

## MEDIUM ENTERPRISES (MSME) EMBROIDERY, USING DIAMOND CLUSTER MODEL IN PADURENAN VILLAGE KUDUS CENTRAL JAVA: A PILOT PROJECT IN RURAL PRODUCTIVE ECONOMY FOR SUPPORT MP3EI PROGRAM

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### ABSTRACT

*Empowering Cooperatives and Micro, Small and Medium Enterprises (MSME) is an integral part of national development, which is aimed at establishing a just and prosperous society. In the economic development of the 1945 Constitution explicitly emphasizes the principle of kinship implementation (Article 33 paragraph 1) and the implementation of the national economy based on economic democracy (Article 33, paragraph 4). Accordingly, policies that support on Cooperatives and MSME become widespread expectations amid growing public awareness and concern for the people's economy. Therefore, in addition to growth and economic stability, an important aspect that a major agenda in the process of acceleration and expansion of economic development today and in the future is a national economic independence and an equitable distribution of development. In this case, the empowerment of cooperatives and MSME, are directly related to the life and welfare for the majority of the people of Indonesia (pro-poor). The potential and the strategic role have proven to be a pillar of strength and national economic growth (pro-growth). With its strategic role, the cooperatives and SMEs is one of the supporters of the Acceleration and Expansion of Indonesia's Economic Development launched by the President in 2010. In that respect, and in line with the program Master plan Economic Development Acceleration and Expansion of Indonesia, University as one of the three pillars underpinning pillars of regional development and local government as well as industry or SMEs, are expected to contribute in terms of development, in collaboration with the related, in this case the Department of Industry, Cooperatives and MSME, Muria kudus University through the National Priorities Research MP3EI plans to create programs embroidery and garment cluster development using diamond cluster model in the Padurenan village Kudus. The purpose of this program are: to develop productive rural village centers Padurenan as embroidery and convection by the number of MSME entrepreneurs largest embroidery and garment in Kudus by applying cluster-based cooperative management and become one of the pilot project to support the acceleration of productive rural economy in Central Java.*

**Keyword:** Cluster management, MSME, diamond cluster, pilot project, embroidery

### INTRODUCTION

Economic conditions in Kudus since the crisis 1998 until now experiencing ups and downs. On economic growth in the period between 2003 s / d 2008, economic growth averaged 13.75% with an average GDP of Rp 21,792,939,560,000, -. Average achievement growth of 4.53% with an average GDP of Rp 10,914,409,410,000, -. The rate of inflation in a row: in 2004 amounted to 6.11%, in 2005 was 17.73%, 2006 was 6.18%, in 2007 was 6.79% and in 2008 at 11.99%.

Viewed from the side of the business unit, in 2005 the number reached 13,482 units with 154,184 labor absorption. The year 2006 has decreased the amount of 10 230 units, but the amount of absorption of labor actually increased to number 185,135. In 2007 again increased, both in the number of business units, reaching 10,448 units, as well as in terms of the amount of labor absorption, which absorb 213,441 workers. In 2008 again there was an increase, with the number of business units 10,542 units and the number of workers absorbed reaching 213,850 workers. Based on data from the Department of Industry, Cooperatives and Micro, Small and Medium Kudus, the number of industrial units of various classifications of 10,448 units and the amount of employee of 213,441.

MSME in Kudus has an important role and strategic, especially in terms of the number of units of its business until the year 2008 reached 10,542 units with the absorption of at least some 50% of the workforce. Although the number of dominant and quite large, but the increase in the role of the regional economy is relatively still sluggish. Therefore, this sector should be encouraged and facilitated to be able to optimize existing resources, in order to have value-added and highly competitive, so it can play a role in accelerating economic growth and future.

From this background and in line with the Master Plan for the Acceleration and Expansion of Indonesia's Economic Development, University as one of the three pillars underpinning regional development and local government as well as industry or SMEs, are expected to contribute in terms of development, in collaboration with stakeholders, in this case the Department of Industry, Cooperatives and SME Kudus, Muria Kudus University through the National Priorities Research MP3EI plans to create programs embroidery and development of MSME clusters that exist in Kudus.

## **RESEARCH METHOD**

### **Approach**

The approach used in this program is the value chain. Value chain is as a series of productive processes input from providers of a product, production, marketing and distribution to final consumers.

### **Strategy**

The development strategy is based on: a) Potential resources include commodities held, b) Encourage increased role of village institutions, universities, institutions, private companies, public enterprises, BUMD, BUMN and communities to build the rural economy synergistically, c) Mobilize funding sources (APBN, APBD, bank, etc.) as loans, equity investments or grants.

### **Target**

Target development is: a) Embroidery entrepreneurs in Padurenan village, b) Cooperative department-owned businesses

### **Implementation**

Steps for implementation are:

1. Workshop participation in the preparation of the strategy and action plan in upgrading embroidery cluster development, the workshop aims GTZ RED introduces who will work with stakeholders in development framework, increasing the active participation of the MSME embroidery and convection and Work Unit

- (SKPD) for providing advice in cluster development, obtain input in order to draw up an action plan embroidery and garment cluster development in Padurenan village.
2. Community empowerment in rural Padurenan productive as a religious man, creative, productive, and have business ethics and social capital is high.
  3. Encourage the active involvement of government officials in the development of infrastructure as well as relevant stakeholders in enhancing industrial competitiveness embroidery and convection thus supporting the realization of Diamond Cluster embroidery and convection in the village earning Padurenan
  4. Encouraging the growth of various industries as well as supporting business networks together to improve competitiveness

**RESULT**

In implementing the approach of Diamond Clusters (Michael Porter, 1998), value chain is also used tools to identify potential and constraints in clusters as a way to turn the cluster diamond embroidery and convection in Padurenan. The matrix model by Michael Porter’s Diamond is as follows:



Figure 1. Michael Porter’s Diamond

**Table 1. Components in Diamond Cluster**

No	Components	Factors
1	Input:	Raw materials, human resources, financial resources, infrastructure, facilities, production
2	Demand conditions	The local market, national and global, and demand quality products from consumer
3	Supporting industries and institutions	District Government, surrounding markets, industries and traders of raw materials and auxiliary materials, banks, private companies, state-owned enterprises, local state-owned
4	The strategy competition	Government policies that support, facilitation of access to finance, access to markets, access to production, development and human resource training

The facilitation of a team of facilitators and their results are as the following:

**Table 2. Facilitation and Achievements**

<i>No</i>	<i>Components</i>	<i>Facilitation Have Done</i>	<i>Achievements</i>
1	Input: Raw materials Human Resources Source of funding Infrastructure and production facilities	Encourage cluster for supply-managed joint KSU Padurenan Jaya Training for SMEs (convection and embroidery), comparative studies of the operation of the cooperative system Access to finance investments and working capital of the Bank Encourage the district government and provincial governments to build infrastructure in rural productive cluster Padurenan embroidery. Loan Sewing machines and mannequins from government	Built in joint supply-managed cluster KSU Padurenan Jaya through funds from the Bank, so that members of the cluster to obtain the material more easily and competitively priced Improved skills and competencies of SMEs to improve product quality
2	Demand conditions	Market Survey of GTZ and Bank Central Java Facilitation in exhibitions at regional and national level	Identified high demand products and markets that need to be developed
3	Supporting industries and institutions	Support from a team of facilitators comprising SKPD, banking and GTZ RED	Reached coordination among stakeholders involved in the facilitation team suit each task
4	The strategy competition	Government policies to support the implementation of productive rural cluster embroidery and convection Facilitate the implementation of cluster management in the KSU Padurenan Jaya.	Increased social capital in clusters through the operationalization of KSU Padurenan Jaya as embryonic Cluster Management

## CONCLUSION

By adopting the approach used Diamond Cluster Porter (1998) and the use of value chain to identify bottlenecks, facilitating the efforts made to turn Diamond Cluster component in the component input, the condition demand, related and supporting industries, and competition strategies in achieve increased competitiveness cluster. In the course of the intervention team facilitation of GTZ RED are to be implemented in the cluster effective management model using Cluster (Cluster Management/ CM). Cluster Management is the development and implementation of a structure, processes, tools and organizational capabilities to it, that cluster becomes an effective cluster.

The main purpose of cluster management is to maximize the benefits of the economic cluster members and their competitiveness through:

1. An increase in the power of innovation by combining the competencies and resources,
2. Increasing productivity through the provision of better access to factors of production and dissemination of production technologies and the latest management devices, and

3. Facilitate commercialization through marketing and distribution joint.

In the embroidery and garment Padurenan cluster, this cluster management implementation will be realized in the form of the activity of the CM was in the container Multipurpose Cooperative Jaya Padurenan effort that has been inaugurated on August 9, 2009. based on Annual Meeting of Members (RAT) has made progress review activities during 2009 to preparing a business plan KSU Padurenan Jaya integrated with embryonic activity CM forward. In business plan KSU are three activities agreed to implemented, in terms of savings and loan cooperatives, joint supply materials, and joint marketing as an activity within the framework of cooperative and CM. through This is a deal that will be a shared vision in implementing cluster members activity in the future.

In addition, qualitative achievements also need to be considered in carry out activities in the future are as follows:

1. The product: the creation of High quality embroidery applied in the design of fashion designer the emergence of new types of products such as handicrafts and embroidery painting training results innovation embroidery,
2. The cluster activity (social capital) is embryonic cluster operation management (CM) in a container KSU Padurenan CM Jaya and their activities in the form of joint supply auxiliary materials in the cluster.

Implementation based interventions for upgrading in Padurenan, lessons learned obtained by the facilitator of productive rural development cluster embroidery and convection in Padurenan, as follows:

1. In terms of methodology: Diamond Cluster approach can be used to mapping conditions existing cluster based components in Diamond Cluster, which in turn required the use of other methods in this value chain to identify potential and constraints in the cluster
2. From the perspective of SMEs: (a) increasing consumer awareness of regional and national level regarding product Padurenan be offset by an increase product quality and productivity of factors of production, (b) still needs to improve social capital in clusters so that SMEs must be willing to work together and compete fairly in the cluster, (c) increasing the understanding of marketing (market needs, market trends, competitors) and raw materials as well as materials maid
3. For Team Facilitator: still needed more intensive coordination efforts of the team and continued efforts to build partnerships with other parties that may further accelerate the increase in the competitiveness clusters

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