

Entrepreneurial Characters in Food Clusters in a Developing Country; a Preliminary Case Study of Pojok Cimahi in Indoensia

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Article Info

Volume 82

Page Number: 3791 - 3797

Publication Issue:

January - February 2020

Abstract:

One of the most powerful roles of SMEs in many countries is the role of SMEs in the form of clusters. SME in it contributes greatly to the development of economy and even innovation. Thus, the character of SMEs in it gives a big influence on the success of the cluster. There are many literature studies discussing the theory of cluster SMEs, but very little about the food clusters, especially in developing countries. In this study, researchers focused on the characteristics of SMEs in food clusters in developing countries. In the context of this research the researcher discusses one of the food clusters in Indonesia. This research uses single case study research method on one of food cluster in West Java. Qualitative data approach through in-depth interviews and observations to SMEs in the cluster. This study supported the supporting literature data in this study. Analysis approach is by using descriptive analysis. Thus, it can be concluded that their characters are; Imitate the success of SMEs with little improvement; Suspicious with fellow SMEs in the cluster; Creative and innovative in developing of new products; They innovate on products except marketing.

Article History

Article Received: 18 May 2019

Revised: 14 July 2019

Accepted: 22 December 2019

Publication: 20 January 2020

Keywords: SMEs cluster; SMEs characters; SMEs characters in cluster; food cluster

I. INTRODUCTION

The development of industry and economy in any country one of which is, the contribution by Small and Medium Enterprises. Their role is widely acknowledged for its significant contribution to satisfying various socio-economic goals. Employment growth, output, promotion, and empowerment of the environment are the various contributions of SMEs (Sharma & Wadhawan, 2009). One of the most powerful roles of SMEs in many countries is the role of SMEs in the form of clusters. Due to the rapid and constant exchange of information can easily occur within the cluster. Creating competitiveness, which not only happens in clusters, but can have an impact on the economy regionally and nationally (Popkova et al., 2015). SME in it contributes

greatly to the development of economy and even innovation. Thus, the character of SMEs in it gives a big influence on the success of the cluster. One of the clusters that attract researchers is the cluster of processed foods. This cluster has the power to present delicious, unique, high quality products and with attractive price offerings. Where the within SMEs are required to be creative in processing and marketing their commercialization products. There are many literature studies discussing the theory of cluster SMEs, but very little about the food clusters, especially in developing countries. In this study, researchers focused on the characteristics of SMEs in food clusters in developing countries. In the context of this research the researcher discusses one of the food clusters in Indonesia.

II. Literature Review

SMEs in food cluster

The power of SMEs for national economic development cannot be ignored, although the size of the company is small but they have the flexibility to adapt to market changes quickly. The presence of SMEs in an area can also drive the regional economy (Bo & Qiuyan, 2012). Business performance of SMEs in Indonesia is usually measured through sales, revenue, market growth, and financial capacity in the short-term orientation, for the long-term orientation involves marketing performance. However, in practice SMEs are still struggling with their own business (Agus Anton, Muzakan, Farid Muhammad, Syamsudin, & Sidiq, 2015). Lack of managerial organizational capacity, limited resources, and low innovative capacity are the limitations possessed by SMEs so far (Mawardi, Choi, & Perera, 2011). One of the functions of the cluster is to overcome the limitations of SME size, productivity, innovation, and business competitiveness through physical proximity or the presence of SMEs. Where SME cluster boundaries are limited on the geographical side (Karaev, Koh, & Szamosi, 2007). Likewise with the SME cluster, where its important role can create competitive advantage (Evaldo Fensterseifer & Rastoin, 2013), where in this cluster there is interaction within SMEs, academia (researchers), and government (Morgulis-Yakushev & Sölvell, 2017). The advance of technology, especially the internet, is now making many SMEs begin to expand their marketing and sales to e-commerce / m-commerce (Jeansson et al., 2017). The Lee and Wall (2014) study, shows that food clusters can be developed into the tourism sector, because they offer the potential of agriculture with a touch of economic creativity. So, it can become one of the economic accelerators (Omholt, 2015).

The food cluster in this study is a processed food cluster. Where the SMEs in the cluster are

those who process raw materials from nature into a new form of food, it has a high selling value. The creation of a cluster, grounded by the active involvement of entrepreneurs with their local environment. They simultaneously build relationships and advocate resources to support their growing business. Indirectly, they build a cluster in conjunction with building the company. This community is built on geographical attachment by having similar interests around their technology (Feldman, 2014). As expressed by Najib and Kiminami (2011), in their study, there are two types of clusters in Indonesia, namely clusters formed through government programs and clusters formed naturally with traditional activities of local communities. In this second type of cluster, the SME therein produce specific products with specific skills. Cluster geographically provides three advantages namely; Helps to group labor, thus reducing unemployment or labor shortage; Helps to classify learning facilities because of the rapid exchange of information, thus increasing productivity; Helps reduce transaction costs with suppliers, so that SMEs in the cluster acquire easy raw materials and competitive prices (Klepper, 2011). It provides an advantage for the buyer to get the goods quality and variety at competitive prices or cheaper than the market price, if bought directly in the cluster (Burger, Kameo, & Sandee, 1999), including for food cluster.

SMEs characteristic in food cluster

The study of food clusters in India shows that SMEs in clusters have a good market orientation and innovation compared to dispersed SMEs (Das, 2013). This shows a positive trend about food clusters in developing countries that may have the same impact as in Indonesia. Speaking of the character of entrepreneurship in food clusters, researchers refer to various literatures on entrepreneurship in the cluster. As expressed by Vesalainen and Pihkala (2000), in their study, they classify the entrepreneurial identity into 5

dimensions namely; classical identity, intrapreneurial identity, custopreneurial identity, farmer identity, and non-entrepreneurial identity. In the activities of SMEs individually or in clusters, their productivity would be different. The researcher refers to Padilla and Cachanosky (2016) study of entrepreneurship productivity. There are three types of entrepreneurship, namely productive entrepreneurship, unproductive entrepreneurship, and destructive entrepreneurship. In the context of the cluster, of course, the characteristics of entrepreneurship affect directly and indirectly on the activities of SMEs in it. According to (Tambunan, 2005), there are three types of clusters in Indonesia, among others, "artisanal" cluster, "active" cluster, and "advanced" cluster. The "Artisanal" clusters are very dominant, where this cluster type shows that clustering process is in infant stage. The character of this cluster shows that the level of productivity and wage is still low compared to other types of clusters. The "Active" clusters are clusters that show significant progress such as, skill, technology, and their success in domestic and overseas market penetration. The "Advanced" cluster is an active cluster that has a more complex structure. This literature support becomes the researcher's material, to be discussed more deeply about the study under study.

III. Methodology

This research uses single case study research method (Aberdeen, 2013). The focus research of this study is spicy chips cluster at Pojok Cimahi, West Java, Indonesia. The researchers were using qualitative data approach based on in-depth interview result on unstructured questions (Creswell, 2007) to 6 SMEs in spicy chips cluster in Pojok, Cimahi, West Java, supported by literature and observation data. In the analysis and discussion in this study, researchers used

descriptive analysis to illustrate how the character of SMEs in this cluster. Thus, the purpose of this study will be fulfilled, that is, describe how the character of SMEs in clusters of food preparation in developing countries. In the future, this research is expected to be a contributory theory for further researches.

IV. Analysis and Discussion

Spicy chips cluster at Pojok Cimahi

This cluster is located in North Cimahi area, Cimahi City, West Java, Indonesia. Unlike many clusters in Indonesia located in the countryside, this cluster is located in an urban area. Referring to previous literature (Popkova et al., 2015), (Feldman, 2014), (Tambunan, 2005), POJOK Cimahi belongs to a cluster. Where SMEs in it have the same type of business, same business processes, and are in the same location. It makes the exchange of information and expertise fast in this cluster, as presented by (Popkova et al., 2015). This cluster is famous for its chips product; the most famous is the spicy cassava chips product. They commercialize this product with innovations, such as taste innovation, crispness, and savory. The price offered is also competitive. This is because the raw materials are easy to get, even the suppliers come directly to this cluster to offer raw material supply. Thus, there is a low cost transaction, as discussed by (Burger et al., 1999). Judging from the cluster forming process, based on the Najib and Kiminami (2011) literature, this cluster is formed naturally or on the initiative of the surrounding population. The progressively emerging new SMEs are their own neighbors. This community creates a strong relationship, especially in terms of marketing the name POJOK Cimahi as clusters of spicy chips in Indonesia. It invites many customers from various regions in Indonesia to come to this place and help the economy around directly and indirectly.

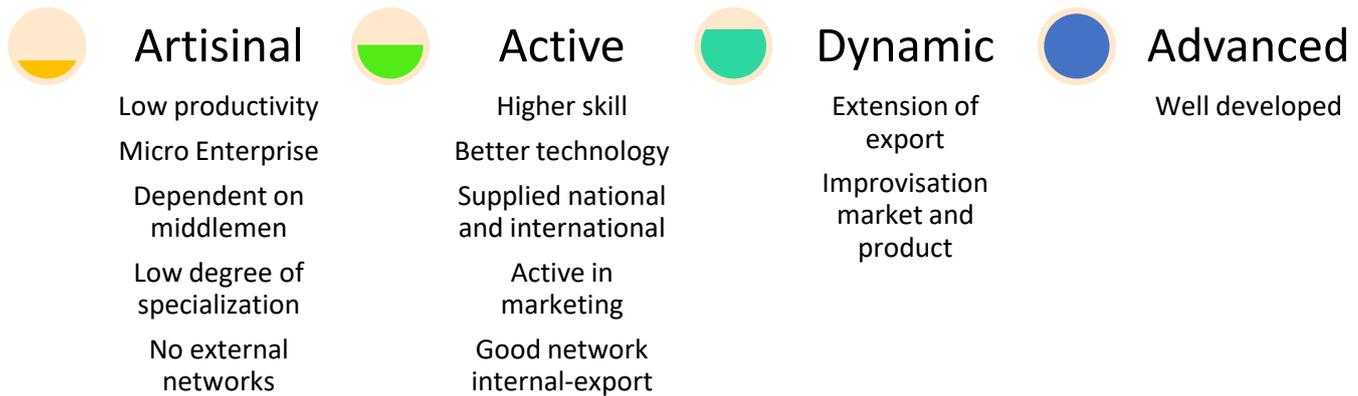


Fig. 1. Type of cluster

In the process of commercializing their products, they use medium technology, and they always do Research and Development to make products according to taste and input from customers. Thus, their products can continue to be accepted and re-purchased by new and old customers. From the activities of SMEs in the cluster, researchers categorize clusters in this cluster is "Active" cluster. As expressed by (Tambunan, 2005), POJOK Cimahi has activity characteristics in the "Active" cluster type, where they use expertise and enter from customers to commercialize their products in the domestic market or in various regions of Indonesia. This activity enables them to earn a lucrative profit margin, so this activity triggers the emergence of new SMEs in this cluster, with the same business sector. They also have involved e-commerce technology to market their products widely, such as through the marketplace and social commerce. The use of e-commerce by SMEs is also discussed in the Agag (2019) study.

SMEs characteristic at spicy chips cluster at Pojok Cimahi

As has been analyzed and discussed in depth about POJOK Cimahi as cluster, the conditions that occur affect the characteristics of SMEs in it. In this section the researchers will discuss about their characteristics. The character of SMEs becomes the determining factor of success of a cluster. As mentioned earlier, based on the results

of research through qualitative data approach, the researchers get some description about the character of SMEs in this cluster. Researchers will discuss more in depth descriptively. Referring to Vesalainen and Pihkala (2000), where they enter the category of identity craftsmanship to intrapreneurial identity, then the entrepreneurship identity in this cluster entered the category of intrapreneurial identity. POJOK Cimahi has intrapreneurial identity criteria because they have expertise in product innovation, have a positive attitude towards criticism and enter customers, and have organizational rules in a flexible cluster. So that SMEs in the cluster are entrepreneurship productive categories. Where they are able to mitigate the excess costs to get the maximum profit and how they work together with customers to keep customers loyal. As discussed earlier, what happens in this cluster affects the character of SMEs in it. The following researchers describe in depth how the character of SMEs that exist in this cluster.

1. Imitate the success of SMEs with little improvement

The development of this cluster can not be separated from the inspiration of one of successful SMEs doing business chips. The success inspires neighbors to participate in business in the same field. They imitate the successful business model and business process of SMEs with little improvement. They realize that a little

improvement or uniqueness can make their business get a gap of market share. Improvement is in the form, taste, tasty, crisp, competitive price, and good packaging. Thus, every SME in this cluster has its own target market, it is easier for customers to find products that fit the desired chips.

2. *Suspicious with fellow SMEs in the cluster*

Although they are in the same cluster area, even neighbors, they are very suspicious of the fellow SMEs in the cluster. This is because, to minimize the risk of corporate secrets uncovered or imitated by other SMEs. Therefore, the community organization of SME chips in this cluster is not running well. This has a positive and negative impact, where the positive impact of SMEs in this cluster is very concerned about the benefits of the company, thus keeping the company's secrets well. Negative impacts that occur, they can not take advantage of opportunities together, such as creating programs that are aligned with the needs of SMEs in this cluster. Thus, they can participate in the success of clusters simultaneously.

3. *Creative and innovative in developing of new products*

Products produced and sold by SMEs in this cluster, do not stop at one type of chips alone. They develop into various variants of kripik type with various kinds of raw materials. So make the customers who come to this cluster can buy various kinds of chips. Innovation and their creativity in offering various products, not apart from the role of customers. They process various kinds of chips with various kinds of taste according to the customer's input, so that their products are easily accepted by the market. Therefore, they do not have too much experience in market penetration.

4. *They innovate on products except marketing*

This character may be the weakness of SMEs

here. Almost the same as the character of SMEs in other clusters, they are weak in marketing. They can make good and quality products, but they are weak in marketing the product. Thus, the profit margin obtained is not maximal. It can also be seen in the context of clusters, where they rely heavily on customers who come directly to the cluster, rather than marketing out of the cluster. Thus, their income is very dependent on the number of customers who come. This is unfortunate, where SMEs (outside clusters) who market chips outside the cluster using the brand and actively marketing their products, earn a higher profit margin than SMEs in this cluster. SMEs in this cluster have expertise in making products and high willingness to innovate, it would be better if the power is synergized with innovation and creativity in the field of marketing.

V. CONCLUSION AND RECOMMENDATION

Conclusion

Cluster POJOK Cimahi is one of the food processing clusters that develop quite well in urban areas. They can process raw materials of low value into snacks that have a profitable sale value. POJOK Cimahi is located in a strategic location, making this cluster easy to access. The existence of this cluster provides various advantages that support the productivity of SMEs in it. This is very useful and has a positive impact on their competitiveness. Based on the results of discussion and analysis combined with the support of the literature, it appears that this cluster has the strength in the character of SMEs. The SMEs in this cluster, have the motivation to innovate and be creative in processing products that suit the tastes of customers. Thus, their products can well enter the market. In fact, the SMEs in this cluster have the ability to find a niche market that they can focus on. Therefore, every SME in this cluster has its own market share with the uniqueness of its own product. Nevertheless, they have

limitations in developing innovation and creativity in marketing. Thus, the majority of SMEs rely on customers who come directly to the cluster or rely on loyal customers. Thus, it can be concluded that their characters are; Imitate the success of SMEs with little improvement; Suspicious with fellow SMEs in the cluster; Creative and innovative in developing of new products; They innovate on products except marketing.

Recommendation

The strength of cluster and character possessed by SMEs, can be a positive synergy for the SMEs that are in it. This can be one of the success factors of SMEs. Thus, the recommendation of this study is related to the character of SMEs, including;

1. Market name of POJOK Cimahi actively as one of chips cluster in Indonesia, cooperate with local government
2. Reactivate the existing community chips organization in this cluster
3. Innovate and creativity in marketing and promotion

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