

## **IS IT IMPORTANT FOR PEKALONGAN BATIK SMEs TO REFORMULATE BUSINESS STRATEGY DURING COVID-19 PANDEMIC?**

**Titi Rahayu Prasetiani<sup>1</sup>, Catur Ragil Sutrisno<sup>2</sup>**

Universitas Pekalongan, Indonesia

<sup>1</sup>titi.unikal@gmail.com

### **ABSTRACT**

The purposes of this research are to analyse the impact of Covid-19 Pandemic on Pekalongan batik SMEs, and then to analyse the importance of Pekalongan batik SMEs to reformulate business strategy in Covid-19 Pandemic. The analysis technique used is Before-After Analysis, with descriptive-qualitative analysis approach. The impact of this gap resulted in the deterioration of batik business process. Therefore, it is necessary to reformulate the business strategy.

**Keywords : Covid-19, batik, SMEs, strategy**

### **INTRODUCTION**

Pekalongan batik industry has proven to be a major producer of batik in Indonesia. Its marketing reach has spread throughout Indonesia, both in traditional shopping centers to modern shopping such as supermarkets and malls. However, in the past year, market demand has decreased due to Covid 19. Wholesale stores and finished clothing markets in Jakarta are temporarily closed, impacting Pekalongan batik SMEs. Batik production decreased by 50-80 percent (Republika.co.id, 2020).

As a city of batik SMEs, Corona virus affected 25 companies in Pekalongan, with a total of 3,094 companies. Some of batik SMEs should be layoffs, reduced working hours, temporary layoff, or permanent layoff (Pekalongankota.go.id, 2020). This condition should be paid attention by all stakeholders of batik SMEs. Batik business cycle should be continued in order to maintain Pekalongan regional economic development. It is in line to Skare (2015) who concluded that in business development it is important to measure the cycle of a business by paying attention to various important supporting factors, both the internal environment or the external environment as well. Similarly, Smart's

opinion (2009) confirms that understanding business process management becomes a necessity so that the business can always compete.

Covid 19 Pandemic are difficult to predict until when it will end. Batik business must continue to run in accordance with the business cycle. Demand for batik products decreases, impacting on the accumulation of batik supplies. Pekalongan batik SMEs reduce batik production so that it has an impact on the workforce.

The problem is, batik SMEs are problematic because of declining demand, the impact on the workforce that must be reduced working hours, or home, even have to be dismissed. The better and proper business strategy applied by a batik SMEs actor. The way doing batik business follow a business strategy that is an act of winning competition with competitors and achieving targeted profitability. How far there is a difference between the batik business environment before and after Covid 19? Is it important for Pekalongan Batik SMEs to reformulate business strategy during Covid-19 Pandemic ? So, the purposes of this research are 1) Analysing the impact of Covid-19 Pandemic on Pekalongan batik SMEs, 2) Analysing the importance of

Pekalongan batik SMEs to reformulate business strategy in Covid-19 Pandemic.

## RESEARCH METHOD

### Object and Sampling

The object of this research is Pekalongan Batik SMEs, both engaged as batik craftsmen to those engaged in batik convection. The number of respondents is 63 SMEs. Purposive sampling was used based on criteria such as regional criteria and type of product/ process executed.

### Research Procedure and Analysis Technique

The analysis technique used is Before - After Analysis, with descriptive-qualitative analysis approach. Sedgwick (2014) described that to analysis an

intervention of social matter used a before and after study design. Participants were children in their final year of primary school, aged 10-11 years at the start of the school year. Moreover Wright (2006) concluded that before and after technique can be applied for researchers to compare test people before and after some treatment and compare these scores with a control group

## FINDING(S) AND DISCUSSION

### Characteristics of Pekalongan Batik SMEs

*The characteristic of SMEs batik industry can be described as Table 1. It is clear that batik SMEs has experience in business, as a pioneer of business, as a basic work.*

Table 1. Characteristics of Pekalongan Batik SMEs

No	Question Item	Alternative answers	Answer	
1	Length of business experience	Less than 1 year	7	11%
		1-3 year	17	27%
		More than 3 year	39	62%
2	Business history	Pioneering yourself	51	81%
		Continuing the family	7	11%
		Cooperation/joint venture	5	8%
3	Business status	Basic work	45	71%
		Side jobs	18	29%

*Source: processed data*

The survey results show that batik actors have prepared and planned a series of actions to deal with the impact of Covid 19. SMEs of the batik industry have addressed the covid 19 pandemic by carrying out

concrete action plans as described in Table 2. The existence of planning by SMEs in the batik industry shows that businesses have concerns for business strategies for business continuity during the covid 19 pandemic.

Table 2. Plans to Face Covid 19 Pandemic

No	Question Item	Alternative answers	Answer	
1	Related to raw materials	Stay to recent condition	29	46%
		Finding other suppliers	19	30%
		Looking for other raw materials	15	24%
2	Related to process	Stay to recent condition	21	33%
		Search for other methods	10	16%
		Looking for alternative equipment	3	5%
3	Related to marketing	Innovating products	29	49%
		Stay to recent condition	9	14%
		Find another market partner	5	8%
4	Related to labor	Digital marketing / online	43	68%
		Expand marketing location	6	10%
		Facilitating protection	39	62%
5	Related to finance	Request to set their own protection	24	38%
		Stay to recent condition	13	21%
		Using personal saving	25	40%
		Reduce expenses	18	29%
		Sell assets	7	11%

Source: processed data

Although currently the business of SMEs batik industry is still able to master the raw materials, but since it is unclear when the covid 19 pandemic will end, then as many as 54% of SMEs batik industry will try to get other suppliers or even other raw materials. While the surviving raw materials that exist today only by 46%.

The decrease in demand for batik products resulted in a decrease in batik production. To maintain its workforce, the majority of businesses plan to innovate both product innovations (46%), process method innovations (16%) and equipment

innovation (5%). Meanwhile, 33% of SMEs in batik industry plan to stay afloat with the conditions as it is. This is in line with the findings of Bigliardi et al (2011) that innovative companies will be able to anticipate the market (market *anticipation*) and customer focus. Moreover Kuswantoro (2012) described that distribution flows, especially in information sharing and transportation coordination, can improve efficiency that improves performance.

**Before After Analysis**

Before After Technique describes analytically the real condition of a variable before and after the Covid-19 Pandemic. This description is derived from survey data on 63 SMEs as a sample. The comparison

between the before and after circumstances then describes the state of difference (gap). The smaller the gap means no change, otherwise the bigger the gap means there is a change due to the Covid-19 Pandemic.

Table 3. Before - After Analysis

No	Variable	Before	After
1	Products	The demand for products is very high, has had a clear market, sent to various cities	Product demand decreases, consumers are very selective in choosing the products needed during the Pandemic
2	Raw materials	Easily available at any time, at an affordable price	Available, sometimes hampered by transportation affected by pandemic
3	Production Process	Maximum production capacity for efficiency, because one of the advantages of Pekalongan is being able to provide low prices	Production capacity is reduced, so many machines are idle, and labor is reduced
4	Labor	Absorbing local labor is very much, developing regional economies	Rationalization of labor by reducing working hours, until dismissed
5	Marketing	Very aggressive with direct delivery models to shopping centers in various cities	Shopping malls are deserted so have to expand, or use an online marketing system
6	Profit	Profits are earned to survive and grow the business	Profits are declining so that efficiency efforts are needed in all areas

*Source: processed data*

Products are very changing; more than 60% SMEs experienced a decrease in demand. Consumers are more selective in choosing the type of product. Therefore, marketing must be expanded or look for a new way.

Transportation logistics influenced by the Covid-19 Pandemic, so it affects the availability of raw materials, even need to be pursued new types of raw materials.

Labor of batik SMEs are very affected, so there is a reduction in working hours, until dismissed. Batik industry that was forced to reduce the existing workforce by 35%, consisting of 13% MSMEs to

reduce the workforce by temporarily housing, and as many as 22% of SMEs batik industry forced to do termination of employment (layoffs).

*The majority of batik SMEs are experiencing a decrease in demand. In fact, as much as 43% experienced a very severe decrease in product demand by up to 50%. The subsequent decline in demand resulted in a decrease in production. As much as 46% of SMEs in the batik industry experienced a decrease in production capacity to 50.*

*The impact of the covid 19 pandemic has resulted in weakening financial capabilities. As much as 68% of MSMEs in the batik industry experienced a decrease in revenue.*

## CONCLUSION

Pandemics have produced a sizable gap before and after the pandemic. The impact of this gap resulted in the deterioration of batik business process. Therefore, it is necessary to reformulate the business strategy.

The business strategy is reformulated by looking at the changing business environment, both internal and external. Decreased demand, reduction of labor, cessation of marketing activities is some of the main things to be aware of

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