in the drying process. That process is not done directly under the sunlight, but is done indirectly. Generally, they put half--finished products in a separate room equipped with a fireplace or furnace which produces smoke. The condition in this room is made warm so that the product can dry slowly. This process greatly affects the quality of the product. The water content on cloudy day influence the drying process become slower and it affects to the quality of the product.



Figure 3. 46.
Pottery Burning Room

The income of the employees from the wage for making pottery is cheap enough, and it is interesting to be researched because not many people can understand this phenomenon. The role of cultural values, skills / expertises and encouragement to preserve the family business and cultural heritage are significant considerations.



Figure 3. 47.
The Process of Making a Vase



Figure 3. 48.
The Process of Making a Big Vase



Figure 3. 49.
Pottery that Ready to be Burn

9. Silver Craft Industry, Yogyakarta Province

Special Region of Yogyakarta has another popular attraction for foreign countries, namely silver. The silver craft center is located in Kota Gede, Yogyakarta. In that area, a lot of shops selling various handicrafts made of silver, such as; miniature ships, puppet paintings, replica statues, jewelry, bracelets, rings and so on. The prices of those crafts are greatly varied, ranging from tens of thousands to millions of rupiah. The complexity of the process makes the selling price becomes high. High price is no matter for tourists who really like the product and understand its producing process.



Figure 3. 50.
Various Silver Crafts



Figure 3. 51.
Various Silver Puppet Handicrafts



Figure 3. 52.
Silver Crafts Display Room



Figure 3. 53.
Display Room with Guide



Figure 3. 54.
Silver Craft Production Room

Most of the employees who in charge of making silver handicrafts are men, it is different from batik craft even though it has a high level of complexity, but for metal-based handicrafts it is still run by the majority of men. Basically there is no particular reason why men dominate, but it has become a hereditary tradition in this business, the producing process is mostly done by men, while women are more likely to work in the finishing section.

10. Batik Trusmi Industry, Cirebon, West Java Province

Trusmi is a legendary name for the batik industry in Cirebon, West Java. The business which is based on the original culture of Cirebon people has been hereditary. Similar to Pekalongan, the location of Cirebon which is located on the Pantura route is very beneficial for entrepreneurs, because it is the main route of Jakarta-West Java-Central Java and its traffic is very crowded, especially when the holiday season or feast day, it increase the batik sale significantly so it increase their turnover.



Figure 3. 55.
The Use of Batik Pattern on the Floor

The media for batik is no longer bound for cloth only. The creativity of craftsmen to introduce batik to the public is growing rapidly. One of the media is on floor tiles. It gives different atmosphere for tourists while enter the center of making and selling batik in Cirebon. Besides, there are other already mediafor batik that has been introduced such as cloth, bags, jewelry, clothing, t-shirts, gloves, hats, bread / cakes, and so on. The production activities and trade transactions of Trusmi batik as one of the biggest batik icons are increasingly famous after the process of making copyright and recorded at MURI, Indonesia.



Figure 3. 56.
Some Records Owned by Trusmi Batik Centre



Figure 3. 57.
Various Patterns of Batik Trusmi



Figure 3. 58.
Restaurant with Batik Atmosphere



Figure 3. 59.
Batik Socks Products



Figure 3. 60.
Batik Painting on the Wall

11. RepublicTelo, Malang, East Java

The development of SMEs in Indonesia also include culinary efforts, even market trends show changes in consumer tastes. Modernization and creation of local products objectively continues to show its existence. These developments include processed local products made from tubers, one of them is telo or purple sweet potato in Malang, East Java.

Company Establishment (Company History)

Republic of Telo which was originally initiated by UnggulAbinowo is a processing company of natural resources in the form of various processed telos, also called SPAT Company (*Sentra PengembanganAgribisnisTerpadu*) located in Purwodadi-Malang, East Java. Originally, republic of Telo was a small home industry founded by UnggulAbinowo.

Company History

Sentra PengembanganAgribisnisTerpadu(SPAT) of Republic of Telo has begun their business of farming in the village of Parerejo, Pasuruan Regency since 30 years ago. IrUnggulAbinowo, an alumnus of the UB Faculty of Agriculture, Malang, and also a pioneer in implementing the agribusiness terminal system in Pasuruan, East Java. This father of two sons claimed that he alreadyloved and dedicated himself to the world of agriculture and farmer's life.

Even he has tried to be a real farmer since the second grade of Senior High School. He rented a piece of land which planted several types of food crops and plantations, and his capital was only his pocket money and a little loan. His farming efforts continued to grow until he studied at the UB Faculty of Agriculture.

In 1984, the former *SekjenKontakTanidanNelayan*(KTNA) in 2000 established *Sentra PengembanganAgrobisnisTerpadu*(SPAT). SPAT conducts six activities routinely, starting from integrated education and training centers, data and information centers, study centers and strategies for village development movements, centers for developing appropriate technologies, centers for investment and financing studies, and agribusiness terminals. Then on an area of 8,000 square meters on the border of Pasuruan and Malang Regency, he built an agribusiness terminal consisting of the SPAT Secretariat Office, showrooms for decorative plants, hydroponics, and fertilizer.



Figure 3. 61.
Process of Making BakpiaTelo

Meanwhile the last building that becomes the core of the agribusiness terminal is the showroom of processed agro products and handicrafts from Pasuruan Regency and also from several other regions. This agribusiness terminal also has a function for media promotion, data centers, as well as a place to process agricultural products to get high added value. Failure in producing

can still be dealt with, but failure in marketing makes us unable to do anything else. By processing, packaging, and marketing agricultural products in such a way as to increase its sale value, production failures can be compensated,” he said.¹⁷

So far there are around 350 farmers from various regions who market raw product to processed product at this agribusiness terminal. They are not only from East Java and even from Central Java and West Java. At least there are 300 types of products are sold at this location. Meanwhile, according to Unggul, the average turnover of every month of the agribusiness terminal reaches 300 million to 400 million Rupiah. In this terminal, the farmer sets the selling price of the product, and then the product is tried out, left to the market mechanism entirely. But beforehand, the price was first increased by 20 percent. Ten percent is for taxes and the rest for SPAT.

After three months the product will be evaluated regarding its strengths and weaknesses. If the product proven is in demand and the farmer intends to develop it, but do not have capital, SPAT through the investment and financing division will provide loans with return is taken directly from the sale proceeds later. However, if the evaluation results show there are some deficiency, SPAT will give input for its improvement and the possibility of further development. “So far there is something wrong with our policies in agriculture. From the beginning until now, farmers were only used as a tool to legalize interests outside of them.”

¹⁷Interview with Unggul, businessman of Telo Product, Malang, November 2018



Figure 3. 62.
Various Processed Telo

Since the previous government and continues until now. None of the policies are produced can reach what farmers need. Even political parties use farmers for their own benefit,” said the man who won the 1996 National Level Pioneer Youth Award. Even if something changes according to Unggul, it is only limited to government actors. However, it did not effect on to improvement of farmers’ dignity. “All this time farmers is only commanded to meet production targets such as, rice self-sufficiency program.

Seeds and varieties that must be planted are also has determined. After the target is fulfilled, none of the policy makers is responsible when the selling price falls. If this continues, our farmers really have no hope,” added the man who was given the opportunity to represent East Java farmers to visit several ASEAN countries and Australia in 1991. Before implementing the trading system in his agribusiness terminal, Unggul practiced the same processing system and marketing on its own products.



Figure 3. 63.
Sorting Room of Telo which has Good Quality

Unggul, for example, was processing his sweet potato product into buns which is named BakpaoTelo. “Initially I tried to build a brand image through the production of bakpaotelo. I tried to prove that from cassava which has selling price around 200 rupiah/ kg, it could be increased to 750 to 1,000 rupiah every kg, even more than Rp 2,000 after turned into telo buns,” he said . From four hectares of his potato crops are processed into buns, recently it develops into 23 hectare with 12 plasma farmers. The need for sweet potatoes which are used to make buns at this time only reached three to four tons everyweek to produce 2,000-7,000 buns each week.

“So, I hope, by looking at the buns, other people also want to find the potential of their agricultural products. The agribusiness terminal is aimed to accommodate all agricultural products then processed and packaged in such a way to increase the selling value and added value of the products,” he said.¹⁸

¹⁸Interview with Unggul, Owner of Telo Processed Business, Malang, November 2018

All of SPAT activities lead to the market formation. After knowing what consumers want, the farmers start producing by holding on to the market information. Unggul demands that the applicable all this time is need to be fixed from now on.

“It should be the government that provides market information. So far, they only produced concepts or theories based on the research of experts who should get input from the field actors before conducted research,” Untung added.¹⁹

Unggul is questioning how the farmers could increase their own dignity if policies are never on their side.

“Even though we are an agricultural country, 70 percent of Indonesian is farmers. How come until now their condition is still like this,” he said.²⁰

Formerly, Telo republic was a restaurant. This restaurant started its business by marketing buns which made from sweet potatoes. For the outside, sweet potato flour is mixed with flour. As for the contents, a mixture of sweet potatoes with cheese, green beans, chocolate, and others is used.

BakpaoTelo is served as featured product to attract buying interest of consumer in this SPAT. Bakpaotelo is a bun made from sweet potato which is crushed into flour. To maintain buying interest of consumer toward BakpaoTelo, management must anticipate by maintaining customer satisfaction. The main key to win the competition is giving value and satisfaction to consumers through quality of products and services with competitive price. The attribute of BakpaoTelo is the elements of BakpaoTelo which is considered important by consumers and used as the basis for developing decisions in purchasing.

Their success in marketing BakpaoTelo then continued by developing various other products from the same raw materials. Almost all of the products are purple because the raw material is purple sweet potato. They are very creative in creating various cakes such as corobikang, brownies, and many more. There are sweet potato chips in the dry form. There is also ice cream and juice

¹⁹Interview with Unggul, Owner of Telo Processed Business, Malang, November 2018

²⁰Interview with Unggul, Owner of Telo Processed Business, Malang, November 2018

from sweet potatoes. In the next step, they created noodles from sweet potatoes. The color of the noodles is also purple. Telo fried noodles from this restaurant is quite delicious, no different from other delicious fried noodles. They also made BakpiaTelo, which directly received an award from President Susilo Bambang Yudhoyono as the best traditional snacks. RepublicTelo Malang is the manifestation of an integrated agribusiness from upstream to downstream.

1. Vision, Mission, Aims and Motto

Vision: become a leading industry in the field of agribusiness with an Integrated Agribusiness Business Model which is creative, innovative, modern, competitive and populist dimensions.

Mission: Healthy Country Products for Indonesia (Healthy is Our Priority)

Aims:

- ✓ Producing agribusiness product which has high competitiveness.
- ✓ Rebuilding image of local product.
- ✓ Improving the welfare of SMEs and the farmers.

Motto:

Thinks Big, Start Small, Let's do it.

2. Organization Structure



Figure 3. 64.
Organization Structure

1. Divisions

- a. Agribusiness Terminal Division
- b. Education & Training Division
- c. Data & Information Division
- d. Division of Appropriate Technology
- e. Division of Village Development Strategy Studies
- f. Investations& Financial Division

2. Komunitas Terminal Agribisnis

- a. Farmer
- b. Group of farmers
- c. Processing industry of agricultural products
- d. Saprotan industry
- e. Retail buyers
- f. Wholesale association
- g. Retail Association

3. Several SMEs and Partner Farmers

Table 3. 9.
SMEs Partner Farmers

NO	NAMA	ALAMAT	PRODUK
1	Ameliawati	Lawang, Malang	Kue-kue basah
2	Asmuri	Karangjati, Pasuruan	Rambak, Keripik udang
3	Amadi	Sumber porong, Malang	Kuping gajah, samiler
4	Arina	Kota Malang	potato merah, gula kacang, sinom dll
5	Burno sari	Jember	Krpk pisang, sale, keripik talas
6	Berlian	Surabaya	Blinjo, stik keju, pastel kering dll
7	Catur/dewesnack	Kota Pasuruan	Pangsit cumi, sus kering, criping bwg dll
8	Choirul	Kabupaten Pasuruan	Ikan trasak, krpk singkong
9	Doni	Kota Malang	Onthok yuyu
10	CV Elim	Madiun	Bumbu pecel, bumbu gado-gado
11	Nikita	Surabaya	Dendeng sapi kumala, krpk kedelai dll
12	P. Lan	Pandaan, Pasuruan	Keripik tahu
13	Monica	Kota Malang	Rempeyek, sus kering, kering kentang
14	Pelangi sari	Banyuwangi	bagiak, rambak cumi, opak dll
15	Reti	Blitar	Wajik klobot, Bumbu pecel
16	Sariati	Pasuruan	Krpk beras, krpk gadung dll
17	Salsa	Surabaya	Krpk tahu puli, Krpk jagung
18	Silfi	Singosari Malang	Rengginang lorjuk
19	Salena	Surabaya	Brem salena, Sale pisang
20	Sari mustika	Kota Malang	Samiler, gula aren dll
21	Sekar prima	Kota Batu	Keripik belut
22	Romi	Pasuruan	Beras kencur
23	p yanto	Kota Batu	Krpk singkong rasa gadung
24	Lilik	Trenggalek	Alen-alen, samiler, gatot dll
25	Arum sari	Banyuwangi	Suwar-suwir
26	dirganto	Surabaya	Chell tea
27	Tahesta	Kota Batu	Cuka apel
28	Munali	Kota Mojokerto	Keripik Ubi jalar
29	Wakidi	Capang, Pasuruan	Ubi jalar
30	D. Pararamayudi	Karangjati, Pasuruan	Ubi jalar
31	Purwadi	Lawang	Ubi Jalar

4. The Content and Benefit of Telo:

- a. Ranks 1 out of 58 types of vegetables
- b. It has four times the vitamin A in carrot, good for preventing blindness.
- c. It has Beta Carotene which is useful for support the growth of bones, teeth and hair.
- d. Close to fat-free, cholesterol-free and low sodium, very suitable for diet program.
- e. Contains antioxidants that can help to prevent heart disease and cancer, creating immune system in the body and slow down the aging process.
- f. Carbohydrates in Telo includes to the Low Glycemix Index (LGI,54), means thatthis commodity is very suitable for diabetics.
- g. Dietary fiber of sweet potato is good for digestion, rafinosafrom sweet potato serves as prebiotics (food for good microbes in the large intestine). Sweet

potato is also good source of calcium which needed for the growth of bones and teeth.

5. Customize SPAT Training

- a. Agribusiness terminal market info
- b. Application of integrated agribusiness model based on sweet potato product.
- c. Experienced in post-harvest product innovation.
- d. Experienced in marketing agroindustry products
- e. Experienced in domestic & foreign training

6. Education and Training Activities

- a. Development of a banana farmer cluster in Sangatta, Kutai, East Kalimantan.
- b. Processing training of *gadung* Kolaka tuber, Sulawesi.
- c. Training on various oranges processing, South Kalimantan.
- d. Processing of State Potatoes in South Kalimantan.
- e. Full-time training of PT Semen Gresik.
- f. SME training guided by the Center Disperindag, Province and District/City of Malang.
- g. SME training guided by the Agriculture department.
- h. Let's gardening (elementary, junior and senior high school)
- i. Hands On Skills and enhancement (Malaysia and India)
 - a. Study Visit in Malaysia and China
 - b. Pilot Plant for Sweet Potato Processing in Papua / West Papua Province
 - c. And so on.

7. Activities of Data and Information Division

- a. Study market : supply and demand information
- b. SME data and market requirements
- c. PORTAL (spat-indonesia.or.id); access to information with the market
- d. Collaboration with various parties to realize virtual business (foodmarketexchange.com, famaexchange etc.)

8. Investation and Financial Division

- a. Limited capital and financing of farmers / SMEs.
- b. Access of Farmers / SMEs with weak Banking.
- c. Lack of access to information on financing sources.

9. Business Strategy

- a. Competency
Creating competitive and attractive products
- b. Connection
Expanding networks with outsiders who have understanding in agricultural development
- c. Collaboration
Collaborate with parties that have the same vision and mission to achieve common goals.

10. Cooperation:

- a. Research and Development (Universities, Research and Research Institutions)
- b. Education and Training (Group of farmers, SMEs, Banks, Schools, Government Institutions)
- c. Market Quality & Market Growth (quality certificate (HACCP and halal), ITF-net, SIRIM Malaysia, UKM, bank)

11. Collaboration: Memorandum of Understanding

- a. Ministry of Research and Technology: Appropriate technology
- b. Indonesian Army: *Baktisuryabaskarajaya*
- c. Pusdik Indonesian national army: *ABRI manunggalpertanian*
- d. Malang State Polytechnic : *TTG development*
- e. Brawijaya University Malang : *Agribusiness Education*
- f. SIRIM : *Standardization for exports to Malaysia*
- g. UPN Veteran Surabaya : *Master of Agribusiness*
- h. JICA : *Agribusiness Internship*
- i. Uni Eropa : *Private label*
- j. Foreign Ministry of Bandar Malaysia : *Village development*
- k. ITFNet : *Board Member of 21 Sub-Tropical and Tropical Country*
- l. Papua Provincial Government: *development of sweet potato*
- m. Department of Agriculture Malaysia : *Training SME*
- n. Balitkabi : *Research on tuber varieties.*
- o. PC NU Pasuruan regency: *Economic community development*

12. Product Development Strategy

- a. Halal guarantee system or *Sistem Jaminan Halal* (SJH) and HACCP
- b. Availability of raw materials → Plasma Farmers
- c. Build a brand
- d. Food diversification follows the trend

13. Products SPAT Republic Telo

a. Bakpao Telo

Bakpao is a typical food from China. Actually, the origin of the bun comes from Zhuge Liang (181 - 234) one of China's best strategic experts, who was also the prime minister, engineer, scientist, and legendary inventor of the buns. Bapao / bakpao / bakpau / baozi is traditional Chinese food. It is known as Bakpao in Indonesia, absorbed from Hokkien language which is spoken by the majority of Chinese communities in Indonesia.

Literally bakpao means Baozi which contains meat. Baozi itself can be filled with meat, vegetables, red bean jam, lotus seeds and so on according to its taste. The variation of Pao depends a lot on the content and how it is made. In Chinese culture, Bapao is eaten at all seasons and usually eaten at breakfast.

Considering how famous is the food with prefix 'ba' in Indonesia (bakso, bakmi, bakwan, bakpia, bakpao, bacang), so we create delicious and nutritious bakpao with the main ingredient from sweet potato flour and pasta.

Capacity: 75.000 bun / month

Product types: Ready to eat and frozen Bakpao

Flavors: 9 flavors (chocolate, cheese, peanuts, chicken, cornet, strawberries, pineapple, and green beans).

b. Telo Noodles

Noodle is one of the most popular foods in Asia, especially in East and Southeast Asia. According to the legend, noodles were first made and produced in China about 2.000 years ago under the reign of the Han dynasty. From China, noodles grew and spread to Japan, Korea, Taiwan, Indochina, and Southeast Asia, and even extended to the whole world, including the United States and Europe. Until now, Indonesia is one of the biggest consumers of instant noodles in the world and become one of the largest flour importers in the world with an average of 7 million tons / year. This phenomenon encourages us to

introduce one of the best sources of potential food in our archipelago, namely sweet potato as the raw material for noodle products. Temporarily, our Telo noodles are noodles without flavors so it can be cooked in various ways and various flavors too.

Capacity: 52.100 packs / month

Product type: Purple Telo Noodles and Yellow Telo Noodles

c. Bakpiatelo

Bakpia is originally from China and its original name is TouLukPia, which means green bean piaor cake. Dealing with the origin of bakpia, this type of food actually comes from China, from the word pia which means cake. Many Chinese cakes use the name pia. “Bakpia is originally from China, pia means cake. So all the food that uses piaas suffix, it means cake. For example, nopia is a cake that uses Javanese sugar (brown sugar), but if it uses sugar it is calledbakpia. The namebakpia is actually a misnomer because word ‘bak’ means meat. Bakpia uses meat. In Indonesia, we do not use meat at all.

BakpiaTelo is our innovation for creating dry and durable products, because previously our products were dominated by wet and ready-to-eat products. With this product, consumers from outside the city who take a long trip can bring our products for their special gifts.

d. Telo Ice Cream

There are many versions of the origin of ice cream. One of them mentions that Caesar Nero from Rome (37-68 BC) who ordered to make food from the snow on the top of the mountains, served with fresh fruits on it. Another reference told that ice cream was brought from China to Europe by King Tang of Shang, who discovered the method for making ice and milk into ice cream in 618-97 BC. As time goes by, the ice cream recipe developed into a luxury dish that can only be eaten by Italian fashionable people and the royal family of French. Ice cream from sweet potato is also delicious like the other ice cream, the combination of sweet potato and milk make Telo ice cream is not only delicious but also rich nutrition.

Capacity: 5.000 cups / month

Product types: Ready to eat (cone) and Frozen Ice Cream

Flavor: 7 flavors (chocolate, strawberry, durian etc.)

e. Strudel telo

Strudel is a layered cake, which is made from pastry and filled with various fruits. This cake is a popular food in the era of Hasburg Empire (1278-1780) in Austria. Initially this food is estimated found by Greeks and Turks known as Backlava. Because of its popularity, it becomes a favorite food for people in Austria, Germany and other European countries.

In Europe, the famous and favorite Strudel is one that contains apples. In Germany it is often called as Apfel Strudel. The original Austrian Strudel has modified to suit the local taste through a professional chef. Thus, several variants of strudel become typical strudel of Malang.

B. Interdependency between Industry and Culture

The development of SMEs in Indonesia is inseparable from cultural diversity possessed by Indonesian people who spread across various regions in Indonesia. Indonesia is an archipelago that has more than seventeen thousand islands, one thousand three hundred tribes, and seven hundred languages. The number of islands and the diversity of tribes and languages make Indonesia have cultural diversity. This cultural diversity becomes power for the development of SMEs culture-based. It is no wonder if there are many developing SMEs with its creative products that have high sales value. It can be seen from products such as carvings, batik, weaving, earthenware, silver and others.

Why culture becomes a basis for developing SMEs? At least it can be answered where culture is the result of creativity, human feeling and intention. Products such as carvings, batik, earthenware and silver are the product of human feelings and intentions (read: cultural products).

The role of culture in the economy actually becomes the concern of the economists. Even the economic culture of a region, according to Guiso, Sapienza and Zingales, is believed as useful tool for economic development. It can be seen from many cultural assets such as skills, arts and products that are able to encourage people's welfare.²¹ Classical economists use cultural explanations to explain

²¹Luigi Guiso, Paola Sapienza, and Luigi Zingales, "Does Culture Affect Economic Outcomes?," *Ssrn* 20, no. 2 (2006): 23–48, <https://doi.org/10.2139/ssrn.876601>.

economic phenomena. A Theory of Moral Sentiments written by Adam Smith, in the view of Guiso and friends, is a unified argument with The Wealth of Nations.²²

Meanwhile, for understanding the cultural impact on the economy, according to Chavoshbashi and friends, it is necessary to explore the cultural values and norms that exist between individuals and their economic activities.²³ Communities, who have value on the importance of individual ambition and success, will have economic organizations and its legal systems become more competitive. Whereas a culture that emphasizes group welfare is expressed in a more cooperative legal and economic system.²⁴

In a broader spectrum, religion also plays an important role in interpreting the relationship between culture and economics because religion is very close related to the culture. Religion provides a series of values that believed by its followers. Religious beliefs can stimulate economic growth because certain behaviors can increase productivity.²⁵

Besides cultural values, cultural products also contribute to economic growth. Commodification or the process of transforming value-for-use into commercial exchange cannot be avoided in this era of globalization. At least, economic globalization has triggered every cultural product in the form of objects and arts to be traded and compete openly and creatively. Traditional art was originally an expression of local communities to create a harmonious relationship between humans and their environment, required to be traded.²⁶

Globalization which later brings up tourism by itself has formed the commodification of culture. This is because tourism demands these cultural products to be traded. Inevitably, the tourism sector has demanded entertainment in the form of performances of traditional arts, souvenirs and various foods that are in

²²Guiso, Sapienza, and Zingales.

²³Farzaneh Chavoshbashi et al., "Designing Dynamic Model for Measuring the Effects of Cultural Values on Iran's Economic Growth," *African Journal of Business Management* 6, no. 26 (2012): 7799–7815, <https://doi.org/10.5897/AJBM11.2473>.

²⁴Shalom H. Schwartz, "A Theory of Cultural Values and Some Implication for Work.," *Applied Psychology: An International Review* 1, no. 48 (1999): 23–47, <https://doi.org/10.1111/j.1464-0597.1999.tb00047.x>.

²⁵Ferdinal Asmin, "Budaya Dan Pembangunan Ekonomi: Sebuah Kajian Terhadap Artikel Chavoshbashi Dan Kawan-Kawan," *Jurnal Studi Komunikasi (Indonesian Journal of Communications Studies)* 2, no. 2 (2018), <https://doi.org/10.25139/jsk.v2i2.516>.

²⁶Agus Maladi Irianto, "Jurnal Theologia," *Jurnal THEOLOGIA* 27, no. 1 (2016): 212–36, <https://doi.org/0853-3857>.

line with the attraction of tourism objects. The tradition of *ngruwat gembel* and tradition of *barisanin* Wonosobo and the tradition of *suran* and *gombakan* in Magelang - which is basically part of the cultural identity of the community and the local wisdom of the local community which are stored messages - are some examples of interesting cultural attractions to attract tourist.²⁷

Traditional crafts such as batik, weavin, cobek, onix stone, earthenware, gong, silver handicrafts and others also develop as an impact of the growing tourism industry in Indonesia. The centers of the tourism industry such as Bali, Yogyakarta, Bandung, Batu, Malang and others has demanded other areas to supply handicraft products that are typical of these tourist attractions. Pekalongan, for example, is a batik supplier for Bali, Yogyakarta, Bandung, Batu and Malang. The Troso Village inJepara Regency is a typical weaving supplier for Bali, Kalimantan, Sulawesi and others. The development of these small industries has automatically contributed to the economic growth of a region.

C. SMEs and Government Policy

Although has role for Indonesia's economic growth, SMEs as small and medium businesses has many limitations. Those limitations can be classified into two aspects, internal aspects and external aspects. Internal aspects include: (1) lack of ability to do innovation, (2) limited production capacity to meet demand in a short time (certain cases), (3) limited financial resources for business development, (4) limited in production process technology so quality of product able to meet market demand yet, (5) the quality of human resources that not yet have the skills / skills needed so that the quality of product is not optimal, (6) weakness in buying raw materials, especially for big buyers, and (7) the relatively high level of product prices as a result of expensive production costs.²⁸

²⁷Agus Maladi Irianto, "Jurnal Theologia," *Jurnal THEOLOGIA* 27, no. 1 (2016): 212–36, <https://doi.org/0853-3857>.

²⁸Eddy Suandi Hamid and dan Y Sri Susilo, "Strategi Pengembangan Usaha Mikro Kecil Dan Menengah Di Provinsi Daerah Istimewa Yogyakarta*," *Jurnal Ekonomi Pembangunan* 12, no. 1 (2011): 45–55.

Whereas the external aspects include: (1) difficulties in expanding new market share, especially the export market, (2) the threat of similar products from imports, especially products from China, (3) economic conditions that are less stable so greatly affects the price of raw materials and product prices, (4) Condition of banks with high interest rates and complicated credit processes, (5) Poor infrastructure that increases distribution costs, (6) Lack of contributions from external parties, such as associations, investors, and other private parties in supporting development MSMEs, and (7) Government policies that are not conducive, especially in taxation.

Seeing the limitations of the SMEs, the Indonesian government made regulations that favored the development of SMEs. Some regulations that have been issued by the Indonesian government are related to the development of SMEs, including:

1. Law No. 9 of 1995 concerning Small Business
2. Government Regulation No. 44 of 1997 concerning the Partnership
3. PP No. 32 of 1998 concerning the Development and Development of Small Businesses
4. Presidential Instruction No. 10 of 1999 concerning Medium Business Empowerment
5. Presidential Decree No. 127 of 2001 concerning Business Fields / Types Reserved for Small Businesses and Business Fields / Types Open for Medium or Large Businesses with Partnership Terms
6. Presidential Decree No. 56 of 2002 concerning Restructuring of Small and Medium Business Loans
7. Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises

Besides regulation, Indonesian government also established agencies that have the primary task for developing SME, such as the Ministry of Cooperatives and SMEs and Badan Ekonomi Kreatif (BEKRAF). Both of these institutions have the main task to build and develop SMEs in Indonesia. If the Ministry of Cooperatives and SMEs has the task of building SMEs in general, while BEKRAF has the task to develop SMEs which have creative values.

In implementing its duty, the Ministry of Cooperatives and SMEs has eight strategic goals, three of them are directly related to the development of SMEs. Those three strategic goals are: (1) increasing revenue and income community of UMKM; (2) the realization of entrepreneurs from resilient and independent MSMES actors; and (3) increasing MSMES in contributing to the Regional and National economy.

In an effort to increase revenue and income community of UMKM, the Ministry of Cooperatives and SMES encourage the distribution of Kredit Usaha Rakyat (KUR) and funds are rolling through LPDB-KUMKM. This is done to answer the constraints of access to capital for UMKM. Until 2019 the Ministry of Cooperatives and SMES has a financing target for MSMES from banks of 25%. In achieving the target, the Ministry of Cooperatives and SMES continues to do financial literacy to MSMES players in Indonesia by implementing technical guidance and socialization.²⁹

Based on the MSMES Credit Progress Report from Bank Indonesia in 2016, obtained that the value of MSMES loans disbursed reached 900,389 trillion rupiah. While the share of MSMES loans to total bank credit in 2016 was 19.98%, or increase 0.9% from the previous year which was 19.89%. According to its business classification, MSMES loans have distributed 46.12% for medium-sized enterprises, 29.61% for small businesses, and 24.27% for micro businesses.³⁰

Not much different from the report issued by Bank Indonesia, the Ministry of Cooperatives and SMES also released data that the growth of financing for MSMES in 2016 had reached 19.98%. According to data from the Ministry of Cooperatives and UMKM, this number increased 0.9% compared to 2015 which was 19.89%. One of factors, according to the Ministry of Cooperatives and UMKM, which caused a significant increase, was the policy of reducing KUR interest rates become 9%. With this interest rate, the distribution of KUR in 2016 has reached IDR 94,37 trillion which was distributed to 4,361,835 debtors. In addition, the revolving fund of LPDB-KMSMES in 2016 has also distributed loans / financing amounting 1,252,699,562,303,- rupiah to 149,583 UMKM. Funds are distributed through 107

²⁹Ministry of cooperatives and SMEs, "Performance Report of Ministry of cooperatives and SMEs year 2016" 2017

³⁰Bank Indonesia, "Perkembangan Baki Debet Kredit Usaha Mikro , Usaha Kecil , Dan Usaha Menengah (Umkm) Year 2014," no. November 2015 (2015): 1-3

Direct Primary Cooperative Partners, 4 Secondary Cooperative Partners, 44 Venture Capital and Banking Company Partners, and 23 Strategic SMES Partners spread across 34 Provinces. From the management of these funds since 2008, to be exact in September 2008, up to December 31, 2016 has been able to absorb 1,759,608 employees.³¹

Furthermore, in actualizing the strategic goals of the realization of entrepreneurship from resilient and independent UMKM, the Ministry of Cooperatives and SMES conduct entrepreneurship development activities and cooperative assistance activities and MSMES through Pusat Layanan Usaha Terpadu (PLUT-KUMKM). Entrepreneurship activities are intended to realize entrepreneurship increase of 10,000 people per year. While the purpose of the establishment of PLUT-KMSMES is in order to PLUT-KMSMES has a role: a) companion and coach who can provide solutions to problems in KMSMES (center for problem solving); b) mediators and information sources that can provide appropriate references to KMSMES to obtain a specific solution (center of referral); and c) storefronts and inspiration sources that can bring the best practices from the development of KMSMES (center for best practice). PLUT-KMSMES is a forum for MSMES which have potency to grow, develop and innovate continuously.³²

For optimizing the assistance of SME through the PLUT-KUMKM, the Ministry of Cooperatives and SMEs collaborates with Kamar dagang Indonesia (KADIN) and PT. Telkom Tbk. Cooperation with KADIN is stated in the Memorandum of Understanding of the Deputy for Business Restructuring with Deputy Chairperson of the Chamber of Commerce and Industry of the UMKM, Cooperatives and Creative Industries No. 03 / NK / Dep.4 / III / 2016 and MOU / 374 / DP / III / 2016 concerning KMSMES Product Marketing Assistance through Online System on March 23, 2016 at the Indonesian Kadinhead office. This memorandum of understanding aims to: (1) increasing the productivity and

³¹Ministry of cooperatives and SMEs, "Performance Report of Ministry of cooperatives and SMEs year 2016"

³²Ministry of cooperatives and SMEs, "Performance Report of Ministry of cooperatives and SMEs year 2016"

competitiveness of KMSMES through assisting synergies; and (2) optimizing the role of PLUT-KMSMES in the promotion and marketing of KMSMES products.³³

Whereas cooperation with PT Telkom is contained in the Cooperation Agreement or PerjanjianKerjaSama (PKS) between the Ministry of Cooperatives and SMEs through the Deputy of Business Restructuring with the Director of Enterprise and Business Services PT. Telkom Tbk. Number 05 / PKS / Dep.4 / V / 2016 and K.Tel.67 / HK.840 / ENT-00/2016 concerning Cooperative and SME Assistance through SME Digital Village on May 25, 2016 in Yogyakarta. This Cooperation Agreement aims to: 1) Increasing the productivity and competitiveness of KMSMES through assisting synergy. 2) Optimizing the role of the PLUT-KMSMES and the SMES Digital Telkom Village Program to improve the quality and access of Cooperative and MSME product marketing.³⁴

The follow up of the memorandum of understanding with KADIN was carried out in the form of socialization of online marketing for KMSMES in 15 PLUT-KMSMES locations, that is in Aceh Province, Banyumas Regency, Cilacap Regency, DIY Province, Kebumen Regency, Malang City, North Sulawesi Province, Surakarta City, Sukabumi Regency, Tasikmalaya Regency, Bali Province, Cianjur Regency, Subang Regency, NTB Province and Semarang City. The result shows that there is 1,256 SMEs have conducted online marketing with 2,114 types of products.³⁵

While the follow-up of the memorandum of understanding with PT. Telkom Tbk. in the form of the installation of the Digital SMES Village and the placement of the Broadband Learning Center (BCL) in 12 PLUT-KUMKM, that is in Sukabumi District, Cianjur Regency, DIY Province, West Kalimantan Province, Banjarbaru City, Southeast Sulawesi Province, Subang Regency, Bangka Belitung Province, Regency Gianyar, Bulungan Regency, Tasikmalaya Regency,

³³Ministry of cooperatives and SMEs, "Performance Report of Ministry of cooperatives and SMEs year 2016"

³⁴Ministry of cooperatives and SMEs, "Performance Report of Ministry of cooperatives and SMEs year 2016"

³⁵Ministry of cooperatives and SMEs, "Performance Report of Ministry of cooperatives and SMEs year 2016"

Tulungagung Regency. The result shows that there are 785 SMEs that conduct e-commerce transactions through the market place on www.blanja.com.³⁶

Furthermore, to realize the strategic goal for increasing MSMEs' contribution to the Regional and National economy, the Ministry of Cooperatives and SMEs launched a number of programs simultaneously. The program includes: (1) increasing the number of mentoring staff / facilitators so that MSMEs can literate in exports; (2) cooperating with BNSP (Badan Nasional Sertifikat Produk) to provide export certification by implementing SKKNI (Standar Kompetensi Kerja Nasional Indonesia); (3) providing export training through e-commerce; (4) foreign exhibition facilitation in several countries; and (4) facilitation of quality standardization and product certification.³⁷

In 2016, the Ministry of Cooperatives and SMEs facilitated 152 Cooperatives and SMEs to participate in 12 foreign exhibition events in several countries, such as: Malaysia, Vietnam, Hong Kong, Dubai, England, Brunei Darussalam, United States, China, Philippines, Saudi Arabia, and Japan. Regarding with facilitation of quality standardization, in 2016 the Ministry of Cooperatives and SMEs facilitated assistance and ISO 9001: 2008 certificates, SNI, HACCP as many as 40 SMEs. SMEs accompanied and certified are exempt from Fees or Free. This accompaniment was held in 5 provinces those are West Java (4 KUMKM), Central Java (6 KUMKM), D.I. Yogyakarta (3 KUMKM), West Nusa Tenggara (7 KUMKM) and Bali (5 KUMKM). Facilitation of awarding certificates of ISO 9001: 2008, SNIs, HACCP caused increasing turnover more or less Rp. 15,000,000, - per / SMES / month and increasing the employment of 2 people per / SMES / year.³⁸

Meanwhile for facilitation of product certification, it includes facilitation of registration of Intellectual Property Rights (Copyright and Trademark Rights) and facilitation of halal certification and labeling. In 2016 the Ministry of Cooperatives and SMEs facilitated 1,000 SMEs Recipient of Copyright Certificates and 237 SMEs for Registration of Brand Rights Certificates. Facilitation of the provision of

³⁶Ministry of cooperatives and SMEs, "Performance Report of Ministry of cooperatives and SMEs year 2016"

³⁷Ministry of cooperatives and SMEs, "Performance Report of Ministry of cooperatives and SMEs year 2016"

³⁸Ministry of cooperatives and SMEs, "Performance Report of Ministry of cooperatives and SMEs year 2016"

Copyright causes increasing turnover more or less Rp 10,000,000 per / SMES / month and increasing in employment of two people per / SMES / year. Facilitation of the provision of Trademark Rights causes development in turnover more or less Rp.19,000,000 per / SMES / month and an increase in employment of as many as five people per / SMES / year.³⁹

Meanwhile, for facilitating halal certification and labeling, in 2016 the Ministry of Cooperatives and SMEs from 75 SMEs of 14 provinces / DI those are West Sumatra, North Sumatra, Jambi, Bengkulu, Lampung, Riau Islands, DKI Jakarta, West Java, Central Java, Banten, Bali, South Sulawesi, West Kalimantan, and West Nusa Tenggara of 840 SMEs which are proposed by the Region. Facilitation of the provision of Halal Labels causes an increase in turnover around IDR 12,000,000 per / SMES / month and an increase in employment, four people per / SMES / year.⁴⁰

For further SMEs development, especially developing and encouraging the creativity of SMEs, the government, as mentioned above, formed the Creative Economy agency or BEKRAF. BEKRAF is acronym from Badan Ekonomi Kreatif, a Non-Ministry Government Institution which responsible for the creative economy with sixteen sub-sectors of the creative industry. Those sixteen creative industry sub-sectors cover: application and game development; architecture; interior design; visual communication design; product design; fashion; films, animations and videos; photography; craft; culinary; music; publishing; advertising; performing arts; art; and television and radio.⁴¹

This institution was formed since 20 January 2015 through the Republic of Indonesia Presidential Regulation Number 6 of 2015 concerning the Creative Economy Agency. BEKRAF is led by the Head of the Agency who is assisted by a representative, the main secretary and deputies. BEKRAF has six deputies, namely Deputy of Research, Education and Development, Deputy of Capital Access, Deputy of Infrastructure, Deputy of Marketing, Deputy of Facilitation of Intellectual

³⁹Ministry of cooperatives and SMEs, "Performance Report of Ministry of cooperatives and SMEs year 2016"

⁴⁰Ministry of cooperatives and SMEs, "Performance Report of Ministry of cooperatives and SMEs year 2016"

⁴¹<http://goukm.id/ekonomi-kreatif/>, accessed on Friday, 23 November 2018, 14:45

Property Rights and Regulation and Deputy of Inter-Institutional and Regional Relations.

This institution has a vision that is “build Indonesia becomes one of the world’s economic powers in the creative economy in 2030”, and the mission: (1) unite all assets and Indonesia’s creative potential to achieve an independent creative economy; (2) create a conducive climate for the development of creative industries; (3) encourage innovation in the creative field which has added value and competitiveness in the international world; (4) open the public’s insight and appreciation of all aspects related to the creative economy; (5) build awareness and appreciation of intellectual property rights including legal protection of copyright; and (6) design and implement a specific strategy to place Indonesia on the map of the world creative economy.⁴²

In developing the creative economy, Bekraf has policy directions as follow. First, facilitate the development of national creative economy research and education. Second, facilitate capital access for national creative economic to funding sources and developing alternative sources of new funding. Third, build and optimize infrastructure that supports the realization of a national creative economy ecosystem. Fourth, grow, mobilize, improve, and optimize various marketing points for national creative products and services at domestic and abroad. Fifth, build public awareness and appreciation of intellectual property rights, optimizing economic benefits for holders of intellectual property rights. Sixth, build and strengthen cooperation, and create synergies between institutions and regions, to support the development of the national creative economy. Seventh, build a clean, effective, democratic and reliable government.⁴³

Meanwhile, there are three strategies implemented by Bekraf. First, the top down, in the form of determining the superior subsector and priority subsector. The superior sub-sector is the subsector which has a very large contribution in PDB Bekraf while the priority sub-sector is the sub-sector that can be the deterrent of other development sectors. The superior sub-sector includes craft, culinary, and fashion. Priority sub-sectors include the film and animation, games and applications, and music. Second, a bottom-up strategy, besides the top-down programs, Bekraf

⁴²Bekraf, *RencanaStrategisBadanEkonomiKreatif year 2015 - 2019*

⁴³Bekraf, *RencanaStrategisBadanEkonomiKreatif year 2015 - 2019*

also implements activities which are the aspirations of economic actors. In order the support can be effective, efficient and has good quality, the proposal will be selected by a competent team called the *kurasi* team. The third strategy is to ensure that all Bekraf activities run coherently towards the development of an eco-ecosystem.⁴⁴

Bekraf's programs are under its respective deputies. The Deputy of Research, Education and Development has two excellent programs in the form of *Coding Mum*, and Innovative and Creative through Nusantara Collaboration or Inovatif dan Kreatif melalui Kolaborasi Nusantara (IKKON) and two other programs in the form of workshops and bimtek and the support. The Deputy of Capital Access has a technical guidance program about capital access with activities in the form of: (1) management of creative financial classes for KUR recipients; (2) creative SME Islamic finance class series; and (3) free training prospective entrepreneurs about capital access.⁴⁵

The Deputy of Infrastructure has programs and some of them are: (1) independent assessment of creative cities / districts; (2) establishment of village/centers creative ecosystem; (3) development of creative centers / business incubators / exhibition centers; (4) *bekraf developer day*; (5) *bekraf* for pre-start up (*bekup*); and (6) *bekraf prime games*. The Deputy of Marketing has programs, such as: (1) technical guidance on the implementation of domestic market policies development and programs; and (2) technical guidance on marketing creative products and services in abroad.⁴⁶

The Deputy of Facilitating Intellectual Property Rights and Regulations has programs, some of them are: (1) facilitation of IPR registration; (2) facilitation of professional certification; (3) socialization of the task force for handling complaints of piracy of creative economic products; (4) IPR consultation and interactive IPR dialogue; (5) socialization of regulatory mapping in the creative economy; and (6) support the socialization of National Collective Management Institutions or Lembaga Manajemen Kolektif Nasional (LMKN) and Collective Management Institutions (CMI). Finally, the Deputy of Inter-Institutional and Regional Relations has programs, such as: (1) collaborating with local governments in developing the

⁴⁴Bekraf, *Rencana Strategis Badan Ekonomi Kreatif year 2015 - 2019*

⁴⁵www.bekraf.go.id/

⁴⁶www.bekraf.go.id/

creative economy; and building cooperation with foreign countries.⁴⁷Those two institutions (Ministry of Cooperatives and SMEs and Bekraf) encourage the development of SMEs in Indonesia.

D. SMEs Strategy and It's Resilience

The limitations possessed by SMEs, as small and medium enterprises as mentioned above, causes the weak business networks, limited market penetration capabilities and market diversification, too small economies scale so it is difficult to reduce costs, very small profit margins, and furthermore SMEs have no advantage competitive. As a result, many SMEs cannot compete with larger industries. Therefore SMEs need the ability to survive and compete so that it can always exist among existing industries. In this context, SMEs need to understand their competitive strategies.

Simply, the strategy can be interpreted as a “plan to play” from a company. The strategy reflects the company’s awareness of how, when and where they must compete against opponents and for certain intent and purpose. Corporate strategy is a pattern or plan that integrates the main objectives or company policies with a series of actions in a mutually binding statement. The company’s strategy is usually related to general principles to achieve the stated mission, and how the company chooses a specific path to achieve the mission. Every company needs a strategy to compete with companies. If a company is unable to compete with other companies, the company will lose with other companies.

In the competitive strategy, according to Porter, it is necessary to pay attention to the five determinants that play an important role in summarizing the conditions of the market structure of an industry. First is the threat of new entrants (*the entry of new competitors / potential entrants*). The threat of entry of new entrants (entry) depends on the strength of existing barriers (barriers) and reactions from competitors that are expected to occur by the new competitor. If the barriers toward the new entrants (entry) are high, and a newcomer can predict the emergence

⁴⁷www.bekraf.go.id/

of sharp “feedback” from the existing competitors, it is clear that the newcomer will not be able to do a serious threat of entry.⁴⁸

Second is the product threat or the threats of substitutes. Substitutions are goods or services that can replace similar products. Some of the factors threatening substitute goods are: a) *relative price performance of substitutes*, b) switching costs, c) buyer proportions to substitute.⁴⁹

Third is the bargaining power of buyers. The bargaining power of buyers is determined by the number of product, scale of business of the buyer, and the degree of profit of the buyer towards the product. There are several factors that can increase the bargaining power of buyers. Those factors are: a) a large share of buyers, b) the cost of transferring to other products that are relatively small, c) the number of substitute products (the bargaining power of the buyer becomes low if there are no substitutes, so the buyer has only one choice), d) none or lack of product differentiation.⁵⁰

Fourth is the bargaining power of suppliers. Input providers have a high bargaining power if the company becomes the only one raw material provider for other companies that need input. It means, input providers monopolize the price and quantity of goods. Suppliers can use bargaining power to influence all parties who participating in the industry by increasing prices or reducing the quality of goods or services that purchased. Thus, strong suppliers will be able to reduce profitability from industries that are unable to compensate for the price increase.⁵¹

Fifth is the rivalry among the existing competitors. In the competitive factor among competitors in the same industry, this is the central force of competition. The higher the level of competition between companies indicates the higher profitability of the industry, but the profitability of the company may decline. Intensity of this competition depends on the following factors: *industry growth, fixed and storage cost, product differences, brand identity, switching cost, concentrate and balance,*

⁴⁸Michael E. Porter. (1985). *Keunggulan Bersaing: Menciptakan dan mempertahankan kinerja yang unggul*. Penerbit Erlangga.

⁴⁹Mudrajad Kuncoro. (2006). *Strategi Bagaimana Meraih Keunggulan Kompetitif*. Jakarta: Erlangga. p. 27

⁵⁰Mudrajad Kuncoro. (2006). *Strategi Bagaimana Meraih Keunggulan Kompetitif*. Jakarta: Erlangga. p. 29

⁵¹Antonina, Usmara. (2003). *Implementasi Manajemen Strategik (Kebijakan dan Proses)*. Yogyakarta: Penerbit Amara Books. Hlm. 184

*concentrate and balance, diversity of competitors and exit barriers.*⁵² Moreover, competition among competitors in the same industry is identified as the most powerful variable because the successful of company will only be achieved if it is able to develop competitive advantages over the strategies run by competing companies.

The competitive strategies implemented by SMEs in Indonesia are various. Promotion is one of the competitive strategies implemented by SMEs. They do this promotion through the brochures, internet or social media, holding festival events through associations that they form, discount and others. Furthermore, they implement the marketing strategy by: (1) opening self-managed outlets / stalls / shops, (2) opening outlets/ food stalls/food stores or souvenir centers located in and outside the city, (3) marketing products in supermarket inside and outside the city, (4) working with bureaus and/or tour guides, pedicab drivers, and others.⁵³

Meanwhile, the survival strategie simplemplemented by SMEs in Indonesia are maintaining quality, providing good service and product innovation.⁵⁴ Those three strategies are absolutely done by SMEs so that they can compete and maintain their business. If the quality of the product is reduced, consumers will no longer buy the product, and buyer trust will decrease. Therefore, these producers still maintain the quality of their products in order to be able to compete with other businesses, as well as being a strategy. The good service also will create loyal consumer so the consumer will repurchase our product. The same thing also happened to new innovations. New innovations are needed to improve the quality of the product to be better and provide new variants so the consumers have new choices and remain as loyal customers.⁵⁵

Besides maintaining the quality, service and product innovation, the survival strategy that needs to be done by SMEs is production efficiency. Production efficiency is related to production costs, start from raw materials and labor. When

⁵²Mudrajad Kuncoro. (2006). *Strategi Bagaimana Meraih Keunggulan Kompetitif*. Jakarta: Erlangga. Hlm. 26

⁵³Ellen Yuliani Saul&Y. Sri Susilo. (2015). *Strategi Bersaing dan Strategi Bertahan pada Industri Mikro dan Kecil Bakpia Pathok di Kecamatan Ngampilan Yogyakarta Tahun 2015*.

⁵⁴Ellen Yuliani Saul&Y. Sri Susilo. (2015). *Strategi Bersaing dan Strategi Bertahan pada Industri Mikro dan Kecil Bakpia Pathok di Kecamatan Ngampilan Yogyakarta Tahun 2015*.

⁵⁵Apfita Masi, "Strategi Inovasi Produk Garmen Dalam Menghadapi Pasar Bebas (Studi Kasus Pada Ukm Garmen Di Kota Denpasar)," *PARSIMONIA* 2, no. 1 (2015): 45–55.

production costs rise, such as raw material prices and/or labor wages rise, they make choices between reducing the quality of production or maintaining the quality of production. The research carried out by Ellen Yuliani Saul & Y. Sri Susilo toward bakpia industry players, they asserted that most of the bakpia pathukproducers (53 out of 60 respondents or 88.3%) maintained quality by slightly increasing prices. Meanwhile 6 respondents (10%) chose not to raise, and only 1 respondent (1.7%) who chose to reduce the quality in terms of size and taste as well as the selling price that was used constantly.⁵⁶

Research conducted by Indi Sutopo recommends that SMEs can make efficiency in the use of capital. According to Sutopo, the use of efficient capital in choosing raw materials will produce good productivity. In addition, SMEs are also expected to be able to learn from other SMEs who have the best production quality, so they can make innovations in order to survive in the industry where they live in.⁵⁷

⁵⁶Ellen Yuliani Saul&Y. Sri Susilo. (2015). *StrategiBersaingdan StrategiBertahanpadaIndustriMikrodan Kecil BakpiaPathokdi KecamatanNgampilan Yogyakarta Tahun 2015*.

⁵⁷Sutopo, "Produktivitas Dan Ketahanan Bisnis Industri Kecil (Studi Empiris Industri Batik Tulis Trusmi Kecamatan Plered Kabupaten Cirebon)."

CHAPTER IV

SMALL MEDIUM ENTERPRISES IN BRUNEI DARUSSALAM

A. SMEs and Brunei Darussalam Economic Context

The economic growth of Brunei Darussalam has been dominated by the oil and gas industries for the past 80 years. Hydrocarbon resources exceed 90% of exports and more than 50% of gross domestic product. Brunei, nowadays, is the fourth largest oil producer in the Southeast Asia and the ninth largest exporter of liquefied natural gas in the world. It can be noticed that most of the oil and natural gas are yielded for export trade.

Historically, the facts of Brunei Darussalam's economy and the nation history have developed over several past centuries. Illustrated in the Chinese history of the Liang dynasty (502-566), the Sui dynasty (589-618), and the Tang dynasty (618-906), Brunei is known as 'Po-li', and in 517, 522, 616, 630, and 699, this country had sent messengers to China carrying goods from its domestic products. The geographical position has made it famous to the experts at shipping who have commuted through Saudi Arabia, India, China, and surrounding countries. The history track that was discovered from those overseas countries and the impressions of influence brought by the shipping experts who stopped in Brunei could prove that this country had long been recognized. Additionally, commercial goods such as pottery, currency, and jewelry carried by the trade experts can also determine the period dealing with this country and reveal the history found time by time that is almost extinct.¹

The Sung dynasty (960-1279) explained that 'Po-ni' (referred to as 'Puni') is located in the southwest of Ch'uan-chou. Following a normal wind blow, it took 45 days from Java, 40 days from San-bo-tsai (Palembang), and 30 days from Champa.² It is worth mentioning that Puni is mostly deemed to be 'Punyit' or 'Pingit', which can be found on Jerudong Beach. Based on this discovery, it is exposed that 'Po-li' or 'Po-lo', which was finally well-known as Puni, referred to Brunei since the Brunei's geographical position corresponded to the position of the intended place. Moreover, it also demonstrates that Brunei was known as Po-li, Po-lo, or Puni which had existed before the periods of the 6th

¹ Haji Awang Mohd Jamil Al-Sufri, *Tarsilah Brunei, Sejarah Awal dan Perkembangan Islam*, 2001, Pusat Sejarah Brunei: Kementerian Kebudayaan Belia dan Sukan Bandar Seri Begawan, p. 1 in Chin, J.M. *The Sarawak Chinese*, Oxford University Press, Kuala Lumpur, 1981, p. 2.

² Haji Awang Mohd Jamil Al-Sufri, *Tarsilah Brunei, Sejarah Awal dan Perkembangan Islam*, 2001, Pusat Sejarah Brunei: Kementerian Kebudayaan Belia dan Sukan Bandar Seri Begawan, p. 8 in Groeneveldt, W.P. *Notes on the Malay Archipelago and Malacca Compiled from Chinese Sources*, Batavia, 1876, p. 108.

century to the 13th century, and at the beginning of 14th century, the so-called Puni designation for Brunei was still used.³

Brunei's economy closely relates to the well-established norms. The principle of the 'Negara Zikir' (a nation devoted to God) plays a pivotal role regarding the relationship of this country. Realizing a sovereign and prosperous Negara Zikir is a religious demand and has been agreed upon by all ulama (Muslim scholars). It implies that the Negara Zikir possesses its own goals, namely: promoting the sovereignty and dignity of Islam as a religion and way of life, enhancing sovereignty and dignity of Malays as a nation and language for Bruneian people, and maintaining the national philosophy of 'Melayu Islam Beraja' (Malay Islamic Monarchy) under the auspices of a Malay, Muslim, and fair sultan.⁴

B. Interdependence of Industry and Culture

Principally, the cultural and economic relations of Brunei Darussalam have been emerging for a long period. It has existed since the exchange of goods of Malays and Dayaks in the middle of the 19th century. As the Chinese people discovered the trip to Puni by sea, the trade between the two countries expanded. They traded to Puni by using 'jong-jong' or 'wangkang' (a kind of barge) carrying pottery, gold, silver, colorful silk, thick silk, gauze, five colored cloth, smoke cloth, fabrics, and other products. These products were exchanged for residents' goods such as camphor, deer antlers, white tin, jewelry tin, arm bracelets made of ivory, lipstick, colored bowls and wooden plates, green pottery, and so on.⁵

Brunei Darussalam holds Melayu Islam Beraja (MIB) as its national philosophy. MIB has existed since the first Brunei king embraced Islam. Further, this philosophy was disseminated by Sultan Sharif 'Ali by promoting Islamic teachings to be developed and practiced to become the people's way of life. He emphasized that something that is done should be intended solely because of Allah SWT. In the teaching, it is stated that humans live in this world need to provide good deeds to be brought to the hereafter, whereas the

³ Haji Awang Mohd Jamil Al-Sufri, *Tarsilah Brunei, Sejarah Awal dan Perkembangan Islam*, 2001, Pusat Sejarah Brunei: Kementerian Kebudayaan Belia dan Sukan Bandar Seri Begawan, p. 8.

⁴ Pengiran Anak Haji Amiruddin Alam Shah Pengiran Anak Haji Ismail et al., 2015. *Ensiklopedia Negara Zikir, Jilid 1*, Brunei: UNISSA Press, p. 242.

⁵ Haji Awang Mohd Jamil Al-Sufri, *Tarsilah Brunei, Sejarah Awal dan Perkembangan Islam*, 2001, Pusat Sejarah Brunei: Kementerian Kebudayaan Belia dan Sukan Bandar Seri Begawan, p. 8 in Groeneveldt, W.P. *Notes on the Malay Archipelago and Malacca Compiled from Chinese Sources*, Batavia, 1876, p. 109.

necessity of living in the world should not be forgotten now that it requires big efforts that determines a requirement to obtain it. Nonetheless, all the efforts carried out in this world are not merely intended to achieve world pleasure, but are of Allah the Almighty. In other words, it denotes that what is done means worship to Allah the Almighty.⁶

The principle striking a balance between this world and the hereafter that is adhered to by Bruneians affects their behavior, culture, and customs. The customs that are based on Islamic teachings affirm the basis of Brunei-Malay culture and characterized as the philosophy to the nation are always endeavored to be preserved. The evaluation of culture that is stated to fit well solely depends on the received benefits, which is in accordance with the value of perfection of Brunei-Malay culture and the progress of the times without being contrary to Islamic teachings.⁷

Regarding the viewpoint of business, Islam, the world, and the hereafter, it is worthy to note that the Bruneians do not separate business from religion as long as this attempt is intended to benefit the world and the hereafter. This cultural principle, furthermore, influences the entrepreneurial principle in Brunei Darussalam. Likewise, the work culture is also based on Surah Al-Qasas verse 77:

“And seek by means of the wealth that Allah has granted you to attain the abode of the hereafter. Do not forget your share in this world. Do good as Allah has been good to you, and do not strive to create mischief in the land, for Allah does not love those who create mischief.”

This verse shows that everyone should do good things according to their respective abilities for provision to the hereafter. In addition, the conditions of life in the world containing customary law that has been stipulated in Islamic teachings toward human beings and other living creatures should be studied to allow humans to worship perfectly. Humans need to eat, drink, sleep, settle down, have children, and many others so that the achievement of the perfection of the case mentioned requires lots of efforts and knowledge for a job or company itself, including trade, development, companies, and so on.⁸

⁶ Dato Seri Utama Haji Awang Mohd. Jamil Al-Sufri, *Melayu Islam Beraja Hakikat dan Hasrat*, 2014, Pusat Sejarah Brunei, Kementerian Kebudayaan, Belia dan Sukan, p. 12-13.

⁷ Dato Seri Utama Haji Awang Mohd. Jamil Al-Sufri, *Melayu Islam Beraja Hakikat dan Hasrat*, 2014, Pusat Sejarah Brunei, Kementerian Kebudayaan, Belia dan Sukan, p. 34-35.

⁸ Dato Seri Utama Haji Awang Mohd. Jamil Al-Sufri, *Melayu Islam Beraja Hakikat dan Hasrat*, 2014, Pusat Sejarah Brunei, Kementerian Kebudayaan, Belia dan Sukan, p. 62-63.

The spirit to develop the economy for the Brunei people appears in Brunei's policy as the Negara Zikir, which aims to restore the fusion of Muslims and empower the nation's economy. This view is based on concerns about cultural influence. The established development goals require adequate facilities for the country's prosperity. Although Brunei has accepted Islam for several centuries, the understanding and practice of Islamic society has increasingly eroded. It is due to the fact that time flies and the existence of Western culture has influenced people's thoughts and ways of life. For this reason, the ulama and scholars play their roles to inform the public about the philosophy of development of the Negara Zikir in terms of theory and practice, for the sake of the improvement of thoughts, emotion, moral, and physical power.⁹

The relation between culture and business in Brunei are in balance with the idea of the Negara Zikir which is intended to fulfil the needs of the country and its society, including spiritual, physical, and material needs. Community development extremely depends on available resources. It implies that the community would use the natural resources to foster a better quality of life in addition to the well-established economy and the natural resources aiming for the community to maintain and use them optimally. The development, normally, is deemed to lead to the economic growth, but the essence of development covers all areas of social life.¹⁰ The influence of Islamic worship in Brunei can also be well-regarded in the study of the Qur'an. Bruneians take into account of the notion of 'worship' in a nutshell to demonstrate loyal obedience and self-servitude to Allah the Almighty who grants goodness.¹¹

C. SMEs and Government Policy

Even though Brunei is categorized into a country with abundant natural resources, the Sultan of Brunei continues to encourage the community to develop an entrepreneurial spirit. It can be noticed that the government promotes various institutions needed by the kingdom, including DARE (Darussalam Enterprises), I-Center, providing cheap financing, and holding various local product exhibitions regularly.

⁹ Mahayudin Hj Yahaya & Ahmad Baha Mokhtar, 2016, *Ensiklopedia Negara Zikir Jilid 2*, Brunei Darussalam: UNISSA Press, p. 228-229.

¹⁰ Rasinah binti Haji Ahim, "Dasar SosioEkonomi Negara Zikir" in Siti Sara Haji Ahmad & Muhammad Syukri Salleh, 2015, *Dasar dan Strategi Pembangunan Negara Zikir*, Brunei Darussalam: EYZ Printing Services and Trading Company Sdn Bhd, p. 114.

¹¹ Ahmad bin Ahmad bin Mu'ammam bin Al-'Araby Cherchel, Translated by Shohibuddin Haji Laming, *Kepedulian Masyarakat Brunei Terhadap Bacaan Surat Al-Fatihah*, Brunei: UNISSA Press, 2017.



Figure 4. 65.
The Sultan's Policy in Economic Activities

Figure 65.3. shows that the Brunei government policy also involves the country's higher education sector such as designing an education program in a farming sector. For instance, University of Islam Sultan Syarif (UNISSA) students also take entrepreneurship courses and manage business groups to be mentored by the lecturers to train their entrepreneurial skills. This student business group is supervised starting from the planning, production, to sales processes.

“Higher education institutions cooperate in promoting the young entrepreneurs from among those students to partner with the Syarikat Brunei Halal in terms of sales. There has been the principle of *qordul hasan* financing, and there are 200 dollars for each group (five persons) managed by the students at the end of the contract (20 weeks).”¹²

¹² Interview with Khairul, the lecturer at Faculty of Economy, UNISSA, December 3, 2018.



Figure 4. 66.
Presentation of UNISSA’s Policy on Business Activities

Similar point of view was also stated by Nurdeng, the manager of the Pusat Penyelidikan Halalan Thayyiban (PPHT) in UNISSA, that the Brunei kingdom played a very crucial role in empowering businesses in Brunei Darussalam.

“The role of the kingdom in promoting the spirit of entrepreneurship is completely great. In the education sector, a foundation is constructed so that UNISSA is relevant to entrepreneurship. There has been halal entrepreneurship in this university. Concerning the economy sector, the kingdom has been privatizing the maritime sector. The kingdom also encourages the people to become entrepreneurs through night markets and Bandarku Ceria (the weekly car-free morning in the downtown of Bandar) on Sundays at 6.30 a.m. – 2 p.m. The stipulated laws and policies are also in favor of business sectors relating to tax. The kingdom provides an area for agriculture and livestock business. There is the access to financing from Baiduri Bank and BIBD.”¹³

The Sultan’s policy is implemented in several entrepreneurship assistance presented as follows:

a. Darussalam Enterprise (DARE)

Darussalam Enterprise (DARE) is an institution established in 2016, semi-government-funded, and engaged in coordination with Brunei’s Ministry of Industry. This institution aims to encourage Brunei youth to venture into entrepreneurship.

¹³ Interview with Nurdeng, the manager of Pusat Penyelidikan Halalan Thayyiban (PPHT) UNISSA, December 5, 2018.

Besides, the main reason why DARE was established is to empower Bruneian snot to depend on oil and gas revenues. In other words, DARE emerges as a developmental program to provide the Brunei youths with the knowledge in business they need to start, grow, and export.

There are, moreover, three main programs run by DARE, namely: 1) startup business with a 100-day mentoring period so that DARE is expected to be able to evaluate each business up to three times in a year, 2) Industry Business Academy, that is classical and free of charge, and 3) Micro Business Boot camp which has been already holding since January 2018. The Micro Business Boot camp opens to Bruneians and permanent residents and quarantine the participants in the natural environment. They participate in a one-week OBBD (Out Bound Brunei Darussalam) with a group consisting of 15 people and ranging from 18 to 40 years old.



Figure 4. 67.
DARE (Darussalam Enterprise)



Figure 4. 68.
Products Yielded in DARE Programs



Figure 4. 69.
DARE Services/Counseling



Figure 4. 70.
Presentation by the DARE Officer on Startup Business



Figure 4. 71.
DARE's One Stop Service System

DARE facilitates to prospective entrepreneurs by providing a one stop service system. This system is a variety of counseling services ranging from products, finance, and marketing. It aims to enable the prospective entrepreneurs dealing with organizing their needs and consulting with the provided supervisor. This service is carried out by DARE since the existence of each DARE office is quite far. The integration of the

counseling offices functions to help the entrepreneur candidates manage all their needs more easily.¹⁴

b. Exhibition

Brunei Darussalam has regularly held a wide array of exhibitions of various local products. It can be seen that the Sultan prioritizes the identification of income sources from the agriculture and fishery sectors. This priority is due to the fact that some food such as rice is still obtained from imports. The government identification is presented in Figure 4.72.



Figure 4.72.
Identification of Agriculture and Fishery Sites, Brunei 2018

Regarding the implementation of Islamic teachings, Figure 4.72. reveals that the agriculture sector mentioned in Surah Yasin verse 34-35 is accommodated to encourage farmers and entrepreneurs of this primary food to continue developing this sector in terms of both production techniques and plant varieties. The Sultan's role is very pivotal for the development of the economic sector, and even in Brunei, the slogan "Raja Penggalak Pertanian: Sumber Ekonomi" ("The King of Agriculture Empowerment: Economic Resources") is promoted in this country. This slogan can be noticed in Figure 4. 73.

¹⁴ Interview with Rina Hasanudin and Nazurah Razak, the supervisors of DARE, Brunei Darussalam, December 4, 2018.



Figure 4.73.
“Raja Penggerak Pertanian: Economy Resource”



Figure 4. 74.
**Accommodation of Islamic Teaching in Surah Yasin Verse 34-35
 by the Brunei Government for the Agriculture Sector**



Figure 4. 75.
Stand of Poultry Farming and Egg Production



Figure 4. 76.
Stand of Processed Products Made of Chicken Meat



Figure 4.77.
Stand of Red Meat



Figure 4.78.
Stand of Traditional Cake Production

c. Majlis Ugama Islam Brunei

Brunei Darussalam is very concerned about halal products consumed by its people. Technically, the evaluation of the halal products is owned by Kementerian Hal Ehwal Ugama (the Ministry of Religious Affairs). The instruction of the halal

certification (certificate of halal label) has constituted an obligation for entrepreneurs in Brunei Darussalam since 2017, including drugs and cosmetics.¹⁵

Additionally, the instruction of halal certificate has been socialized since January 26, 2017. This instruction is intended for four purposes, namely: 1) establishing a halal certificate and halal label that allows Kementerian Hal Ehwal Ugama or kingdom agencies to carry out the control of the halal-licensed premises, 2) increasing the supervision of halal food in commerce, 3) ensuring food and other products sold and provided services in Brunei Darussalam are of halal assurance, and 4) providing Bruneians with certainty regarding halal food products.

The government points out that the halal aspect of food is totally crucial. Halal food products are very important for Muslims as it is one of the factors that may determine whether our deeds are accepted or not, and even halal food is an obligation for the perfection of worship. Negative effects involving health, body, and spiritual problems may arise due to ignoring the source of consumed food.

The halal food is strongly emphasized by Kerajaan Kebawah Duli Yang Maha Paduka Seri Baginda Sultan and Yang Di-Pertuan Negara Brunei Darussalam and he is very sensitive, especially for Bruneians. For Muslims, the issue of halal or haram food needs to be given serious attention because it bad impacts on physical, moral, spiritual, and religious development. It is due to the fact that for Muslims, food is not only to nourish the body and mind, but also to worship Allah the Almighty and apply Islamic teachings in life.

d. Halal Research Center

The existence of Majlis Ugama Islam Brunei (MUIB) as the halal food supervisor for final approval, including halal certification, in Brunei has come to the country for the economic growth in Brunei Darussalam. The consumer compliance applying sharia principles requires the government assertiveness. This is the reason why this controlling process of halal products is very crucial. For example, relating to chicken meat consumption needs, slaughter methods are identified to fit Islamic teachings, slaughter sites must be clean, the meat produced meets the requirement to have good quality and halal standards.

¹⁵ Interview with Hadiq, Majlis Ugama Islam, Bagian Kawalan Makanan Halal Tingkat Bawah Jabatan Hal Ehwal Syariah, December 5, 2018.



Figure 4.77.
Halal Certificate Issued by the MUIB

Furthermore, Figure 4.77. demonstrates that the government of Brunei Darussalam assures halal products and consumer safety by providing halal certificates. It is done to perform government's obligation for giving a sense of security to the public and support the development of the Bruneians' businesses. Likewise, it is because halal product assurance is expected to be able to increase tourist visits.

It can be noticed that this government policy is very beneficial for the development of halal business in Brunei, in which Bruneians are instructed to obey all the Sultan's policies. For Bruneians, the obedience to the King is undeniable. It implies that obeying the Sultan's orders is the identity of Bruneians. They are not deemed loyal to the country unless Bruneians are preceded by a pledge to obey the Sultan since love for the Sultan closely relates to nationalism. Moreover, obeying the Sultan has already been emphasized in Islam. For Bruneians, "Sultan is the caliphate on earth", "Raja has a wide array of sovereign blessings".¹⁶

D. SMEs Strategies and Resilience

The enhancement of small and medium-sized enterprises (SMEs) completely depends on the well-determined strategies, as well as the government of Brunei Darussalam. Various responses pointed out by the entrepreneurs from lots of sectors

¹⁶ Pengiran Anak Haji Amirudidin Alam Shah Pengiran Anak Haji Ismail et al., 2015, *Ensiklopedia Negara Zikir, Jilid 1*, Brunei: UNISSA Press, p. 218.

obtained during the data collection in this study had revealed their understanding of the policies issued by the Brunei Darussalam government. The SMEs that have been flourishing are very diverse, ranging from culinary, weaving, cakes, and many others.

a. Restaurant and Catering Full House Bandar Seri Begawan

The existence of restaurants, including food stalls, attracts special attention for Bruneians. Generally, they are situated in a shopping area so that makes customers easy to enjoy. The type of services integrated with Malay culture provides its own nuance for the consumers of Brunei Darussalam culinary. In example, it can be found that H. Murni (62 years old), the owner of restaurant and catering Full House Bandar Seri Begawan, has been running his food business for seven years after this man retired from his previous job. Interestingly, his business serves a traditional concept to catch the people's attention as a result of the revolutionary idea of modern consumption styles that a lot of fast food services offer.

Although the customers felt a bit strange firstly, particularly for foreign tourists, the confidence and patience shown by H. Murni and his wife, Hj. Rosmala, has successfully developed their business. The concept of "making yourself at home" is highlighted in their restaurant, ranging from the various everyday menus to the traditional foods that are increasingly rare such as *ambuyat* (sago-based dish with a very unique way of eating and completed with Brunei typical chili sauce). This concept is combined with the strategy of "self-made concoction" to put additional ingredients such as sugar, salt, chili, onion, lime, and so on. In addition, the visitors are expected to experience cooking in their own kitchen.

"To preserve traditional food, a few people understand its variety. Lots of youths who are American graduates think weird about these dishes. They do not know how to eat *ambuyat*, the taste of *cacah tempoyak*, *binjai*, *mambangan*, and so forth. It is strange to them."¹⁷

In other words, even though at first the customers felt strange with the traditional concept offered by H. Murni, it does not make them disappointed. It is evidenced by the increasing number of customers. Another strategy is to implement a 'one price' payment system; whatever the visitors consume is calculated as one price.

"We try to serve different menus from the existing ones. Brunei's traditional cuisine is rarely sold. That is why we offer the customers

¹⁷ Interview with H. Murni (62 years old), Owner Restaurant and Catering Full House Bandar Seri Begawan, Tuesday, December 4, 2018.

to make this restaurant like their own house. They may take the food they like. One time meal can charge as much as they like. It, usually, seems impossible to overeat.”¹⁸

More interestingly, if others entrepreneurs are afraid of getting loss, it is not experienced by H. Murni. Though he applies the concept of ‘one price’ payment, it is far from the impression of worrying about loss in his culinary business. It relates to the concept of being sure about the fortune of Allah the Almighty and the concept of sincerity he believes in. This belief is not only for the customers, but also for his employees. It can be seen that H. Murni, who has twelve employees, including from Indonesia, gives trust and some daily facilities.

“There is no loss in business. The fortune is totally given by Allah. *Sadaqah* will not make us poor. I have ten employees and twocooks. I give them a place to stay on the top floor, and it is a house to live with their wife and children. The fortune is a gift from Allah. Try to obtain it, don’t worry about loss.”¹⁹

The dynamics of the business are still recognized by H. Murni to give significant effects on the resilience of his business. However, it doesnot discourage him at all. On the contrary, it makes him challenge to keep thinking of the next strategies concerning a good quality and service as two elements that every single customer wants to experience.

“Up and down results are common in business, but hard work is mostly essential in running our business. In fact, Brunei has a few people, but there is no need to worry. *Insha Allah*, food culinary is a good business. Everyone needs to eat. The most important considerations in this business are that food is delicious, and the service is fast. Of course, lots of people want to buy it.”²⁰

Brunei, which the majority of its people are Muslim, requires halal product assurance, starting from the type of raw material, manufacturing process, to the

¹⁸ Interview with H. Murni (62 years old), Owner of Restaurant and Catering Full Houze Bandar Seri Begawan, Tuesday, December 4, 2018.

¹⁹ Interview with H. Murni (62 years old), Owner of Restaurant and Catering Full Houze Bandar Seri Begawan, Tuesday, December 4, 2018.

²⁰ Interview with H. Murni (62 years old), Owner of Kedai and Catering Full Houze Bandar Seri Begawan, Tuesday, December 4, 2018.

transaction. For this reason, the Sultan has applied the government policy regarding halal food. It is evidenced by the halal food control by issuing halal certificates that must be displayed in every business sites as it is shown in Figure 4. 78.



Figure 4.78.
Halal Certificate Issued by the Brunei Darussalam Government

b. Brunei Darussalam Weaving Products

The government's attention to Brunei's weaving business is realized by providing a center for weaving product sales in Sumbangsih. The two-floor building provides dozens of showrooms or kiosks that serve various woven fabrics. Brunei weaving products possess a distinctive motif, namely: *simpur* flower and *air mulih*. Both of these motifs always become a special characteristic in the woven fabrics. Not to mention, Brunei's weaving quality has its own advantages, which are softer and last longer even though the woven products has been used for years.

The Brunei government provides an opportunity for woven fabric producers and hand art craftsmen to trade their products in Sumbangsih. It is precisely located at Sumbangsih Mulia Beribi Industrial Complex, Jl. Brunei Darussalam Gadong BE1118. The complex which consists of two-floor building and offers dozens of woven products, cloth, and crafts receive daily visits from both domestic and foreign tourists. Most of them are woven product entrepreneurs.



Figure 4.79.
Weaving Process at the Sumbangsih Complex

Awang Zaenal Haji Abidin illustrated in Figure 4. 80. for example, has been yielding Brunei's original weaving products for decades. According to him, the quality of Brunei's woven fabrics as its own strength compared to other woven ones from overseas markets. This strength covers raw materials (yarn with the highest quality) so that the final result of the woven fabrics is softer and not stiff. Concerning the price, they also vary from a hundred to tens of thousands of Brunei dollars depending on the complexity of the products. H. Zaenal acknowledged that his product could not meet the demand for domestic needs yet because the production time needed to make woven fabric was long enough. The more complicated the product, the longer the time needed.

“We have not met the needs of Malay customers yet. The request for woven products is very high. It is because every family event in Brunei, especially marriage party, is obligatory for the family members to wear woven cloth. We call it ‘Jung Sarat’.”²¹

Business competition also happens in the trade of woven fabrics in terms of both materials and motifs. Consequently, Awang Zaenal Haji Abidin attempts to develop his production techniques. Trials and cooperation are also being enhanced.

²¹ Interview with Awang Zaenal Haji Abidin, Woven Fabric Entrepreneur, December 5, 2018.

He, for instance, cooperate with a woven fabric entrepreneur from Jepara, Indonesia. High demands of this product stimulate Awang Zaenal Haji Abidin look for similar business partners who also keep high quality of their products.

“Indonesia also has many woven fabric entrepreneurs whose quality is good. I have already tried to find information about it. As a result, I have a friend of mine in Jepara dealing with this business. I have noticed that he performs good quality of his products, and it is very good.”²²

“The woven fabric I present here is produced in Jepara. I only manage its design, and then I share it with this Indonesian man to produce weaving Brunei motifs. I ask him to set up a device that he had adjusted to the setting of the typical Brunei motifs. His name is Sulbi Ahmad. He had been visiting this place, and I had also been to Jepara to ask for a typical Brunei motif setting. Thus, I always try to perform Brunei weaving innovations, specifically for the raw materials, but I consistently use Bruneian motifs. This innovation aims to serve an affordable price to the customers. The types of woven batik are 30 ringgit. The soft woven fabrics produced from Jepara cost 200 ringgit to 250 ringgit, whereas this stiff woven ones made in Brunei cost 500 ringgit to 1500 ringgit. This stiff Bruneian woven fabrics are produced in Sambas. The soft ones are produced in Jepara, and the woven batik is made in Solo, Indonesia.”²³

The creativity presented by Awang Zaenal Haji Abidin is not only in weaving, but also batik cloth. He offers the batik cloth that is environment-friendly. One of his batik products can be seen in batik with Bruneian motifs and natural colors. This tenacity made Awang Zaenal Haji Abidin awarded as an entrepreneur with innovations acknowledged at the ASEAN level as it is shown in Figure 4. 80.

²² Interview with Awang Zaenal Haji Abidin, Woven Fabric Entrepreneur, Tuesday, December 4, 2018.

²³ Interview with Awang Zaenal Haji Abidin, Woven Fabric Entrepreneur, Tuesday, December 4, 2018.



Figure 4. 80.
Awang Zaenal Haji Abidin with His Award as an Innovative Entrepreneur of Woven Fabrics at ASEAN Level in 2018

Another woven fabric entrepreneur who also run her business for decades is Hajah Arni Hj Maidin (67 years) who founded her own company named AIMAN. The name ‘AIMAN’ is labeled as the name of his son. Hajah Arni’s hard work and perseverance in maintaining her weaving business, like what Awang Zaenal Haji Abidin does, has shown significant results. Her offered products have caught the customers’ interest from both Brunei and overseas countries, especially Malaysia and Singapore.



Figure 4. 81.
Hajah Arni HJ Maidin’s, Owner of AIMAN, Promotion of Bruneian Woven Fabric Motifs



Figure 4. 82.
Types of Yarns Used for AIMAAN's Woven Fabrics

Nevertheless, those woven fabric entrepreneurs encounter their difficulties in terms of raw materials since the high quality yarn must be imported from Japan. This is realized by the entrepreneurs. The reason for maintaining the quality of their products becomes their consideration. That is why the entrepreneurs, including Hajah Arni HJ Maidin, Hajah Rosminah binti Haji Ibrahim, and Hajah Arni HJ Maidin has decided to only use Japanese yarn as it can be seen in Figure 4.83. and Figure 4.84.



Figure 4. 83.
Hajah Rosminah binti Haji Ibrahim,
Owner of Tenun Syarikat Rosmawey



Figure 4. 84.
Japanese Yarn for Weaving Production

The Rosmawey's weaving company recruits lots of workers from Indonesia, especially from Sambas. It is due to the consideration of weaving culture and similar weaving skills. Thus, this company does not need to strive for training them in weaving skills that contributes to the production efficiency. Likewise, the workers master not only the weaving skills, but also customer services. They are also skillful to explain prices to prospective buyers.

“This one is 200 ringgit. The price depends on its own motif. If the product is plain, the price is 200 ringgit. If it has flower motif drawn in the middle of the fabric, the price is 500 ringgit. If there are lots of golden yarns, it is 1500 ringgit.”²⁴

Additionally, the Rosmawey's business has been running since 1996 by continuing it from her parents. It is a family business and still exists to produce Bruneian woven products. The market share for this business is derived from the country, especially the kingdom. In other words, the family of the Brunei kingdom becomes the main customer of this business.

Interestingly, the loyalty of Hajah Rosminah to her family, including the name of her company was taken from a combination of names of her children, herself, and her husband. It makes her run her own business like she is taking care of her family for promoting their existence. The owner of this weaving company can be seen in Figure 4. 85.

²⁴Interview with Sati and Sita, Craftswomen at Rosmawey, Wednesday, December 5, 2018.

“Rosmawey is a combination of my name, Rosminah, my son’s name, Usman, and my husband’s name, Haji Asmawey. From my name, I got ROS. From the name of my son, the MA was taken, and we took the WEY from the name of my husband. As a result, ROSMAWEY exists.”²⁵

The quality of weaving is a priority for Hajah Rosminah although the price it considered expensive. She, nevertheless, guarantees the quality of her products.

“Oh, yeah. This one is expensive because the production process was difficult and took longer time to finish. There are lots of flower motifs scattered and lots of golden yarns. This woven fabric is called Jong Sarat. It is usually presented for a wedding dowry. If Bruneians are going to marry, they must give this kind of woven fabric (Jong Sarat) for their dowry. This fabric lasts longer. I got Jong Sarat as the dowry from my husband. It has been remaining beautiful for twenty five years. It is not discolored and in a good condition. In addition to dowry, Jong Sarat is also used for a wedding gown.”²⁶



Figure 4. 85.
Hajah Rosminah, Owner of Rosmawey

²⁵Interview with Hajah Rosminah, Owner of Rosmawey, Wednesday, Desember 5, 2018.

²⁶Interview with Hajah Rosminah, Owner of Rosmawey, Wednesday, Desember 5, 2018.



Figure 4. 86.
Award from Brunei's Sultan for Rosmawey's Woven Products

The Rosmawey's efforts in maintaining its excellent services and quality of their products for years have won an award from the kingdom as a company that always maintains its reputation and market share and is regarded to demonstrate good leadership. The award, product display, and production process are presented in Figure 4. 86., Figure 4. 87., and figure 4. 88.



Figure 4.87.
Display of Rosmawey's Woven Products



Figure 4. 88.
Process of Weaving at Rosmawey

c. Kianggeh Market

The economic history of Brunei Darussalam was developed by the people in Kampung Air. A floating market was built to attract the government's attention. As a result, the Kianggeh market has been constructed to emerge as a traditional market in Bandar Sri Begawan. This vibrant market various cakes such as *kue cincin* (ring-shaped cakes), sago cakes, and local fruits such as rambutan, durian, and banana are widely available in this market. Moreover, Car Free Day is held on Sundays from 6 to 2 p.m. of the country's time. One of the cake sellers, Minda (55-year-old lady) pointed out that she served traditional cakes even though a variety of cakes is increasingly modern (Figure 4.89.).



Figure 4. 89.
Traditional Cake Seller at Kianggeh Market



Figure 4. 90.
Hajah Minda, Traditional Cake Seller at KianggehMarket

More interestingly, this market provides not only various cakes, but also household goods made from bamboo and sago palm leaves. Traditional spices are always available there. There are male and female sellers who frequently take care of children while doing their job so that the atmosphere in this market becomes even more crowded.



Figure 4. 91.
Handcrafts at KianggehMarket

Lastly, although the existence of malls or supermarkets is widely available in Brunei, local and foreign customers are always looking for the special Bruneian cakes

at the Kianggeh market. It indicates that these customers do not always choose modern food for their daily consumption. In short, this also encourages the sellers to keep promoting their products in this market.

“We have been selling here for a long time. Firstly, we were using a boat, and then this market was built. Thank God, lots of people are looking for Malay cakes in this market.”²⁷

²⁷ Interview with Hajah Minda (55-year-old lady), December 6, 2018.

CHAPTER V
CULTURE INFLUENCE IN SMES DEVELOPMENT
IN INDONESIA AND BRUNEI DARUSSALAM

A. Culture Influence in SMEs Development in Indonesia

1. Social Construction of Entrepreneurs
 - a. Social System

The analysis of a social system in a society covers the economy and social contexts of the society itself. The phenomenon of social system holds its own characteristics based on the culture bearing the different analysis. It caused by the social values in each region which are the results of the individual values of the interacted society. Batik business in Cirebon, Pekalongan, Semarang, and Solo, weaving in Trosro and Jepara, ceramic crafts in Kasongan, Bantul, Yogyakarta, silver handicrafts in Yogyakarta, and the centers of agriculture and agribusiness in Malang, East Java have a long business history.

Laweyan.

Soedarmono (1977) found that local residents often stated that the merchants' main occupation had been developed for some generations. It started from the trading system to batik producers. This social group is often included in the Javanese middle class whose social systems actually do not implement class differences. The practice seems like that way at a glance. Actually, there is a social stratification influenced by the status system available in enterprise work. The social stratification system in Laweyan's society is the result of an indirectly informal relation of employer-labor in a family enterprise.¹

¹Soedarmono, 2006. *Mbok Mase Pengusaha Batik di Laweyan Solo Awal Abad 20*, (Jakarta: Yayasan Warna Warni, Indonesia).

The emergence of the social stratification in the business community is the consequence of the unclear relationship between the role of the enterprise works and household works. The problem will appear when all batik workers carry out multiple tasks needed by the employer and the enterprise's professionalism. It is undeniable that the structural role of the employer's family has a very strong influence on the functional structure of the workers in the enterprise.

Soedarmono (1977) mentioned that a social status with a smaller number of members is one thing that appears in the social system in the family companies. It consists of all family members included in the owners of the enterprise's capital which called by employers. Most of the owners of a large number of workers occupy lower social status. The status can be in the forms of carpenters, core workers, housemaids, permanent labors and daily labors. The employers' power structure is equal with its functional structure as housewives. On the contrary, the labors as subordinates in the enterprise function as domestic servants as well.

Besides these social groups, there is an emergence of new employers called by *mbabar* and *medel* as the service employers or the employers who master the whole jobs in processing batik, called by *preme*. They consist of *tukang cap* (stampers) as the core workers who gain great trust from the employers and have a close relationship with business alliances, building a relationship between the main enterprise and its subsidiaries. As the consequence, those medium-level entrepreneurs cannot move and establish relationships with other big entrepreneurs freely. This morally bonding factor determines the social status of the service entrepreneurs lower than the large entrepreneurs. Unless, if this type of middle-level entrepreneurs succeeds in developing his enterprise to be more than just service entrepreneurs, they will get the same treatment as the large entrepreneurs to get so far.

The other lower social status consists of a large group of workers in the enterprises. Their social status is determined based on their skills or competencies. In this group, *tukang cap* (stampers) occupy the top level as the experts, so that they get more special treatment from their employers than the other workers. Moreover, their salary is bigger than the other workers and

sometimes they get the trust of their female employers. They are allowed to participate in overseeing the process and result of the other workers. This group has experienced a process of vertical mobility, which increases its social status as an enterprise worker to the medium or large entrepreneurs level.

The social status under the stampers is *mbabar*, *celep*, *pengubeng* workers and housemaids. Their social status are categorized as the core workers. The next lower levels are *mberet*, *kerok* and *kemplong*, who are classified as permanent workers. The lowest social status is daily workers, who are identified as rough workers or helpers. They are not bound by the employers so it is possible for the employers to dismiss them at any time.

It can be concluded that the lowest level of the social stratification determined by the employment status in the batik enterprise deserves the employers' attention. They argue that hiring so many workers is not only based on the economic interests of their capital, but there is something more important than that - borrowing the local term "sambung roso sambung wargo (connecting feeling, connecting people)" -, which is the establishment of a family bond between workers and employers.²

Pekalongan

For Javanese people, batik is a symbol of wealth which reflects traditional values and plays an important role as one of the aspects of culture perfection. Pekalongan is popular as the City of Batik because it is the main center of batik craft. That opinion cannot be rejected, because batik of the city has long been widely known until it becomes the identity of Pekalongan. Pekalongan Batik is a developing handicraft business. Besides providing benefits for the residents of Pekalongan City, batik is also known as a communal art craft business which is dominated by its inhabitants.³

²Soedarmono, (2006) *Mbok Mase Pengusaha Batik di Laweyan Solo Awal Abad 20*, (Jakarta: Yayasan Warna Warni, Indonesia, p. 74-68.

³Widodo, S. K. (2005), *Ikan Layang Terbang Menjulung*, Badan Penerbit UNDIP Semarang & Toyota Foundation.

Pekalongan is not the oldest producer of coastal batik, but this city produces the most refined batik and still becomes the main producer of batik.⁴The various occupations of Pekalongan residents such as fishermen, farmers or traders show their ability to adapt the changes in the working field and natural environment. The adaptation process runs in the life of fishermen, farmers, traders or various types of entrepreneurs and appears when they have to work as batik artisans. Various industries have emerged as well, such as catering, printing, screen printing, tailoring, tofu, tempeh and chips industries and so on. They are mostly dominated by home industries. Most of those industries are constrained by their capital and technology and their minimum knowledge in managing business obstructs the industries to develop themselves. However, those kinds of business still exist until now. This fact also shows the uniqueness of the industrial pattern regarding the size of the industry and numbers of hired employees, which are actually dominated by small-scale industries. Thus this kind of industry is a potential resource, especially in the process of change or transition towards large-scale industrial society in the future.⁵

The fairness among different ethnics resulted from working necessity as practiced in the batik industry deeply influences Pekalongan residents. Chinese and Arab are fewer than the Javanese community but they are able to fulfill each other's business needs. The providers of the source of raw materials such as mori, malam (specific candles for batik processing) and other tailoring equipment such as needles, threads, sewing machines are dominated by Chinese and Arabs, while the major workers having skills to produce batik are dominated by Javanese people. The social system develops across ethnicity, tradition, and religion. Economy needs unity among the differences.

⁴ Ishwara, H., Yahya, L.R.S., Moeis, X. (2011). *Batik Pesisir Pusaka Indonesia*, Jakarta: KPG (Kepustakaan Populer Gramedia).

⁵ Putra, H.S.A., Sumintarsih., Sarmini., Raharjana, D.T., (2003), *Ekonomi Moral, Rasional & Politik Dalam Industri Kecil Di Jawa*, Print. I, Yogyakarta: KEPEL Press, p. 412.

Working relationship in the batik industry in Pekalongan City is constructed due to economic needs, especially for entrepreneurs to maintain their business continuity. The relationship between employers and workers does not show a pure patron-client relationship. It is more populist, egalitarian even there is no castes division in communication between employers as priyayi and workers as ordinary people.

Interactions between individuals or groups are related to the existence of culture, which actually has a main role in ensuring the balance and internal homeostasis of a system as a whole. A culture must provide a symbolic conducive environment for those social actors who move forward in order to achieve their goals. Besides, it is useful to maintain the cooperation and unity among those actors due to the emergences of the various obstacles faced by those actors in achieving those goals.⁶

The culture constellation using a symbolic-reciprocal environment clearly illustrates that humans are both individual beings and social beings. Likewise in the business field, business relations, raw material suppliers, traders, and workers are interdependent. They cannot live alone without others' assistance. Although there is a diversity among those humans, they also have similar goals in their lives, achieving prosperity. Every human cannot reach his goals alone even underestimate each other. There are interdependencies and assisting actions among humans. Cooperation is an effort to help and strengthen each other in achieving common goals. Therefore, it will create synergies in achieving the goals of harmonious living in better ways. Islam teaches people to work together in struggling or realizing prosperity.⁷

Although business rules bind the dependent relationship between contracted and subcontracted workers, the social relations reflected in their social activities such as Javanese, cultural and religious traditions are often carried out among business activities. This close relationship commonly appears in the uncommon business behaviors, for example, the heart

⁶ Chris Jenks, *Culture, Studi Kebudayaan*, Terj. Erika Setyawati, Yogyakarta: Pustaka Pelajar, 1993, p. 37.

⁷ Pusat Pengkajian dan Pengembangan Ekonomi (P3EI), *Ekonomi Islam*, Jakarta: RajaGrafindo Persada, p. 68.

movement when facing his business relations are going bankrupt and the other conditions.

The subcontracting model that is generally carried out by small and medium scale industries entrepreneurs has meaningful social benefits to the economic field of Pekalongan residents. The first benefit is the broad business opportunities with relatively inexpensive capital can be created by the small-scale industries. Second, the small-scale industries take a role in increasing domestic savings because they tend to obtain capital from the entrepreneurs, family or relatives' own savings. Third, the small industries are complementary to the large and medium scale industries because the small-scale industries produce relatively inexpensive and simple products which are not produced by large and medium scale industries. The location of scattered small industries serves low transportation costs to support the production as well as reach consumers quickly, easily and cheaply.⁸

Batik industry in Pekalongan City is fairly fluctuating. Pekalongan batik began its prosperity in the 1680s through inter-island trade. In the 1830s, there was an invention of direct printing technology in Europe, which produced artificial batik in a very short time and provided a big shock for Pekalongan batik. The increasing numbers of orders for printed batik provided a chance for Pekalongan batik to experience its resurgence in the 1930s. However, at the same time, Pekalongan batik entrepreneurs went bankrupt because of the high cost of mori as an impact of world inflation. Besides that, there was the emergence of the screen printing industry making handwritten batik and batik cap Pekalongan (Pekalongan stamped batik) really was in trouble. This situation was increasingly emphasizing the dependence between employers and workers to be more economically charged. Workers should have been realistically related to the wage system in accordance with their expectations besides their consideration to their social relationships, both family and neighbors. In principle, the workers looked for employers who were able to provide more expensive wages for them. On the contrary, the

⁸ Saleh, I.A., (1986), *Industri Kecil, Sebuah Tinjauan dan Perbandingan*, Yogyakarta: LP3ES, p.

employers looked for subcontracted and workers who were willing to get paid as the wages offered. The interesting point, in this case, was the social system was not influenced by the fluctuations of the wage rate and business orders. It meant that social relations in batik industries and the surrounding community were not affected by the turbulent business transactions. This was revealed in the pattern of their daily communication and social activities like *kumpulan* (gathering) at RT (neighborhood), RW (residences), wedding party, recitation and so on. The researcher did not find hostility among employers and among workers or between employers and their workers. They performed egalitarian and fairness as coastal communities who were characterized as fair and accommodating people.

It is very difficult to make strict periodicity when we discuss the Coastal world. The elements of Coastal civilization were clearly formed before the 14th century. The 14th century was only a practical starting point to open the discussion. It allowed us to observe the plurality of local countries linked by trade from the turbulent issues of the influence of "Indian" and the "indian-like" in the Southeast Asian countries. The participation in Coastal civilization faded in various groups, countries, cultures, and societies along with the times, but the factors that made Coastal culture cannot be maintained related to the elements of imperialism and the dominance of nationalism. If the imperialism is intended as industrial capitalism, what is contained in the Weberian notion about rationalization and iron cage closure of the bureaucracy is adequate to cut down the types of cultural movements maintaining the progress of Coastal civilization. For an instance, the local Chinese in Batavia borrowed the story of Panji Melayu, a mixture of ethnic identity and adaptation and could be categorized as a typical Coastal style. However, the demands of Chinese nationalism which were reborn after 1911, the pressure of renewed Islam in the 19th century, and the crisis of capitalism whose effects destroyed the living standards of Indonesians in the 1880s, 1890s and 1930s, were strengths which did not provide a place for such identity blending. By the time during the same period, from the end of the 19th century to the 1940s Southeast Asian nationalist leaders challenged imperialism. They had to do so using the national language and autonomy that

came from Europe, and this language left no place for the voice of the Coastal world which now becomes a foreigner. Interactions in Coastal culture enables conflict and accommodation at various levels. The term Coastal, thus, describes a cultural matrix that provides a shared reference, and this means the existence of communication and understanding among diverse and high mobility groups.⁹

b. Entrepreneurship Education System

Education is a process of knowledge. The meaning of education in a simple way can be interpreted as a human effort to foster his personality in accordance with the values in society and culture. Thus, an educational process takes place even in the simplest form of civilization in a society. That's why it is often stated that education has existed along with human civilization because education is essentially a human effort to preserve life.¹⁰

Knowledge is an important source for the company's economic activity to innovate products. Management of knowledge is not only important for large, but also small and medium enterprises (SMEs) to strengthen their position in the increasingly fierce business competition. In some theories, such as resource-based and knowledge-based theories, knowledge is an enterprise's resource to support its innovation and survival skill. The enterprises cannot develop and produce innovative commercial products as a proactive response into a highly competitive business environment without having access to comprehensive and up-to-date knowledge. If the enterprises use knowledge as the main asset, they can increase their survival chances for a long time.¹¹

Entrepreneurship education that takes place among entrepreneurs in Indonesia shows that business orientation maintains not only the enterprise but also industrial and environmental balance. Instilling the value of caring others has created successfully a new paradigm about the significance of harmony

⁹ Vickers, A. (2009), *Peradaban Pesisir, Menuju Sejarah Budaya Asia Tenggara*, penerjemah Arif B. Prasetyo, Denpasar: Pustaka Larasan.

¹⁰ Akmal Hawi, *Seluk beluk Ilmu Jiwa Agama*, Jakarta: RajaGrafindo Persada, 2014, p. 107.

¹¹ T. Hani Handoko, Nurul Indarti, Rangga Almahendra, *Manajemen Dalam Berbagai Perspektif*, Jakarta: Erlangga, 2012, p. 260 & 267.

and sustainability of life. This is in accordance with religious teachings, particularly regarding the value of *maslahah* (kindness).

Islamic teachings stating human position as *khalifah fi ard* have a high religious-humanist nuance. When Allah SWT, with his power, elevates the human position as his representative, it raises 2 human actions at his own desire. The negative actions occur when humans do what they want, as their wishes and wills in treating the natural environment. The positive actions appear when humans realize that their power is not absolute because it is only a test of their patience, creativity, and long-term care. Performing loyalty, obedience and submission to the teachings of keeping and avoiding damage on the earth is proof that humans are guarding their lives.

Religion and spirituality have completed the business stages. The concepts of ethics and morality are involved in business, and most of the major religions explore the rules of business practice based on religious propositions. If the businessman is aware of God's existence, they will undoubtedly go through various references to keep their business on the path He loves. Actually, God has provided halal and haram standards in practicing business. All the sacred texts that are used as religious guidelines are not devices to prevent their adherents from doing economic or business activities. Any religion will not carry out an isolating mechanism for its adherents in doing business. Religion provides various guidelines for maintaining sustainability or the continuity of its adherents in order to create a better value for themselves, others, the environment, country, and religion.¹²

Emphasizing that the economic system does not stand alone but it is integrated with the environmental system is the principle that underlies the spirituality and industry balance. All goods and services produced to meet human needs are extracted from nature, whether from mining, agricultural or fishery materials. Most of the production and consumption systems directly extract natural resources and environmental services. After that, both production and consumption waste is dumped into the natural environment. Natural systems support human life by providing air, biodiversity, water, solar energy, natural resources, pleasure, and natural capacity to assimilate waste.

¹² J. Syahban, *Energi Ketuhanan Untuk Berbisnis*, Yogyakarta: Diva Press, 2009, p. 70-71.

Consequently, there will be pollutants and the pollution will burden the economy system by absorbing amounts of funds or financing to overcome the pollution as well as damages and losses as the effect of it.¹³

Changing the way of thinking about sustainable entrepreneurship is very appropriate for entrepreneurs in Indonesia. The basis of that change is environmental/ecological conditions. It should be underlined that there are four (4) main assumptions in human ecology. First, all organisms provide an impact on their environment, both inorganic and organic. These organisms are part of an ecological system whose existence also affect other organisms. Interactions between organisms and their environment affect the volume and quality of existing resources, output or waste, and the creating process of new resources.

Second, the human ecosystem is open which means that ecosystems are influenced by external factors, both eco-biological and socio-cultural. Related to this principle, it is uneasy to understand the assumption stating human ecosystems are autonomous and transcendent. Inside and outside changes of the ecosystem are not stand alone. The separation between "inside" and "outside" term is only in an analytical sense, not ontology. Basically, nothing is separated from the human ecosystem.

Third, in fulfilling their biological life, human needs creating and changing the power or energy of their environment using a material, energy, and knowledge systems that are in the context of their lives as social beings. All of those materials are in the context of balance and sustainability on both sides of the ecosystem. Inequality of ecological and social processes will lead to imbalances in both human relations and human-environment relationship. Negative consequences arise from the imbalance between the social and ecological processes, such as climate change, decreasing the ozone layer, reducing biodiversity, floods, droughts, and other various environmental problems.

¹³ M. Suparmoko dan Maria Ratnaningsih, *Ekonomika Lingkungan*, Yogyakarta: BPF, 2016, p. 30.

Fourth, humans are distinguished from other creatures based on their ability to regulate, manipulate, and control their natural environment. Humans have a mechanism that allows them to be able to adapt their environmental conditions. Unlike other organisms', human adaptation mechanisms are not biological through genes mutations, but cultural through behavioral mutations.¹⁴

The successful education experienced by entrepreneurs through both formally and informally educational institutions such as family and social environment depends on one important aspect, namely the ability to "think" of being entrepreneurs. "Think" means using the mind to consider and decide something, considering in memory. "Minded" means having a thought, having a mind; "Thoughts" is the results of thinking and "thought" is a process, way, thinking; while "thinker" is a smart, clever people and the results of his thought are used by others. The etymological definition of thinking describes something that is in someone and it is about what becomes "it". It is something that is energy built by elements in a person to carry out activities. Someone will do activities after receiving both internal and external potential triggers. Something in a person's potential can be an active subject and idealization activity or it can also be an active and spontaneous interaction. Therefore, thinking consists of characteristics, processes, and results.

The nature of thinking depends on the context of dynamic and various needs. Unless in certain condition contexts such as studying in classrooms, laboratories, and fields; or a group of people facing a problem that must be solved together, the nature of thinking tends to be the same. While the thinking process is a planned sequence of mental events that naturally systematic occur in the context of space, time and media used, and produce changes to the objects that influence it. A thinking process is an event of mixing, matching, combining, exchanging and arranging concepts, perceptions, and previous experiences. And the result of thinking is something that is produced by thinking and carrying or directing to achieve goals and objectives. The results of thinking can be in the form of ideas, opinions,

¹⁴ R.J. Lawrence, 2003. "Human Ecology dan Its Applications", *Landscape and Urban Planning*, Vol. 65, pp. 31-40.

findings, and problem solving, decisions, which then can be realized towards the manifestation, in the form of actions to achieve both life goals and certain scientific goals.¹⁵

The process of an entrepreneur's mind development becomes very important for his quality as a human being. An entrepreneur has stages of mind development due to his stages as a human being. Those developing stages are divided into 3, namely (1) Theological stage. It is the earliest stage of human mind development. At this stage, human tries to explain all the facts/events related to natural puzzles which believed as mysteries. Everything, including human, as defined in connection with mysterious forces. A human does not realize himself as a noble and rational being, whose position is higher than other creatures in this world. Instead, he believes that he is a part of the whole world, which is always full of secrets that cannot be solved by his simple mind. This developing stage can be found in the early human. In this stage, the universe is an integrated whole part consisting of creatures in an equal position with a human. Alike himself, the whole is recognized as something that is alive, soulful, willing and acting alone. There are several forms or ways of thinking in the theological stage: fetishism, animism, and polytheism. (2) Metaphysical stage. At this stage, human begins to make changes to the old way of thinking, which he believes unable to fulfill human desires anymore, to find satisfying answers about the sequence of events in the world. All phenomena and events are no longer explained according to supernatural or spiritual forces. Human begins to seek logical understanding and explanation by making metaphysical conceptions and abstractions. He tries hard to find the essence of everything. He is not satisfied only by seeking general understandings without tending to logical thoughts and arguments. For this purpose, religious dogma begins to be abandoned and the ability of thinking begins to be developed. Humans begin to understand that irrationality must be removed while thinking analysis needs to be developed. Metaphysical stage is only a form of artificial modification of the theological stage. Theological and metaphysical humans are developing knowledge actually in order to find the first cause and the ultimate goal of life.

¹⁵ Wowo Sunaryo Kuswana, *Taksonomi Berpikir*, Bandung: Remaja Rosdakarya, 2011, p. 1-3.

(3) Positive stage. Before reaching this stage, human mind must move from the theological stage to the metaphysical stage as the transition stage. At this positive stage, human mind is no longer directed to look for transcendent forces behind it or the essence in every phenomena and event. It is no longer oriented to find the first cause and the ultimate goal of life. From now on, it tries to observe the phenomena and events empirically and carefully to find the laws that control (reasons of an occurrence) phenomena and events. The laws are not irrational or vague, but real and clear because the source is derived directly from the phenomena and positive events experienced by everyone. The laws are also definite and can be accounted for because everyone, as far as they want and are able to, can prove it with the same methodical tools used to find the law.¹⁶

Humans, as the receiver of knowledge should place that knowledge as a responsibility that must be accounted for. To realize the responsibility stating that humans are the creatures of God, they must grow that responsibility in their behavior which is the most dominant means set in education. Therefore, Al-Qur'an often praises humans as well as criticize them for those who do not care about the glory that God had given to him, which was intended to thank to Him. The word takrim (respect) that God gives to humans is the glorification (tasyrif) of Allah to humans that is not for other beings. The word takrim is a psychological term, different from the word tafdhil which is called at the end of the verse and more physically meaningful for all beings. This is because the word tafdhil means idhafi, which is giving an addition from the basic gift that has been given to him. With this condition, Allah subjected everything in the heavens and on this earth for humans in preparation to become the Caliph.¹⁷Entrepreneurs' awareness about the environment and their productive behavior basically perform as trustees. On the contrary, entrepreneurs tending to "allowing all ways" such as lying to consumers, being dishonest, polluting the environment by using chemicals for maximum profit, plagiarizing brands, etc perform trustless behavior.

¹⁶ Zainal Abidin, *Filsafat Manusia, Memahami Manusia Melalui Filsafat*, Bandung: PT. Remaja Rosdakarya, 2006, p. 130-134.

¹⁷ Moh. Haitami Salim dan Syamsul Kurniawan, *Studi Ilmu Pendidikan Islam*, Yogyakarta: Ar-Ruzz, 2012, p. 89.

Honesty is the dimension that is often considered as a boomerang for any business. Many people separate honesty from business, even consider honesty as apart from business. While in the business management development, honesty is used to measure the practice of business management concepts and strategies. Honesty is an easy thing to say, but not easy to realize. In other words, being honest is at the level of discourse rather than practice. It is one of the divine energies. Humans have gained strength from God in the form of honesty. But it seems that humans still feel heavy to optimize the divine energy in the form of honesty. Honesty is a very urgent spiritual capital that God gives to humans. If honesty becomes the main principle in running business, a businessman will deserve to be called as a religious energizing businessman.¹⁸

Thus, entrepreneurship education in Indonesia has several features. First, innovative-adaptive. The responsibility for building a business encourages entrepreneurs to reconcile with changes in the business environment including awareness of ecological thinking for consumers, society and environment. In order to have innovation in running business, there must be the use of entrepreneurial thought to overcome market changes, consumer tastes and environmental balance.

Second, psychological-spiritualistic. The ability to deal with business changes is not only by adapting it to technology development, but also a stable and optimistic soul of the entrepreneurs before he makes his business decisions. The role of religion as a source of spirituality confirms that religion is not just an identity, but a source of strength for entrepreneurs. Religion becomes a starter when the mental condition of the entrepreneurs is unstable because of business pressure. Entrepreneurs carry out business analysis that reinforces their inner beliefs about the meaning of business. High spirituality encourages a person to work regarding his relationship with his God and tries to give meaning to human life. It provides human in having excellent qualities

¹⁸ Syahban, 2009. *Energi Ketuhanan Untuk Berbisnis*, Yogyakarta: Diva Press, p. 204-205.

and attitudes that ordinary humans cannot achieve in their ordinary livelihood.¹⁹

Faith is the most fundamental point in this case. Faith is awareness, testimony or recognition of something that is unseen, like God and the life of the hereafter. It is important, needed and cannot be avoided by everyone. The problem is who and what someone faith in. A Muslim believes in God, not only in the sense of acknowledging His existence, but also relying on Him. Believing in Him means not believing in something else as a source of truth, power, fortune and justice. Muslims believe the source of fortune is not a king or a state, but a God so the fortune can be obtained directly by working. Therefore, the consequence of believing in God is the recognition of one's right to work and his fortune. Muslims also believe in the work and fortune as parts of the life of and hereafter life is better than the world if they are piety. Believing in hereafter fosters responsibility in life and creates pleasure in performing good deeds.²⁰

Healthy psychology sets a businessman free from the temptation of exploiting both humans and the natural surroundings. From a religious perspective, a healthy soul is an inner indicator that is always filled with transcendence values. Half of the realization of someone's faith is in his noble soul and the other half is manifested in actions according to his own will.

In recognizing and developing his personality as a submissive as well as surrendering his life only to God, human need rites or certain methods of worship such as prayer, fasting and avoiding themselves from being selfish by paying zakat (alms) as a manifestation of solidarity. These rites have further purposes. In order to achieve the quality of piety, a human need several conditions to take, namely psychological conditions, in which a person is able to control himself so that he has the ability to refer to the truth, do everything well (ma'ruf) and prevent evil deeds (dzolim) and fasad (damaging).²¹

¹⁹ Wahfiudin Sakam, 2014, *COME, Connected, Meaningful and Excellent*, Jakarta: Noura Book, p. 34-38.

²⁰ Dawam Rahardjo, *Islam dan Transformasi Sosial-Ekonomi*, Yogyakarta: Lembaga Studi Agama dan Filsafat, p. 305.

²¹ Dawam Rahardjo, *Islam dan Transformasi Sosial-Ekonomi*, Yogyakarta: Lembaga Studi Agama dan Filsafat, p. 303-304.

Third, cooperative. A philosophy of life encouraging everyone to respect, appreciate and accept other parties becomes social capital that is very important in ensuring business continuity. The foundation of a partnership is basically the suitability of the needs of each of the parties involved, as well as in business. Interdependent responses bind the existing relationships/interactions. The interaction arises because of several factors, namely (1) Imitation factors, which can encourage someone to adhere to the rules and values, (2) Suggestion factor, when someone gives a view or something that comes from himself which is then accepted by the other parties, (3) Identification factor, which is the tendencies or desires to be the same as the other party. The identification is more profound than imitation because a person's personality can be formed based on this process. The identification process can take place by itself (unconsciously) or intentionally because someone needs certain ideal types in his life. Although it can take place on its own, the identification process takes place in a situation when someone identifying really knows the other party (which is his ideal). Therefore, the views, attitudes, and rules that apply to the other party can institutionalize even animate it. (4) Sympathy factor, which indicates that a person is interested in another party. In this process, the feeling plays a very important role, though the main encouragement for sympathy is the desire to understand the other party and to work with it.²²

2. Culture Transmission?

a. Work ethic

The development of culture-based enterprises becomes a business identity in Indonesia, especially in Cirebon, Pekalongan, Batang, Semarang, Jepara, Yogyakarta, Solo, and Malang. This business represents Javanese culture because of their work ethic as Javanese people. The Javanese can hardly be separated from the symbolism in many ways. Belief, language, and

²² Soerjono Soekanto dan Budi Sulistyawati, 2015, *Sosiologi Suatu Pengantar*, Jakarta: Raja Grafindo Persada, p. 56-57.

behavior are full of thick symbols of spiritualism.²³This belief was applied by Javanese people in all aspects of their lives, including work.

The characteristics of Javanese culture's moral values are represented in the understanding the three systems of Javanese cultural moral values: harmonious, functional and transcendental.

1) Harmonious

The core characteristic of this principle is creating and maintaining the compatibility or harmony of a relationship among people, society and nature. All of them is a system that is called by "Javanese view". The indicator of the view is its pragmatic value, which aims to achieve a certain psychological condition: serenity, peace, and balance. Therefore, the intention of the Javanese worldview is not only limited to formal religions and myths but also referred to *kejawen*.²⁴For example, there is a rule of respecting others in concretizing social transformation to respect common Javanese people (*wong cilik*). The purpose of being respectful is creating a harmonious relationship and or condition, including caring and loving each other.²⁵

2) Structural-Functional

These two words mean the assumption that each person or institution has its own place so that it must behave or work according to its place. The understanding of "place" in this case is not a final or absolute, but rather conditional or relative understanding. Functional-structural terms here is the social structure of Javanese moral values. It means the ideas of the poets about moral values, and how to maximize the function or technically empower them for the concept of interpersonal relationships in the world or Javanese society. The concept is guidance to moral teachings

²³ Farela, A. 2017. *A Short History of Java, Sejarah Singkat Tentang Pulau Jawa, Kultur, Manusia dan Budayanya*, Surabaya: Ecosystem Publishing.

²⁴ Suseno, F.M., 2001. *Etika Jawa Sebuah Analisa Falsafi Kebijaksanaan Hidup Jawa*, Jakarta: Gramedia.

²⁵ Daryono, 2007. *Etos Dagang Orang Jawa, Pengalaman Raja Mangkunegara IV*, Yogyakarta: Pustaka Pelajar.

(moral norms) for his behavior, both individuals and groups in his life after the colonial era.²⁶

3) Trancendence

Some meanings related to "transcendental" are things that are in the highest quality, or beyond what is provided by human experience. Life leads in a transcendental manner, meaning it is able to express all objective reality that is being worked on and expressing it totally to the most final meanings of life.²⁷In the religious identification of Javanese society, it appears that the starting point is the inner spirit of the Divine (for mystical consciousness) as the basis for the moral action spirit. On the one hand, the theoretical reference is controlling lust which aims to build the ethic of his moral actions in Javanese social reality. Hopefully, each party is willing to be kind and fair through performing respectful and harmonious Javanese manners.²⁸

Javanese assume that spirituality is a fortress that strengthens their enthusiasm in work because they have the principle that everything is regulated by the Almighty. The transcendent dimension is the main key to everything they do and receive. Feeling bad and tired does not mean getting torture or experiencing a situation that allows them to regret or blame on others; family, parents, children and the neighbors. The Javanese people are able to hold it all as evidence of "acceptance" of their nature and work. It is a proof of submission and at the same time the strength inside Javanese mind. In all situations, they do not feel alone because there is the Almighty in their heart and batik business.

Encouragement of fulfilling the needs or desires provokes someone does something. How someone acts needs to be analyzed. Entrepreneurship is a spiritual activity. Soul activities do not only involve motor activities, like body movements or muscle exercises, but also cognitive activities, such as recognizing; emotive activities which are activities to feel. Every

²⁶ Daryono, 2007. *Etos Dagang Orang Jawa, Pengalaman Raja Mangkunegara IV*, Yogyakarta: Pustaka Pelajar.

²⁷ Leahy, L., 1994. *Filsafat Ketuhanan Kontemporer*, Yogyakarta: Kanisius.

²⁸ Daryono, 2007. *Etos Dagang Orang Jawa, Pengalaman Raja Mangkunegara IV*, Yogyakarta: Pustaka Pelajar.

manifestation or manifestation of life can be called as an activity. A motive is a basic reason for doing, energy within an individual that causes him to act actively because it aims at achieving a particular goal.²⁹In general, the first entrepreneurs' encouragement is being responsible for earning a living for the family, then preserving culture in certain groups of society - especially the stakeholders - (nguri-nguri budoyo) through batik and other handicrafts.

Javanese people have a distinctive work ethic. They like to work hard and their work is always proposed for looking for food (ngupaya upa). The phrases that exist in their work ethic are obah mamah, ono dino ono upo. The ethic must be carried out optimistically to earn for living. Therefore, Javanese people have 4-W for their working ethic, namely:³⁰

- 1) Waras, meaning the body is strived to stay healthy. Keep and take care of it.
- 2) Wareg, meaning trying to work hard to get something to eat (full)
- 3) Waris, meaning keeping the inheritance. It is inherited to the next generation.
- 4) Wasis, meaning trying to always be smart and creative.

The Javanese society phenomenon contains humanities education that teaches human values (Kuntowijoyo, 2006). Apart from religious ethical characteristics, Javanese working activity indicates that they are cultured people. This phenomenon is in line with the concept that humans cannot be separated from culture. Culture is basically the study of humans, not as individuals, but as groups. Or in other words, phenomena in cultural studies are collective, not individual. It can be said that even though subjects (actor of culture) and objects of cultural studies are humans, the culture is not solely related to them as individuals but their position as parts of society. Because culture is a collective phenomenon, cultural ownership is not in individuals but in a community. Thus the existence and preservation of culture depend much on sharing (understanding, recognition, inspiration and shared practice) among community members and their social conscience (social awareness) on the importance of keeping and maintaining culture. The efforts to preserve

²⁹ Ki Fudyartanta, 2011, *Psikologi Umum*, Yogyakarta: Pustaka Pelajar, p. 156-157

³⁰ Koentjaraningrat, 1994. *Kebudayaan Jawa*, Jakarta: Balai Pustaka.

culture existence are usually carried out through an understanding of cultural elements such as beliefs, values, or customs. The more people understand, acknowledge, inspire and practice these beliefs, values, or customs and the more their awareness, the culture of the society will increasingly exist and be sustainable, and vice versa.³¹

Spiritual values in developing countries based on modern management concepts, apparently dominate the discussion about profit and loss, product diversification, mathematical marketing, and promotion strategies. It had been only an estimation, before Gay Hendrick, a professor at the University of Colorado, and Kate Ludeman, a doctor of psychology and consultant of the Chief Executive Officers (CEOs) and executives of the world's top companies, successfully provided the practice. They explained it in a book entitled *The Corporate Mystic*. Based on those observations, both of them believed that they could find true mystics in the large world-class companies meeting room, not in worship places. Both of them assumed that mystics, as well as owners or CEOs, can apply the spiritual values in their respective companies. Sustainability business problems, although based on modern management concepts and strategies, still refer to the basis of human existence, namely spiritual values. Therefore, the application of non-mystical spiritual principles is significant.³² A global phenomenon in the industrial field is also locally felt in the same phenomenon. The business sustainability is as important as family survival. Therefore entrepreneurs will try desperately to defend it. The complexity of the entrepreneurs' thinking is as complex as human beings.

Javanese people can understand himself as a human when he is able to express himself, actualize his ideas, thinking, and creativity including interacting with his surroundings. Their involvement in their work also shows a real form of humanity. The desire to be responsible for the family welfare, siblings and the environment is carried out by employers and workers in carrying out the full meaning of humans. Therefore entrepreneurship education for Javanese entrepreneurs is not just to seek income or money but

³¹ Sobirin, A., 2009. *Budaya Organisasi, Pengertian, Makna dan Aplikasinya dalam Kehidupan Organisasi*, Yogyakarta: UPP STIM YKPN.

³²J. Syahban, 2009. *Energi Ketuhanan Untuk Berbisnis*, Yogyakarta: Diva Press, p. 112-113.

in order to become a real human being by working and creating. This is related to Javanese morality or ethics stating that a person is considered Javanese when he has embodied morality or ethics in his behavior including his business behavior. Conversely, when someone does not care or does not want to realize the morality or ethics, such as having irresponsibility, ignorance, exploitation, laziness, he is considered not Njawani, immoral or unethical.

Education is also related to the position of businessmen as caliphs. In the Islamic perspective, the role of humans as representatives of Allah SWT on the earth is very important because it involves the survival of all humanity. Humans are caliphs on the earth. As the caliph of God and the actor of the history, a man must reflect his will according to his ethical principles. Humans, along with their behavior become the center of the Qur'an's teachings. There are three cores of Islamic ethics, namely Faith, Islam, and Piety. Faith requires proof in the form of action, and it is also a foundation of behavior. The Qur'an has linked faith with good deeds when it explains the faith itself. On the contrary, the Qur'an also affirms that good deeds - truly appreciated by Allah - are based on faith. Thus, faith which is a matter of conscience and mind, must blend with the deed that cannot be separated. Good deeds are existence of faith. Whereas the essence of faith will be reflected in the good deeds acted by a believer in his life. If a person loses one of them, his behavior will be uncontrolled due to the fact that his actions and goals obey his desires.³³ Motivation in working and gaining material often intersects with the passions of humans who always want to master anything.

The spiritualistic paradigm understands that human life is not only about the presence of the body on the earth, but humans are spiritual beings or creature. There will be hereafter life. Allah SWT reminds man not only through the body but also the soul. The spiritualistic paradigm makes the adherents see that everything that happens is a provision from Allah SWT, so having this life is a very grateful thing. Problems of life, lack of need, and sufferings must be faced patiently, steadfastly and repatriate everything to Allah SWT, because everything is His, including himself. The adherents of

³³ Syukur, A., 2004. *Tasawuf Sosial*, Yogyakarta: Pustaka Pelajar, p. 124.

this paradigm view their lives in the world affect their lives in the hereafter (holistic). Everything performed in the world is seen and judged by Allah SWT, which will be asked for its responsibility in the hereafter. So, with this paradigm, humans will not be stress, their life will be peaceful, which certainly has a great influence on their quality and he always brings policies brought from purity (virtus ex sanctus). With the spiritualistic paradigm, a person has a connectedness with Allah SWT which brings a view of life so that he becomes calm and always brings policies brought from purity.³⁴

This spiritual paradigm has been culturally formed in common business behavior, especially when there are changes in the business environment. Business development covers financial, limited raw materials, limited labors, and other problems. Although the problems are very hard and not easy for the entrepreneurs, they survive by using business analysis, intuition and strong conviction.

In certain circumstances, it is indeed impossible to continue a job without any guarantee of the success. It is common for everyone that human desire is useful to gain self-confidence and we know humans actually have it. Sometimes the desire comes from religious faith. When the situation turns around, his confidence will disappear and thus his life will no longer be meaningful. Religious people who lose faith must believe that their lives have lost their meanings. But fortunately what he can get from God is not only a guarantee of achieving life goals, but also forgiveness of his sins, which is the opportunity to continue his life even though he has made a mistake.³⁵

Based on the importance of the spiritual dimension in human life, there is spiritual energy which can be represented in several aspects of human life, namely: 1. Takwa (awareness of divinity). Takwa (which is often translated as piety) is a key concept in the Islamic tradition. Takwa is defined as a continuous awareness of the presence and attributes of Allah. This prudential attitude allows us to understand life differently and not be tempted by the desires and passions of the world. However, when a person is tempted to this

³⁴Sakam, Wahfiudin & Latif, A., 2014. *Bersama Tuhan Menggenggam Dunia, Panduan Konsepsi dan Aplikasi Spiritualitas Kerja*, Jakarta: Radiks Spiritual Capital Specialist, p 13-15.

³⁵ Britton, K., 2010. *Philosophy and The Meaning of Life, Filsafat sebagai Lentera Kehidupan*, terjemah Inyik Ridwan Muzir, Yogyakarta: Ar-Ruzz, p. 215-216.

world, his piety brings him back to the values and principles that help him to stay on the right path. This is a form of discipline that is developed using mind, heart, and soul in an effort to control actions and speech.

2. Tawakal (surrender to Allah). The concept of tawakal or surrender to Allah is often misunderstood. People assume that it is enough to be passively sure that everything will be fine because Allah is always there. When someone adheres to believe in Allah, then he will be inspired, positive, and not give up easily. 3. Thanking Allah. Gratitude will provide the positive spiritual energy needed to face life's challenges. In addition, this attitude also inspires someone to work harder to reach His pleasure. Gratitude will help a person to overcome greediness. Greediness encourages a person to pursue various endless goals that do not provide benefits for life or increase productivity. 4. Being patient. The concept of patience and gratitude are inseparable because a person can perform gratitude or patience at one time in his life, depending on the situation he is facing. Difficult situations enable a person become depressed and hopeless. Patience provides a power source of spiritual energy to overcome calamities and misery, retry to live a lifestyle and have a productive mindset. 5. Ihsan (excellence). Although Islam defines worship in very broad meaning and worship encompasses everything that is pleasing to him, a person can easily develop counseling in daily life, which is trying to achieve excellence and perfection in whatever he does.³⁶

Entrepreneurs do not explicitly say that they have implemented spirituality in developing their business, but the implementation has been seen in their patience, tenacity, innovative behavior and persevering in maintaining business continuity and balancing the relationship with their environment. The perspective of an environmental- friendly industry is full of cultural values that maintain human existence.

Spirit does not appear suddenly, but it was born from the creating of human birth and mind. Physical and spiritual have a balanced contribution when humans behave. This is because humans are multi-dimensional beings.

³⁶ Faris, M., 2017, *Muslim Produktif, Ketika Keimanan Menyatu dengan Produktifitas*, Jakarta: PT. Elex Media Komputindo, p. 41-53.

The two dimensions simultaneously make someone becoming a complete human.

Basically, it can be said that humans live if their spirits are 'alive'. Regarding the spiritual nature, Allah SWT mentions (QS Ash-Shams, 91: 7-10) "And the soul and Him Who made it perfect, Then He inspired it to understand what is right and wrong for it; He will indeed be successful who purifies it, And he will indeed fail who corrupts it." From this verse, Allah provides fujur (bad, such as arrogant, malicious, selfish, etc.) and taqwa (good, such as helpful, grateful, willing to sacrifice and so on). It is only about how humans can interpret Allah's challenge. If he wants to purify it, he will get happiness; if we pollute it, he will get an accident. According to al-Ghazali (in M. Amin Syukur and Fathimah Usman, 2012), the case of a soul is God's business, humans are only given a little knowledge about it. For example, the soul that cause the body to live, grow and develop, move and reproduce. A soul is like a lamp whose light is scattered illuminating every corner of the house. That is ruh jasmaniyah (physical soul). If the soul comes out of the body, the body dies, then it breaks. But the soul that comes out of the body will remain alive, it only moves to other places, namely the world of barzah. Ruh ruhaniyah (Spiritual soul) is subtle, who knows and feels and recognizes God. Some people believe it is a human's consciousness. When human sleeps, his consciousness is lifted by Allah SWT, then it is returned to him. If the consciousness is not returned to his body, he dies.

Besides spirit and nafs (lust or nafs jasmaniyyah), there is a good and bad human potential. It will be good if he gets God's help, and it will be bad if it is helped by Satan, such as appetite, drinking or sex. In order to easily understand lust and react to it, Al-Ghazali illustrate it with someone having a horse (read; vehicle). If he can control it, he will enjoy his life, because he is able to go anywhere without feeling tired to the destination. But if the person cannot control it, he will lose his life because he will only become a slave of the horse, even the horse will be harmful for him. Controlling passion is one of the religious teachings.

The third is 'aql (mind), which is knowledge about everything. Physical mind thinks about anything related to material such as humans,

animals, plants, work, science and so on which are limited to what 'visible'. In scientific studies, the spiritual (ruhaniyyah) mind is inhabiting religious and spiritual intelligence which is located next to the right brain, which should be turned on with the teachings or values of Sufism. The spiritual mind can also think about materials, but it can 'explore' and relate it to the Greatness and Almightyness of Allah as the Creator because his intuition is 'alive'. And the fourth, is qalb (heart), which is physically interpreted as a lump of blood or a long flesh in the upper left chest. Heart is a symbol of human life. In ruhaniyyah, qalb is a nature of a pure human, rabbaniyyah, which knows, understands, feels deeply, and it gets a warning (Qs. Qaf, 50:37) " Most surely there is a reminder in this for him who has a heart or he gives ear and is a witness. ".³⁷

Thus the true encouragement of entrepreneurship is owned by every human being who has the ability to think, which a human mind is. Potentials existing inside humans help him to realize entrepreneurial skills. The potentials like instinctive, sensory, reasoning and sense of diversity originally are in the form of basic power that works naturally. Therefore, this potential will only be able to reach its true goals if it is kept, maintained and developed directly, gradually and continuously. Human potential development can be conducted in various ways in terms of various approaches. The obligation to develop that potential is the burden and responsibility of humans to God. The possibility of developing that potential means that humans may receive education, while at the same time it is possible that one day they will deliver education. Jalaludin (1998) mentioned several approaches needed to develop the potential of human religious, which are philosophical, chronological, functional, and social approaches.

First, a philosophical approach is carried out in the context of a philosophical view that refers to human creation. In the philosophical view, ilahiyat (divine) values in Islamic education is a value that contains essential truths. Based on this philosophical approach, developing the potential for religious values of humans is proposed for servicing God in the form of obeying the provisions and guidelines of Allah as its creator. While the

³⁷ Syukur, A. dan Usman, F., 2012. *Terapi Hati*, Jakarta: Erlangga, p. 25-28.

expression of gratitude is described in the form of appreciation of the moral values contained in it and can be implemented in attitudes and behavior as well as spirituality. The development is directed at inner values, by fostering awareness and all potentials inside humans.

Second, a chronological approach. It is an approach based on the development process through passing some phases. Referring to the development of the potential for religious instincts humans should be directed to gradually through the process of Islamic education. The guidance provided must also be adjusted to the development penalty, which is generally the same. It is known that humans have different rhythms of development. Each individual has their own rhythm of development, so the guidance that must be given is also based on the ability to recognize the characteristics of development, step by step.

Third, a functional approach states that developing human potential related to the functions of each potential. Instinctive impulses such as appetite and drinking are developed in order to allow humans to continue their life. While the sexual drive is guided and directed to maintain the existence of its species. Likewise, sensory, mind and obedience (religion) function take the same positions. Functionally, human potential is closely related to its status and in line with the will of its creator, namely as a loyal servant. The mandate must be done by humans, both in their status as biological beings, servants of Allah, social beings, and caliphs of Allah. Based on its essential functions, human potential needs to be fostered and guided so that it can be directed in line with the nature of the creating.

Fourth, social approach. As social beings, humans must place their action in accordance with their status in society and environment where they stay. In this context, human potential needs to be fostered and guided so that it can be adapted to the needs of each social environment. Concretely, the foster and guidance of human potential which based on this social approach gradually must be directed in line with the functions of each potential. Togetherness in society takes so important role in Islamic teachings, so the concept of al-Nash (human as homo socius) in Islamic education is full of philosophical values regarding the maintaining harmony in society. There are

three types of education that are needed in developing religious nature, namely family education, school education, and community education.³⁸

Those three types of education also occur in entrepreneurship education in Indonesia, although they are varied. In the management concept, the principles of educating generations, especially those that are culturally experienced in family businesses, to become entrepreneurs are generally carried out by unplanned and planned behavior. The role of value education in business founder's families becomes a determinant of sustainability and the level of business development.

b. Expectation of Welfare

Essentially, business is a typical human affair, so it hires everyone without exception. Business is always related to what is the most valuable and precious to humans. That valuable and precious thing that is willing to be improved is nothing but life. In order to stay alive, especially to make his life more qualified or prosperous, humans will certainly optimize all of their strengths and abilities. Sometimes he must use various tactics and strategies to improve his quality of life, at least to maintain his life. At this level, business is a verb, not a noun. Business is a human effort to stay away from suffering or poverty and get closer to economic welfare or comfort. Business is a verb, a movement from destitution to prosperity.³⁹

Humans try to improve their welfare through entrepreneurship. Humans are individual beings who learn something. In this learning period, they are bound to their environment. The bond is essential for their psychological existence. Human existence exists in two poles, "individual" and "social", so it can be concluded that human existence is at two poles of different psychological development, which called by the development paradox. In the existence of individual psychology, he wants to express himself, dream, develop and grow according to the impulse that exists inside him (the drive to grow); but on the other hand, he is a social being who have

³⁸ Hawi, A., 2014. *Seluk beluk Ilmu Jiwa Agama*, Jakarta: RajaGrafindo Persada, p. 110-113.

³⁹ Tarigan, A. A., 2015. *Dari Etika ke Spiritualitas Bisnis, Telaah Isu-Isu Aktual dan Masa Depan Pendidikan Tinggi Ekonomi Islam*, Medan: Perdana Mulya Sarana, p. 5.

to adjust themselves to be respected, recognized, and become part of a community and blend with the community. A sense of belonging grows which makes him feel safe to behave, and his personality and attitude are actualized. What called by a potential when a person was born, then changes (actualizes) into a reality.

The social awareness implemented in Javanese work is shown by an action called by tepo seliro (tolerance). Batik artisans know well that they cannot work alone. The subcontracting pattern teaches humans to perform andum rejeki (sharing fortune), harmony and helping each other. All of those characteristics lead the Javanese to live in harmony so that all people can achieve prosperity, Brayan keduman.

c. Culture as a Resource

Culture has existed since humans grew and developed, until the age of culture is as old as human beings. This phenomenon indicates that culture cannot be separated from humans. Culture becomes identity as well as a resource for humans. Human develops through culture (culture leads development). There is a reciprocal relationship between human and culture. Culture as a resource has stayed and settled in the minds and souls of every human being. He only needs symbols to be understood by others. Therefore culture is an invisible resource, even UNESCO has determined batik as an unphysical heritage. This unphysical characteristic is the greatest power that can be developed by every Indonesian citizen, and it is not limited by ethnicity, religion or residence.

The abstraction process from resources to a culture coming from innovation and creativity has a strong relationship with the spirituality level of entrepreneurs. Industry is a combination of material, intellectual and spiritual dimensions.⁴⁰ A valuable or precious product arise not only because of the physical attributes of the product, but also the valuable attributes for the consumers. Physical attributes attached to goods can be the raw material, the durability of the goods, the shape or design of the goods, and others. The

⁴⁰ Susminingsih dan Asy'arie, M., 2018. *Tuhan Temani Aku Bekerja, Dimensi Spiritual Dalam Dunia Kerja*, Yogyakarta: LESFI, p. 140.

physical attributes of goods essentially determine the functional role of it to meet consumer's needs. On the other hand, the value of goods will provide psychological satisfaction to consumers in utilizing it. The value created from the public's perception or brand, history, the reputation of the manufacturer, and other attributes attached to the goods. The physical attributes of goods are basically objective, which can be compared with each other, but the attached value is subjective. In Islamic economics view, the product is also a combination of physical attributes and values. The concept of Islamic economy related to the physical attributes of goods may not differ from the general views, but the concept of value that must exist in each goods is Islamic values. The existence of these values will ultimately provide *maslahah*, because blessing is an important element in the concept of *maslahah*. Likewise, a goods/service that contains a lot of blessings cannot be equated with other goods containing only a few blessings.⁴¹

Culture and innovation are the keys to achieve the sustainability of an industry. Most enterprises have the same goal in developing innovation, which is a willingness to make a profit. The enterprise must realize that one of the forms of its capital assets is the creativity of its employees. Through creativity, the product created by each individual is distinguished and unique. Therefore, the enterprise must understand the creative thinking of each individual incorporated in the enterprise to increase the potential for new thinking. Creativity is very important in the innovation process because creativity encourages innovation to help enterprises run business competitions.⁴² The main point of creativity and innovation is the involvement of values in the entrepreneurs' behavior. They should keep the values to protect human dignity from hedonic and materialist capitalistic impulses. Work also involves emotions which are the core elements of someone's "self." A person's concept of "himself" is closely related to motivation, behavior and

⁴¹ Pusat Pengkajian dan Pengembangan Ekonomi Islam (P3EI), *Ekonomi Islam*, Yogyakarta: PT Raja Grafindo Persada, 2015, p. 259-260

⁴² Dewanto, W., Mulyaningsih, H. D., Permatasari, A., Anggadwita, G., Ameka, I., 2013. *Manajemen Inovasi*, Yogyakarta: ANDI, p. 42.

psychological health. Therefore interpreting the meaning of work becomes an important element in self-identity.⁴³

At the cultural constellation, values have significant role. The definition of culture is also very diverse; when culture is defined as a set of attitudes, values, beliefs, and behaviors shared by a group of people, which communicated from one generation to the next, it reflects socio-psychological construction. It is a similarity in a group of people based on psychological phenomena such as values, attitudes, beliefs and behavior. Consequently, members of a particular culture experience this kind of phenomenon, while members of a different culture do not. On the other hand, culture is often associated with entities, ethnicity or nationality. Someone from a country or region is often considered as a representative of his ethnicity, regionalism, or nationality. Although this principle is not usually available, the major people find it easier to considering someone's culture based on their geographical origin. Analytically, a stereotype of a racial-cultural geographic is not always congruent with the actions of the concerned culture's members. In Javanese society, if someone's actions do not reflect Javanese culture, he is considered performing stereotype of ora Jawani. This indicates the values in culture is cannot be separated from the person's mind in interpreting the culture around him.

David Matsumoto argued that the mismatch between the substance of the population and the dominant cultural stereotype of the population in a country is an individual-psychological as well as a social-macro construction. It means that to a certain extent, culture exists within every one of us individually as well as a social-global construction. Individual differences in a culture can be observed in a group of people from one culture which they adopt and engage in attitudes, values, beliefs, and behaviors that based on an agreement to shape their culture.⁴⁴

⁴³Lihat Cartwright, S. dan Holmes, N., 2006. "The Meaning of Work: The Challenge of Regaining Employee Engagement and Reducing Cynicism", *Human Resource Management Review*, 16, p. 199-208.

⁴⁴ Matsumoto, D., 2008. *Pengantar Psikologi Lintas Budaya*, Yogyakarta: Pustaka Pelajar, 6-7.

As human beings, entrepreneurs have various motivations in carrying out their business and maintaining it. Not surprisingly, the entrepreneurs keep developing their innovations, such as batik, ceramics, weaving, food processing and so on through innovating motive, production technique and marketing techniques. Managing creativity and innovation is basically a mental process that emphasizes the elaboration of one's activities by relying on choosing and utilizing contextual approaches. In interpreting the shift in creative processes to be innovative, creativity management will determine the expected final results. The management approach that prioritizes the egocentric individuals' capabilities should be abandoned to be directed to a new institutionalized effort which no longer focuses on the targets based on the interests of individuals and a certain group. Empathy and togetherness can also be used as a means to build new awareness about the role of social capital to support the realization of the creative process in a business. What is needed is not how many social relationships are formed by a business, but the quality of relationships that shape and direct constructive organizational behavior for the sake of improving innovation. In addition, by referring to the attributes forming innovative behaviors in the organization, there is really no need doubts deeply about the potential risks of creating and innovating. The availability of technology should be utilized for the purpose of improving the quality of human life and at the same time integrating business capacity in an integrated manner. The acceptance of creations and innovations must ultimately be processed as a manifestation of the creating value that occurs within an organization or industry.⁴⁵

For example, the use of natural dyes to substitute chemical dyes in batik industry not only as the form of entrepreneurs' awareness on the environment pollution by chemical dyes but also an effort to increase consumers' interest. It seems clear that entrepreneurs do not only prioritize their business interests to seek financial or material benefits in the innovation process, but also show that they have an awareness of environmental sustainability. Culture and sustainability can develop in synergy. Every

⁴⁵ Handoko, T. H., Indarti, N., Almahendra, R., 2012. *Manajemen Dalam Berbagai Perspektif*, Jakarta: Erlangga, p. 250.

entrepreneur will optimize his cognitive, affective and psychomotor abilities to maintain business continuity.

An enterprise does not only build a competitive advantage because its success key is building a sustainable competitive advantage. In the long term, the enterprise gains a sustainable competitive advantage through its ability to develop a set of core competencies so that the enterprise is able to serve its target customers better than to its competitors. These competencies are a series of unique capabilities developed by enterprises in main areas, such as quality, customer service, innovation, team building, flexibility, and responsiveness, to be better than the others, so they can surpass their competitors. The main areas mentioned above are at the heart of the enterprise's ability to be able to compete and are usually the result of the various and important learning skills that the enterprises learn over time.

The competency mentioned above is the basis for the enterprise's competitive advantage and it usually lasts for a long time. Markets, customers, and competitors can change, but the enterprise's core competencies can be more durable. This is the foundation for everything that the enterprise does. To effectify the core competencies, those must be something difficult to be imitated by the competitors, and they must provide important benefits for customers. One of the biggest weaknesses that are often experienced by entrepreneurs is failing to distinguish their enterprise from their competitors. They are often challenged to differentiate their enterprise from the bigger and stronger competitors, by using their creativity and special abilities offered by the enterprise's business to customers.

Development of the core competencies does not always spend a lot of money, but the entrepreneurs must use creativity, imagination, and vision to determine the best and the most important things that the enterprise can do with its objected customers. The enterprise has a number of ways to create competitive advantage, but building the enterprise's strategy around its core competencies supports businesses in gaining sustainable competitiveness over their competitors.⁴⁶

⁴⁶ Hamali, A. Y., 2016. *Pemahaman Strategi Bisnis dan Kewirausahaan*, Jakarta: Prenadamedia Group, p. 175-176.

The most common thing the entrepreneurs do in developing production is observing consumer behavior. This is due to many factors that encourage consumers to purchase goods. The culture of innovation carried out by entrepreneurs is directly proportional to the cultural tendency of consumers who always want to find something "new". This condition is very positive for business continuity. This cultural harmony is closely related to consumer incentives before buying the goods.

Several factors that influence the purchasing decision of a consumer involve cultural, social, personal and psychological factors of the consumer. (1) cultural factors are the most basic determinant of one's desires and behavior. When other beings act on instinct, human behavior is generally studied. A growing child gets a set of values, perceptions, preferences and behaviors through a socialization process that involves family and other important social institutions. Each culture consists of smaller sub-cultures that provides more specific identification and socialization to its members. Sub-cultures can be divided into four types: nationalism groups, religious groups, racial groups and geographical areas. In addition, social classes are groups that are relatively homogeneous and durable in a society, which are arranged hierarchically and the members have similar values, interests and behaviors.

(2) social factors, consisting of reference, families, roles and status groups. A person's reference group consists of all groups that have a direct and indirect influence on a person's attitude or behavior. Some of them are primary groups with a fairly continuous interaction, such as family, friends, neighbors and peers. Secondary groups tend to be more formal and its interactions is less sustainable. The group that someone wants to be a member is called an aspiration group. A disassociated(separated)group is a group whose values or behavior are not interested by individuals. Marketers try to identify the reference groups from their target consumers. People are generally influenced very much by their reference groups in three ways. First, the reference group shows someone a new behavior and lifestyle. Second, they also influence attitudes and concepts of someone's self because he wants to "adjust" himself. Third, they create pressure to adjust which can influence the choice of one's product and brand. For consumers, there are two types of

families. The first is orientation family, which is someone's parents. The parents teach a view of religion, politics, economics, and feel personal ambition of value or self-esteem and love. Procreation family is the life partner of one's kids. Family is the most important consumer and consumer organization in a society and has been intensively studied. A person generally participates in a group during his life. His position in each group can be identified in his roles and status.

(3) Personal factors. These factors include age and stages in the life cycle, work, economic conditions, lifestyle, personality and self-concept. A person's consumption is also shaped by the family life cycle. Several recent studies have identified stages in the psychological life cycle. Adults usually experience certain changes or transformations in their life. Regarding the working field, marketers try to identify groups of workers who have upper-level interests in certain products and services. While the economic situation is a situation consisting of spendable income (its level, stability and pattern), savings and assets (including the percentage of priority in gaining money), the ability to borrow and attitude towards opponents' saving. A person's lifestyle is a pattern of life in the world expressed by one's activities, interests and opinions. Lifestyle describes "the person as a whole" who interacts with the environment. It also reflects something behind one's social class. The definition of personality is a different psychological characteristic of each person whose views to an environment is relatively consistent. Personality can be a very useful variable in analyzing consumer behavior. If the types of personality can be classified and they have a strong correlation with a variety of products or their choices.

(4) Psychological factors, such as motivation, perception, learning process, trust and attitude. In terms of motivation, some needs are biogenic and these needs arise from certain physiological conditions, as hunger, thirst and discomfort. While other needs are psychogenic which are needs arising from certain physiological conditions, such as the need to be recognized, self-esteem needs or received-in-society needs. Whereas perception is defined as the process by which someone chooses, organizes and interprets information as an input to create a meaningful picture in this world. People can have

different perceptions of the same object because of three perceptual processes, namely: selective attention, selective interference and selective recall. Because of these perception factors, marketers must work hard that the message delivered is received. The learning process also plays an important role because this process explains changes in individual behavior arising from his experience. While trust and attitude is descriptive ideas that someone has towards something. The combination of the factors in making decision of the consumers is not too much influenced by the marketers, but these factors are very useful to identify consumers who might have the greatest interest in a certain product.⁴⁷

B. Culture Influence in SMEs Development in Brunei Darussalam

1. Social Construction of Entrepreneurs

a. Social System

In 1906, Brunei accepted the Residen British which was an adviser of Sultan in governing the state in all aspects, except the cases related to tradition and Islam. At that time, Brunei government was also settled in Kampong Ayer. A European traveler has given a name to this Ayer Village as 'Venice of the East'. Although Kampong Ayer has been pursuing a long-term age, its beauty and uniqueness can attract domestic tourists and foreigners. This fact is stated in the following rhyme

*Orang bekayuh silih berganti
Perahu padian membawa ikan
Aying mata membasahi pipi
Kampong Aying diuji zaman*

*Sungai Brunei ayingnya tenang
Pulau Si Bungur di tengah-tengah
Duhai kampungku aduhai sayang
Kampung Ayingku dalam sejarah*

The rhymes give an idea of the changes in Kampong Ayer. The beauty and memory of the villages in Kampong Ayer will probably only a memory in the future because there are many people from Kampong Ayer who have

⁴⁷ Setiadi, N.J., 2003. *Perilaku Konsumen, Konsep dan Implikasi Untuk Strategi dan Penelitian Pemasaran*, Jakarta: Prenada Media, p. 11-15.

moved to the land. In the early 1900s, residents of Kampong Ayer were indeed clearly live in the crowd; beautiful scenery and crowded sound of the water taxi illustrate the beauty of Kampong Ayer. But now, due to the natural disasters and social factors, the number of residents living in Kampong Ayer has begun to show changes. This situation will certainly change the style and atmosphere of living in Kampong Ayer; the children rarely take a bath under the stairs and the children who make kikik on the bridge are rarely seen.

Brunei has practiced the Beraja system for a long time as a legacy from previous generations. Since the leadership of the first Sultan, Brunei has practiced Beraja as the government system. The people are grateful for living under the Beraja system. They are proud of Brunei as a fortunate country. In this term, the fortune means the earth's wealth because this country owns the 'black gold' and the citizens' prosperity under the leadership of the beloved King. The king or Sultan is a milestone for the country to oversee and lead the government which consists of four parts, namely Kanun, Syarak, Resam and traditional custom of the terms and sukat in Brunei.

In Beraja government system there is a social contract that must be practiced and obeyed by the King and the citizen, namely "The King for the People, the People for the King". This contract has the assurance that the citizen have presented their power and themselves to the King (Sultan). All they have presented belongs to the country based on "the King must not be unjust" and "the people may not rebel against the King". The loyalty of the people to the King is reflected in the following rhymes.

Minjam kapal minjam baliung

Panutan bamban barduri

TuanKu di atas kamuncak payung

Patik yang hina menjunjung duli

It is undoubtful that the people obey and uphold the King's commandment. Everything The King ordered is carried out as much as they can with full of responsibility. Brunei people are willing to maintain the security and prosperity of their beloved country. In addition, the cooperation between the King and citizen can be found in several oral traditions, manuscripts and the results of traditional Brunei literature. For example, in the

Silsilah Raja-Raja Brunei (Genealogy of The Kings' of Brunei), there is a story of mutual cooperation period during the Majelis Perkahwinan Diraja (The Wedding Party of the King's Family).⁴⁸

Brunei is a community of various religion and beliefs who become citizens of the country. Most of Brunei's citizens are Muslim, they perform Malay characteristics and practice Malay culture, which are based on Malay Customs, inherited from their ancestors since ancient times. It has been mentioned in the " Undang-Undang Taraf Kebangsaan Brunei 1961 (Brunei Constitution of Nationality Standard 1961)", that the Brunei Malays consists of 7 ethnic groups. These people live and practice their culture, beliefs, and dialects. The 7 ethnic groups are Brunei Malays, Belait Malays, Murut Malays and Bisaya Malays. The Brunei people are a driving force for the aspirations of the country that hold Malay Islamic Beraja philosophy to realize a Dhikr State.⁴⁹

b. Entrepreneurship Education System

The recognition on MSEs as an important segment in economic diversifying programs valued from the government policies and facilities provided to encourage their development. This motivate us to value the contribution of MSEs to the economy. The government has laid emphasis on MSEs development as a strategy to foster economic growth, to enhance opportunities for supplementing income and reducing unemployment, and hence, alliviate poverty. The government's concern on economic diversification has led to the provision of some facilities to encourage the growth of MSEs as well as medium enterprises. Among the policies set up by the government are financial policy, fiscal policy, economic development policy, and human resources development.⁵⁰

⁴⁸ Haji Ramlee bin Haji Tinkong, *Sejarah Pewarna Budaya dan Tradisi*, Pusat Sejarah Brunei Kementerian Kebudayaan, Belia dan Sukan, Bandar Seri Begawan, 2016, p. 8-11 ; baca pula P.M. Yusuf, *Istiadat Diraja Brunei*, BMJ, Vol. 3, No. 3, 1975, p. 43

⁴⁹ Pengiran Anak Haji Amirudidin Alam Shah Pengiran Anak Haji Ismail, et.al, 2015. *Ensiklopedia Negara Zikir, Jilid 1*, Brunei: UNISSA Press, p. 36

⁵⁰ Rose binti Abdullah, 2015. *Poverty and Microfinance in Brunei Darussalam*, Brunei Darussalam: Unissa Press, p. 27-28.

The principle of Education in Brunei is human beings have extraordinary meanings, especially related to the efforts to realize their Dhikr State. Humans have two functions- as physical beings and spiritual beings. Basically, humans are ignorant before Allah SWT teaches them to learn what they need to know (such as the names of objects and their functions), and they are created to worship Allah SWT. Humans have been completed with the mind to be able to distinguish between good (makruf) or bad (munkar), right (haq) and wrong (bathil). Using their mind, humans are instructed to understand the essential truths and blessed behaviors on the earth and they are mandated to prosper the earth for human kindness and virtue. The definition of human based on Islamic view shows that human phenomena not only contain physical elements but also other elements, namely moral and spiritual elements which play a role in determining human social phenomena. The spiritual and moral aspects of human personality cannot be separated from what is in the form of social activity.⁵¹

As an attempt to realize the "*Negara Zikir*" (Remembrance State) and achieve "*Wawasan Brunei 2035*" (Brunei Insight 2035), it is important to keep the socio-economic relationship through education field due to the fact that everything depends on the quality, knowledge and integrity of human resource. The Brunei Government views the new generation is the actor who will realize the goals of the socio-economic development of the country in the future. Therefore, Brunei government provides free education to all people so there is no reason for them to be deterred from getting education.

In Brunei formal education, the concept of balanced education is the educational basis in Brunei Darussalam which emphasizes Islamic education besides advances science education. This educational basis is not only able to produce the human resource needed by the state, but also succeed in uniting people based on *Melayu Islam Beraja* (Beraja Islamic Malay) philosophy.

A smart and firm generation is significant in strengthening Brunei Darussalam's socio-economic sector to remove its dependence on oil and gas income. The education has shown successful results and it has been practiced

⁵¹Pengiran Anak Haji Amiruddin Alam Shah Pengiran Anak Haji Ismail, et.al, 2015. *Ensiklopedia Negara Zikir, Jilid 1*, Brunei: UNISSA Press, p. 36

by Brunei Darussalam people. Brunei Government is still lack of industries, companies and agriculture resources. Therefore, the Basis of Educational System aims to create not only highly educated but also competent generation who focuses on technical and vocational education. This basis is expected to produce creativity and innovation to force the steady and comparable economic growth of Brunei among the advanced countries. Then, there will be qualified employment opportunities for the people in the same period.⁵²

2. Culture Transmission?

a. Work Ethic

Although Brunei officially accepted Islam in the era of Sultan Muhammad Shah, Islam came to Brunei was probably earlier than that year because Brunei's position had become a transit place and traffic route for Islamic merchants who developed Islam in this country. Sultan Muhammad Shah was inaugurated in 1368 then continued by Sultan Ahmad, who was strengthened by His Majesty son-in-law, Sultan Sharif Ali (1432). According to the Chinese history in 977, Raja Puni sent his messengers led by Pu Ya-Li, Qadhi Kasim and Sheikh Noh (Shih Nu) to China. This moment proved that Muslims was influential in Brunei.

Based on the tombstone which Wolfgang Franke and Ch'en T'ieh-fan mentioned as an Islam's property, some historians predicted that Pu Kong is a person who spread Islam in Brunei, meaning that Islam in Brunei came from China. Although there was another opinion mentioned that in the Sung Dynasty, Pu Zhong Min who had visited Puni in 1247 was a messenger of the non-muslim Chinese emperor named Zhou Jun. In this opinion, it is impossible for the non-Muslim Chinese emperor to send preachers to develop Islam to Puni. Moreover, Muslims who settled in Quan Jhou at that time held Hanafi discipline while Muslims in Brunei were Shafi'i.

Historically, it was believed that Islam came to Brunei earlier than 1368, because Brunei's position was during the Muslims journey to Luzon and Maluku islands. Among the sailing Muslims, absolutely there were some

⁵² Sara, Siti haji Ahmad and Muhammad Syukri Salleh, 2015. *Dasar dan Strategi Pembangunan Negara Zikir*, Brunei Darussalam: EYZ Printing Services and Trading Company Sdn Bhd, p. 125-126.

people who dropped by and developed Islam in the passed place. For example, Karimul Makhdum was an Arab priest who was on his way from Melaka to Suluk in the middle of XIV, it was possible to stop in Brunei because it was a transit place for Islamic missionaries who wanted to go to Suluk Cagayan Rengutaran and Zamboanga. After Awang Alak Betatar (Sultan Muhammad Shah) converted into Islam, this religion became the official religion of the entire country and since then the Islamic priests have tried to spread the teachings of Islam openly.⁵³ The role of developing religious values encourages Brunei people to strive and work by applying their beliefs. This fact appears in the application of the concept of *Negara Zikir* (Remembrance State). *Zikir* (Remembering Allah) is believed as a form of worship to Allah SWT.

b. Expectation of Welfare

Welfare is a priority for most people in a country. The people's dependence on economic fulfillment is a serious concern for the local government. The economic development in Brunei Darussalam is in the form of wealth found in its geographical area. Many economic sources found in Borneo such as camphor, cinnamon, gold, candles, turtle skin, and elephant ivory have encouraged Chinese people to come and stay in Brunei. The trading relationship between Brunei and China has provided great development to Brunei Darussalam's economy since KM 15 and KM 16. The development comprises increasing benefits of Brunei harbor for residents in its colonies, by the time it becomes the center for obtaining items coming from other countries. It indirectly reinforces their dependence on Brunei. The existence of this extensive Brunei trading activity has become a source of

⁵³ Haji Awang Mohd Jamil Al-Sufri, *Tarsilah Brunei, Sejarah Awal dan Perkembangan Islam*, 2001, Pusat Sejarah Brunei: Kementerian Kebudayaan Belia dan Sukan Bandar Seri Begawan, p. 74-75. Baca pula Franke, W. & Ch'en T'ieh-fan, 'A Chinese Tomb Inscription of A.D. 1264, Discovered Recently in Brunei: A Preliminary Report', *BMJ*, Vol. 3, No. 1, 1973, p. 93; Lin Shao Chuan, *Hai-Jiao-Shi-Yan-Jiu* (Majalah Pengkaji Sejarah Seberang Laut) Bil. 1 Bulan 1 Tahun 1991; Saleeby, N.M. *The History of Sulu*, Filipiniana Book Guild, Inc, Manila, 1973, p. 42-43.

economic and political strength for the Sultan and his relatives. This strength can be seen from their control on money trading activities.⁵⁴

The relationship between Brunei and China showed Malays' dependence on optimizing resources and business techniques. The Chinese's acquisition proved its involvement in Brunei's trade, especially in supporting the areas which could not be carried out by Malays or the indigenous of Borneo.⁵⁵

Besides China, Brunei conducted trading relationship with Portuguese traders in Melaka. The hostility among Portuguese and Aceh, Bentan, Johor, Java, which was caused by Portuguese attack to arrest Melaka in 1511, provided benefits for Brunei. This country kept good relationship with the European power. The relationship would have been established in 1530, if Brunei had granted the right of freedom to Portuguese traders in Brunei. For the Portuguese, Brunei's position on the trading route of *Laut Cina Selatan* (Southern China Sea) was very suitable to be their port of their way to Maluku Islands or Macau, China and Japan. The implications of the development of the trading relationship between Portuguese with China and Japan in KM 16 added the usefulness of Brunei Port. It became a transit point and it was the place of merchandise involving Brunei's forest products. The merchandise was brought to Macau, and sold to China and Japan.

Brunei also cooperated with Siam, Patani, Java, Batavia, Terenggan, and Melaka. Most of the Brunei's and other countries' trading activities were carried out by Malay merchants or captains. They were the boosters of the trading activities. The role of Bugis people was significant in expanding the market of Brunei merchandise.⁵⁶

⁵⁴Abdul Karim bin Abdurrahman, 2008. *Keruntuhan Empayar Brunei KM 19: Satu Kajian Dari Sudut Ekonomi*, Pusat Sejarah Brunei, Kementerian Kebudayaan, Belia dan Sukan, Bandar Seri Begawan, BS 8610, Negeri Brunei Darussalam, p. 92-93.

⁵⁵Abdul Karim bin Abdurrahman, 2008. *Keruntuhan Empayar Brunei KM 19: Satu Kajian Dari Sudut Ekonomi*, Pusat Sejarah Brunei, Kementerian Kebudayaan, Belia dan Sukan, Bandar Seri Begawan, BS 8610, Negeri Brunei Darussalam, p. 95.

⁵⁶Abdul Karim bin Abdurrahman, 2008. *Keruntuhan Empayar Brunei KM 19: Satu Kajian Dari Sudut Ekonomi*, Pusat Sejarah Brunei, Kementerian Kebudayaan, Belia dan Sukan, Bandar Seri Begawan, BS 8610, Negeri Brunei Darussalam, p. 97. Read Moor, J.H. (ed) "Trade with East Cost of Borneo", *Notices of the Indian Archipelago and Adjacent Countries*, Singapore, 1837, p. 13.

The role of the merchants in trading activities in Brunei was so significant, because the Chinese, Portuguese, Malay and Bugis merchants fully promoted the Brunei' products overseas. Likewise the existence of a vast market for Brunei's products in China indirectly encouraged the trading development in Brunei. In addition, Brunei's harbor had very strategic position for conducting trade with China.⁵⁷ The wealth of natural resources in Borneo gave Brunei an advantage to meet the high market demand in China. The expectation of increasing state / royal income to bring prosperity for Brunei people encouraged this country to cooperate with other countries, such as China, Portuguese, Indonesia and Malaysia.

An important factor that forced the economic development and people's welfare in Brunei Darussalam actually was the issue of escorting human labor coming from Malays and Dayaks. These two groups played an important role in the development, trade and economy of Brunei. The Dayaks living in the headwaters of the river were the guards of the trading activities in the Brunei's harbor. The Malays became the traders who ran the trading activity of the Princes of Brunei.⁵⁸

It is undeniable that Brunei Darussalam was positioned in a safe zone in the terms of socio-economy sector. However, this situation would have changed if the socio-economy depended on oil and gas profits, while the development of the Brunei people was in progress. It required the additional various economic sources to accommodate the increasing needs.

Basically, Brunei people are competent in various fields. It appeared in the era of Sultan Ahmad Tajuddin. At that time, the people ran their economic activities based on their accomplishment in various fields. The rural community was accomplished in agriculture and handicrafts fields, the Bandar community was accomplished in business and carpentry fields, the Chinese community was accomplished in trading and mining fields, and the others. There must have been empowering those accomplishments so that Brunei

⁵⁷Abdul Karim bin Abdurrahman, 2008. *KeruntuhanEmpayar Brunei KM 19: SatuKajian Dari SudutEkonomi*, PusatSejarah Brunei, KementerianKebudayaan, Belia dan Sukan, Bandar Seri Begawan, BS 8610, Negeri Brunei Darussalam, p. 99.

⁵⁸Karim, Abdul bin Abdurrahman, 2008. *KeruntuhanEmpayar Brunei KM 19: SatuKajian Dari SudutEkonomi*, Pusat Sejarah Brunei, Kementerian Kebudayaan, Belia dan Sukan, Bandar Seri Begawan, BS 8610, Negeri Brunei Darussalam, p. 163.

economy could rise from various resources. For this reason, the kingdom launched *SatuMukimSatuProduk* (One Village One Product) program. This program means that each *mukim* (village) has its own economic resources, which are different from other *mukim* (villages). It has been received well by the villagers even it attracts their interest and awareness to do some useful activities, such as planting fruit trees, livestock, spice industry, ingredients, crackers, handicrafts and other various products according to the community expertise.⁵⁹

Trading activities carried out by the community from the traditional to the modern era has developed from household scale to small and medium scales. Brunei Darussalam Government provides various policies to support these people's activities, because the kingdom realizes that the existence of economic activities greatly helps Brunei Darussalam's national economy.

The importance of MSMEs in diversifying the economic activities can be seen from various government policies such as below:⁶⁰

1) Financing policy for SMEs.

1.1) Microcredit Financing Scheme (MFS).

The purpose of this scheme is to assist local entrepreneurs to start and expand micro and small scale business activities. It is eligible for any type of business activity. The maximum amount of financing is BND\$50,000 with profit rate of 4 % and maximum tenure of 5 years. A grace period of 3 to 12 months is also given before repayment starts. However, collateral is required in the form of either personal guarantor, monthly deposit, company's fixed assets and other guarantees. Eligible expenses that can be considered for this financing include working capital, capital assets or expenditures, purchases of machineries, equipment and other capital assets excluding purchase of land. The facilities provided are term financing, overdraft, letter of credit and banker's guarantee. Since it started in 2001 until 2012, Microcredit Financing Scheme (MFS) has

⁵⁹Sara , S. Haji Ahmad and Salleh, M.S, 2015. *DasardanStrategi Pembangunan Negara Zikir*, Brunei Darussalam: EYZ Printing Services and Trading Company SdnBhd, p. 130.

⁶⁰ Rose binti Abdullah, 2015. *Poverty and Microfinance in Brunei Darussalam*, Brunei Darussalam: Unissa Press, hlm. 28-33.

been given to total 602 small business, valued at BND\$12.35 million. Most of the clients of MFS are involved in contract and tender project (26%), food processing, food services and restaurant (23%), boutique and tailoring (15%), retails (10%) and others such as agriculture, fisheries, manufacturing, saloon, education services, and professional services.

The government has continued to sustain this scheme as it is an important tool for MSEs to develop, for economic diversification and to overcome the problem of unemployment. However, micro entrepreneurs of the poor and needy may have difficulty in accessing this scheme due to the strict conditions and a lot of documentation required. MSMs who wish to apply for this financing must be well conversed in business or at least have some knowledge.

1.2) Enterprise Facilitation Scheme

The objective of this scheme is to assist Small and Medium enterprises (SMEs) to expand and develop their business activities and build their capacity to export. The maximum amount is BND\$4 million with 4 % profit rate and 10 years period of tenure. The grace period is 3-12 months. Since it started in 1999 until 2012, ERS has been given to a total of 205 companies, valued at BND\$97.36 million. This clients are mostly in the sectors of agriculture (28%), fisheries (32%), manufacturing (28%), and others such as tourism, construction, and information and communication technology.

1.3) Export Refinancing Scheme (ERS)

It provides the registered and certified exporters with short term financing before and after delivery. The pre-shipment facility helps exporters to finance purchase of items such as raw materials and general costs. In contrast, the post-shipment facility helps to defray expenses of delivery. The amount is BND\$50,000 to BND\$150,000 at 4 % profit rate.

1.4) Enterprise Expansion Program (EEP) Financing

This financing by BEDB is to assist SMEs to expand their businesses and must be already in operation for at least two years. The facility is to be used for purchasing or upgrading machinery or equipment. Maximum financing amount per business is up to 36 months and the grace period is not more than 3 months. The collateral will be the machinery and equipment to be financed.

1.5) Village Enterprise Financial Grant

This grant scheme provided by BEDB aims to assist in the development and commercialization of village products to support the 'One village, One product' initiative under the Ministry of Home affairs. The Project' must be endorsed by the District Office or Ministry of Home Affairs. The products or services have commercial value and availability of raw materials from natural resources. Maximum amount of grant is BND\$50,000 to be used for purchasing equipment, machinery or tools, engagement of external expertise and for expenses of training and skills upgrading. This grant has no requirement for guarantor, collateral and repayment.

2) Development Policy

2.1) Promotion

The government helps the MSEs to promote their product locally as well as abroad through participation of MSEs in various exhibitions, seminars or trade missions with the view to support the development exportable local products. The Ministry of Industry and Primary Resources (MIPR) provides sponsorship to eligible SMEs for booth and registration expenses, cost of advertisement in show directory, costs of ticket or accommodation during overseas exhibition participation.

2.2) Agriculture

There are also several projects implemented by the government to enhance the government of agricultural activities in the rural areas. Agricultural areas are leased to farmers at minimal fees under a scheme called “Ladang Berkelompok”; seeds and fertilizers are supplied at subsidized prices; and market outlets are provided for villagers to sell their products.

2.3) Standard Production

The National Standards Centre at the Ministry of Industry and Primary Resources provides services such as certification, consultation, factory visits, standards awareness program, library, quality management, as well as testing and metrology collaboration lab services. Shahminan (2010) mentioned that The Centre aims to encourage local entrepreneurs to venture into the international market through regionally and internationally recognized standards. Part of the service is creating an official “Made in Brunei” logo that will help locally –made products form a unifying identity. They also plan to provide a GSI barcode for local products which would allow the products to be scanned with barcode readers in other countries (Shen, 2011).

2.4) Halal Certification

The Ministry of Industry and Primary Resources (MIPR) has allocated 400 hectares for Halal Park and Hub. It aims for halal research, development, and halal processing and producing (Kasim, 2012). Halal certification is also introduced through BIMP-EAGA activities (Anon, 2012). The BIMP-EAGA comprises Brunei, Kalimantan and Sulawesi in Indonesia; the federal states of Sabah and Sarawak and the federal territory of Labuan in Eastern Malaysia; and the islands of Mindanao and Palawan in the Philippines. Micro, small and medium enterprises will encouraged to participate and take advantage of all facilities provided.

3. Human Resource Development

3.1) Entrepreneur Development

The government through the Entrepreneur Development Centre (EDC) provides facilities to enhance the development and growth of SMEs, such as the provision of financial and infrastructure assistance, improvement and other services and facilities through this Centre. In addition, the one-stop agency under the Brunei Industrial Development Authority provides administrative support in the implementation of the industrial development program and trade requirement. These training provide value added to the human resources in running the micro and small businesses.

3.2) Taxation Policy

Encouragement for the SME to develop and to contribute to the economic diversification is also provided through fiscal policy. Laws of Brunei, CAP. 97, Investment Incentives Act (B.L.R.O 1/1984), make a provision of relief from Corporate Income tax and Import Duties on Raw Materials and machinery for up to eight (8) years to the industries which are given a Pioneer Status. A pioneer company would also be relieved from the payment of the whole or any part of any customs duty which may be payable on any machinery, equipment, component parts and accessories including prefabricated factory or building structures to be installed as necessary part or parts of the factory. Private limited companies in Brunei Darussalam are also given a relief in corporate taxes as amendments made to the Income Tax since 2007. Some of them include the reduction of corporate taxes for small and medium enterprises (SMEs) from 30 per cent to 20 per cent; the exemption of tax for the first \$100,000 worth of income for newly set-up companies in the first three years of business; and the introduction of tax thresholds with further reduced tax rates (No. 2012). Another amendment made in 2008 includes tax incentives, such as zakat as tax deductible expenses. In 2010, MOF introduced further tax incentives in the form of a further deduction to the Supplemental Contributory Pension (SCP) trust fund. In 2011, a fixed tax of one per cent on approved exports was introduced.

The amendments in 2011 also involved the introduction of a tax credit for Employees Trust Fund contributions, fresh investment on new plants and machineries which can be carried forward for up to two years, and a limit on tax credit which does not allow the credit to exceed 50 per cent of the total tax payable in one year. Other tax exemptions in Brunei Darussalam are Personal Income Tax, Sales Tax, Capital Gains Tax, Export Tax and Manufacturing Tax.

In addition to those policies, there are several socio-economic strategies, namely:⁶¹

1) Leadership Strategy

This strategy can be seen from the awareness and concern performed by *Yang Maha Mulia Seri Baginda Sultan* (His Majesty Sultan) and *Yang Di-Pertuan Negara* (The Lord of the State) Brunei Darussalam. Brunei Darussalam people and citizens have enjoyed their prosperous life. The State keeps its prosperity, safety and security under the protection of Allah SWT. The desire of the way of life based on Malay and Beraja Islam was established in *Titah Permaryuran Kemerdekaan* (The Commandments of Independence) of Brunei Darussalam three decades ago, on January 1, 1984:

“ Brunei Darussalam was built after the permission and blessing of Allah SWT to be the eternal MIB as well as free, independent, and democratic country which holds islamic teachings carried by Ahli SunnahWal Jama’ah based upon peaceful, trusteeship, and freedom....”

His *Majesty* concerns on the people and citizens’ condition, especially for the unemployment and non-tenure workers. There is financial support and alms for the elderly, the poor, and disabled people through *Baitul Mal, MajlisUgama Islam, Sultan Haji*

⁶¹ Mohiddin, F., “StrategiSosioekonomi Negara Zikir”, in Siti Sara haji Ahmad and Muhammad SyukriSalleh, 2015. *Dasar dan Strategi Pembangunan Negara Zikir*, Brunei Darussalam: EYZ Printing Services and Trading Company SdnBhd, p. 140-145

HassanalBolkiahFoundation and the other foundations. Here are the strategies used by the Sultan in overcoming the social problems:

His Majesty said:

“Regarding occupation, it reminds us with the unemployment issue. Unemployment is the complicated state’s enemy which is common with its role in disturbing social stability. Therefore, the kingdom never stops to find the solution – through various ways – to overcome the unemployment problem, including optimizing the role of the private sectors in providing new jobs. The opportunity will decrease our dependence on the common sectors. His Majesty added, “We must not stay with the old sector. We have to find the new way, especially which related to employment. The more occupations will be better, because it is our identity as a creative nation. Only the creative nation that deserves to achieve prosperity and advance.”

2) Economy Emergency Strategy

According to human being history, economy emergency has been occurred several times. In the Al-Qur’an, there was a long dry season in the era of Prophet Yusuf as. for 7 years, which brought the critical economy disaster. Allah mentions in Surah Yusuf: 47-49:

"For seven years shall you diligently sow as is your want: and the harvests that you reap, you shall leave them in the ear,- except a little, of which you shall eat. "Then will come after that (period) seven dreadful (years), which will devour what you shall have laid by in advance for them,- (all) except a little which you shall have (specially) guarded. "Then will come after that (period) a year in which the people will have abundant water, and in which they will press (wine and oil)."

The verses tells about the power of Allah SWT to remind us that He is The Powerful Allah who gives His blessing and draws the blessing everytime He wants. As Allah said in Al-Isra: 30:

“Verily the Lord does provide sustenance in abundance for whom He pleases, and He provides in a just measure. For He knows and regards all His servants.”

One time during the era of Muhammad SAW, Muslims could not practice their economic activity and they lived in poverty because they

were besieged by the enemy. Rasulullah SAW built a mosque and a market as soon as he arrived in Madinah from Makkah because a mosque was a worship center and a market was a trading center. The action proved that Rasulullah viewed trading activity as important as religious worship. Allah mentions in Al-Jumu'ah: 10:

“And when the Prayer is finished, then may ye disperse through the land, and seek of the Bounty of Allah and celebrate the Praises of Allah often (and without stint): that ye may prosper.”

There are many hadiths which discuss trading activity. One of the important hadiths is which explaining the 90% of the prosperity source comes from trading field.

“It is recommended for you to run trading activity because there is 9/10 of your earning.”

In the global economic emergency and food crisis, Islamic countries should unite and discuss to find the solution in fertilizing the land by empowering agricultural and food production industries. Those industries are significant for Muslims and Islamic countries in providing their supply to face the economic and food crises era in “Islamic World” before they discuss the other's issues. This strategy planning policy will provide welfare for the Muslims and the Islamic world. Besides the food supply strategy, the Sultan intensively concerns on the Islamic economy practice in the terms of financial, alms distribution and halal product.

The command of His Majesty Seri Baginda Sultan Haji Hasanah Bolkiah Mu'izzaddin Waddaulahibni Al-Marhum Sultan Haji Omar 'Ali Saifuddien Sa'adul Khairi Waddien, the Sultan and The Lord of Brunei Darussalam State together with NGO's communities and YSHHB recommendation in 1426 H / 2005 M during the celebration of Eid Al-Fitrin ICC mentioned socio-economic issues particularly as the results of Islamic economy-alms-is the problem that has to be overcome to be a new strategy in solving economy emergency.

“The social issues are more complicated which need more commitment. The poor depending on the financial support and alms were the elderly, sufferers or disabled people or mental disabled people. Recently, they have found their job but then they make problems because they are involved in a social phenomenon, which can be unemployment problem. Regarding their responsibility, they have to take care of their wife and children. For the jobless women, they find problems when their husbands pass away or make troubles. They do not earning any money that enables them depending on the alms and financial support. In addition, some of the dependent parties are teenagers and students. There must be a solution and a program to guide, support, advise, and treat them in receiving the financial support related to their effort and creativity to improve their life besides minimize their dependency to others. *Yayasan Sultan Haji Halsanah Bolkiah (YSHHB)* / Sultan Haji Hasanah Bolkiah Foundation is eager to provide financial support for NGO’s communities due to its serious consistency in eradicating poverty as the part of the religious teachings.”

The problems faced in this globalization era are not the obstacles for the people to keep moving. The effort is not only a part of a good attitude, but also worship activity. The labelling Halal and Haram has been the beneficial trading topic, especially in this time that fuel and food’s price increase globally. Muslims need adequate entrepreneurs, income, and supply. “Blue Ocean Strategy” is one of the adapted strategies intended to trading products and Halal service in international scope. This strategy focuses on the emphasizing a particular marketing target to fulfill the marketing need.

3) Poverty Gap Strategy

Brunei Darussalam also faces unemployment as a social problem, which mainly influences socio-economic sector in the country. His Majesty Seri Baginda Sultan Haji Hasanah Bolkiah Mu’izzaddin Waddaulahibni Al-Marhum Sultan Haji Omar ‘Ali Saifuddien Sa’adul Khairi Waddien, the Sultan and The Lord of Brunei Darussalam delivered their command in the celebration of Maulid of the Prophet Muhammad

SAW in 1426 H / 2005 M, stating there must be several solution to solve the basic problems in the state:

“Muslims have to think and act as the Prophet taught, because doing work and effort to earn for living is a part of religious teachings that we have to do. The teenagers, especially who have intelligence and specific competences must move and work hard to maximize the opportunity in obtaining Halal and pure income.”

According to the command, the Sultan has decided several attitudes that must be done by the teenagers. Based on statistical analysis, there must not be unemployed local teenagers, because the kingdom of Kebawah Duli Yang Maha Mulia Paduka Seri Baginda Sultan Haji Halsanah Bolkiah Mu'izzaddin Waddaulah has provided opportunity for everyone to gain their experience and competences in order to increase their mobility and expertise. This is the appropriate and important solution for the sake of the society. The young generation must learn how to be independent in recovering their life. However, solving the unemployment problems in Brunei is not an easy and simple activity to do.

c. Culture as a Resource

Malay's culture is very essential for Brunei people. Besides, the kingdom and sultanate system in the state has been an appropriate and strategic controlling system for the king's effective regulation and policy in any sector; economy, education, religious experience, health service, and politics. Islamic Beraja in Malay becomes an identity of Brunei Darussalam people's daily life.

The relationship between Malay and the symbol of kingdom is the society development resource in economic sector which is revealed in the people's activities. The Brunei's trading authorization from KM 15 until the middle of KM 19 was promoted by four main factors, which were: 1) the scope of the kingdom, 2) the escorting of the supplier, who are the Borneo local people working as Brunei's workers, 3) the role of Brunei's harbor as the entry gate to Borneo and one of the main harbors, and 4) the high marketing level of products resulted from Borneo in China. Those factors allow the Sultan and his relatives

to improve the economy development by controlling all of the trading activities.⁶²

The religious Brunei people is significantly influenced by the understanding and practice of Islamic teachings in their daily life including their economic activities. The essential religious value as the basis of the people's behavior is represented in the concept of *Negara Zikir* (The Remembrance State). The concept is the media to fulfill the people and state's spiritual, physical and material necessity. Therefore, it is important to develop the economy sector to secure the politic development as well as the harmony of the society in the "*Negara Zikir*" itself.

Ustadz Haji Awang Abdul Aziz bin Juned (2010), a priest of Brunei Darussalam kingdom elaborated the definition of "*Negara Zikir*". It is a state whose people perform *zikir*(remembering Allah SWT) intensively and *zikir* has been a massive activity in the state. The state is built through conducting *zikir*. It is *zikir* - based and oriented, meaning that the state performs *zikir* in the terms of *siasah*, economic growth, social growth and national defense. The *Siasah zikir-based siasah*, the economy form is *zikir*-based economy, the social system is *zikir*-based social and the national defense is *zikir*-based national defense. The people of the state are the remembering Allah SWT, trying to close to Him, and perform good deeds and piety.⁶³

Therefore, the role of religion or the belief of Allah SWT becomes the basis of building character of Brunei people. This belief appears in the human's character in developing their knowledge and worship. Human has no freedom in doing something, because he has to obey the five Islamic rules, namely *wajib* (obligatory), *haram* (forbidden), *sunah* (recommended), *makruh* (disliked) and *mubah* (allowed).⁶⁴

⁶² Karim , Abdul. bin Abdurrahman, 2008. *KeruntuhanEmpayar Brunei KM 19: SatuKajian Dari Sudut Ekonomi*, Pusat Sejarah Brunei, Kementerian Kebudayaan, Belia dan Sukan, Bandar Seri Begawan, BS 8610, Negeri Brunei Darussalam, p. 94.

⁶³ Sara, Siti haji Ahmad and Muhammad SyukriSalleh, 2015. *DasardanStrategi Pembangunan Negara Zikir*, Brunei Darussalam: EYZ Printing Services and Trading Company SdnBhd, p. 121-122.

⁶⁴ Read Al-Sufri, J., Dato Seri Utama Haji Awang Mohd. 2014. *Melayu Islam BerajaHakikatdanHasrat*, Pusat Sejarah Brunei, Kementerian Kebudayaan, Belia dan Sukan, p. 195

CHAPTER VI

CONCLUSION

A. Conclusion

The description of the observation results which has been explained in the previous chapters provides several information related to the research questions of this study. Some of the results are:

1. Indonesia and Brunei Darussalam has many similarities, such as the existence of Malays in those countries, islam as the major religion of the people, and the different natural resources in large quantity. The existence of culture and religion in the both countries proves the powerful support of those aspects in the economic growth. Those countries also face similar problem in the form of the reduced natural resources when the people's need increases. Another problem is the continuity of the small-scale and middle-scale industry run by the local entrepreneur. The marketing competition demands the small and medim scale industry (UKM) to be innovative and creative to maintain and develop their business. In this case, the role of the culture is significant in supporting the industries in the both countries. There is a cyclical relationship among creativity, innovation, entrepreneur and culture. Those aspects support each other continuously.
2. The fundamental difference between those two countries is in the government system. Indonesia has democratic system while Brunei Darussalam has kingdom system. The systems take important influence in running the physical and human resources development. Democratic system in Indonesia provides different perceptions in economic sector, allowing the development of the economic ideology such as capitalism, socialism and Islamic economy based on the domestic and overseas market. In Brunei Darussalam, the Sultan holds the central role in making decision and command. For Brunei people, the muslim sultan has full authority in implementing Islamic teachings related to economic aspects, for example in the prohibition of selling *haram* (forbidden) food and beverages (such as alcohol and cigarret). The issue of *halal* (allowed) certificate for any

restaurant and food court is an obligation and the owners have to stick the certificate on the restaurant's wall. For Brunei people, the king's command is equivalent with religion's command so the role of the king is mainly effective in Islamic economy development. The religion has a role in building entrepreneurship awareness as a practice of a worship.

3. The Malay's culture as represented in Indonesia and Brunei Darussalam is beneficial in understanding the change and challenge of the countries, comprising fulfilling the daily need, developing UKM to gain powerful support of the developing culture in society. The industries can be in the form of traditional food, art, handicraft, weaving, batik, earthenware, puppet, etc. The customer's interests in the products motivate the entrepreneur to produce it constantly. Moreover, the products are sold nationally and internationally. The customers' tendency in choosing the products of UKM in those countries provides a great opportunity for the industries nationally and internationally. Therefore, there is an influence of culture in developing society life (culture lead development), which is promoted by the entrepreneurs' motivation in maintaining the cultural values in their industries. The values are related to the local wisdom such as preserving environment, helping each other, cooperating, keeping others' trust, and the others. Those values appear in the industries activities which have sub-contracted relationship with society and relatives. As the result, the industries in the both countries are family-based business and socio-preneurship.
4. National and international customers' interests of the industries' products need innovation and creativity regarding the raw material and the process of production. Green product or environment-care products have been universal trending in economy aspect. It shows the world's concern on responding climate change, environment damage as the result of the industrial waste, and globalization effect forced by pragmatism and hedonism, which ignore the effect of the raw material to the environment. The concern can be seen in the use of natural dye in batik industry in recent time.

5. The entrepreneur's enthusiasm in overcoming the obstacles can be in the form of the availability of raw material in the country, such as the availability of the thread for batik and weaving industries. Import material has caused the higher price of the items than the domestic material-based items. Besides the raw material, another obstacle is the lack of competent human resources on producing hand-made products. The longer time in producing the items than the fabricated items demands more time in finishing the production time because the numbers of the workers are imbalance with the amount of industrial needs. The raw material and the workers are influential in providing the product. Therefore, both of them can be the supporting factors or obstacles in developing UKM in the both countries.
6. Indonesian and Brunei Darussalam governments have issued their policies to support the development of UKM. The policies encompass developing creativity, production technique, funding access, marketing, and promotion through national and international events. In addition, both countries intensively conduct entrepreneurship education at elementary, middle and higher level of education. This policy is the results of the government's thought assuming that the entrepreneurs are extremely needed to contribute in the economy of the country, society's earning and overcoming the unemployment problem.

B. Suggestion

According to the observation, this study suggests several recommendations intended to the readers and the decision makers or the governments of the both countries. The recommendations are:

1. There must be more powerful economic policies through empowering UKM in Indonesia and Brunei Darussalam, which comprise the supply of the raw material, innovation and technology development training, funding access, licencing, taxing and marketing strategies both domestic and international. The readiness of the industry depends on the integrated and coordinated policies to minimize even eradicate the significant obstacles faced by the entrepreneurs. The UKM entrepreneurs' success is beneficial

for the government in solving the country's problems, poverty, and unemployment.

2. Culture, as the icon of a country, especially Malay, needs to be maintained because of the development of the globalization and millennial era. Therefore, the process of acculturation cannot be denied. Indonesia and Brunei Darussalam need to reinsert the original culture into UKM, because the output can fulfill the customers' need and UKM is able to hire many workers. Besides those reasons, UKM also has social resources due to its family-based business and its ability in hiring more workers from its neighborhood and relatives.
3. Those two countries should create innovative environmental care business. It must be done because the air, water and soil pollution level as the results of the chemical substances strongly influence the people health and environment. This situation is harmful for the next generation even increase the conservation cost in each country. As the result, this condition will be a paradox in improving the human welfare.
4. Generally, the green product business should be practiced as a concrete and multilateral system, especially for the muslim-majority countries in order to reach the muslims' prosperity in cooperation and togetherness.

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