

RESEARCH REPORT
EXPORT AND THE SUCCESS ANALYSIS OF
SILVER CRAFT INDUSTRIES IN YOGYAKARTA

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I. INTRODUCTION

I.1. BACKGROUND

In the GBHN [Broad Outlines of Nation's Direction] 1993 it is said that small- and middle-scale industries including craft and home industry, need more improvement to be more efficient and self-developing business, increasing community's income, widening job opportunities, and improving its role in providing goods and services and various components for market needs either in the country or abroad. Henceforth, export and the success analysis of small and middle-scale industry are important to examine.

Silver craft industry is classified into small and middle-scale industry. Studies on small-scale industry has begun by 1970s, when planners were aware that incompatibility between Western big-scale and local-scale technologies came into exist (Akrasanee 1992). Besides, we also realize how important the study on craft industry is, especially silver craft industry in relation to Indonesian government program to encourage the progress of non-oil export as one of the

main sources in order to support sustainable national development, to enlarge job opportunities, to distribute community's income and to make the balance of payment more healthy.

Another reason, the importance of study on export and the success of craft industry is related to the government role in developing craft industry and the existence of global competition with its tendency to form trading blocks or regional economic cooperation groups such as Europe Single Market (European Economic Community), NAFTA, AFTA, and APEC that may arise more competitive situation in gaining market segment.

I.2. FORMULATION OF PROBLEM

Having those above background as starting point, national recent issues encountered in Indonesian field of industry in relation to the economic development as part of the national development are the broad (general) issues from which specific issue that will be examined belong to. The broad issues are higher intensity of competition, low of productivity and economic inefficiency, increasing unemployment that is considered as main obstacle to reach the success in national industry development, whereas specific issue that will be examined is important parts of that broad issues, i.e. export and the success analysis of industry, especially silver craft

industry in Yogyakarta. Specifically, this research will be devoted to answer problem as follow:

How far do export contribution affecting the succes of silver craft industry?

1.4. OBJECTIVES AND USE

a. Objectives of Research

Objective of this research are:

to know how far export affecting the success of silver craft industry.

b. The use of research

The use of this research are:

First, result of this research is expected to be a thinking contribution to development of science and also for government in relation with development of craft industry.

Second, with data resulted from this research in hand, organization and management policies of craft industry will be possible to establish.

Third, by recognizing export and craft industries could be formulated.

Fourth, this research will enable the establishment of policies related to government efforts in increasing craftman participation through process of education and maturization over craft employers.

1.5. METHOD OF RESEARCH

a. Population and Sampling Technique

This research will be performed in Yogyakarta. The mentioned areas chosen since they are outstanding silver craft production centers and are potential region to be developed as well as tourism destination. Thereby, writer considers that the chosen regions are representative of silver craft industry. Silver craft industry population is silver craft industry in Yogyakarta. By this guidance, the total population number is decided to 124 units.

Data used in this silver craft industry are gained from manager/owner information, employee and people who has relation to but not come from the silver craft industry. The sampling technique used is random sampling, so that 20 % of the silver craft industry companies are included as sample, those are 31 units. The way used to define manager sample is census method, so that all managers of those companies are included. Sample for non silvercraft industry personnels are determined on purpose. The sample consist of related and knowledgable people on silver craft industry.

b. Data Collecting Method and Devices

Data collecting is implemented through interview and the use of question list as well as additional information depend on observation in

the area, thereby this research uses survey method. To collect data from non silver craft industry personnels the open questions are used, whereas for data from silver craft industry personnels close questions will be used more frequently. Secondary data, as to the number of population and silver craft industry, are collected from Government Offices.

c. Data Analysis Technique Two statistical analysis are used for data analysis i.e. Pearson product-moment correlation and regression analysis. Pearson correlation is used to find out the relationship between variables i.e. variables of the succes of silver craft industry and export with the formula as follows :

$$r = \frac{\sum (X-X)(Y-Y)}{\sqrt{(\sum (X-X)^2)(\sum (Y-Y)^2)}} = \text{correlation coefficient of } r$$

the X and Y indication (N-1)SXSY

SX= standard deviation of X
SY= standard deviation of Y
N =

number of observation The hypothesis is tested by calculating the correlation coefficient between the succes of silver craft industry with variables of export.

D. Plan of rules to accept or refuse hypothesis Hypothesis test will be brought about by calculating the correlation between the success of silver craft industry and Export variable. Statistical test is implemented by defining H_0 : two variables investigated are independent, without correlation one another. H_0 : $r_{xy} = 0$ H_1 :

$r_{xy} \neq 0$ H_0 is accepted a certain level, if the counted r_{xy} is smaller than the value of critical r_{xy} in the table.

III. THEORETICAL FRAMEWORK

3.1 Introduction Indonesian craft products are improving from years to years. This also means the upturn of foreign exchange gains and the wider job opportunities available. Jewellery as one of the oldest products of Indonesian craft industry, and starting to be sold, has a bright prospect to develop. The growth of this industry of jewellery craft products are influenced by various factors, mainly those closely related to people's pattern of life, including culture, norms and religiousness. However, due to the modernization impact and freedom in fashion, jewellery and its functions as means of appealing, correlate to and adapt one another. Therefore, jewellery which firstly made only of valuable such raw materials as gold, silver, platinum, then composed of various material and designs in accordance with market segment's taste. In ASEAN, studies on small and middle-scale industries carried out by Lim, Akrasanee, Salazar, Kee, Rahardjo and Ali are emphasizing more on financial aspects. Rahardjo and Ali performed their reserach in Klaten to small industry, on financial factors influencing small and middle-scale business (Kenneth 1992). There are other important factors influencing the success of small and middle-scale industry, however. Hence, this reserach is implemented to get the whole knowledge on export influencing the success of small and middle-scale industry. In

relation to craft, specifically Sunarto (1992) has carried out a research on network pattern on used band woven cloth trading in Flores. Nevertheless, he emphasized merely on band woven cloth trading network, not factors influencing the success of band woven cloth.

3.2 THE SUCCESS INDICATORS OF SILVER CRAFT INDUSTRY

Organization is defined as the structure and process by which a cooperative group of human beings allocates its task among its members, identifies relationships, and integrates its activities toward common objectives. Chester Barnard defined an organization as a system of consciously coordinated activities of two or more persons. Current definition of an organization is defined as a subsystem of its broader environment, and goal oriented (people with purpose), including a technical subsystem (people using knowledge, techniques equipment, and facilities), a structural subsystem (people working together on integrated activities), psychosocial subsystem (people in social relationships), and coordinated by a managerial subsystem (planning and controlling the overall endeavor). We use the term goals to mean broad, fairly timeless statement of what organization wants to achieve, and we use the term objective for more specific statements of ends, the achievement of which are contemplated within a specific ends sought, but they differ with respect to time periods and the degree of specificity. Strategies are means of attaining goals, while more detailed plans are used to attain objectives. While goals are stated in general terms that

provide purpose for organization activities, objectives are stated in rather specific terms, preferably in such a way that there is some measureable for determining the extent to which they have been achieved. For most strategic managers the solution is clear-enjoy a small amount of profit now to maintain vitality, but sow the majority to increase the likelihood of a long-term supply. This is the most frequently used rationale in selecting objectives. To achieve long-term prosperity, strategic planners commonly establish long-term objectives in seven areas: profitability, productivity, competitive position, employee development, employee relations, innovation, and public responsibility. The ability of any business to operate in the long run depends on attaining an acceptable level of profits. Strategically managed firms characteristically have a profit objective usually expressed in earnings per share or return on equity or return on investment. Strategic managers constantly try to improve the productivity of their systems. Companies that can improve the input-output relationship normally increase profitability. Thus, businesses almost always state an objective for productivity. Number of items produced or number of services rendered per unit of input are commonly used. However, productivity objectives are sometimes stated in terms of desired decreases in cost. This is an equally effective way to increase profitability if unit output is maintained. One measure of corporate success is relative dominance in the marketplace. Larger firms often establish an objective in terms of

competitive position to gauge their comparative ability for growth and profitability. Total sales or market share are often used, and an objective describing competitive position may indicate a corporation's priorities in the long term. Employees value growth and career opportunities in an organization such opportunities, productivity is often increased and expensive turnover decreased. Therefore, strategic decision makers frequently include an employee development objective in their long-range plans. Companies actively seek good employee relations, whether or not they are bound by union contracts. In fact, a characteristic concern of strategic managers is taking proactive steps in anticipation of employee needs and expectations. Strategic managers believe productivity is partially tied to employee loyalty and perceived management interest in worker welfare. Therefore, strategic managers set objectives to improve employee relations. Businesses must decide whether to lead or follow in the marketplace. While either can be a successful approach, each requires a different strategic posture. Therefore, many businesses state an objective in terms of technological innovation. Business recognize their responsibilities to customers and society at large. In fact, many actively seek to exceed the minimum demands made by government. Not only do they work to develop reputations for fairly priced products and services, but they also attempt to establish themselves as responsible corporate citizens. Efficiency is the amount of input used per unit of

output. The most efficient organization unit is the one that produces a given quantity of outputs with minimum consumption of input, or the most output with given inputs. But, effectiveness is how well an organization unit does its job of producing an output of products or services or the extent to which the unit produces intended or expected results. Organization effectiveness is defined as organization ability to acquire and efficiently use available resources to achieve its goal or objectives. Effectiveness is best judge against whatever objectives the organization truly intends to pursue. No amount of efficiency can make up for a lack of effectiveness. In fact, Drucker say, effectiveness is the key to an organization's success. Effectiveness is the key success to a silver craft industry. A silver craft industry ability to acquire and efficiently use available resources to achieve its goals or objectives (profitability, productivity, competitive position, employee development, innovation, employee relations, and public responsibility) is the key success to a silver craft industry. So the success indicators of silver craft industry are profitability, productivity, competitive position, employee development, innovation, employee relations, and public responsibility.

3.2 EXPORT AND THE SUCCESS OF SILVER CRAFT INDUSTRY

We must borrow some concepts from system theory to understand organizational environments. One of the basic assumption of systems theory is that organization are neither self-sufficient nor self-contained. Rather, they exchange resources with

and are dependent upon the external environment, defined as all elements connect the organization that are relevant to its operations. Organizations take inputs from the external environment, transform them into products or services, and then send them back as outputs to external environment. Company (firm) has external environment consisting of industrial environment and macro-environment, as shown in Figure 3.2.1.

Figure 3.2.1



IV. RESULTS AND DISCUSSIONS

4.1. Success Factors of Silver Craft Industry. Indicators of Success of Silver Craft Industry are:- Return On Investment- Competitive Position- Productivity- Employee Development- Employee Relations- Innovation- Public Responsibility. Success scores of any Silver Craft Industry sample will be determined by considering the relative position of a Silver Craft Industry to the other ones. Average Return

On Investment for each Silver Craft samples varies. The highest ROI belongs to ANSOR SILVER, amount to 86.17%, whereas the lowest ROI belongs to BAGUS & CO, 7.76%. Such large ROI variation has resulted in large standard deviation either, namely 19.843%. ROI mean of Silver Craft Industry samples is 29.52%. The number of Silver Craft Industry Sample with ROI above the average are 13 units, while those under the average are 18 units. This relative balance number between silver craft industry which are above the average and those under the average shows that distribution of ROI for each Silver Craft Industry Sample is quite normal. Average Total Sales of each Silver Craft Industry Sample varies. The highest Total Sales belongs to TOM'S SILVER, amount to Rp 1,621,930 millions, whereas the lowest Total Sales belongs to CAHAYA SILVER, Rp 6 millions. Such large variation of Total Sales has resulted in large standard deviation either, namely Rp 346,728 millions, even exceeding the average Total Sales of the whole silver craft industries. Silver Craft Industry Sample Total Sale mean is Rp 177,917 millions. The number of Silver Craft Industry Sample whose Total Sales above the average are 5 units, while those under the average are 26 units. This imbalance number between silver craft industry which are above and under the average shows that the distribution of Total Sales of each Silver Craft Industry Sample is not normal.

The highest productivity belongs to TOM'S SILVER, amount to Rp 11,630 millions per individual, while the lowest Productivity belongs to AD SILVER, amount to Rp 0,672 millions per individual. Such large variation of Productivity has resulted in large standard deviation either, namely Rp 2,862 millions per individual. Productivity mean of Silver Craft Industry Sample is Rp 4,165 millions per individual. The number of Silver Craft Industry Sample with Productivity above the average are 13 units, while those under the average are 18 units. This balance number between those above and under the average shows that distribution of Productivity of each Silver Craft Industry Sample is quite normal. Average Employee Development of each Silver Craft Industry Sample varies. The highest Employee Development belongs to TOM'S SILVER, amount to Rp 26,00 millions, whereas the lowest Employee Development belongs to 23 Silver Craft Industry Sample, Rp 0 million (no fund provided for Employee Development). Such large variation of Employee Development has resulted in large standard deviation either, namely Rp 4,727 millions. Silver Craft Industry Sample Employee Development mean is Rp 1,211 millions. The number of Silver Craft Industry Sample whose Employee Development above the average are 4 units, while those under the average are 27 units. This imbalance number between silver craft industry above and under the average shows that distribution of Employee Development of each Silver Craft Industry Sample is not normal. The highest Innovation

belongs to BIMA SILVER, namely 120 models, whereas the lowest Innovation belongs to NR SILVER and SURYA SILVER (none). Such large variation of Innovation has resulted in large standard deviation either, namely 42. Silver Craft Industry Sample Innovation mean is 39. The number of Silver Craft Industry Sample whose Innovation above the average are 12 units, while those under the average are 19 units. This imbalance number between silver craft industry above and under the average shows that distribution of Innovation for each Silver Craft Industry Sample is quite normal. The highest Public Responsibility belongs to BIMA SILVER, namely Rp 12,880 millions, whereas the lowest Public Responsibility belongs to NR SILVER and SURYA SILVER (none). Such large variation of Public Responsibility has resulted in large standard deviation either, namely Rp 2,423 millions. Silver Craft Industry Sample Innovation mean is Rp 0,946 millions. The number of Silver Craft Industry Samples whose Public Responsibility above the average are 8 units, while those under the average are 23 units. This imbalance number between silver craft industry above and under the average shows that distribution of Public Responsibility for each Silver Craft Industry Sample is not normal. The highest Employee Relations belongs to TOM'S SILVER, namely Rp 13,630 millions, whereas the lowest Employee Relations belongs to NANI SILVER, DALAS SILVER, CAHAYA SILVER, HH SILVER, NR SILVER, NUVA SILVER, WARIDI SILVER, SUDIMAN SILVER, SW

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SILVER, DJONO'S SILVER, L SILVER, SO SILVER,ZNR SILVER, AD SILVER, BIMA SILVER and SURYA SILVER (none). Such large variation of Employee Relations has resulted in large standard deviation either, namely Rp. 2.540 millions. Silver Craft Industry Sample Innovation mean is Rp. 0.921 millions. The number of Silver Craft Industry Samples whose Public Responsibility above the average are 8 units, while those under the average are 23 units. This imbalance number between silver craft industry above and under the average shows that distribution of Employee Relations for each Silver Craft Industry Sample is not normal. The highest The Succes Score belongs to TOM'S SILVER, namely 245, whereas the lowest Public Responsibility belongs to NR SILVER and SURYA SILVER (none). Such large variation of Public Responsibility has resulted in large standard deviation either, namely Rp. 2.423 millions. Silver Craft Industry Sample Innovation mean is Rp. 0.946 millions. The number of Silver Craft Industry Samples whose Public Responsibility above the average are 8 units, while those under the average are 23 units. This imbalance number between silver craft industry above and under the average shows that distribution of Public Responsibility for each Silver Craft Industry Sample is not normal. The primary objective of this research is to study exports determining the success of silver craft industry, especially those located in Yogyakarta. Results of this

especially research show that roles of export have affected the success of silver craft industry. Results of this research show that there is positive correlation between the success of silver craft industry and export role, as shown by coefficient correlation of 0.561 which is significant at one percent level *). This leads to the conclusion that in order to success a silver craft industry needs proper export role.

V. CONCLUSIONS AND SUGESIONS

5.1 CONCLUSION The primary objective of this research is to study export and the success of silver craft industry, especially those located in Yogyakarta. Results of this research show that roles of export have affected the success of silver craft industry. Results of this research show that there is positive correlation between the success of silver craft industry and export role, as shown by coefficient correlation of 0.561 which is significant at one percent level. This leads to the conclusion that in order to success a silver craft industry needs proper export role.

5.2 SUGGESTION

Since it has been proved that export role determine the succes of silver craft industry, thus futher research is needed. It is important to recognize what kind of the other factors affecting the succes of silvercraft industries (tecnology, organization structure, competition, manager, employee, bank, cooperative, government, and media). If possible, it is important to broaden the scope of this study so to

include not only Yogyakarta Province, but also the entire area of Indonesia. This study could also be expanded to cover such other craft industries as leather craft industry, wooden craft industry, and other industries predicted to have bright prospect in future global marketplace. It also possible to expand them to cover other industries.

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