

PROCEEDING

International Multidisciplinary Conference (IMC) 2014

**“Asean Economic Community: Transformation, Policy,
Partnership and Action Toward Regional Prosperity”**

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**“Asean Economic Community: Transformation, Policy,
Partnership and Action toward Regional Prosperity”**

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PREFACE

This publication document the refereed, review and edited paper presented at the International Multidisciplinary Conference (IMC) with main theme "*Asean Economic Community: Transformation, Policy, Partnership and Action toward Regional Prosperity*" held at School of Postgraduate Studies, University of Muhammadiyah Jakarta, Jakarta, Indonesia, 12-13 November 2014.

The conference had highlighted, discussed and analyzed wide range of issues pertaining to transformation, policy, partnership, and action toward regional prosperity among regional ASEAN, neighbour, and implication to worldwide. The Proceeding and paper of the conference had have been grouped under eight theme and twenty six sub theme the following headings;

1. Politic, Policy, Law and Governance
2. Economic, Finance and Management
3. Science, Environment and Technology
4. Language, Madeia and Communication
5. Psychology, Education and Development
6. Health, Nursing and Social Work
7. Religion, Art, Culture and Tourism
8. Children, Women, and Family

All theme and sub theme having crucial topics that represent an important region, this International Multidisciplinary Conference is expected to contribute the regional development of new strategies from multidisciplinary perspective beyond the ASEAN Economic Community. The Proceeding include a number of good ideas, arguments, and opinions, which have implication for transoformation, policy, practice and research. Important for academic, this publication may be used as source of reference material for citations and references.

On behalf of the Steering Committee, I congratulate to all the keynote speakers and paper presenter, also active participants. The thoughts of all the speakers have been highly regarded and have significantly added value of the conference. I trust that International Multidisciplinary Conference 2014 will be a memorable one and I hope that an international multidisciplin network will be retained. Again, I wish to thanks each and every delegate for the support given to make this conference possible.

May we all be in continued spirit to achieve an inclusive and equitable ASEAN community and human prosperity.

PROFESSOR ADI FAHRUDIN, Ph.D
Chair
International Multidisciplinary Conference &
Editor

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**SCIENCE, ENVIRONMENT
AND
TECHNOLOGY**



COMPETITIVE ADVANTAGE MODEL IN SMALL AND MICRO ENTERPRISE SMEs BATIK

(Focus on Effect of Government Policy, Resources, Entrepreneurship, Cost
Leadership Strategy and Differentiation Strategy as Intervening Variable)

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Abstract

The goal of this research is to develop economics, especially in strategical management science aiming the development of fit model for high degree competitiveness in Micro and Middle Enterprise SMEs (Usaha Mikro Kecil dan Menengah and abbreviated as UMKM in *bahasa*) in Batik (Indonesian traditional hand-made clothing design by applying wax (malam in *bahasa*)). The practical aim of this research is to apply this model serving as an alternative input for Batik Micro Enterprise in order to develop their high degree competitiveness. The result of this study is tended to give input for Indonesian government in terms of maintenance policy effectiveness and in up scaling Batik Micro Enterprise. This study analyzed the governmental role, resources and entrepreneurship in affecting the leadership cost and differential strategy in building the high degree competitiveness of Batik Micro Enterprise by applying the descriptive analysis and Structural Equation Modelling (SEM). The data were processed with AMOS software. The Respondents were taken from batik's small enterprise in jogja and solo as many as 144 enterprise, registered in the Department of Cooperatives and SMEs jogja and solo. The researcher found that most of strategy batik's small enterprise are differentiation strategies. Government and resources variable have a positive influence and significant to competitive advantage by batik Micro Enterprise.

Keywords: government role, resources, entrepreneurship, competitive advantage, cost leadership strategy dan differentiation strategy

INTRODUCTION

Micro, small and medium enterprises (SMEs) is the work done by most people all over the country, both in developed countries and in developing countries. In the United States, the number of small businesses that are less than 100 employees account for about 24.92 million people, or 99.7 percent, and the remaining 0.3 percent are medium and large businesses. Nearly 90 percent of small businesses employing less than 20 people. Small businesses are labor-intensive effort, so as likely to create more jobs. Small businesses create two thirds to three quarters of the new jobs in the United States economy. Based on the research of David Birch, only 3 percent of small businesses, which create 70 percent of new jobs, growth of 20 percent or more per year. Most of the small businesses do not grow and do not create many jobs. Small businesses also contributed 51 percent to the Gross Domestic Product (GDP). In addition, many small businesses also create new ideas, products, and new services and have a very

important role in innovation. Many important discoveries that can be traced its roots from an entrepreneur (an entrepreneur) includes zipper, FM radio, laser, air conditioning, escalators, light bulb, computers, and automatic transmission (Zimmere, Scarborough, and Wilson. 2008).

In Indonesia, the number of SME population in 2011 reached 55.2 million units or 99.99 percent of the total Indonesian unit. In 2011, the number of people working in SMEs reached 101,722.458 people or 97.24 percent of all Indonesian workers numbering 613 681 104 people. In 2011, the amount of the contribution of SMEs to GDP by 57.94 percent, while large enterprises contributed 42.6 percent to the GDP.

In 1997 when the economic crisis, many large companies in Indonesia are falling, but SMEs still survive, and even experienced growth. This is because small businesses are evenly distributed in all parts of Indonesia, most of who are independent businesses. Strengthen and develop SMEs means to reduce unemployment and poverty. While many large businesses are actually reducing its workforce to be replaced with machinery or electronic equipment and computers.

The results of the economic census in 2006 showed that in Indonesia, 47.7 percent of SMEs do not have a plan or expand their business pengembangan upcoming year. What is meant by "developing / expanding a business" is a business plan to expand, opening branches, improving skills, or other. SMEs that do not have the plan because of not only the problem of capital, but also a marketing issue. Indeed, it is clear, 50.2 percent of MSEs do not have a plan because of the difficulty of capital, followed by 24.2 percent due to the constraints of marketing.

Due to various constraints faced by small businesses, especially in terms of marketing, the low bargaining power of small business. It also does not have a competitive advantage that its competitiveness was low. To overcome the various problems faced by SMEs need the participation of government as regulator, facilitator, and motivator. So far the government has issued various policies in an effort to nurture, empower and develop SMEs, to enhance national economic development based community economy or economic democracy. However, in reality the policies that have been made have not been able to be fully implemented to address the various problems facing SMEs.

Batik is strategic SMEs to be empowered and developed, as it is one of Indonesia's cultural heritage, which has been recognized by UNESCO as a World Masterpieces of the Oral, and Intangible Heritage of Humanity. Historically, batik has existed since the seventh century in the kingdom of Srivijaya, and continues to grow as the cultural activities of the Majapahit kingdom and other kingdoms in Java. New Batik Indonesia became the people's business since the 18th century AD Indonesian batik industry has contributed creative economy Rp 3 trillion each year and is able to absorb up to 7 million people working either directly or indirectly (Indonesia.com media on Wednesday, 25 May 2011).

Literature Review

The competitive advantage of SMEs. Unique challenges of SMEs today are globalization, increased customer expectations, technological advances, and increased competition. Models, business process improvement, and business management techniques have been widely used by and originate from large organizations, and the private sector, which are not necessarily applicable to SMEs. It is considered appropriate by the researchers to make the argument that the planning and the process of change from a large organization can be applied to SMEs with less formal manner or on a smaller scale (McAdam, 2000; McAdam & Armstrong, 2001, and Curran & Blackburn 2001 in Banham, 2010).

To be able to survive and grow in a healthy manner, then SMEs require the ability to respond to the growing expectations of customers by utilizing creativity and exploit technological advances in order to compete both nationally and globally (Banham, 2010).

Competing ways that have been used by SMEs, which only uses just such a comparative advantage of cheap labor and abundant natural resources, for now and in the future is no longer appropriate. SMEs face a competitive environment that is changing very rapidly due to the influence of communication technology, information technology, and technology to produce goods and services more efficiently, effectively, and productively. In order to have high competitiveness of SMEs need the ability to create benefit by using the competitive advantage is the ability to compete on the cost, quality, shipping / delivery, and flexibility (Porter in UNCTAD, 2005: 5).

A study analyzing 1,789 strategic business units (SBU) found that businesses that combine differentiation and cost leadership, as a competitive advantage is better performance compared to using only one strategy. Lowest performance occurs when the business unit is not to identify the types of advantages (Dess, Lumkin, Eisner, 2008: 157).

Table 1.1
 Strategies for Gaining Competitive Advantage

	Competitive Advantage					
	Differentiation and Cost	Differentiation	Cost	Differentiation and Focus	Cost and Focus	Stay In Midst
Performance						
Return of Investment (%)	35,5	32,9	30,2	17	23,7	17,8
Sales Growth (%)	15,1	13,5	13,5	16,4	17,5	12,2
Addition of Market Share	5,3	5,3	5,5	6,1	6,3	4,4
Sample Size	123	160	100	141	86	105

Source: Dess, Lumkin, Eisner, 2008: 157

Assets and processes within an organization that provides a competitive advantage is a source of competitiveness. Competitiveness is divided into three, namely the country's competitiveness, industrial competitiveness, and competitiveness of the company. Competitiveness reflects the economic strength of a country, industry or company taking into account economic competitors in the global market in which goods, services, people, skills, and ideas move freely across geographical boundaries (Murths, 1998, in Ambastha and Momaya, 2004).

Competitive advantage in general indicates that the company can achieve higher performance than the competitors in the industry can by utilizing the assets and or competence. There are two streams of theories of competitive strategy that influence the competitive advantage. One of them is the theory of Porter (1994) in Lee and Hsieh (2010) which describes its positioning within the structure of the competitive strategy and the use of "five forces (" five forces ") to analyze the competitive advantage in the industry. The theory suggests that a company should choose an appropriate position in the industry, to further relieve the pressure of competition, or to take some action on its competitors, so that the company's own benefit.

Another school is the resource-based view (resource-based view / RBV) proposed by Wernerfelt (1984) and emphasized by Prahalad and Hamel (1994) in Lee and Hsieh (2010). RBV suggests that the competitive advantage of a company should be built based on its core competencies, which include resources (tangible) and invisible (intangible).

Jacobson (1988) and Porter (1990) in Lee and Hsieh (2010) define sustainable competitive advantage as a competitive advantage to survive in a long time. Such competitive advantage must have the following characteristics: 1). Sustainable: A company should lead its competitors on an ongoing basis or survive in a little time, and will end when the competitors managed to replicate the same competitive advantage; 2). Uniqueness: A company only needs to pick the competencies possessed by a small number of companies; 3. Robustness: A company needs to lead the company's competitors with a significant gap.

Role of Government. The primary roles of government in the development of creative industries (Ministry, 2008) are as:

1. **Catalyst, facilitator, and advocate.** The government has the political power that can be used to create creative business environment to provide stimulation, challenge, and encouragement of creative ideas that move the business to a level of competence that is higher.
2. **Regulator** Government as regulator making policies related businesses people, industrial, institutional, intermediary, resources, and technology. Wisdom government to be one of the tools to create a conducive business climate. Government policies that have been made should be regulated by a particular mechanism, so that can be implemented.

The Government of Indonesia has set several SME development policies:

1. Government Regulation No. 44 Year 1997 About the Partnership.
2. Government Regulation No. 32 Year 1998 concerning Guidance and Development Small Business.

3. Instruction President of the Republic of Indonesia Number 10 Year 1999 on Empowerment Medium Enterprises.
4. Regulation of the State Minister of Cooperatives and Small and Medium Enterprises Republic of Indonesia Number: 23/Per/M.Kukm/Xi/2005 Amendments to the Decree of the State Minister of Cooperatives and Small and Medium Enterprises Number: 32/Kep/M.Kukm/Iv/2003 about Guidelines for Growth and Development Centers Small And Medium Enterprises
5. Indonesian Presidential Instruction No. 6 of 2007 on the Acceleration of Real Sector Development and Empowerment of Micro, Small and Intermediate.
6. Regulation of the State Minister of Cooperatives and Small and Medium Enterprises Republic of Indonesia Number: 02/Per/M.KUKM/I/2008 About Guidelines for Empowering Business Development Services-Provider (Beds-P) for the Development of Cooperatives, Micro, Small and Medium Enterprises (MSME)
7. Law of the Republic of Indonesia Number 20 Year 2008 on Micro, Small, and Medium.

MSME development policy has been quite a lot, but in practice not meet the needs, especially the needs of micro and small businesses, because it has not fully implemented and well socialized. For example, in the capital MSME policy.

Entrepreneurship. Entrepreneurs are often defined as those who organize and manage business risk-taking for profit. An entrepreneur is really as a strategist. He made a strategic and operational decision. Strategi all levels, be it corporate, business, and functional managers be a concern as the founder and owner of the company (Hunger and Wheelen, 2012). Meanwhile, according to Schumpeter (1934) in Rodney et al (2008), who first described the entrepreneur as an innovator? Entrepreneurial orientation is evidenced by the apparent trend to innovativeness, proactive, and willing to take risks.

Entrepreneurship development in SMEs has been part of the development plan of action in India, Malaysia, Pakistan, and Philippine. Such initiatives are also undertaken by Bangladesh and Nepal. Promotion of entrepreneurship among small industries widely addressed by a combination of public sector organizations and the cooperation of public and private organizations in several countries. In Bangladesh, India, Malaysia, Pakistan, and Philippine, the Prime Minister or the President has emphasized in his speech about the importance of building entrepreneurship. In Malaysia have been established SME Award and Quality Award, as well as in Indonesia, SME Award and Quality Award was successfully launched for SMEs (Baig, 2007, APO, Integrated Report). The award aims to motivate SMEs to develop entrepreneurial and produce a quality product.

Cost Leadership Strategy. For small businesses, to achieve the cheapest price, special attention should be given to all activities in the business ranging from material purchase to final sale to the end customer. Competition today is no longer from business to business but from the supply chain to supply chain. Lowest price among all members of the supply chain will result in lower prices than retailers result last and increase demand without reducing profit margins. Different strategies can help to obtain a price leadership strategy in an industry. The most common strategy used by many small businesses is the economies of scale and learning, business process re-engineering, product design, and purchase materials in large amounts (Small Business Course).

Some of the ways that can be done by the company to achieve cost advantage, namely by improving the efficiency of the process, adding a unique access to sources of raw materials (materials) are large at lower prices, making optimal outsourcing and make decisions that are vertically integrated, or avoid some of the overall costs (QuickMBA).

Company Resources. Dess, Lumpkin, and Eisner (2008) explains that the company's resources include all assets, capabilities, organizational processes, information, knowledge, etc. controlled by the company and can be developed and can be implemented for value creation strategy.

Resource-based view (the Resource-Based View / RBV) offers basic theory about the importance of a wide range of resources for competitiveness and performance of the company. RBV argues that firms can achieve and maintain a competitive advantage if they have the resources tangible and intangible valuable, rare, inimitable and irreplaceable (Barney, 1991; Wernerfelt, 1984 in Roxas and Chadee, 2011). Four characteristics of the resources, as described by Barney (2007) in Roxas and Chadee, 2011 is seen as a strategic asset if properly mobilized, build and maintain a competitive advantage and improve performance.

RBV combines two perspectives: 1) Analysis of internal company, and 2) an external analysis of the industry and the competitive environment in an integrated way. The ability of the company's resources to provide a competitive advantage can not be determined without taking into account the broader context of competition (Dess, Lumpkin, and Eisner, 2008: 88). It is important to note that the resource itself cannot create a competitive advantage if it is not integrated with value creation activities are important as well as marketing and sales. Therefore, the central theme of the RBV of the firm is that competitive advantage is created and maintained through a combination of uniquely from some resources.

Micro, Small and Batik . According to Law No. 20 Year 2008 on Micro, Small and Medium Enterprises, Article 6 stated that the criteria for SMEs based on total net assets, excluding land and buildings, and the number of sales per year, as can be seen in the table which follows.

Table 1.2
Criteria for Micro, Small and Medium Enterprises

Nature of Business	Net Wealth (USD)	Annual Sales (USD)
Micro	50 million	300 million
Small Business	> 50 million - 500 million	500 million - 2.5 billion
Medium Enterprises	500 million - 10 billion	2.5 billion - 50 billion

Among small and medium enterprises, batik business has very special characteristics, and has Indonesian cultures that consistently survive. With the influence of a particular region motifs, batik evolved and spread, especially in Java, for example, known as Batik Garut, Tasikmalaya, Kudadu, Pekalongan, Kedungwuni, Tegal, Banyumas, Navan, Kudus, Demak, Surakarta, Yogyakarta, Heilbron, Apex, Lasem and Madura. Meanwhile, until the batik current regional growing nationally (Bank Indonesia, 2001). According Ulum (2010), batik has been around since the Kingdom Mojopahit, and then extends to the Kingdom of Mataram, Solo, and Yogyakarta. In Java, batik is also not only growing and expanding into the island of Sumatra.

More than just a cultural heritage, batik has been transformed into the industry that provides high's contribution to the Indonesian economy. Batik industry export value reached US \$ 32.28 in 2008, and the first quarterly of 2009, the export value reached US \$ 10.86 million. Originally, batik became one of the kings of the family culture as clothing royal family and their followers. Many followers of the king who lived outside Kerton, they brought the art of batik is out of the palace, and then the making of batik cloth made in their respective places. Long batik art was imitated by the people nearest and subsequently expanded into the work of women in the household to fill his spare time. Furthermore, batik clothes that used only the royal family then became popular folk clothes, both women and men.

In general, the process of making batik through 3 stages: coloring, giving the night (candles) on the fabric and release wax from the cloth. White cloth that will be based on batik can be colored according to our tastes remain white or before then in the given night. The process of giving tonight can use the process of batik canting or with a hand stamp process. In the evening, the fabric is given a batik dyeing process cannot go on as it is covered by the night (wax resist). After a given night, batik dyed. This coloring process can be performed several times as you wish what color you want. If the process of coloring, and the night finished the night dilunturkan the heating process. Batik, which has been boiled until the evening, so be melted and separated from the water. The boiling process is done two times, the last with a solution of soda ash to turn off the color attached to batik, and avoid smearing. After the boiling is complete, batik soaked cold water and dried (<http://batikpekalongan.wordpress.com/category/teknik-batik-making>). On October 2, 2009, Batik has a patent as non-objects of cultural heritage, cultural heritage among the 76 non-object world. This patent was obtained through the Organization of Educational, Scientific, and Cultural Organization (UNESCO). Despite of 76 arts and cultural heritage that is recognized the world, Indonesia is only donate one, while China 21 and Japan 13 legacies (Ulum, 2010).

Previous Research

Previous research studies related to the influence of the Role of Government, Social Media, the Cost Leadership Strategy and Differentiation Strategies, and Impact on Competitive Advantage of SMEs, can be seen in the following table.

Tabel 1.3
Previous Research

No	Researcher	Topic/ Title	The results related to this study	The similarity with this study	Information
1	Rodney et al (2004),	Entrepreneurial Orientation versus Small Business Orientation: What Are Their Relationships to Firm Performance	Entrepreneurship Orientation young (<11 years) → Performance. Small Business Orientation elderly (> 11 years) → performance	Entrepreneurship	Research in the United States, 267 small businesses, using SEM
2	Lcc, Jia-Sheng and Chia-Jung Hsieh (2009)	A Research In Relating Entrepreneurship, Marketing Capability, Innovative Capability And Sustained Competitive Advantage	Entrepreneurship → Sustainable competitive advantage, an indirect effect through marketing capabilities and innovation capabilities	Entrepreneurship directly affect the competitive advantage of	Research in Taiwan 1000 companies manufacturing Using SEM / Lisrel 8.7
3	Pribadi and Kanai (2011)	Examining and Exploring Indonesia Small and Medium Enterprise Performance: An Empirical Study	Internal and external factors → SME strategy. SMEs with high performance tend to use a differentiation strategy Emphasizing on the assets of the organization and human resource capabilities and focus on customer needs.	<ul style="list-style-type: none"> • Differentiation strategy • Researchers took the role of government to internal factors, and entrepreneurial resources of the internal factors, and 2 competitive strategy. 	In East Java, Indonesia. Number of samples 258 people. Using Factor Analysis Confirmatory
4	Roxas and Chadee, 2011	A Resource-Based View Of Small Export Firms' Social Capital In A Southeast Asian Country	This study shows that superior performance is a function of a valuable resource cannot be duplicated and organized enough to develop and maintain the company's competitive advantage. Entrepreneurial orientation influence on export performance.	<ul style="list-style-type: none"> • Resources • Entrepreneurship • Competitive Advantage 	in Philippine Sample of 175 small firms export. using SEM
5	Raduan at	A Conceptual	Organization's	Resources	Malaysia

	al, 2009	Framework of the Relationship between Organizational Resources, Capabilities, Systems, Competitive Advantage and Performance	resources, capabilities, and systems directly affect the competitive advantage, and performance, as well as indirect effect on performance through competitive advantage.	directly influence Competitive advantage	Using SEM
6	Rami Schayek, 2011	The Effect of Strategic Planning, Entrepreneurship, Human and Financial Resources, and Market Orientation on Small Business Performance	Entrepreneurship, financial resources, and market orientation directly influence the performance of small businesses, while the strategic planning and human resources had no effect on both Path and SEM models.	Entrepreneurship, resources (human and financial).	Israel, sample 135 small trade and service business development project participants conducted by the Ministry of Industry, Trade and Labor Israel. Menggunakan path analysis and SEM
7	Wingwon, and Piriyaikul, 2010	Antecedents of PLS path model for competitive advantage and financial performance of SMEs in Thailand	Entrepreneurship → Logistics Performance Entrepreneurship → Operating Performance Entrepreneurship → performance Marketing	Entrepreneurship	Total sample of 450 respondents SME General Manager Northern Region of Thailand. using SEM
8	Yan, Shigang, 2010.	Competitive Strategy and Business Environment: The Case of Small Enterprises in China	This study confirmed the importance of generating a competitive strategy to achieve competitive advantage. Four competitive strategy in question is the cost strategy, differentiation, innovation, and collaboration which are all positively	Cost strategy and differentiation strategy is critical to achieving competitive advantage.	Survey on SMEs in the Big City and Province in China, with 133 samples. Using correlational analysis.

			correlated to the performance of Chinese SMEs		
9	Mirza P, 2011	Environmental Influence Of External And Internal Environment Competitive Strategy and Partnership Strategy And Its Impact On Competitive Advantage And Their Implications On Small And Medium Industry Performance In West Sumatr	Competitive Strategy → External Environment, Internal Environment → Competitive Strategy, Competitive Strategy → Competitive Advantage.	The role of government is one variable external environment. Entrepreneurship and resources are part of the internal environment. Cost Leadership and Differentiation Strategies are competing → competitive advantage strategy (Competitive Advantage).	Doctoral Dissertation Economics UNPAD Bandung. The unit of analysis in the SME sector embroidery, embroidery, and weaving which operates in West Sumatra, and customers. Using SEM
10	A.B Susanto, 2011	Influence Government Policy and Resources Strategy Tourism to Compete, and Their Impact on Tourism Business Performance.	Government policy → Business Competitiveness and Performance, Resource Tourism → Competitiveness and Business Performance Government Policy and Resources Indirect Impact on Tourism Business Performance through Competitiveness.	Government, Resources	Analysis Unit of the countries listed in the Travel and Tourism Competitiveness Report (TTCR, 2011) and the World Economic Forum and the World Travel and Tourism Council (WTTC, 2011). The data used are secondary data from TTCR and WTTC (2011). Using Partial Least Square (PLS)

Note: The sign → means a direct and significant effect

Status of this study in the Development Model of Competitive Advantage.

Based on the results of previous studies novelty of this study is the role of government influence on cost leadership strategy, differentiation strategy, and its impact on competitive advantage. In addition, the effect of entrepreneurship on cost leadership strategy, and competitive advantage, then the effect of resources on a cost leadership strategy and differentiation strategy. The similarity with previous studies is that staregi two generic strategies cost leadership and differentiation strategies affect the competitive advantage, which has become patent Michael Porter. Another similarity is the entrepreneurial resources and affects the competitive advantage. Sedangkang similarities with other studies indirectly in the form of external and internal factors, the study focused on the role of government as part of the external factors, and entrepreneurship and resources as part of the internal factors of SMEs. Another similarity is only on stand-alone variables without causal influence of the study of entrepreneurship, resources, cost advantage, differentiation and competitive advantage.

Framework

Based on the formulation of the problem, literature review, and previous research, the framework can be structured as follows.

Effect of Direct and Indirect Role of Government, Entrepreneurship, and Resources, Cost Leadership Strategy Against, And Differentiation Strategies, and affect Competitive Advantage in SMEs Batik Yogyakarta and Surakarta.

1. Direct Effect of Exogenous Variables on Endogenous Variables

- Role of Government Influence on Cost Leadership Strategy SMEs Batik Yogyakarta and Surakarta
- The role of government influence on the differentiation strategy MSE Batik Yogyakarta and Surakarta
- Role of Government Influence on Competitive Advantage in SMEs Batik Yogyakarta and Surakarta
- Effect of Entrepreneurship on the MSE Cost Leadership Strategy Batik Yogyakarta and Surakarta
- Effect of Resources on Cost Leadership Strategy SMEs Batik Yogyakarta and Surakarta
- Effect of Resources on Differentiation Strategy MSE Batik Yogyakarta and Surakarta
- Role of Government Influence on Competitive Advantage Batik Yogyakarta and Surakarta MSEs
- Effect of Entrepreneurship on the Competitive Advantage of Yogyakarta and Surakarta batik SMEs
- Effect of Competitive Advantage Resources Against MSE Batik Yogyakarta and Surakarta
- Effect of Cost Leadership Strategy against Competitive Advantage of SMEs Batik Yogyakarta and Surakarta
- Effect of Differentiation Strategy against Competitive Advantage MSE Batik Yogyakarta and Surakarta

2. Indirect Effect of Exogenous Variables Against Endogenous Variables Through the intervening variable

- Indirect Influence on Government Role Competitive Advantage Through Strategic Cost Leadership, Differentiation Strategies MSE Batik in Yogyakarta and Surakarta
- Indirect influence Entrepreneurship Strategy Against Competitive Advantage Through Cost Leadership, Differentiation Strategies MSE Batik in Yogyakarta and Surakarta
- Indirect Influence Resources Strategy Against Competitive Advantage Through Cost Leadership, Differentiation Strategies MSE Batik in Yogyakarta and Surakarta

Framework based on the research paradigm can be described as follows.

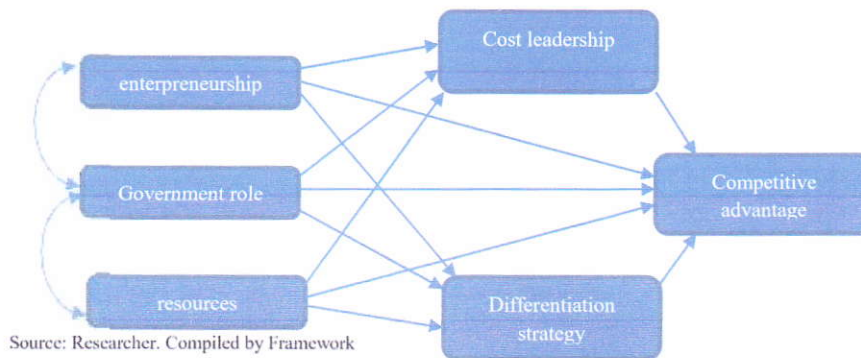


Figure 1.4. Paradigm Research

METHODOLOGY

Methods Used. This study used a quantitative approach. Types of non-experimental research. In terms of time, used a cross-sectional method, the research carried out at a time. The research method used was a survey method to collect quantitative data are required, and then processed with descriptive statistics and Structural Equation Method (Structural Equation Modeling / SEM) using Amos software Version 5 Measurement scale used for the survey is a modified Likert Scale to 6 scale, namely: Strongly Agree (SA), Agree (A), Somewhat Agree (SA), Somewhat Disagree (ADA), Disagree (D), and Strongly Disagree (SDA).

Analysis Unit. This research was conducted in the city of Yogyakarta, Sleman regency, Kulon Progo, Bantul, Gunung Kidul and Surakarta. Of the six selected areas where there are many batik entrepreneurs to serve as the unit of analysis. Preliminary research has been conducted on 18 to 25 February 2013; to get an idea of the population as a basis for sampling and sampling techniques were used. Researchers visited Yogyakarta Provincial Department of Industry, Department of Industry, Yogyakarta, and Sleman regency, Kulon Progo Regency, Bantul, Gunung Kidul and Surakarta, as well as the Great Hall of Batik (National) in Yogyakarta. Researchers express intent and purpose of this preliminary study to obtain secondary data from the Office of the City

and County. Preliminary Research Report and Data Address Entrepreneur Batik can be seen in the appendix.

Population. From the results of preliminary studies we can see that the population of batik in Yogyakarta City, Sleman regency, Kulon Progo Regency, Bantul, Gunung Kidul District obtained 166 entrepreneurs Surakarta batik and batik entrepreneurs gained 103 addresses, but most districts drawn batik entrepreneurs, the District Laweyan.

Samples. When it comes down to the field, many of which address data is no longer compatible with the data obtained from the Department of Industry Yogyakarta Special Region and the Department of Industry, City and County in the province.

Finally the sample was determined by a quota sampling technique to obtain a sample of approximately 150 batik entrepreneurs to qualify in data analysis using SEM. Quota sampling is less precise for SEM models, more appropriate use of random sampling, but conditions on the ground it was not possible given the cost, and the manner of limited power to conduct a census in each district in determining the exact amount of the population. When the researchers conducted a preliminary study to define the sample population and found that each area has its own characteristics in the policy and collect and present data MSE batik, there are areas that already have data that is neat with a special computerized for MSEs batik, there are areas that collect data MSEs by mixing batik products to clothing and skin, there are areas that do not collect the data in a computerized, only relying on notes / handwriting. Data batik in Yogyakarta Province is not exactly the same as the existing data in the area, so researchers need to examine the similarities and differences to obtain a number of addresses in Yogyakarta batik entrepreneurs. According Ghozali (2005) the minimum sample to estimate the model using Maximum Likelihood (ML) is 100 recommended getting the goodness of fit better model using a sample size of between 100-200.

In detail, the following number of samples

Table 1.5
 City / County and Number of Samples

No.	City / County	Total Sample
1	Yogyakarta	51
2	Sleman	10
3	Kulonprogo	14
4	Bantul	25
5	Gunung Kidul	16
6	Surakarta	40
	Total	156

Source: Adapted from Field Research

Number of samples that can be processed only 156 of the 144 samples due to lack of completeness of data in the questionnaire.

Lattice Research Instruments

Obtained from literature review a conceptual definition of each variable as a basis for the operationalization of the research variables to construct the grating instrument as follows.

Table 1.6
Lattice Research Instruments

Variables	Indicator	Name Indicator	Item Question
Role of Government	Motivator	X1	1, 2, 3
	Catalyst	X2	4, 5
	Facilitator	X3	6, 7, 8, 9
	Lawyer	X4	10, 11, 12
	Regulators	X5	13, and 14
Cost Leadership	Cost Leadership		1, 2,
Strategy	Strategy	Y6	
	Focused cost leadership	Y7	5, 6
Differentiation Strategy	Differentiation	Y8	3, 4
	Focus Differentiation	Y9	7, 8, 9, 10
	Integrated	Y10	9, 10
Competitive Advantage	Product excellence	Y11	1, 2, 3
	Cost advantage	Y12	4, 5
	Values of excellence	Y13	6
	Advantage of resources that are rarely owned by competitor	Y14	7, 8
	Product excellence is not easily imitated and sought a replacement	Y15	9, 10

Source: Calculated from Library Studies

The data obtained from the study were analyzed using descriptive and inferential statistical analysis. Descriptive statistical analysis is used to describe all the data from all study variables in the form of frequency distributions, histograms, mode, median, average price, and the standard deviation (standard deviation). While the inferential statistical analysis used to test, the hypotheses and the results are applied to the population. The resulting data are arranged in intervals. Structural Equation Models will

be used to examine the causal relationship between the study variables (latent variables) that have been formulated based on theoretical research and specific knowledge called structural models. In addition, to measure the contribution of each indicator of the latent variable by using the so-called loading factor measurement model.

RESULTS

Questionnaires were distributed to respondents totaled 146, which is located along the city of Yogyakarta, Sleman regency, Kulon Progo district, Bantul, Gunung Kidul District, and the city of Surakarta.

Distribution of the respondents can be seen from the following table.

Table 1.7
 Region of Origin / Location of Business Respondents

		city districts			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		7	4.8	4.8	4.8
	Yogyakarta	51	34.9	34.9	39.7
	Sleman	5	3.4	3.4	43.2
	Kulonprogo	14	9.6	9.6	52.7
	Bantul	25	17.1	17.1	69.9
	Gunung Kidul	16	11.0	11.0	80.8
	Surakarta	28	19.2	19.2	100.0
	Total	146	100.0	100.0	

From the above table location unknown number of businesses that most respondents respectively are in the city of Yogyakarta, Surakarta later, Bantul, Gunung Kidul, Kulon Progo, and at least in Sleman. Characteristics of batik in Yogyakarta, Surakarta, Bantul and Gunung Kidul concentrated in places that are close together to form the centers of batik making it easier for data collection. Unlike the batik in Sleman and Kulon Progo Regency, spread his business location (far from each other) and not all potential respondents are willing to fill out a questionnaire with specific reasons or provide specific requirements. Prospective respondents are not willing to fill out questionnaires voluntarily excluded from the category of respondents.

The city of Yogyakarta and Surakarta (Solo) has historically come from the kingdom of Mataram kingdom that was split into two / Kraton, batik origin. Originally, batik is the work of the women of the palace, a new start of the 18th century AD, batik spread beyond Kraton Yogyakarta and Solo. Thus, it can be understood until now there are many batik entrepreneurs in the second city of the kingdom. In addition, both cities

also become a tourist destination both nationally and internationally to visit both the palace of Yogyakarta and Solo. Yogyakarta is famous for its batik trade center in Malyoboro, whereas in Solo in Klewer Market.

In Bantul, batik business getting a lot of attention from the local government district of Bantul so grows the villages of batik production houses and his showroom. Batik of Bantul is also many that are sent to Yogyakarta. The founding of the company in the Batik of survey respondents can be seen from the following table:

Table 1.8
Company Year of Establishment Batik

		years of existence			
		Frequency	Percent	Valid Percent	Cumulative Percent
	1960 - 1970	19	13.0	17.0	17.0
	1971 - 1980	12	8.2	10.7	27.7
	1981 - 1990	11	7.5	9.8	37.5
Valid	1991 -2000	13	8.9	11.6	49.1
	2001 - 2010	50	34.2	44.6	93.8
	After 2010	7	4.8	6.3	100.0
	Total	112	76.7	100.0	
Missing	System	34	23.3		
Total		146	100.0		

From the above table it can be seen that the people who responded to the founding of the company Batik 112 people or 76.7 per cent, the remaining 34 people not filling the question of the establishment of the batik company. Year established company's batik highest between 2001 to 2010 in the last two years there is an increase of 7 companies, or 4.8 percent, if the increase in the linear batik company in eight years to come grow 35 companies, or about 25 percent. It shows that the establishment of the new company developments occurred most rapidly between the years 2001 - 2010, after which it is expected to decline, unless there are efforts to increase the production of batik to develop business and create new batik firms in the years to come.

Initially batik is the women of the palace, then spread beyond the palace of Yogyakarta and Solo, then a lot of men who are interested in setting up companies or become entrepreneurs' batik. Gender of respondents can be seen in the following table. Initially batik is the women of the palace, then spread beyond the palace of Yogyakarta and Solo, then a lot of men who are interested in setting up companies or become entrepreneur's batik. Gender of respondents can be seen in the following table.

Tabel 1.9
 Respondents' Gender

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	38	26.0	26.0	26.0
	Female	57	39.0	39.0	65.1
	Total	51	34.9	34.9	100.0
	Total	146	100.0	100.0	

From the above table it can be seen that the number of respondents who filled out the age there were 108 people, 38 do not fill out the rest. Than 108 people turned out to the number of men more that 57 people, or 39 percent, and women 51 or 34.9 percent. The difference is not so much; however, prove that the batik business is a business that promises so attractive men as a source of family income. According to Islam, men are required to provide maintenance to his Wife and his children, while the earnings of women as wives, if used to meet the needs of the family as Sunna nature worship. Of the respondents, educational level from elementary to college spreading can be seen in the following table.

Table 1.10
 Education Levels of Respondents

		Education			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	elementary school	37	25.3	25.3	25.3
	Junior High School	14	9.6	9.6	34.9
	Senior High School	6	4.1	4.1	39.0
	University	39	26.7	26.7	65.8
	Total	50	34.2	34.2	100.0
	Total	146	100.0	100.0	

From the above table it can be seen that of the 109 respondents who filled out the last tinkat education, college educated respondents were the most in number that is 50 people or 34.2 per cent, followed by high school 39 people or 26.7 percent. Respondents were last education only up to basic education (primary and secondary) as many as 20 or 13, 7 percent. This composition is very interesting because most of the entrepreneurs had high school education and college, when they formed community groups batik, better educated they can share knowledge and technology to the less

educated, while most respondents have primary education are those who have experienced continue the legacy of ancestors effort, could share the experience to new entrepreneurs.

From Table 5.5 it can be seen that the respondents who filled out the age of 144 people, two people do not fill the remaining life of the data. Based on the age group in mind that 68.5 percent of respondents fall into the age group between 31 to 50 years, which is in full swing work, and is usually in a state of stable / steady.

Table 1.11

Age Group

		Age Group			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	19 - 30 years	12	8.2	8.3	8.3
	31 - 40 years	49	33.6	34.0	42.4
	41 - 50 years	51	34.9	35.4	77.8
	50 - 60 years	23	15.8	16.0	93.8
	More than 60 years	9	6.2	6.3	100.0
	Total	144	98.6	100.0	
Missing	System	2	1.4		
Total		146	100.0		

The number of employees can be seen from the following table.

Table 1.12

number of employees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 -10 people	79	54.1	68.7	68.7
	11 - 20 people	20	13.7	17.4	86.1
	21 - 30 people	7	4.8	6.1	92.2
	31 - 40 people	3	2.1	2.6	94.8
	More than 40 people	6	4.1	5.2	100.0
	Total	115	78.8	100.0	
Missing	System	31	21.2		
Total		146	100.0		

From the above table it can be seen that the number of employees from 1 to 10 people occupying the highest number of 79 companies, or 54.1 percent, followed by the number of employees between 11-20 people as many as 20 companies. So companies that have a number of employees 1-20

People numbering 99 people or 67.8 percent. The size of the company when seen from the number of employees, the majority of enterprises is micro enterprises with number of employees less than 20 people. The size of the companies seen of capital can be seen in the following table.

Table 1.13
 Type of business

		type of business			
		Frequency	Percent	Valid Percent	Cumulative Percent
		7	4.8	4.8	4.8
Valid	1	75	51.4	51.4	56.2
	2	57	39.0	39.0	95.2
	3	7	4.8	4.8	100.0
	Total	146	100.0	100.0	

CONCLUSIONS AND SUGGESTIONS

Conclusions

1. The effect of the government's role to competitive advantage, either directly or indirectly through a strategy of cost leadership and differentiation strategies influence obtained a total of 0.41.
2. The effect of entrepreneurship on competitive advantage, either directly or indirectly through a strategy of cost leadership and differentiation strategies obtained total effect of 0.37.
3. Influence of resources on competitive advantage, either directly or indirectly through a strategy of cost leadership and differentiation strategies obtained total effect of 0.28.
4. Cost leadership strategies directly affect the competitive edge with path coefficient of 0.38.
5. Differentiation strategies directly affect the competitive edge with path coefficients at 0.17.

Suggestion

For Academics in the Context of Development Science Strategic Management and Community Services. The results of this study can be a reference for further research both quantitative approach to menelitian other variables that affect the cost leadership strategy and competitive strategy, and the competitive advantage that is not covered in this study or re-study the same variables with the study for make broader generalizations of the generalization of this study is confined to the MSE Batik in Yogyakarta which consists of the city of Yogyakarta, Sleman regency, Kulon Progo, Bantul and Gunung Kidul and Surakarta to take the District Laweyan yan MSE batik population at most.

Moreover, it can also be developed into a qualitative and experimental research related to the role of government, resources, entrepreneur-ship, the cost leadership strategy and competitive strategy to achieve competitive advantage MSE batik. Quantitative research is very limited, if supported by qualitative research and experimentation, the results of the study will be more comprehensive in order to form a model of the competitive advantage of SMEs batik.

Experimental studies in order to improve resource uniqueness of batik as a source of competitive advantage can be performed to obtain patents and increase the production of natural dyes natural dyes that do not depend on the MSE batik synthetic dyes from imported products that are more expensive and difficult to make batik achieve competitive advantage against similar products or product substitution batik batik, batik is a non textile products. In addition, experimental studies can also be performed for batik waste treatment to be safe for the environment, thanks if waste can be utilized.

The academics can perform community service through the development of the batik SMEs and encourage the government to work together as a triple helix increases the creative economy through the development of batik SMEs in order to play better in improving the local economy.

For the MSE Batik Practitioners. To improve competitiveness and achieve competitive advantage, batik SMEs need to improve entrepreneurial capacity and resources. MSE batik can form their own cooperatives both cooperative services, to gain greater access to capital, consumer cooperatives to gain access to cheaper raw materials, and cooperative manufacturers to improve product marketing batik and expand market orientation not only the domestic market, but for export market . If the cooperative has been formed, cooperative batik SMEs can cooperate with universities and government to gain access to various resources such as enhancement, management, expansion into overseas markets, batik waste treatment, and so on.

For the Government. The results of this study can serve as an input for the government to increase its role as a facilitator, catalyst, advocate, motivator and regulator in creating a conducive environment for the development of SMEs batik as part of local economic development.

The role of government has the greatest influence on batik competitive advantage, either direct or indirect effect and total effect. It can be used by the government to make the MSE batik as a unique resource that is becoming one of the sources of competitive advantage by nurturing and empowering local batik SMEs are more intensif.

To Society. Community can participate in developing and marketing the product quality of batik with batik SMEs provide input to what the community wants and expectations of batik products, so that it continues to grow batik as an intangible cultural icon and creativity of the people of Indonesia that has been recognized worldwide