

Competitiveness Improvement of Green Area: The Case of OVOP in Bantul Region, Daerah Istimewa Yogyakarta (DIY), Province, Indonesia

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Abstract: Green area is necessary so that KAJIGELEM could maintain a pro-environmental oriented area, economically prosperous, evenly spread and fair development as well as the existence of stakeholders involvement. This research presents the determinants of green area competitiveness as perceived by stakeholders from KA-JI-GE-LEM (Kasongan, Jipangan, Gendeng and Lemah Dadi) area, Bantul Region, Daerah Istimewa Yogyakarta (DIY), Province, Indonesia based on OVOP. An OVOP is designed by developing village based on superior village potency which in the end will improve village economic growth. This research used primary data which was obtained by interview with the stakeholders and secondary data from various publications. The results show that there are seven factors worth considering in improving the competitiveness of KAJIGELEM, namely: knowledge and skills, the ability for research and development, human resource development, cooperation network, social capital, entrepreneurship and leadership aspect. These factors need to be enhanced with pro-environmental behavior from stakeholders.

Key words: Competitiveness, green are, OVOP, Lemah Dadi, leadership

INTRODUCTION

For decades up to today, economy has been triggered to thrive rapidly, often abandoning environmental aspects. The development of an industry for example as long it contributes financially beneficial, significant revenue and tax, it will be given operational permission without any environmental consideration. Therefore, strategic issues to develop green areas have become an interesting matter to study. Issues such as ecolabeling, green management, green consumerism, green marketing and much bigger green building clusters has made the society to transform their thinking pattern, life pattern and even business practice to consider environmental aspect more. The involvement of all parties is necessary to implement pro-environmental oriented attitude and behavior (Bissing-Olson *et al.*, 2013). Green area is potential to accelerate continuous resources for economy development (McCauley and Stephens, 2012) as well as growing and developing cluster continuously (Allen and Potiowsky, 2008).

In accordance with Presidential Regulation of Indonesia (Peraturan Presiden Indonesia) of 28/2008 article 6 (National Industrial Policy/Kebijakan Industri Nasional) is arranged based of priority industrial cluster, regional regulation (Peraturan Daerah) of Bantul Region n. 04/2011 article 43 on Urban Land Use Plan (Rencana Tata Ruang Wilayah) 2010-2014 also direct business activities based on agricultural sector as the basis of economy and also is supported process industry sector, culture-tourism, trading, service and fishery as well as marine by paying attention to environment and reducing the risk of disasters. Aside of that Bantul Region aims to develop SMEs (Small and Medium Enterprises) without damaging environment around the area. KAJIGELEM area (Kasongan, Jipangan, Gendeng, Lemahdadi) is located in Bantul Region where in the future will be used as metropolitan area in DIY (house site, central government service distribution, social service and other economic activities). Not only that in Long Term Development Plan (Rencana Jangka Panjang) of 2006-2025, this region will also be developed as strategic region of BKM (Bantul Kota Mandiri-Bantul City of Independent).

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This study is focusing on KAJIGELEM area, Bangunjiwo village, Bantul region, Daerah Istimewa Yogyakarta (DIY) Province, Indonesia. The main issue is the concern from society regarding agricultural sector from time to time that may experience terrible decline as a result from functional transformation of agricultural land into house site and shopping area. There are many new house sites and shopping areas thriving these past years. The even smaller area for agricultural sector has been becoming more unreliable to support an even higher life needs. Several civilians have veered their career from farming to laborer or even self-employer. From 73 centers of SMEs in Bantul region, 14 among them are from handcraft industry and mostly from Bangunjiwo village. Other than these industries in Bangunjiwo, there are various other handcraft clusters which later known as KAJIGELEM. From Bangunjiwo village data in 2011, the amount of laborer is 2,579 people. The amount of poor civilians is 3,924 people and 1,245 families. With the average income of <300,000 IDR per months, it means that there is a necessity to create solution for such issue.

Based on this fact, a green area development model is needed by considering competitiveness factor referred to Rosenfeld (1997), Porter (1998a, b) and Ali and Al Nsairat (2009). This study focused on the rapidity of real development sector and SMEs inventiveness and society in supporting KAJIGELEM to become OVOP-based green area. Besides that developing green area must also consider the study by Allen and Potiowsky (2008) which also adopted Porter's Model. In order to achieve green area, this area will also be enhanced by pro-environmental behavior by the stakeholders (Bissing-Olson *et al.*, 2013). It is expected that if KAJIGELEM area has a high rate of competitiveness, it will be positively contributing to pro-poor, pro-job and even pro-growth as well as improving a continuous area performance acceleration in environmental aspect, social culture and society's prosperity.

Literature review: In general, regional development strategy in Indonesia is executed by paying attention to economic growth on potential centers through pro-poor, pro-job, pro-growth and pro-environment. This is usually followed by putting society's inventiveness as the main approach in improving the role and participation of society factually. Environmental management issue has become an important strategic issue. Society's awareness on the importance of environment has become a pursuit that needs to be fulfilled. So far in Indonesia, topic of environment has the tendency of reductionism. It actually has a rather wide dimension which demands holistic-integral approach but

shriveled as one dimensional problem. The implication lays on the solution tends to be reductionist as well, so it is unable to maximize the result because it hasn't touched the main problem. There are actually three main aspects to be considered: biophysical and material environment; social environment and spiritual environment.

Henriques and Sadorsky (1999) in his study found that stakeholders that play huge roles in implementing environmental management can be divided into 4 groups: regulatory/government, through policies and regulations may have the ability to standardize environmental and technologic practice in an area, organizational is a group's force to influence environmental policy if they are satisfied with company's environmental performance, community by making society to take part on environmental issues and media by providing fair and transparent information to society. These people are expected to be highly committed in implementing environmental management in green areas so that it will contribute positively in improving regional competitiveness. In a scope of organization with profit-orientation, Aragon-Correa (1998) explained that a company should adopt a consistent and proactive environmental management. The result from Aragon-Correa (1998) shows that generally there is a connection between the dimensions of natural environmental approach and proactive business strategy. This means it is imperative to integrate natural environment issues in implementing business organizational and academic literature. The results also show that there is a positive influence from proactive approach by developing environmental approach (preventive as well as corrective) so that it will deliver high competitiveness.

Allen and Potiowsky (2008) did a research by proposing a model to build green area in Portlandia. Using Porter's Diamond Model to support green area, this area will be much healthier and possess a higher competitiveness by considering elements from Porter's Diamond namely: demand condition, including local force and export demand, conditional factor including cost, infrastructure, resources and technical as well as scientific knowledge, industrial support related to local resources and company's strategies and competition level. To apply a sustainable and environmentally friendly green area framework, education as well as training research and development in society, SMEs and government needs to be worked on. Rosenfeld (1997) used the approach of determinant factors in building dynamic cluster in a region namely: knowledge and skill, specialization, ability to perform research and development, human resource development, social capital and cooperation network

improvement, entrepreneurship, leadership and collective vision. Rosenfeld (2001) has also given practical guide for improving competitiveness for an area in accordance with regional development processes namely embryonic stage, growth stage, maturity stage and decay stage.

Studies on regional competitiveness in Indonesia have been comprehensively executed by Bappenas on education center and central banking study, Bank Indonesia. This study determined 9 groups of regional competitiveness indicators namely: regional economic, openness, financial system, infrastructure and natural resources, science and technology, human resources, institutional, government, management and micro economic. Based on the experience in several countries, cluster approach is significantly able to improve regional economy. Area performance in said region will improve in pace with the enhancement of pro-environmental behavior from all parties. The result from Bissing-Olson *et al.* (2013) concluded that pro-environmental attitude and behavior is needed for all parties in implementing a proactive environment management. This is beneficial to strengthen area competitiveness.

Area competitiveness in this research is based on OVOP (One Village One Product) approach. As known that for OVOP to succeed in Indonesia, there are several keys to be highlighted: society's awareness of OVOP; mapping to investigate the potencies in every region; a long term and continuous trial effort; search of highest value added from products; promotional effort, market expansion and aggressive distribution always developing specific skill in society. In Indonesia, OVOP is one of the approaches for superior product clusterization in SMEs scale so that they may develop and access an even more wider market be it local, national even international. OVOP has the ability to grow employees absorption and reduce poverty in villages so it will be able to halt urbanization. An OVOP is designed by developing village based on superior village potency which in the end will improve village economic growth. If this is can be achieved, villagers prosperity will be improved.

This is in accordance with the policy of real sector development's rapidity and SMEs 'inventiveness referred to regulation n. 78/M-Ind/Per/9/2007 on the improvement of SMEs' development effectively through OVOP approach related to each other to support local products so they can compete in global market (Pasaribu, 2011). It is expected that certain area in certain region able to develop an integrated potency for each region so they can improve their income. One of the regions chosen by Indonesia government is Bantul region. Bangunjiwo village in Bantul region has a handcraft industry known as

KA-JI-GE-LEM (Kasongan, Jipangan, Gendeng dan Lemah Dadi) (Muafi *et al.*, 2012a). The potency of Bangunjiwo lays on the specialties its SMEs in Krengseng (knives), Kalangan (plants), Kalipucang (bamboo), Petung (synthetic flowers) and Kenalan (frame). With these industries, government decided to name the area KAJIGELEM and seeing it as a promising and major opportunity to overcome the issues in the area. These SMEs, along with farmers, government and society will be directed to come with OVOP based product by stay true to pro-environmental behavior.

MATERIALS AND METHODS

This research used a qualitative approach through PAR (Participatory Action Research) where the researcher needs to be sensitive to identify necessary things for their target so the planning and development process will be in accordance with what society needs. The plusses including: more adaptive and accommodative to society's needs. This methodology includes all stakeholders as keys to achieve research objective. The participants are 10 from SMEs, 4 from the government and 4 from society/public figure. Validity test based on the following criteria: credibility, dependability and conformability (Lincoln and Guba, 1985). Open interviews were conducted no structure and directed according to the variables. Researcher used data collecting by using field note, photographs and interview manuals. Data analysis used was as suggested by Miles and Huberman (1984). Qualitative research provides depth and richness of information compared to quantitative research (Walker, 1985).

RESULTS AND DISCUSSION

Based on the result, it can be concluded that there are seven factors to be considered by the stakeholders (SMEs, governments and society) in improving competitiveness of green area in KAJIGELEM, Bangunjiwo village, Bantul region, Yogyakarta Province, Indonesia namely: knowledge and skill, ability to perform research and development, human resources development, improvement of network and social capital, entrepreneurship and leadership. Altogether needs, the enhancement of pro-environmental behavior by the stakeholders, especially from SMEs business owners.

Knowledge and skills: Stakeholders from KAJIGELEM seem to aware on the importance of knowledge and skill to be possessed in managing their businesses so that it

can provide positive contribution for the area, especially for environmental aspect. They are aware that knowledge is an important aspect so it should be considered as they make an action. Hall (1992) stated that one with knowledge is an important part from human capital dimension. An area will be developed if the stakeholders within have distinctive, unique and valuable human capital (Pfeffer, 1994; Carmeli, 2004). Individuals who work within the organization need these knowledge and skill as stated in the theory of human capital. This theory explained that investment on knowledge and skill will provide benefits for individual and organization they manage (Becker, 1993; Kreitner and Kinicki, 2007; Rosenfeld, 2001). Government has also sent their staffs, society and SMEs to take parts in training and seminars offered by various universities. Even the business incubation process and technology in SMEs have been studied. Business incubation and technology is directed by strengthening pro-environmental behavior. Beside that the government continuously provide assistance and favorable environment conducive (Kader *et al.*, 2009; Chidumu, 2007). This is support to the empirical result and literature's suggestion that individual and organizational capabilities must be related to performance in the absence of competitive advantage (Grant, 2002; Newbert, 2008; Powell, 2001; Tuan and Yoshi, 2010):

Before creating new product variation I think that I need knowledge and skill (participant 6-SMEs)

Before introducing new product, I need to think on how to operate without polluting my work environment (Participant 4-SMEs)

I need to understand the result from the pollution caused by my product and then I need to prevent it because I don't want to disturb society (Participant 7-SMEs)

The necessity for training by the government and universities on the impact of pollution for business owners (Participant 4-public figure/society)

Knowledge and skill is needed by SMEs so they can compete with foreign product outside Yogyakarta (Participant 4-Government)

Research and development: All stakeholders respond on the importance of having the ability to perform research and development in expanding their areas. Without the existence of research and development, the potency of handcraft industry in Bangunjiwo village cannot be managed, especially with green area agenda. Although, government has implemented technology and business from research application in universities, it has not been

used optimally. Government and SMEs are still facing problems in creating environment-friendly product. This is caused by the limitation of knowledge, budget, technology, human resource and market access. This is support to the empirical result that green building approach should consider three dimensions environmental, social and economical (Ali and Al Nsairat, 2009). According by Edquist (2000) and He (2007) that research and development have been the most important sources of productivity growth and increased welfare. Beside that there are several other factors contribute to a supportive environment for the green building industry; Vancouverism, Public-Private Cooperation, Workforce, Liveability and Cluster Intermediaries (<http://www.vancouvereconomic.com>, 2009):

In production process, we need to create new product variation so it will be sold well in the market (participant 7-SMEs)

My weakness is in creating brand new product so it will be exciting if there's training being held (Participant 1-SMEs)

SMEs product needs to compete to create a competitive product in other region and government needs to support this (participant 3-public)

Environment pollution from SMEs' waste needs to be overcome so KAJIGELEM area will become as a green and clean area (participant 4-government)

Human resources development: In managing SMEs, the development of human resource in KAJIGELEM is needed. One of the factors to be used in improving human resource development is through formal education and training as well as their experience in managing business. This can be used as the base to overcome managerial problems. Honig (1998) stated that education and experience will increase productivity, entrepreneurship and success in managing organization and business. This result is also supported by Hayton (2003) that human capital management has a significant impact on entrepreneurial performance. Hayton (2003) and Rosenfeld (2001) explained that an organization needs a human resource practice related to human capital such as freedom behavior in decision making, knowledge sharing an organization study. Development of human capital, the principal mechanism for knowledge creation and management becomes a central issue for policy-makers and practitioners at the regional as well as national level (Izushi and Huggins, 2004). Based on Andreeva *et al.*

(2006)'s research claims that human resources development practices as a key tool to attract, motivate and retain knowledge workers:

Human resource aspect is important so my business will succeed and competitive (participant 8-SMEs)

Human resource potency in KAJIGELEM is significant from quantity aspect but still weak from quality aspect because their creative spirits is still relatively lacking (participant 1-government)

The potency of handcraft industry in KAJIGELEM is growing rapidly but unfortunately it is not in balance with business owners interests to improve a sufficient knowledge and skill because once in a while they need to be stimulated with incentives (participant 2-government)

There is a necessity for human resource who understand about environment management and how to treat waste so it can be used to the benefit (participant 3-public figure/society)

Cooperation network: Just as known that the target in OVOP program implementation are: mutual cooperation with other parties; building sustainability on various activities in different villages through supply-chain management, cooperation institution and infrastructure improvement; increasing income and prosperity for the farmers and society; improve bargaining position towards market and business owners/farmers. If OVOP program has had a choice for location with superior commodity, they need to be prepared so that they can penetrate local and/or international market. To see if OVOP programs succeed or not it can be seen from several indicators based on structured modern management. It can be conducted through continuous evaluation so that it can be revised based on demand and situation at the time (Minister for Cooperatives Small and Medium Enterprises, 2010). Stakeholders in KAJIGELEM focused on the importance of good networking aspect with central government business owners, companies, trading associations, universities and non-profit organization (Rosenfeld, 2001). Altogether is needed in order to achieve a synergize condition for a continuous competitive region to green area. Research explains that there is dynamic social networks can play in supporting large-scale human cooperation (Rand *et al.*, 2011). Powell and Brantley argue that 'when knowledge is broadly distributed and brings a competitive advantage, the locus of innovation is found in a network of interorganizational relationships':

Cooperation is important for many parties including industries, universities and we have done that (participant 2-government)

We truly expect there 's a university that regularly gives us training and seminars (participant 7-SMEs)

We expect capital aid and training from the government, industries and universities (participant 2-public figure/society)

Social capital: Stakeholders have perception that social capital is important and there is no problem with theirs. They have done this by making two-ways relationship in a 'social' sense. Stakeholders is aware that if a society in a region have a rather high social capital it means they will also have norm and influencing network in their dynamic lives. This leads to the making of rules as a social norm in creating a quality and quantity relationship in a society. With that being said within this will be the element trust, mutual understanding and shared value. Refer to empirical result of Putnam (2000), there are correlation between social capital within a region and the success of economic development. The empirical literature on social capital in regional clusters has grown rapidly in recent years. Contextualizing research on social capital would help to determine the suitability of this concept for specific businesses, institutions and regions (Staber, 2007):

We have the association lead by a president and can be helpful in bridging situation so problems can be solved in managing business and environment (participant 3-SMEs)

Society around KAJIGELEM already has mutual assistance sense in managing their businesses and green area (participant 2-government)

There is a necessity for society cooperation in giving a thought on waste resulted from SMEs production (participant 2-public figure/society)

Entrepreneurship: Stakeholders have an important perception of entrepreneurship aspect. Entrepreneurship aspect will not matter without motivation, spirits, perception and value as well as attitude and behavior as superior people. Stakeholders are forced to manage organization and area to be more 'selling' for external parties. They also need to take risks in uncertainty conditions. They must able to develop new ideas and new ways. Able to solve problems, detect and find chances to achieve their goals with core competence (Rosenfeld, 2001). They must be willing to take risks, highly committed, future-oriented and focusing in improving

their business. The result of Aziz *et al.* (2013)'s research claims that financial motives were not associated with perceived economic conditions, governance or marketing opportunities. The freedom motive was significantly related to economic conditions, governance and marketing opportunities. The family tradition motive was significantly associated with economic conditions and governance but only moderately related to marketing opportunity. This confirms what Tamizharasi and Panchanatham (2010) found in their study of Cuddalore district of Tamilnadu SMEs. The empirical evidence on the relationship between entrepreneurship and economic growth in terms of productivity, employment growth and aggregate economic growth (Nystrom, 2009). Some studies either empirical or theoretical have explained that entrepreneurship through SME has an essential role in improving the economic power of a nation (Muafi *et al.*, 2012b; Sadowski *et al.*, 2002; Sarosa, 2007):

Not all KAJIGELEM society has the entrepreneurial spirit so it is more likely for them to be laborer (participant 2-government)

The improvement for entrepreneurial spirit is necessary for those who are not yet interested by conducting socialization and training continuously (participant 2-public figure/society)

Our entrepreneurial spirit cannot just exist from this air. Diligence and durability are also significant (participant 9-SMEs)

Leadership: Participant also realized the importance of leadership in developing an area. Stakeholders must be able to influence their followers in order to achieve their goals. This is important considering leadership has several implications namely: leadership must involve people or other parties be it employees or follower an effective leader is one with authority (reward, coercive, legitimate, referent and expert) and able to motivate followers to achieve satisfying performance, leadership must have an integrity, responsibility, compassion, cognizance, commitment, confidence and ability to ensure people in building an organization. This confirms what Sotarauta (2007) found in their study of Finnish Regional. The interpretive power and network power are more important for regional development officers than institutional and resource power and how indirect influence tactics surpass the direct ones:

Society of KAJIGELEM is lead by a leader with vision and mission in creating KAJIGELEM as a competitive green area (participant 10-SMEs)

Business owners realized the importance of confidence, knowledge and responsibility in managing their businesses as well as taking risks (participant 1-SMEs)

We keep trying to improve the economy by promoting KAJIGELEM as handcraft industry and tourist area (participant 1-government)

KAJIGELEM association fully supports KAJIGELEM as a competitive area so it can manage a green and clean environment (participant 1-public figure)

If all stakeholders in KAJIGELEM area, possess these seven aspects supported by pro-environmental behavior, it is possible for KAJIGELEM to become a highly competitiveness Green area.

CONCLUSION

This study has concluded that there are seven aspects to improve the competitiveness of KAJIGELEM area: knowledge and skills, ability to perform research and development, human resource development, improvement of cooperation networking, social capital, entrepreneurship and leadership. Next, they need to strengthen pro-environmental oriented behavior from all stakeholders.

LIMITATIONS

The limitation of this study is its rather small scope. This can be seen that it's not generalizing others area. Researcher did all the work from interviewing as well as analyzing the data so there is a tendency of a bias. Besides, industry participant involved in this research is only SMEs not relatively bigger industries even though, there are several industries in KAJIGELEM area that already export oriented in large scale. Participants are also in small amount (Sekaran, 1992).

IMPLICATIONS

The implication for this study is in order to direct KAJIGELEM area as a green metropolitan area, there are several steps to be taken namely:

- Government needs to induce awareness to business owners and society that green environment management in the key in running a government, business and social life

- Government, SMEs and society needs to improve their cooperation with other industries and universities to synergize, giving positive value for example by implementing dissemination of research, training assistance and capital aid with low interest
- Government, business owners and society is actively participating to manage this green area. Several things they done are: business incubation and agricultural technology (biogas, organic fertilizer and batik natural colour), information technology and various other things related to green environment management
- Government needs to proactively manage the area with controlling and considering people aspiration and various other stakeholders
- Government needs to keep doing mapping, research and development from certain areas that can be used as superior product clusters based on potencies in KAJIGELEM area by still basing it pro-environmental behavior
- The existence of strict rules to be heed and run by all related parties with their each task and responsibility to achieve competitive green area
- Government keeps pushing all industry players in KAJIGELEM area to be more pro-environment, paying attention to their natural surroundings, natural diversity and land revitalization as well as waste management
- Government, industry players and society needs to design infrastructures and facilities to make an integrated waste management so this waste can be altered to more valuable in society
- Society, industry players and society altogether support the effort to create a green area so KAJIGELEM area will have a high competitiveness level compared to other area

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