

Key Success Factors (KSF) of Small Medium Enterprises (SMEs) in Creative Industry

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Abstract

Indonesian Small and Medium Enterprises (SMEs) have an important role for regional economic growth for supporting national economy. As a contributor for more than 50% of Indonesian gross domestic product, SMEs become the foundation of Indonesian economy. From many business trends in Indonesia, the most popular are fashion business (35%). This fact becomes a SMEs challenges to struggle in tight competition by having a unique strategy and specific technique. Subsequently, this research is conducted to investigate and reveal the secret success factors of fashion business. Respondents of this study are the well run West Java SMEs which already successfully managed their profits.

The method used in this research based on existing studies on entrepreneurship that have been proven in the SMEs studies. The SME respondents are taken from all over West Java which has 8.2 million populations (2014). Data obtained through 300 questionnaires that contain quantitative and qualitative information to fashion SMEs. Exploratory and confirmatory analysis is used to formulate the results of the questionnaire.

The result expected is the secret success factors that most frequently mentioned by fashion businesses in West Java such as innovation or creativity. Hopefully by knowing the secret success factors, every single entity could learn effective ways in developing the similar business.

Keywords: Key Success Factors; Creative Industry; Small and Medium Enterprises

Introduction

Indonesian creative industry has become one of the industry's most successful and promising (Worldbank, 2011). Indeed, the Ministry of Trade began to recognize the existence of this industry by mapping its contribution to the economy since 2002. Between 2009 and 2011 the annual contribution of creative industries to exports was estimated at 12 percent and provides jobs for 7 percent of the workforce (Worldbank, 2011). Furthermore the Government of Indonesia called the creative industries as one of the focus of the industry to be developed to become a national force (Metrotvnews, 2011). This is demonstrated by the release of the book Development of Creative Economy Indonesia 2025 and Indonesian Creative Economy Development Plan 2009-2015. Furthermore, through president instruction no 6/2009, the president requiring government agencies to make a plan of action in order to help the development of creative industries in Indonesia (metrotvnews, 2011).

Furthermore Simarmata & Simarmata (2011) describes among sectors of the national economy, contributing added value of the creative industries sector that showed very significant. This sector was ranked 6 out of 10 sectors of the economy, under the manufacturing industry, agriculture, livestock, forestry and fisheries, trade, hotels and restaurants, mining, and social services sector. In other words, the value added contribution of creative industries is higher than the contribution of the construction sector (7.71%), finance, real estate and business services (7.04%), transportation and communication (6.27%); as well as electricity; gas and water (0.89%). Even in terms of employment, the creative industry sector ranks 5th out of 10 sectors of the national economy (Simarmata & Simarmata, 2011).

One of the creative industries product is fashion business. This business requires creativity through a wide variety of designs, materials, patterns, models, and others to meet the needs of a large number of consumers in Indonesia. Moreover, the development of the fashion industry continues to show a very significant improvement. So it became one of the most admired businesses SMEs (Bisnisukm, 2012). As

an example of the fashion phenomenon is called “distro” that contain creativity, positive energy, and dreams in fashion for youth. Fashion distro are present in various cities in Indonesia with a product that is not just limited to clothing or shirts with interesting pictures, but all the fashion needs of the end of the hair-like hats, shoes -like to toe with attractive models. (Bandargarmen, 2011)

This study aimed to explore the key success factors of SMEs especially in creative industry in Indonesia. However, with certain limitations, researchers gave restriction area of this research in several areas in West Java, Bandung primarily as a barometer of fashion to become an objects of tourist destinations both domestically and internationally.

Key Success Factor of Business

An increasing number of entrepreneurs in Indonesia is proof that the Indonesian citizen certainly believe that business opportunities in Indonesia are large and promising success. Decision to run some business is a small step that can be done by almost every workforce. Furthermore, this business can be started with affordable capital, and does not require any special skills at first, so it can be done by anyone who has passion and motivation to develop start up business (Azis, 2007).

According to Pitts (2008), in order to achieve success in business, an entrepreneur must be able to build confidence and ideas for themselves to create the concrete steps to realize these ideas forward. It means that business should be challenging for the entrepreneurs themselves (McManus & Delaney, 2007; Kropp et al, 2008), in addition the business should makes enthusiastic, which is a business that started based on personal hobby that supposed not to make it a one tiring job.

Success in business, especially in the SME sector, will face certain obstacles. Even today, the number of Indonesia SMEs is around 55 millions units and still increasing, the main obstacles faced by SMEs Indonesia is the high level of competition and difficulties in access to business financing (Irijayanti & Azis, 2012). Nonetheless, an entrepreneur should focus on the main objectives to be achieved rather than questioning the obstacles that appear in each activity to build a business. Entrepreneur should also build a good relationships with other entrepreneurs that have the ability to look at certain situations with a variety of perspectives. The statement was reinforced by Soriano (2003) which stated that the talents in innovation is closely linked to the individual character of an entrepreneur. A positive character will influence the business successful, for example: ambitious, strong commitment, emotion control, positive thinking and other positive character (McManus & Delaney, 2007; Schultz, 1990; Darling et al, 2007; Sarri & Trihopoulou, 2005; Soriano, 2003 ;Mattis, 2004).

In addition, according to Huovinen & Tiheula (2008), knowledge is also a major capital when an entrepreneur will start a business. Knowledge can be acquired through experience, so that an entrepreneur is not only able to master the products that are marketed but also managerial ability to support the continuity of its business (Roffe, 2007; Nonaka & Takeuchi, 1995; Omerzel & Antocic, 2008; Haynes, 2003; Jin et al 2010; Huovinen & Tihula 2008; Pena, 2002; Pitts, 2008; Kropp et al, 2008; Deamer & Earle, 2004; Awe, 2000; Simpson et al, 2004; Pasanen & Laukkanen, 2006).

Key success factors (KSF) of successful entrepreneurs of SMEs in various types of business in various countries are identified and presented in Table 1.

1. Key Success Factors of SMEs

No	KSF	References
1.	Business challenging	McManus & Delaney (2007); Kropp dkk (2008)
2.	Hard work	McManus & Delaney (2007)
3.	High motivation	Pena (2002)
4.	Discipline	McManus & Delaney (2007); Jin dkk (2010)
5.	Personal interest	McManus & Delaney (2007)
6.	Highly integrity employees	McManus & Delaney (2007); Jin dkk (2002); Deamer & Earle (2004); Pasanen &

No	KSF	References
7.	Good leadership skill	Laukkanen (2006) McManus & Delaney (2007); Darling dkk (2007); Jensen & Luthans (2006); Schultz (1999)
8.	Personal character	McManus & Delaney (2007); Schultz (1990); Darling dkk (2007); Sarri & Trihopoulou (2005); Soriano (2003); Mattis (2004)
9.	Personal involvement	McManus & Delaney (2007)
10.	Good business intuition	Pech & Cameron (2006)
11.	Opportunity	Pech & Cameron (2006); Haynes (2003); Jin dkk (2010); Darling dkk (2007); Wright dkk (1995); Jones & Holt (2008); Yu (2012)
12.	Strong capital	Zaratiegue & Rabade (2005); Soriano (2003); Wilson & Stokes (2004); Pasanen & Laukkanen (2006)
13.	Good interaction within employees	Rowe & Christie (2008); Darling dkk (2007); Jensen & Luthans (2006); Deamer & Earle (2004); Pasanen & Laukkanen (2006)
14.	Information and technology adoption	Roffe (2007)
15.	Adequate knowledge	Roffe (2007); Nonaka & Takeuchi (1995); Omerzel & Antocic (2008); Haynes (2003); Jin dkk (2010); Huovinen & Tihula (2008); Pena (2002); Pitts (2008); Kropp dkk (2008); Deamer & Earle (2004); Awe (2000); Simpson dkk (2004); Pasanen & Laukkanen (2006)
16.	Focus at customer satisfaction	Bennet & Rundle-Thiele (2004); Darling dkk (2007); Pasanen & Laukkanen (2006)
17.	Experiences	Jin dkk (2010); Huovinen & Tihula (2008); Pena (2002); Deamer & Earle (2004)
18.	Innovations	Darling dkk (2007); Soriano (2003)
19.	Business ethics	Machan (1999)
20.	Marketing strategy	Wilson & Stokes (2004)
21.	Willing to adapt	Schindehutte & Morris (2001)

Research Method

This study aimed to analyze the KSF of SMEs from various SMEs in many countries and implemented the KSF for this research respondents which involve fashion business. Data were obtained from 250 samples from West Java region (Bandung, Sumedang, Garut, Bogor, Tasikmalaya, Sukabumi, and Cirebon).

Exploratory analysis is used to find the KSF of the main success of SMEs especially in fashion through modus techniques from a number of KSF identified. Weighting is conducted to describe the main factors that become the KSF of fashion business in West Java.

Validity and Reliability Test

This study is a qualitative description of frequency respondents options, thereby testing for the validity and reliability refers to the testing standards for qualitative research adopted from Denzin & Lincoln (2009) which includes :

1. Credibility (aspects of truth value). In the test, study was conducted by repeated observation and triangulation of sources and techniques to the businesses with eligible numbers. This test is conducted to ensure the similarity results from preliminary observations. 90% of this test is similar from the initial observation. Furthermore, from the results of preliminary observations obtained a new indicator that appears and then the researchers put a new indicator for testing the questionnaire truthfully.
2. Transferability (application aspect). This test purpose is determining the degree of accuracy of the respondents, which is done through the creation of standard questionnaires distributed, which refers to the SMEs classification based on Act of 2008. From the results of this test 95% of respondents in accordance with the criteria.
3. Dependability (aspect consistency). This test purposes is ensuring that all the indicators used are the indicator derived from previous literature studies on various types of business to analyze this study. Based on the results, more than 80% of the indicators chosen by the respondents are reliable.
4. Confirmability (aspect naturalization). This study is eventually objective because the research results obtained based on research conducted

Findings and Discussions

The following table describes the result quantitative data process based on questionnaires for fashion business which totally collected 152 fashion questionnaires. The KSF of each type of SMEs are sorted based on the large weights chosen by respondents who sort options into five main secret of their success, as respondents chose the factors based on the criteria that the authors provide.

Table 2. KSF of Fashion Business

Rank	Variables	Weighted Score					Total
		WS ₁	WS ₂	WS ₃	WS ₄	WS ₅	
1.	Innovation	210	108	0	0	0	318
2.	Knowledge	0	156	108	36	6	306
3.	Willing to adapt	135	48	63	0	0	246
4.	Experiences	120	72	0	24	0	216
5.	Good intuition	90	0	18	72	12	192
6.	Hard work	60	108	0	0	3	171
7.	Strong capital	0	12	99	6	21	138
8.	Focus at customer satisfaction	0	12	36	78	0	126
9.	Business as hobby	0	0	117	0	0	117
10.	Good marketing strategy	90	0	0	24	0	114
11.	Personal character	15	72	0	0	0	87
12.	Strong motivation	0	0	0	48	18	66
13.	Good opportunity	0	0	0	0	24	24
14.	Discipline	0	0	0	0	15	15
15.	IT adoption	15	0	0	0	0	15

Rank	Variables	Weighted Score					Total
		WS ₁	WS ₂	WS ₃	WS ₄	WS ₅	
16.	Process involvement	0	0	0	6	18	24
17.	Business challenging	0	0	0	0	18	18
18.	High integrity employees	0	0	0	0	12	12
19.	Good interaction among employees	0	0	0	0	0	0
20.	Business ethics	0	0	0	0	0	0
21.	Leadership	0	0	0	0	0	0

Based on the questionnaires results, there are many indicators that were eliminated from the fashion business KSF no respondents choose. Factors that does not include in KSF of fashion business: good interaction with employees, maintain ethics in business, and a good leadership. This mean, these three factors have low relevance to the fashion business KSF.

The five factors ultimate success in running a business in fashion is constantly innovating to create new interest and new trends in fashion, has a deep knowledge of the business being run, the ability to adapt to consumer tastes in fashions, has adequate experience about the business for certain period, and sharp business intuition in anticipating the customers taste in fashion.

Conclusions

Based on study result, there are five major KSF that are successfully identified in fashion business, which include the ability to innovate in fashion trends, mastering the fashion knowledge, willing to adapt to the fashion trends, have extensive experience of the business, and have perfect intuition on fashion trends.

Nevertheless, this research still has many limitations which can be improved with further research. The limitation of this study involve the number of respondents who do not represent the majority of similar businesses, and area of this study relatively limited considering that Indonesia still has hundreds of different fashion style spread beyond West Java or outside Java, and finally other factors in KSF that have not emerged significantly, especially KSF that directly contribute to the success of business. Thus, in order to support and promote the creative industry in Indonesia -as one of the pillars of the national economy- government should focus at main factors that significantly influence the business successful.

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