

## Creative Industry Development Strategy in Bandung, Indonesia

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— *Review of* —  
**Integrative  
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— *Research* —

### ABSTRACT

This study aims to formulate the development strategy of the creative industry in Bandung. Objects studied in this study were external, internal and competition environments; SWOT analysis and functional and business strategies. This desertification used a descriptive method with a qualitative approach. Data collection techniques used in this study were observation, semi-structured interviews, corporate document studies and triangulation. The sources of data from this study were obtained from key informants and supporting informants. The results of this research corroborate that the creative industry in Bandung is able to continue developing this matter as evident from power owned by Bandung, in which most employees of small and medium enterprises are still young. Specifically, 63% of employees possess educational attainments of high school and bachelor's degree. Thus, the products that they produce are unique and creative. A suitable strategy developed in the creative industry in Bandung is a differentiation strategy. On the basis of such results, the authors affirm that the collaboration between the government and entrepreneurs in the creative industry continues to be improved, especially in terms of marketing products and assistance in patenting products produced because of the high level of plagiarism.

Keywords: external environment, internal environment, business strategy, creative industry.

### 1. INTRODUCTION

The growth of the national creative industry every year keeps increasing by approximately 7% annually. At the opening of the exhibition 'Fashion and Accessories Products' in 2015, the Minister of Industry asserted that the added value of the creative economy sector reached IDR. 111.1 trillion, considered the highest contribution, was from the sub-sectors of culinary and craft. The highest growth was achieved by the craft sub-sector with an export growth rate of 11.81, followed by fashion at 7.12%, advertising at 6.02% and architecture at 5.59%. The creative industry consisted of 15 sub-sectors, namely, (1) advertising; (2) architecture; (3) art market; (4) craft; (5) design; (6) apparel; (7) video, film and photography; (8) interactive games; (9) music; (10) performing arts; (11) publishing and printing; (12) computer and software services; (13) television and radio; (14) research and development and (15) culinary.

Bandung is home to one of the best cultural industries in Indonesia because the Bandung community is tolerant of new ideas and appreciates individual freedom.

The development of the creative industry in Bandung is of high potential because of its location for the synergy and collaboration of universities, businesspeople, society, government and media. The development of the creative economy in Bandung has indicated satisfactory improvement. To date, the leading sub-sectors of the creative industry in Bandung are as follows: (1) music, (2) fashion, (3) art, (4) design, (5) architecture, (6) IT and (7) food.

The result of the study of *LPM UNPAD* (2008) affirms that 3,480 business groups actively produce their products (a production process occurs), consisting of 1,403 groups of micro enterprises (40.32%), 1,657 small business groups (47.61%), 412 medium business groups (11.84%) and eight big business groups (0.23%). These groups do not include trading businesses and other services, such as grocery stores, supermarkets, banks and offices. Research by the Department of Business Administration *UNPAD* (2016) verifies that the current creative industry conditions in Bandung remain dominated by sub-sectors that have long been representative of the city. Fashion, culinary and design are fields that remain an option for business actors. Thus, Bandung needs a strategy to develop its creative industry.

## **2. LITERATURE REVIEW**

### **2.1 Creative Industries**

According to the DCMS (Creative Digital Industries National Mapping Project ARC Center of Excellence for Creative Industries and Innovation, 2007), the creative industry is an industry derived from the utilization of creativity, skills and individual talents to create welfare and employment by the utilization of creativity and creative individuals (NAF/WRT/0011112009 January edition). Meanwhile, Jerusalem (2009) confirmed that the creative industry is an industry that possesses authenticity in individual creativity, skills and talents that can generate income and job creation by the exploitation of intellectual property.

### **2.2 Strategic Management and Environment**

A strategy is essential for all companies to be able to compete with similar companies based on internal performance or external company (Raharja, 2017). Strategic management is defined by Hunger and Wheelen (2003) as a series of managerial decisions and actions that determine a company's performance over the long term. Meanwhile, Pearce and Robison (2007) proved that strategic management is a set of decisions and actions that result in the formulation and implementation of plans designed to achieve the goals of a company. By contrast, David (2005) defined strategic management as the art and science to formulate, implement and evaluate cross-functional decisions that enable an organization to achieve its goals.

Jones (2001, cited by Raharja, 2017) defined organizational environment as 'the set of forces surrounding an organization that has the potential to affect the way it operates and its access to the scarce resources'. Before companies can formulate strategies, management must observe the external environment to identify potential opportunities and threats. Environmental observations made by Hunger and Wheelen (2003) were monitoring, evaluating and disseminating information from the external environment to key people within the company. Management can make environmental observations to avoid strategic surprises and ensure long-term organizational health.

Pearce and Robinson's (2008) validated that the general environment is composed of external and usually unrelated factors. The operating situation of an enterprise comprises the following aspects: (1) economic factor, (2) social factor, (3) political factor, (4) technology and (5) ecology.

Internal environment is the strategic resource of an organization that consists of physical assets, relative financial position, market position, brand and employee capabilities, specific knowledge and competencies. Processes and skills are further aspects of organizational culture. Resources are a source of capability, an example of which is leadership in the development of the core competencies of firms that possess an organizational competitive advantage. Capability illustrates a company's ability to use its resources, whether tangible or intangible to produce products in the form of goods or services. Competence is an integration between the functions and coordination of capabilities. Core competence is defined as capability in serving the sources of the competitive advantage of a company that exceeds that of its opponents.

### 2.3 Company Strategy and Generic Competing Strategies

Pearce and Robinson (2008) corroborated that the main strategy is a long-term master plan that provides basic guidance for key actions directed at achieving long-term business goals. The main strategies consist of the following: (1) intensive, (2) diversification and (3) defensive strategies. Hunger and Wheelen (2003) offered two 'generic' competitive strategies to outperform other companies in a particular industry. Firstly, low cost is the ability of a company or a business unit to design, manufacture and market a product in proportion to a more efficient way than its competitors. Secondly, differentiation is the ability to provide unique and superior values to buyers in terms of quality, special features or after-sales services.

### 2.4 Operationalisation of Research Concepts

Table 2.1 operationalises the concepts of research.

**Table 2.1** Operationalisation of research concepts

Theme	Factors	Data sources (informants)	Techniques
External environment	General environment: Economic factors Social culture factors Political and legal factors Technological factors Demographic factors	<ul style="list-style-type: none"> <li>• Entrepreneurs</li> <li>• Government</li> <li>• Association</li> </ul>	Interview
Industrial environment	Industrial environment: Bargaining power of suppliers Bargaining power of buyers Threat of newcomers Substitution product threats Competitive intensity	<ul style="list-style-type: none"> <li>• Entrepreneurs</li> <li>• Government</li> <li>• Association</li> </ul>	Interview
Internal environment	Internal environment: Resources Capability Core competencies	<ul style="list-style-type: none"> <li>• Entrepreneurs</li> <li>• Government</li> </ul>	Interview

		<ul style="list-style-type: none"> <li>• Association</li> </ul>	
Competitive strategy	<ul style="list-style-type: none"> <li>• Differentiation</li> <li>• Focus</li> <li>• Cost leadership</li> </ul>	<ul style="list-style-type: none"> <li>• Entrepreneurs</li> <li>• Government</li> <li>• Association</li> </ul>	Interview

### 3 RESEARCH METHOD

The qualitative research method is used here, and the data used are primary and secondary data. Data collection techniques used here are in the form of documentation and in-depth interviews.

Data validation used triangulation, both from the side of informants, data sources, data collection techniques and research instruments. In data collection techniques, triangulation is defined as data collection techniques that combine various data collection techniques and data sources that already exist. 'Triangulation is a term originally more common in surveying activities, map making, navigation, and military practices'. Denzin (1978, in Moleong 2004) revealed that four types of triangulation can be used, namely, triangulation of resources, triangulation method, triangulation of investigators and triangulation theory. Sources and theory (instruments) are also used.

Data analysis via SWOT is the systematic identification of various factors to formulate a corporate strategy. This analysis is based on the logic that maximizes strengths and opportunities and simultaneously minimizes weaknesses and threats.

### 4 FINDINGS AND DISCUSSIONS

#### 4.1 Demography

The population of Bandung comprises 60% of youth, which is beneficial because young people possess many creative and innovative ideas. Population growth can affect the industry because an increasing population will increase the opportunity to improve the market. However, population growth is also considered an obstacle because it will facilitate new competitors. Nevertheless, as long as market availability is large, emerging competitors can be a driver for improved work.

#### 4.2 Economy

Bandung can be considered a creative city in which its cultural activities blend with economic and social activities. The development of the creative community is expected to be a further impetus to the synergy of the development of local creative economic activities.

The indicators that can be used to determine the potential of regional superiority in Bandung are illustrated via Gross Regional Domestic Product or *PDRB*, which describes consumption patterns and the capacity of the business field in the current year. *PDRB* is calculated on the basis of the contribution of each sector in the *GRDP* to *GRDP* value. The trade, hotel and restaurant sectors contributed the most (38.92%) to the *PDRB* of Bandung in 2009. The development of the creative industries in Bandung is a factor that strengthens the trade, hotel and restaurant sector as a potential region in Bandung.

### 4.3 Politics

**Table 4.1 Regulations Relating to the Creative Industry**

Sub-sector	Regulations of the creative industry sector
Architect	Act No. 5/1992 on Heritage Objects
Computer services and software	Act No. 11/2008 on Information and Electronic Transactions
Design	Act No. 31/2000 on Industrial Design
Film, video and photography	Act No. 8/1992 on Film
Interactive games	Act No. 11/2008 on Information and Electronic Transactions
Publishing and printing	Act No. 40/1999 on Press
Television and radio	<ul style="list-style-type: none"> <li>• Act No.32/2002 on Broadcasting</li> <li>• Government Regulation No. 50/2005 on Broadcasting of Private Broadcasting Institutions</li> <li>• Act No. 36/1999 on Telecommunications</li> <li>• Act No. 40/1999 on Press</li> </ul>

### 4.4 Technology

Technology is very important in the creative industry. However, technology also becomes similar to a double-edged sword for the creative industry. Our research results affirm that one of the main obstacles to the creative industry is piracy. The representatives (local artists) of the music sub-sector in Bandung complain about the rise of piracy.

### 4.5 EFAS Analysis

**Table 4.2 External Factor Analysis Summary**

		Weight	Rating	Weight score
<b>Opportunity</b>				
1	Bandung city government policy to maintain Bandung as a creative city	0.08	4	0.32
2	Bandung city government policy to maintain Bandung as a creative city	0.07	3	0.21
3	Multiplier effects that arise from the development of the creative industry sector	0.08	4	0.32

4	High tourist visits local and foreign, especially the fields of culinary and fashion	0.07	3	0.21
5	Forward and dynamic development of creativity in Bandung	0.08	4	0.32
6	The creative economy opens enormous opportunities in the creative sector.	0.06	3	0.18
7	Banking opens wide opportunities for this sector in capital and sponsorship.	0.06	3	0.18
		0.5		1.74
<b>Threats</b>				
1	The attention of the Bandung city government has not focused on the creative economy sector and is still very dependent on the mayor.	0.14	2	0.28
2	Availability of infrastructure and facilities that have not fully supported the efforts of community development/creative industries	0.08	1	0.08
3	High levels of plagiarism and piracy of works	0.07	1	0.07
4	Not all communities/creative industries possess patents	0.1	1	0.1
5	The ability of human resources in business management and the mastery of business have not been evenly distributed.	0.11	2	0.22
		0.5		0.75
		1.00		2.49

### Strength Analysis

Bandung city is easily accessed from big cities and can be reached by land, sea and air. The existence of Cipularang Highway has resulted in a high volume of traffic flow and the mobility rate of people in Jakarta–Bandung, and the surrounding area has increased. In addition, Husein Sastranegara Airport, as an international airport, facilitates easy access from abroad.

The Bandung city government mainly through the Department of Cooperatives, SMEs, Industry and Trade provides an active role for the development of creative industries in the city. A representative from the department, Mrs. Hanni, explained that it has facilitated SMEs by conducting coaching in each type of industrial centre.

Generally, the economic sector of Bandung is divided into three sectors, namely, the base sector, the local economy and the informal sector. Creative economic contribution to *PDRB* Bandung has shifted to other potential sectors. An example is the creative economy based on innovation and creativity, which includes fashion, design and music that is mostly managed by young people aged 15–25 years, comprising 344,244 workers.

### Weakness Analysis

Weaknesses also influence the development of the creative industries in Bandung. Inadequate infrastructure, such as inadequate public transport, affects the ease of access to the creative industry sectors, such as culinary, fashion and the performing arts. The long-standing problem in Binong Jati's knitting industry centre is related to infrastructure.

On the basis of the categorization in Law No. 20 of 2008, in Bandung, 3,480 business groups actively produced products (a production process occurs), consisting of 1,403 groups of micro enterprises (40.32%), 1,657 small business groups (47.61%), 412 medium business groups (11.84%) and 8 large business groups (0.23%).

### IFAS Analysis

**Table 4.3 Internal Factor Analysis Summary**

		Weight	Rating	Weight score
<b>Strengths</b>				
1	Easy access	0.09	4	0.36
2	Natural conditions	0.08	4	0.24
3	Government support in creative industry development	0.09	4	0.36
4	Commitment of the mayor of Bandung	0.08	3	0.24
5	Demographics of Bandung at a young and creative age	0.09	4	0.36
6	Conducive business climate	0.07	3	0.21
		0.5		1.77
<b>Weaknesses</b>				
1	Infrastructure remains limited.	0.2	2	0.4
2	Many products are easy to imitate.	0.15	2	0.3
3	High level of competition	0.15	1	0.15
		0.5		0.85

**Table 4.4 SWOT Matrix**

	<b>Strengths (S)</b> <ol style="list-style-type: none"> <li>1. Ease of access</li> <li>2. Natural conditions</li> <li>3. Government support in creative industry development</li> <li>4. Commitment of the mayor of Bandung</li> <li>5. Young and creative demographics</li> <li>6. Conducive business climate</li> </ol>	<b>Weaknesses (W)</b> <ol style="list-style-type: none"> <li>1. Infrastructure remains limited.</li> <li>2. Products are easy to imitate.</li> <li>3. High level of competition</li> </ol>
<b>Opportunities</b> <ol style="list-style-type: none"> <li>1. Bandung city government policy to maintain Bandung as a creative city</li> <li>2. High opportunities, potentials and market networks</li> <li>3. Multiplier effect caused by the development of the creative industry sector</li> <li>4. High local and foreign tourist visits, especially in culinary and fashion fields</li> <li>7. Forward and dynamic development of creativity in Bandung</li> <li>8. The creative economy opens enormous opportunities in the creative sector.</li> <li>9. Banking opens wide opportunities for this sector in capital and sponsorship.</li> </ol>	<b>Strategies S-O</b> <ol style="list-style-type: none"> <li>1. Collaboration amongst government, entrepreneur and society in developing the creative industry in Bandung</li> <li>2. Cooperation with educational institutions</li> </ol>	<b>Strategies W-O</b> <ol style="list-style-type: none"> <li>1. Training to improve business skills to entrepreneurs</li> <li>2. Job opportunities to surrounding communities</li> </ol>
<b>Threats (T)</b> <ol style="list-style-type: none"> <li>1. The attention of the Bandung city government has not focused on the creative economy sector and is still highly dependent on the mayor.</li> <li>2. The availability of infrastructure and facilities that has not fully supported the efforts of community development/creative industries.</li> <li>3. High levels of plagiarism and piracy of works</li> </ol>	<b>Strategies (S-T)</b> Providing assistance to entrepreneurs for the management of intellectual property rights	<b>Strategies (W-T)</b> Improve infrastructure to increase the number of tourists



4. Not all communities/creative industries possess patents.		
5. The ability of human resources in business management and the mastery of business information are not evenly distributed.		

## 5 CONCLUSIONS

1. Our research results affirm that that the creative industry in Bandung, in general, indicates a promising opportunity to continue to grow. The high multiplier created by the creative industry encourages the Bandung city government to continue to support the creative industry, supported by significant market opportunities because of the ease of access to Bandung and the role of financial institutions.
2. The location Bandung adjacent to the capital city of Jakarta and the topography of the region is an existing strength. A further strength is its young demography that facilitates creativity and innovation. Real support is supplied by the mayor of Bandung, who has long helped the city become a creative city and a force for the development of the creative industries.
3. External and internal factors determine the strategies that can be made by the Bandung city government. These strategies include the need for collaboration amongst the government, entrepreneurs and the community, thereby improving the development of the creative industries in Bandung.

## 6 RECOMMENDATIONS

1. We suggest important points in the framework of the implementation of strategies to enhance the development of the creative industries in Bandung.
2. The government, in this case the Office of SMEs, Cooperatives, Industry and Trade, should plan programs that synergize with the needs in the field.
3. Industry players must continue to improve their business capabilities, especially regarding creative and innovative products.
4. The role of the community around the creative industries business must be increased by improving the skills.

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