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Competitiveness Analysis and Strategies to Improve Small and Medium Enterprises Performance

Author Name(s): Waridin[1], Muhamad Wafa A.F[1*], I Gusti Lanang Putu Tantra[2]
1. Universitas Diponegoro, Indonesia
2. Universitas Warmadewa , Indonesia

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*Corespondence regarding this article should be addressed to:
Ida Ayu Oka Martini
Email: dy.oka.martini@gmail.com

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Competitiveness Analysis and Strategies to Improve Small and Medium Enterprises Performance

Waridin[1], Muhamad Wafa A.F[1*], I Gusti Lanang Putu Tantra[2]

1. Universitas Diponegoro, Indonesia
2. Universitas Warmadewa, Indonesia

Abstract—Global economic dynamics encourage industry to excel and be competitive. This research aims to identify industry characteristics, measure the level of industrial competitiveness; and then provide strategy suggestions to increase industrial competitiveness. The Porter Diamond Model is used in this research to measure the level of competitiveness of the exhaust industry, where there are four indicators of industrial competitiveness, namely factor conditions, demand conditions, company strategy and competitive structure, as well as related and supporting industries. Using qualitative methods, data collection is carried out using questionnaires. The primary data used was taken from exhaust manufacturers in Purbalingga Regency totaling 67 respondents. Strategy recommendations for increasing industrial competitiveness are determined based on urgency-performance analysis. The results of the industrial competitiveness analysis show that condition factors provide the highest contribution to the competitiveness of the exhaust industry compared to other indicators. Urgency-performance analysis shows that 5 out of 10 sub-factors driving competitiveness have underact status. The strategy to increase industrial competitiveness focuses on competitiveness sub-factors with "under act" status. These strategies include: 1) Providing better business development systems and services, 2) Developing business capacity, and 3) Expanding industrial cooperation.

Keywords: competitiveness; diamond's porter; exhaust industries; SMES; strategy improving enterprises

Introduction

Economic transformation must be supported by increased economic activity with high added value and productivity, therefore the development of the industrial sector is a strategic policy to be implemented (Irmawati, 2015). This is supported by the existence of the manufacturing sector which has contributed significantly to a country's economy. BPS noted that the manufacturing industry in Central Java Province contributed 34.52% to Central Java's GRDP (BPS, 2022).

In addition, economic transformation is strongly influenced by the development of economic globalization, which makes the participation of every country in the world in economic activities increasingly open to other countries (Tambunan, 2004). This spurs (local) industry players to be able to adjust to the international market and be ready to compete with foreign products that enter the domestic market. Darwanto outlined some important efforts to strengthen industrial competitiveness so that the domestic industry is able to compete with foreign industries. Some of these efforts include: 1) increasing added value and market reach; 2) institutional improvement with business modernization; 3) increasing business

*Correspondence regarding this article should be addressed to:
Ida Ayu Oka Martini. Universitas Warmadewa, Indonesia.
Email: dy.oka.martini@gmail.com

capacity and protection with policies and incentives; 4) increasing access to capital; and 5) improving the quality of human resources (Darwanto, 2018).

In global industrial competition, the Industrial Competitiveness Performance Report issued by the United Nation Industrial Development Organization (UNIDO) in 2020 shows that Indonesia ranks 39th out of 152 countries, down 1 rank from 2019 (UNIDO, 2020). Indonesia's position is still above India (position 42) and the Philippines (position 43), and still below neighboring countries, namely Malaysia (position 23), Thailand (position 24), and Singapore (position 9). This data shows that Indonesia still has homework to encourage the competitiveness of the domestic industry.

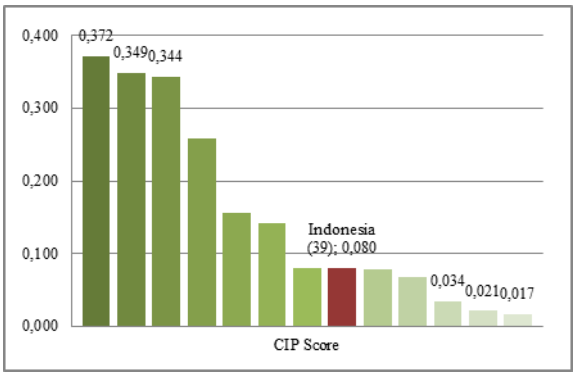

Figure 1. 2020 Competitive Industrial Performance Index (CIP) scores for Asia Pacific countries.

Source: CIP Report 2020, UNIDO

Industrial development should be able to become an economic engine capable of having a major impact on the economy, which is able to overcome various existing economic problems such as high unemployment and poverty, low exports, low national economic growth, to weak infrastructure development and technological mastery (Irmawati, 2015).

The Small and Medium Industry (SMI) significantly supports the Indonesian economy. Based on BPS data in 2020, the number of small and medium industries in Central Java reached 898,162 business units, which were able to employ 1,388,950 people (BPS, 2020b). There are at least three important points why SMEs are needed, namely: First, the performance of SMEs in absorbing labor; Second, they are easy to adjust to economic developments; and Third, SMEs are superior to large corporations in terms of flexibility (Lestari, 2010). However, SMEs also have problems that need attention. According to Tambunan, some of the problems faced by SMEs include the lack of use of technology, high transportation costs, communication problems, lack of access to capital, raw materials, and business information, as well as bureaucratic conditions that sometimes impose more costs on businesses (Darwanto, 2018). The weaknesses of SMEs have the potential to have a negative effect on the competitiveness of the industry if left unchecked.

The economic structure of Purbalingga Regency is strongly supported by the processing industry, which is shown by the contribution to the regional economy of 28.1% in 2021, as well as over the past 5 years (BPS, 2022). One of the main activities of the processing industry in Purbalingga Regency is exhaust production. Based on information from the Purbalingga Exhaust Craftsmen Association (APIKBANGGA), the exhaust production business which is included in the small and medium industry (SMI) is a muffler production business field that has great potential as a driver of community welfare. This is shown by the average production reaching 600 units of exhaust with a workforce of approximately 10-30 people per business. At least the exhaust SMEs in Purbalingga have opened up job opportunities ranging from producers, resellers, distributors, to expeditions.

Even so, exhaust SMIs are not free from problems that can reduce the competitiveness of the industry. Based on observations, some of the problems faced by exhaust SMIs range

from the existence of low human resources, technological limitations, managerial capabilities and awareness related to trademark rights that are still lacking. In line with Lestari's research (2010), the problems faced by small industries require strategic steps to optimize the potential and advantages of the industry which can then increase industrial competitiveness. Based on the current economic challenges and the potential of the industry that has been described, the steps to deal with it are to focus on economic development through the creation of a competitive industry (Irmawati, 2015).

According to Porter, competitiveness can be achieved through efforts to optimize input factors rather than inherited factors such as natural resources, population size and growth, and so on (Porter, 1990). It is further explained that to create a competitive business or industry, improvements in 4 dimensions are needed, including the dimension of factor conditions, the dimension of demand conditions, the dimension of corporate strategy conditions and the structure of competition, and the dimensions of related and supporting industries (Kharub & Sharma, 2016). The four dimensions above are used as a tool to measure the competitiveness of the exhaust industry in Purbalingga Regency, and will be used as a basis for determining alternative strategies in an effort to improve industrial competitiveness.

Based on the description of the problem and the explanation of the urgency above, the research objectives to be achieved are: 1) Describing the characteristics of the exhaust industry profile in Purbalingga Regency; 2) Identify the level of competitiveness of the exhaust industry in Purbalingga Regency; then 3) Determine alternative strategies to improve the competitiveness of the exhaust industry in Purbalingga Regency.

Literature Review

Porter's Competitive Advantage

Porter's Diamond Model is a model created to understand how the level of competitiveness of a country or entity is based on several available factors, and how the role of government as a catalyst to improve the competitiveness of a country in the world market (Porter, 1990). In the industrial sphere, this model helps industries by providing a framework and guidance in evaluating 1) the strength of new entrants in the industry, 2) product risks, 3) bargaining power of buyers and suppliers, and 4) industry competition (Kharub & Sharma, 2016). Through his theory, Porter argues that conditioned factors, such as technological mastery, skilled labor, strong institutions, etc., are more capable of defining the level of competitiveness of an economy than innate factors, such as natural wealth, land, location, abundant population, etc. (Roostika et al., 2015).

According to Porter, the concept of competitiveness refers to the industry's ability to gain a competitive advantage based on the dimensions of factor conditions; demand conditions; corporate strategy and competitive structure; and related and supporting industries (Kharub & Sharma, 2016).

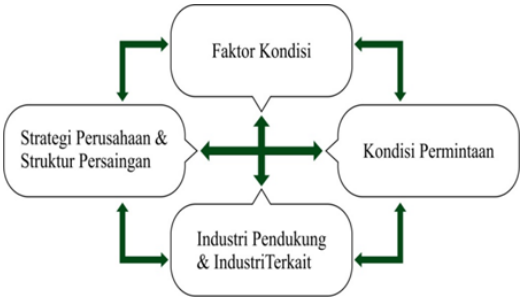

Figure 2. IPA Cartesian Diagram

Source: Martilla & James (1997)

The explanation of the four dimensions of Porter's Diamond Model in Figure 2 is as follows:

The dimension of factor conditions includes the management of human resources, capital resources, availability of raw materials, physical infrastructure, mastery of information and knowledge, use of technology, and natural resources.

Dimensions of corporate strategy and competitive structure, including corporate innovation, character of players in the industry, business management and marketing strategy.

The demand dimension includes the amount of demand, market size/reach, target market, and product demand characteristics.

Related and supporting industry dimensions, including cooperation with raw material providers, cooperation with marketing intermediaries, and cooperation with technology developers and business capacity developers.

Industry

The definition of industry according to Law No. 3 of 2014 concerning industry is all forms of economic activity that process raw materials and/or utilize industrial resources to produce goods that have added value or higher benefits. Industry is easily explained as a collection of similar companies, where the description of the industry will follow the type of company, for example the garment industry, furniture industry, metal industry, and so on (Subandi, 2016). Kuncoro in his book adds that the collection of industries sells or produces a good or service with a positive and high cross-elasticity, which means that the products produced are able to replace each other (substitution) (Kuncoro, 2007). Based on the description above, industry can be understood as a collection of economic activities that process and produce goods or services that have higher added value.

The Small and Medium Industry of exhaust sub-products as the object of research used, based on the 2020 Indonesian Standard Classification of Business Fields (KBLI), is classified into the processing industry (Group C) with the subgroup of the Two and Three-Wheeled Motorcycle Components and Equipment Industry with industry code C30912. The industry subgroup includes the business of manufacturing components and parts for two- and three-wheeled motorized vehicles, such as internal combustion motors, suspensions, inverters and mufflers (BPS, 2020a).

Industry Development Strategy

In the context of industrial development, strategy is needed as a structured and measurable effort by optimizing the potential and resources of the industry in order to encourage and improve performance and output produced. According to Fitriana (Fitriana et al., 2014), industrial development strategy is an action taken by a person or group by providing both material and non-material assistance with the aim of making the industry better than before by producing high value-added products. Lestari added that in developing the industry, modernization is the direction of the goal that must be passed, that way, the industry is able to have a broad impact in increasing regional and national competitiveness. (Lestari, 2010).

Method

Small and Medium Industries (SMIs) with exhaust subproducts are the research objects used in this study. The scope of the research is in Purbalingga Regency, where the location is the center of the exhaust industry in Central Java Province.

This study used a total of 67 respondents from a total population of 90 business units. Selected using a saturated sample technique, where all respondents are members of the Purbalingga Exhaust Craftsmen Association (APIKBANGGA) and are centered in Purbalingga District. In addition, some respondents were selected using purposive sampling techniques. These respondents included business associations, business actors, business partners, and the government.

The types of data used in this study include primary and secondary data. Primary data include profiles of exhaust industry players, the level of competitiveness of industry players, and perceptions of industrial competitiveness indicators. While secondary data include data on exhaust industry players.

The data collection process was carried out using questionnaire and interview instruments. The questionnaire was addressed to a total of 67 respondents of exhaust business actors/craftsmen. The questionnaire was divided into 2 parts, the first part being a fill-in question. The data collected included business name/brand, length of business, number of workers and wages provided, business status and capital, as well as production capacity and use of raw materials. Furthermore, in the second part, the questions were in the form of scale choices. The data collected is data on the competitiveness conditions of industry players based on the four dimensions of porter's diamond model, namely the dimensions of the condition factor, demand conditions, company strategy and competitive structure, and related and supporting industries. Meanwhile, interviews were conducted with the Purbalingga Exhaust Craftsmen Association, business actors, business partners, and the Purbalingga Regency Industry and Trade Office (Disperindag) and the Purbalingga Regency Metal Task Implementation Unit (UPT). In addition, data sources were also obtained through literature and field studies.

The data analysis techniques were carried out using several methods, namely descriptive-qualitative analysis, descriptive-statistical analysis, and urgency-performance analysis. The descriptive method was used to describe the exhaust industry profile in Purbalingga Regency. The industry profile includes business name, length of establishment, business location, product type, and price range. The other indicators are business status and capital, labor, production and raw materials. Then, descriptive-statistical analysis was used to measure the level of competitiveness of the exhaust industry in Purbalingga Regency. Porter's Diamond Model is the basis of analysis in this analysis, which uses four indicators/ dimensions of competitiveness (dimensions of condition factors, demand conditions, company strategy and competitive structure, and related and supporting industries). The competitiveness analysis was carried out with a Likert scale instrument, in which respondents would give their opinions about their business conditions.

This assessment is in line with research conducted by Kharub, M., and Sharma, R. K. (2016). The study conducted an assessment using the calculation of Total Point Score (TPS) and Percent Point Score (PPS). There are several questions that reflect each indicator/ dimension of competitiveness. The following is the formulation of the competitiveness value after collecting values with a Likert scale, namely:

Determine the assessment criteria. Assessment criteria are used to determine class intervals or assessment groups. This value is obtained through the following formula. Assessment criteria = Scale value × Number of respondents.

Determining class intervals or value groups. The following formula determines the class interval or value group. Class interval/value group = I $\frac{Nilai\ kriteria}{Nilai\ skala\ likert}$

Replicating the technique used in Kharub, M., and Sharma, R. K. (2016), the assessment of industrial competitiveness using *Total Point Score (*TPS) and *Percent Point Score* (PPS) calculations. Each question reflects a different indicator which is then calculated using the following formula:

Percent Point Score = TPS/(5*N) 100

Central Tendency = TPS/N

Determine the *rating scale*. A rating scale classifies answers into classes or rating groups.

Finally, the use of *Importance-Performance Analysis* is required to obtain the urgency and performance values of each industrial competitiveness subfactor to be filled in by selected respondents (*purposive sampling*). The instrument used is a conventional scale, where respondents' perceptions are represented using numbers 1-6, the smaller the number, the smaller the urgency or performance on the related subfactor, and vice versa. Referring to the research of Samudera, J., et al (Samudera et al., 2017), interpretation of the analysis results by placing subfactors on a Cartesian diagram using simple statistical calculations. The

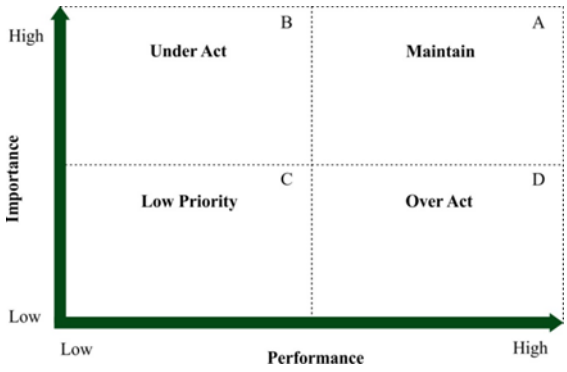

Figure 3. IPA Cartesian Diagram

Source: Martilla & James (1997)

urgency-performance analysis output will divide each competitiveness subfactor into four parts, which are then depicted using a cartesian diagram, as shown in Figure 3.

The following is an explanation of the four quadrants that are output in this analysis:

Under Act. The performance of competitiveness subfactors in this quadrant indicates that they have not been implemented properly, but have high urgency in the industry. This subfactor is a weakness for the industry so it requires more attention.

Maintain. The performance of the competitiveness subfactors in this quadrant is indicated to have been carried out well and has a high urgency in the industry. This subfactor is a strength and opportunity for the industry so it should be maintained.

Low Priority. Competitiveness subfactors in this quadrant are indicated to have low performance and urgency in the industry. Therefore, this subfactor does not need to be emphasized or improved.

Over Act. In this quadrant, the performance given in the competitiveness subfactor is indicated to have been exceeded, but has low urgency in the industry. Therefore, the industry is expected to reallocate resources or attention to other subfactors that are more in need, or have a higher level of urgency.

Results and Discussion

Characteristics of Exhaust SMEs

In line with research conducted by Tirtayasa, S. M., and Mukmin, M (2017), the research begins by identifying industry characteristics. The characteristics of the exhaust industry in Purbalingga Regency were found as follows: the average Purbalingga exhaust

business has been running for approximately 11-20 years, centered in Purbalingga District. The majority of businesses produce both motorcycle and car exhausts, with product prices ranging from Rp.70,000 to Rp.2,500,000. Based on business status and capital, most business owners have not sought legalization of their business, especially for the ownership of a Business Identification Number (NIB). Furthermore, business actors on average start their businesses with capital below Rp.20,000,000, while in obtaining capital, business actors still predominantly use personal capital. In terms of labor, exhaust business actors have employed an average of 15 people, while the majority of workers are high school graduates. The average labor wage given is Rp.1,000,000-1,500,000 per month. Finally, in terms of production and raw materials, exhaust business actors have a production capacity ranging from 100 units to 5000 units. The majority of business actors have used semi-automatic tools in the production process. Then in terms of the amount of expenditure for raw materials every month, it is found that it varies quite a lot, on average, business actors spend <Rp.10,000,000 per month to fulfill raw materials. As for the acquisition of raw materials, the majority of business actors fulfill their production raw material needs from local *suppliers*.

Competitiveness Analysis of Exhaust IKM

The assessment of competitiveness conditions was conducted using the four dimensions of competitiveness in Porter's Diamond Model as the basis for assessment (Kharub & Sharma, 2016; Savitri et al., 2014; Tirtayasa & Mukmin, 2017). When summarized, it is found that the condition factor dimension has the highest value contribution to the competitiveness of exhaust SMEs among the four dimensions of competitiveness, which is 1071 (26.74%). Followed by the demand condition dimension in second place with a value contribution of 1005 (25.09%), then the 3rd and 4th place are respectively occupied by the dimensions of related and supporting industries and corporate strategy and competitive structure with a value contribution of 976 (24.37%) and 953 (23.80%). The dimensions of competitiveness obtained from the cumulative value of each subfactor can be seen in Table 1.

Condition Factor

The acquisition of value in the dimension of the condition factor is supported by the optimization of raw materials and labor. Most exhaust business actors meet the needs of raw materials and labor from the local area. This indicates that business actors have made efforts

Table 1. Purbalingga Regency Exhaust IKM Competitiveness Results

	Dimensions of Competitiveness	Scale Value	Predicate
1	Condition factor		
	Raw materials are sourced locally	3,60	Beyond
	Workers come from the local area	3,64	Beyond
	Conduct product standardization	3,39	Beyond
	Increase productivity with production automation	3,27	Beyond
	Obtaining capital from third parties (banks, investors, cooperatives or others)	2,10	Achieved
2	Demand Condition		
	Meet the demand for large-scale automotive factories/producers	2,06	Achieved
	Meet local demand of the region	3,21	Beyond
	Meet demand outside the region or abroad (export)	3,1	Beyond
	Increased sales every year	3,04	Beyond
	Fulfill custom product requests	3,58	Beyond

3	**Corporate Strategy and Competition Structure**		
	Participate in business training or coaching	2,67	Achieved
	Registering trademark rights	2,17	Achieved
	Digitizing various aspects of the business	2,96	Achieved
	Have an online marketing channel (online store)	3,2	Beyond
	Provide other products beyond the main product, in the form of goods or services	3,21	Beyond
4	Related and Supporting Industries		
	Establish cooperation with businesses that provide raw materials	2,7	Achieved
	Open partnerships with distributors or resellers	3,48	Beyond
	Establish cooperation with supporting businesses outside the automotive industry	3,15	Beyond
	Using expedition or transportation services	3,30	Beyond
	Collaborate with financial institutions or funding providers	1,96	Not Achieved

to carry out industrial efficiency, which adds a plus in achieving competitive advantage. Obtaining raw materials from the local area provides an advantage because it can avoid the possibility of incurring additional costs from procuring raw materials.

Demand Condition

In the dimension of demand conditions, the acquisition of value is supported by the fulfillment of demand for modified (*custom*) products. The provision of product customization has become a characteristic of exhaust business actors, making it an added value for exhaust businesses to compete.

Corporate Strategy and Competition Structure

The value obtained in the dimensions of corporate strategy and competitive structure was largely obtained by the contribution of providing other products outside the main product and digitizing marketing. Furthermore, the subfactor of providing digital marketing channels indicates that business actors have consistently utilized *e-commerce* to help market products outside the region.

Related and supporting industries

The value gain in the related and supporting industry dimension was driven by optimizing partnerships with distributors or resellers. The opening of partnerships has expanded the network and had an impact on increasing product marketing. In addition, the expedition service industry also plays a role in helping the product distribution process. This indicates that business actors have tried to optimize cooperation within and outside the industry to increase business competitiveness.

There are several subfactors of competitiveness that are not yet optimal. The subfactors with the lowest scores include the acquisition of business capital from third parties (banks, cooperatives, or others), fulfillment of demand for large-scale automotive factories/producers, ownership of trademark rights, and cooperation with financial institutions or funding providers. The above competitiveness subfactors can be taken into consideration in formulating industrial development strategies, both for business actors and the government.

Urgency and Performance Analysis

The results of the urgency and performance assessment of the Purbalingga exhaust industry were then interpreted using a four-quadrant diagram. As for each quadrant shows the status of each subfactor, the four quadrants include *maintain, underact, low priority,* and *overact*. Obtaining the status of each subfactor is used as the basis for formulating

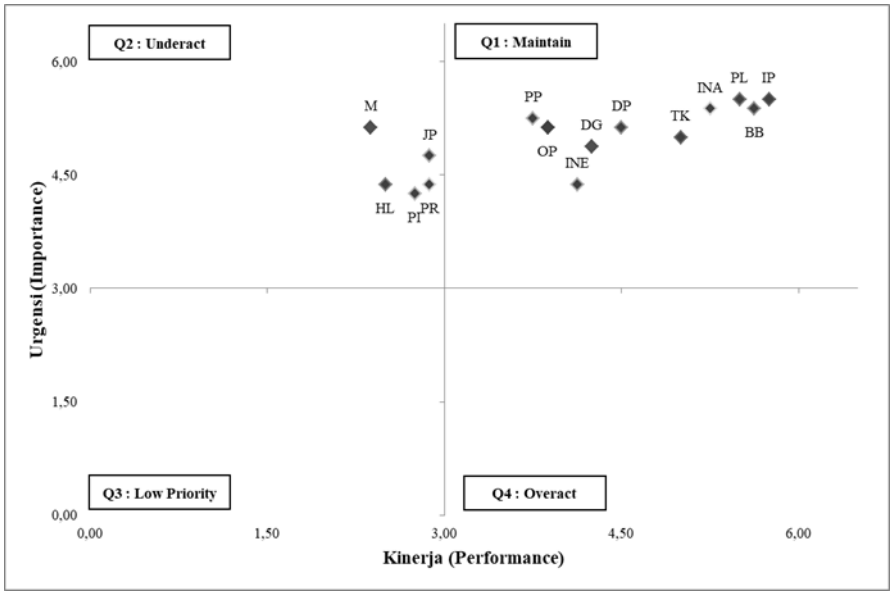

Figure 3. Diagram of Urgency-Performance Analysis Results

alternative strategies to optimize efforts to gain competitive advantage. Figure 3. shows the grouping of subfactors based on the results of urgency and performance values, where the vertical axis represents the urgency value and the horizontal axis represents the performance value.

Quadrant Q1 (*Maintain*) shows the status of potential subfactors in achieving competitive advantage, as well as the performance shown. Therefore, optimization efforts and provision of resources to subfactors in this quadrant need to be maintained. Based on the results of the following values, the subfactors that belong to the Q1 quadrant include: 1) Availability and accessibility of raw materials; 2) Availability of labor; 3) Production optimization; 4) Existence of local market; 5) Product innovation; 6) Education and training facilities; 7) Business digitalization; 8) Product diversification; 9) Intra-industry cooperation; and 10) Inter-industry cooperation.

The status of *subfactors* in quadrant Q2 (*Underact*) has the potential to encourage the achievement of industrial competitiveness advantages, but has not or is not supported by high performance conditions. Therefore, subfactors in this quadrant need more attention. Based on the results of the urgency and performance values, the following subfactors are classified into the Q2 quadrant, including: 1) Accessibility of capital; 2) Ability to reach the market; 3) Brand rights and business legality; 4) Industrial promotion by the government; 5) Industrial development by the government.

Furthermore, quadrant Q3 (*low priority*) indicates the status of subfactors that do not have the potential to drive competitiveness, and are supported by low performance conditions. This quadrant provides consideration for not needing to provide additional resources to the listed subfactors. While the Q4 (*overact*) quadrant shows that the listed subfactor has low potential but has high performance. Resources given to subfactors in the Q4 quadrant are better to be reallocated to other subfactors. The results of the urgency and performance assessment show that none of the subfactors are listed in both quadrants.

Strategies to Improve Industrial Competitiveness

The results of the Porter Diamond Model analysis provide an overview of the competitiveness characteristics of the exhaust industry, which is used as the basis for strategy development. Meanwhile, the results of the urgency and performance analysis provide an assessment in the form of status on industrial subfactors, which are then used as the direction of strategy development. In line with research conducted by Fatimatuzzahro

Diah, P. D., and Syarief, R. (Fatimatuzzahro & Rizal, 2016) and Samudera, J., Daryanto, A., and Saptono, I. T. (Samudera et al., 2017), the combination of the above strategy determination process is expected to produce a targeted strategy output. Table 2 summarizes the alternative strategy recommendations based on the results of the analysis using Porter's Diamond Model and performance-urgency analysis.

The capital accessibility subfactor is in quadrant Q2 with *underact* status, becoming one of the priority subfactors in strategy development. With access to affordable capital, the opportunity to develop their business is more open. Accessibility is not only defined as ease in terms of the process of obtaining but also defined as the readiness of business actors to obtain capital. Therefore, the strategy should not only provide a way for business actors but also encourage the capacity of business actors to 'deserve' capital.

Table 2. Strategic Initiatives and Programs to Improve Industrial Competitiveness

Strategy Initiatives		Program	
Accessibility of Capital			
1.	Provision of business service systems/ institutions	1.	Provision of a business communication forum
		2.	Establish special financing schemes for business actors through cooperation
2.	Increased business capacity	1.	Provision of education and training facilities on business managerial and capital management
		2.	Improve quality management system by adapting quality assurance certification (ISO)
Market Reachability			
1.	Increased business capacity	1.	Provision of export training facilities
2.	Increased industry cooperation	1.	Cooperate with large-scale automotive factories or manufacturers
		2.	Conducting inter-sectoral cooperation in developing product quality
3.	Provision of business service systems/ institutions	1.	Provide market information system
		2.	Provide incentives or relief in exporting
		3.	Clear and precise business regulations
Brand Rights and Business Legality			
1.	Increased business capacity	1.	Education related to regulations, technicalities, and procedures for obtaining brand rights and business legality
		2.	Business classes on managerial and marketing management
2.	Provision of business service systems/ institutions	1.	Incentivizing brand registration and business legality
Industry Promotion and Development by the Government			
1.	Provision of business service systems/ institutions	1.	Providing incentives to exporters
2.	Increased business capacity	1.	Providing export education and training facilities
		2.	Optimizing business classes to improve managerial, financial, product quality, and marketing capacity
3.	Increased industry cooperation	1.	Expanding product marketing through cooperation with companies, government, and investors, outside the region to abroad
		2.	Inter-industry cooperation between sectors to maintain supply chain and product quality development

Sumber: Processed, 2023

The ability to reach the market subfactor is considered not yet aligned between the potential owned and the performance conditions in the industry, so this subfactor is one of the focuses in strategy development. The ability to reach the market is an indicator of competitive advantage that shows the ability of business actors to market products, both in location and segmentation. Therefore, opening access to markets outside the region to international markets is key in efforts to make the industry competitive.

Most business actors who have not registered trademarks and have business legality make the subfactors of trademark rights and business legality a top priority in strategy development. Ownership of trademark rights and business legality allows business actors to open wider market opportunities, opportunities to obtain various business facilities, and receive legal protection. Therefore, encouraging businesses to register trademark rights and obtain business legality is a priority to achieve competitive advantage.

Finally, the subfactor of the government's role in promoting industrial products and business development is considered to need extra efforts to optimize the role of the government in increasing the competitiveness advantage of the exhaust industry. One of the government's roles is to improve a conducive industrial climate, which can be seen from the availability of infrastructure facilities, maintaining industrial supply chains, communication platforms, clear regulations, and providing training and education facilities. Most of the above roles have been carried out by the local government, but there needs to be optimization on certain subfactors.

Conclusion

Improving industrial competitiveness is the main focus to face economic transformation and globalization, and the small and medium-sized exhaust sub-product industries in Purbalingga Regency are no exception. Based on the analysis using Porter's Diamond Model, it is known that the condition factor indicator is the main support for the competitiveness of the Purbalingga Regency exhaust industry. Then, based on the Urgency-Performance analysis, it is known that 5 out of 10 *subfactors* driving competitiveness have *underact* status, which means that these subfactors have the potential to encourage the achievement of industrial competitiveness advantages, but have not or are not supported by high performance. These subfactors include: 1) Accessibility of capital; 2) Ability to reach the market; 3) Brand rights and business legality; 4) Industry promotion by the government; 5) Industry development by the government. Therefore, the strategy recommendations proposed to improve the competitiveness of the exhaust industry will focus on subfactors with *under act* status. These strategies include: 1) Provision of business development systems/services; 2) Increasing business capacity; and 3) Increased industry cooperation.

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