

Developing Organisational Capacity in the Creative Industry to Improve Business Performance

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The purpose of this study is to assess organisational capacity for the craft industry as one of the digital creative industries and to create a strategy to develop organisational capacity in order to improve business performance. This research is important because the craft industry's use of local, nature-based, raw materials for the development of this industry will have an impact on the regional economy. This research used qualitative research. The unit of analysis in this study was SMEs in the craft industry in Bandung Regency, West Java Province. The selection of Bandung Regency as the location of research was because Bandung is one of the centres of the craft industry in Indonesia. The sampling technique was purposive sampling. The sample size was determined by the snow ball method. The data collection methods were in-depth interviews, questionnaires, literature study, and Focus Group Discussion. The Data were analysed using resource-based view and descriptive analysis. The result of this study shows that craft industries using local, nature-based, raw materials need organisational capacity development. The priority areas for the organisational capacity development are vision, mission and goal, system and infrastructure, organisational structure and culture.

Keywords: *Business performance; creative industry, organisational capacity.*

Introduction

One of the creative industries playing a lead role in contributing to national income and employment in Indonesia is craft industries. Craft industries using local, nature-based, raw materials have been placed as a top priority in the development of creative industries as they have significantly contributed to Indonesia's national income and employment from 2010 to 2015 (Ministry of Tourism of Indonesia, 2015). Industries that do not depend on imported

raw materials have a high level of production stability and business sustainability. Improving the performance of the craft creative industries will provide a multiplier effect in terms of increasing revenue, reducing the unemployment rate, as well as reducing poverty. Due to their strategic role, the craft industries using local, nature-based, raw materials will be the focus of this study.

The potential development of the creative industries using local, nature-based, raw materials is comparatively high, but the majority of craft industries are small and medium enterprises (SMEs) with some disadvantages. These are as follows: incompetency in designing products, lack of contemporary touch, low product commercialisation, lack of understanding about production and businesses management, lack of work ethic and productivity, insufficient product quality, high cost, and, mostly, lack of business networks (Suryana, et al., 2013). The above problems are strongly related to indicators included in the organisational capacity. Organisational capacity is the ability or power of an organisation to apply its skills, assets, and resources to achieve its goals. Based on the phenomenon found in the field, there is a need to formulate strategic stages to empower craft industries through the development of organisational capacity. SMEs drive a lot attention in the business world today and have different growth and development, reflecting their capability to creating more or less jobs in the market (Palalic & Busatlic, 2015)

This article is a research-based paper. The research objectives are: (1) gaining an overview and assessment of organisational capacity; (2) identifying areas of organisational capacity which need improvement/development; (3) setting strategies to empower the industries through organisational capacity improvement. To solve the above problems, we adapted *the McKinsey Capacity Assessment Grid* theoretical model.

The results of the study contributed to the development of organisational capacity theory, thus the application of the theory to SMEs has different characteristics than the application to non-SMEs.

Review of Literature

Craft Industry in Indonesia

The creative economy is an economy of the Fourth Wave derived from scientific creativity, cultural creativity, economic creativity, and technological creativity. Creative industries are industries that are originated from the creativity, expertise, and talents of individuals with the potential to create jobs and prosperity through the exploitation of IP and content. The creative industries occupy a strategic position in the development of industries in Indonesia today. There are three underlying justifications: (1) creative industries were able to survive the global financial crisis; (2) contribution of the creative industries to the national GDP and

employment in 2010-2013 tended to increase; and (3) domestic market potential is growing due to the improvement of the income, education, and proportion of the middle-class society. The contribution of the creative economy to the Gross Domestic Product reached an average of 7.1% with a growth rate of 5.76%, slightly (0.02%) above the national growth rate (5.74%). The contribution of the creative economy had exceeded the contribution of key economic sectors in Indonesia, such as finance, real estate, corporate services, transport and communications, electricity, gas, and clean water.

The value of the contribution of the creative economy in the first half of 2014 experienced a positive increase of 10.8%, or an increase of 311.4 billion rupiah to 345 billion rupiah compared to the first half of 2013 (The mid-term development plan of the Indonesian Ministry of Tourism and Creative Economy, 2015). In 2010-2013, the three sub-sectors of the creative economy with the largest contribution to the national economy were culinary, fashion, and *crafts*. The added value of the culinary subsector reached 209 billion at a growth rate of 5.2%; the fashion subsector reached 182 billion at a growth rate of 6.44%; the craft subsector reached 93 billion at a growth rate of 6.38%. The government targeted that the contribution of the national creative industries to National Gross Domestic Product (GDP) would have reached 8%. It was a startling rate given the fact that the creative industries were newly born in the 2000s. This rate shows the great potential of the creative industries for further development.

The strategic role of creative industries can also be seen from their potential for employment. The contribution of creative industries to national employment in 2013 was 10.7%; approximately 11.8 million people. The fashion, culinary, and craft sub-sectors were responsible for the largest employment percentages in the creative industries, respectively 3.8 million people (32.3%), 3.7 million people (31.5%), and 3.1 million (25.8%). The three sub-sectors above contributed about 90% of total employment in the creative industries sector, while the other 10% was spread throughout the remaining twelve subsectors of creative industries. The development policy of craft industries prioritises the craft industries using local, nature-based, raw materials. The goal of the development of creative industries includes the importance of the availability and distribution of raw materials that support the growth of the creative industries and the importance of these industries in shaping the local identity. Creative industries using local, nature-based, raw materials are a top priority development.

Bandung Regency is the centre of craft industries in Indonesia. The industries have various handicraft products made of local, nature-based, raw materials such as stone, wood, bamboo and metal. Craft industries involve the use of raw materials to produce handicrafts that have high creative value. Those industries are regarded as being able to provide significant economic impact to relevant businesses, communities and stakeholders.

Concept and Organisational Capacity Assessment Method

The craft industries cannot grow without improving their organisational capacity. Organisational capacity is the ability or power of an organization to apply its skills, assets, and resources to achieve its goals (USAID-AIDSTAR Two, 2011) The organisational capacity is the ability of individuals and organisations or parts of the organisation to display their functions effectively, efficiently and sustainably to achieve organisational goals. This concept is dynamic and ongoing. The development of organisational capacity is a series of activities to improve the efficiency and effectiveness of the subsystems within the organisation to produce optimal performance. Organisational capacity development can also be defined as the strengthening of internal organisational structures, systems and process, management, leadership, governance, and overall staff capacity to enhance organisational, team, and individual performance (NuPITA Project,2009). There are various methods which can be used for assessing organisational capacity, such as The McKinsey Capacity Assessment Grid, SWOT Analysis, Institutional Development Framework (IDF), Balanced Score Card, and Organisational Capacity Assessment (OCA). In this research, an adapted version of The McKinsey Capacity Assessment was used to assess the organisational capacity.

The McKinsey Capacity Assessment Grid is a toll, designed to help organisations assess their organisational capacity. The grid requires the reader to score the organisation on each element of organisational capacity by selecting the text that best describes the organisation's status or performance. There are seven dimensions assessed as follows:

1. Aspirations, including mission, vision, and goal,
2. Strategy, including *overall strategy, performance targets, new program development, and funding model,*
3. Organisational skills, including *performance management, planning, external relationship development, and management,*
4. Human resources including *leadership, personal and interpersonal skills, and experience*
5. *System and infrastructure* including recruitment policy, development and retention, incentive, physical infrastructure
6. Organisational structure
7. Culture

Rating for each indicator is done by giving a score of 1-4 in accordance with the organisational capacity.

Score 1: Clear need for increased capacity

Score 2 : Basic level of capacity in place

Score 3: Moderate level of capacity in place

Score 4: High level of capacity in place

An example of The McKinsey Capacity Assessment Grid in aspiration dimension and mission indicator is provided in the Table 1.

Another study on organisational capacity evaluates the levels of evaluation capacity: “low capacity,” “developing capacity,” “intermediate capacity,” and “exemplary capacity”(Bourgeois and Cousins,2013).

The grid may be used with the following objectives:

- a) to identify those particular areas of capacity that are the strongest, and those that need improvement
- b) to measure changes in organisation’s capacity over time.

Table 1: Example of the Assessment using The McKinsey Capacity Assessment Grid

Dimension : Aspiration	
Indicator : Mission	
Clear need for increased capacity (score 1)	Organisational Capacity Description : No written mission or limited expression of the organisation’s reason for existence
Basic level of capacity in place (score 2)	Organisational Capacity Description: Some expression of organisation’s reason for existence that reflects its value and purpose
Moderate level of capacity in place (score 3)	Organisational Capacity Description: Clear expression of organisation’s reason for existence which reflects its value and purpose, held by many within organisation and often referred to
High level of capacity in place (score 4)	Organisational Capacity Description: Clear expression of organisation’s reason for existence which describe an enduring reality that reflects its value and purpose, broadly held within organisation and frequently referred to

Source: Adapted from The McKinsey Capacity Assessment Grid

Organisational Capacity Development

Organisational capacity development is the strengthening of internal organisational structures, systems and processes, management, leadership, governance, and overall staff capacity, to enhance organisational, team, and individual performance (NuPITA Project,

2009). The framework of organisational capacity development includes four components: organisational functions, organisational practices, standards, and indicators.

1. Organisational functions, including (a) mission, vision, and strategy, (b). management systems, (c). partnership, external relations, and networking, (d). leadership and governance
2. Organisational practices, including (a). human resources management practices and (b). marketing management practices
3. Standards, referring to performance standard as a reference to assess whether the recent capacity can fulfil the standard or not
4. Indicators, a matrix used to assess or evaluate the organisation practice achieved.

Research Method

This research is qualitative. The object of qualitative research studies is often casuistic. Qualitative research is not concerned with generalisation. Therefore, the sample is determined purposively. The determination of the sample is not based on the representation of the population in the sample but rather on the ability of the sample (informant) to supply information as completely as possible to the researcher. The sample used in the qualitative research method is a small sample, not representative, chosen according to purpose (purposive sampling) and developed during the research process. Based on the description that has been stated, it is understood that purposive sampling has keywords, namely, determining carefully considered groups to provide sufficient information needed in the study (Sekaran, 2006).

The sample chosen were participants with certain characteristics: (1) craft businesses using local, nature-based, raw materials, and (2) those that had clear knowledge on the variables studied. The sampling technique was purposive sampling. The sample size was determined by the snow ball method. Data collection with intensive interviews were conducted through in-depth interviews from one respondent rolling on to another respondent who meets the criteria, and stopped when there was either no new information, a variation of information replication or repetition, or the experience of snow ball sampling. This means the information provided by the next informant is the same as what was given by the previous informant. Because of the use of this in-depth interview, the qualitative research subjects were no more than 50 respondents. "...(T)he typical intensive interview study is based on fewer than fifty respondents. Intensive interviewing (in-depth interview) studies are generally based on small, non probability samples" (Bouma, Gary D,1993). The sample size used in this study was 60 SMEs.

The data collection methods were interviews, questionnaires, literature study, and Focus Group Discussion. Questionnaires were be used as data collection instruments because they

were perceived to be advantageous for collecting information in a descriptive research study, covering a wide area, giving freedom of expression and choice to the respondents, and free of biasness. The study assessed organisational capacity using the McKinsey Capacity Assessment Grid. The grid asked the respondents to score the organisation on each element of organisational capacity by selecting the text that best describes the organisation's current status or performance. The scoring for each indicator was done by giving a score of 1-4 in accordance with the real conditions of the organisational capacity assessed. Focus Group Discussion (FGD) was conducted to formulate the strategy used for organisational capacity development. The FGD was followed by businessmen, academics, creative industry communities, and government representatives. The data were analysed using resource-based view and descriptive analysis.

Results and Discussion

Participants Profile

Based on the types of business, handicraft industries can be classified by their products; painting, traditional puppets / wayang, furniture, and shoes. They have great growth potentials because they are mostly based on local, nature-based, raw materials in Bandung Regency. The profile of the craft industries in Bandung regency can be determined based on their business status, turnover, number of employees, business age, business supervisor, and training experience (see Table 2).

Table 2: Craft Industry. Profile

Dimension	Description
Business status	home industry (66.67%) legal enterprise (33,33%)
Turnover/ year	<300million (8.33%) 301million-600 million (41.67%) 601 million-900million (25%) 901 million-1,2 billion (0%) > 1.2 billion (25%)
Number of employees	0-10 people (33.34%) 11-20 people (58.33%) >20 people (8.33%)
Business age	0-10 years (16.66%) 11-20 years (58.34%) >20 years (25%)
Business supervisor	100% without government supervising

Training experience	Yes (50%) No (50%)
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Aspirations Dimension

The assessment of aspiration dimension includes reviewing the vision, mission, and goals indicators. The results of the organisational capacity assessment on the aspiration dimension can be seen in Table 3. In the aspiration dimension, the majority of businesses (86.11%) require organisational capacity development. This is because the entire performance indicators - the mission, vision, and purpose - show unsatisfactory results. Vision and mission in this regard are considered weak because almost all respondents did not have any written vision and mission. In fact, it is very important to realise the vision and mission as a written guide in directing the organisation activities. In the goal indicator, most respondents stated that the vision was not explicitly applied into the goal. The remaining (25%) stated that the vision has been applied to the goal. However, these objectives are rarely used to direct the business activities and only available for business owners and some mid-level managers. The idea is that vision, mission, and values can guide a business and provide meanings for employees (Mirvis, et al, 2010).

Table 3: Organisational Capacity Assessment on Aspiration Dimension

Dimension: Aspiration	86.11% respondent have clear need for increased capacity.
Indicator: mission	Almost all of the respondents (91.67%,) have a clear need for increased capacity
Indicator: vision	The majority of the respondents (75.00%,) have a clear need for increased capacity
Indicator: goal	Almost all of the respondents (91.67%,) have a clear need for increased capacity

Strategy Dimension

The assessment of strategy dimension includes reviewing overall strategy, goals/ performance targets, new program development and funding models. The results of the organisational capacity assessment of the strategy dimension can be seen in Table 4.

In the strategy dimension, with almost the same percentage, it is shown that most businesses need some development of organisational capacity (41.67%) and 47.92% have a basic level of organisational capacity. The discussion on each indicator shows that the most positive picture of the strategy dimension is the objective indicators. Objectives are realistic and have a clear strategy. However, in the new program development aspect, the respondents have never done a need assessment of the possibility of program development. The process of

running a business is without proper planning or future objectives. Therefore, it is difficult for them to find a better prospect.

Table 4: Organisational Capacity Assessment on Strategy Dimension

Dimension: strategy	Clear need for increased capacity and basic level of capacity in place
Indicator: overall strategy	The majority of the respondents (75%) have a basic level of capacity in place
Indicator: performance targets	The majority of the respondents (50%) have a basic level of capacity in place
Indicator: new program development	The majority of the respondents (50%) have a clear need for increased capacity
Indicator: funding model	The majority of the respondents (53%) have a clear need for increased capacity

Organisational Skills Dimension

The assessment of organisational capacity on organisational skills involves reviewing its indicators: namely, performance management, planning and external relationship development and management as shown in Table 5. The assessment of performance management includes performance measurement, performance analysis and program adjustments. There is a positive trend in performance management where measurement is conducted regularly using various means, such as ensuring product quality to reduce the number of defective products. One vital factor in the process of performance appraisal is establishing indicators which directly affect the results (Chen, 2011). Moreover, performance management is done since the early stages of the recruitment process by placing the employees in a lower level position with a lower level of difficulty first so that they can later proceed to a higher-level position with more challenging jobs. Performance comparison between employees, involving benchmarking with another company is an important factor that has never been applied.

Table 5: Assessment of Organisational Capacity on Organisational Skills

Dimension: organisational skills	Clear need for organisational capacity development, having ground level organizational capacity
Indicator: performance management	The majority of the respondents (45.83%) have a clear need for increased capacity
Indicator: planning	The majority of the respondents (41.67%) have clear need for increased capacity but 31.25% of the respondents have moderate level of organisational capacity
Indicator: developing and managing external network	The majority of the respondents (41.67%) have a clear need for increased capacity but 25% of the respondents have moderate level of organisational capacity

The assessment of planning involves strategic planning, financial planning, operational planning, and HRD planning. The indicator with the lowest performance is financial planning. The company has not prepared a mid-term and long-term financial planning (3-4 years). The businesses only have a short-term financial planning in terms of daily and weekly planning. Moreover, some respondents do not have any planning at all. Financial planning is still managed in a very simple manner with unorganised accounting. There is only one budget for the entirety of the programs in the organisation, meaning that there is lack of appropriate financial management for each business program or activity. The financial budget is realised for every organisational activity when it is urgently needed. The cash flows are not clear and there is no financial monitoring, which makes it difficult to count the profit gained every month.

Furthermore, in terms of human resource planning, business operators do not conduct HR planning in their business activities. They only have a clear daily job description and detailed employment targets. Compensation is given based on the amount of products produced. The aspect considered positive in the planning indicator is the production planning. Production planning is carried out through development of a clear production scale, performing quality control through proper selection of raw materials and controlling the production process, as well as limiting the variety of products. Businesses do not allow unsold products to accumulate since the quantity of production is highly regulated. In addition, respondents were very concerned about the capacity of the employees, meaning that if the product orders are exceeded then the respondent will reduce and set the number of orders to be completed in order to prevent timely order completion. In this case, the respondent categorised the scale of the quality of manufactured products into products of small-scale/simple, medium, and

good/high, to make the variance so that the products can cover a wide range of targets and market segments.

In the strategic planning aspect, most respondents sort out strategy formulation. Another form of strategic planning made by respondents is the production of large-scale goods ordered by a specific brand. These efforts are intended to enable handicraft products to penetrate the broad market. The capacity assessment on the development and managing networks dimension shows that most respondents have been able to develop a partnership network. Partnerships are established with various parties, small organisations or enterprises. However, the cooperation partnership is not routine, meaning that the venture partners only order the products occasionally.

Human Resources Dimension

The assessment of the human resource dimension involves reviewing its indicators, namely leadership, personal and interpersonal skills, and experience as shown in Table 6. Human resources is one of the dimensions of organisational capacity, which gives a positive picture when compared to other dimensions. Most respondents (44.44%) have a ground level organisational capacity, 19.44% already have a moderate level of organisational capacity and 19.44% already have a high level of capacity. This means that some aspects of human resource organisations already provide an overview of high organisational capacity.

Table 6: Organisational Capacity Assessment on Human Resource Dimension

Dimension: Human Resources	Most respondents (44.44%) have a ground level organisational capacity, 19.44% already have a moderate level of organisational capacity and 19.44% already have a high level of capacity.
Indicator: Leadership	The majority of the respondents (50.00%) have a ground level organisational capacity, but 33.33% of the respondents have a moderate level of organisational capacity
Indicator: Personal and interpersonal skills	The majority of the respondents (75.00%) have a ground level organisational capacity, but 16.67% of the respondents have a moderate level of organisational capacity
Indicator: Experience	The majority of the respondents (58.33%) have a ground level organisational capacity, but 25.99% of the

	respondents have a moderate level of organisational capacity
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Further analysis on the development of human resource indicators shows that the business experience aspect has high scores. Most businesses have more than 15 years of experience. Presumably there have been many problems solved by the respondents, enabling the respondents to understand the ins and outs of business details. Experience has the largest contribution in influencing the way people run their business, despite the need for training and education which will be necessary in the future. Furthermore, the interpersonal skill aspect gives a positive picture where businesses are able to build good communication with their employees, with full authority and the ability to influence and build support from their employees. Human Resources dimension is the most important because organisational resilience capacity enhances firm product innovativeness by increasing the exploitation of ideas and information/knowledge (Akgun and Keskin, 2014).

HR leadership aspect is low level. Leadership is one kind of personal competency. Personal competency is seen as an important competency area, critical to all of the roles played by entrepreneurs. Successful entrepreneurs are often observed to possess a high level of confidence in their ability to achieve the goals they set (Ahmad, et al., 2010). There is no sharing or exchange of experiences between entrepreneurs and employees, while sharing or exchange of experiences could be a means for the development of HR competencies. This condition is caused by the lack of mutual trust between the owners / entrepreneurs and their employees. Sometimes, employees and business owners are engaged in positive as well as negative emotions. However, it is important for them to perceive, analyse their own emotions and that of others, use them in an effective way, and regulate them in such a way that provides them maximum benefits instead of harm (Gekonde, et al, 2014; Oriarewo, et al, 2014). Trust is established in this way, which is considered important in dealing with unpredictability and turbulence. Comparably, mutual trust and tight interpersonal relationships were identified as important factors for SMEs to face uncertainty in business environments (Psychogios and Garev, 2012).

System and Infrastructure Dimension

The assessment of the system and infrastructure dimension involves reviewing its indicators, namely recruitment management, development and retention, incentives, and physical infrastructure as shown in Table 7.

In the recruitment management indicator, development and retention are carried out in a simple manner. Recruitment is based solely on subjective factors such as proximity and the urgent need for employees, and is not based on the competency of the candidates. The employees of Bandung Regency craft industries have various educational backgrounds, skills

and knowledge. The ability to run more tasks is developed through on-the-job training from senior employees to junior employees. There has been no formally established, well-planned and sustainable development program. Based on the analysis of the incentive indicators, it can be concluded that the respondents provide incentives based on the number of excess units of products. The incentive is given only when there is a large amount of product orders.

Table 7: Organisational Capacity Assessment on the System and Infrastructure Dimension

System and infrastructure dimension	The majority of the respondents (84.10%) have a ground level organisational capacity
Indicator: Recruitment management, development and retention	The majority of the respondents (75%,) have ground level organisational capacity
Indicator: Incentive	The majority of the respondents (91.67%), have a ground level organisational capacity
Indicator: Physical infrastructure	The majority of the respondents (75.00%) have a ground level organisational capacity

The infrastructure consists of developments and office space, telephone/fax machines and computers, applications, networks, and email. Overall, the existing infrastructures within the organisation are not adequate for running business activities, leading to a lack of effectiveness and efficiency. For example, businesses are not broad enough to conduct teamwork; the location of the place feels less comfortable for clients or consumers. Based on the analysis of the availability of telephones/fax machines, all respondents have telephone facilities to be able to access all of their employees (usually a mobile phone), so that they can easily perform daily communication.

Based on the analysis of computers, applications, networks and e-mail, it can be concluded that the majority of respondents have very limited facilities in terms of applications, networks and email. Respondents do not have a website related to their businesses. These conditions make it difficult for the public to know the business, which make it difficult for businesses to develop. It can be concluded that the respondents require increased capacity. A small number of respondents have a website, but the information provided was minimal and website maintenance effort is less. Data is not kept up to date. The factors that have led to this are lack of knowledge and an inability to understand the technological modernisation. Therefore, all business activities are still carried out manually. The SMEs also have fewer financial resources and smaller budgets than larger companies to be made regarding IT investments (Blackwell, et al., 2006).

Organizational Structure Dimension

Assessment on the organisational structure indicates that almost all of the respondents (91.66%) require increased capacity of the organisation. Craft industries have a very simple organisational structure, consisting of the owner as a director and one or two individuals believed to be his deputy. The organisational structure mentioned is considered the most suitable for small industries because it has a degree of flexibility and ease of control. Nevertheless, in the context of higher level organisational capacity, organisations must have field areas and a clear job description. It is absolutely necessary, especially if the organisations have an extensive level of production, as well as number of employees and marketing areas.

Culture Dimension

The assessment of the culture aspect shows that most of the respondents (91.67%) require increased capacity and they do not have a basic belief about the values of the organisation. Values and culture of the organisation are essential to integrate perceptions in achieving business objectives. Therefore, sharing the values and culture of the company is very important

Driving and Bottleneck Factors in Developing Organisational Capacity

The driving factors are the dimensions and indicators in the assessment of organisational capacity that derive sizeable percentage (above 15%). Two of the highest categories are moderate levels of organisational capacity (score 3) and high-level organisational capacity (score 4). Instead, the bottleneck factor is the dimensions and indicators in the assessment of organisational capacity that derive sizeable percentage. There are two low categories (clear need for increased capacity/score 1, and basic level of capacity in place/score 2) and or not getting value for the two highest categories (score 3 and score 4). The assessment of organisational capacity identifies the indicators that have become the driving and inhibiting factors. More details can be seen in Table 8

Table 8: Driving and Bottleneck Factors in Developing the Organisational Capacity

Driving Factors	Bottleneck Factors
Dimension: Strategy Indicator: Target setting	Dimension: aspiration Indicator: mission, vision, and goal setting
Dimension: planning Indicator: strategic planning, operational, and HR	Dimension: planning Indicator: financial planning
Dimension: HR Indicator: experience, knowledge	Dimension: system and infrastructure Indicator: incentive policy, the availability of building and space, the availability of computer facilities and web
Dimension: System and Infrastructure Indicator: The accessibility and availability of communication media	Dimension: Organisation structure
Dimension: Organisational skill Indicator: Performance management	Dimension: Culture

Identification of Organizational Capacity Area

From the results of the assessment of organisational capacity, driving factors, and bottleneck factors, there are four areas most in need of repair and scale of priorities, which are expected to improve overall organisational capacity. These are summarised in Table 9

Table 9: Development Area and Scale of Priority

Development area	Scale of priority
Vision, mission and goal <ul style="list-style-type: none"> ✓ Clearly stated mission and vision reflecting the organisation values is disseminated to all members of the organisation ✓ The vision is clearly stated in the goal of the organisation with a clear measurement and terms. ✓ The goals are knowledgeable ✓ Consistently used in managing the activities or setting priority 	1
Dimension: System and infrastructure Indicator: incentive policy, the availability of building and space, the availability of computer facilities and web	2



Dimension: Organisation structure	3
Dimension: culture	4

The Development of Organisational Capacity

Some of the strategies below can be performed as a mechanism to empower craft industries through organisational capacity building.

Conduct training and assistance to the industry on how to create a vision and set goals. The first step consists of several stages, namely: determining the vision and goals, identifying opportunities, and building infrastructures. Determining the vision and goals is the first step. The goal will provide direction for all stages in re-engineering the SME. The vision must be communicated to all members of the organisation/company so that it becomes a 'shared vision'. If all elements of the company recognise that vision as a shared vision, all elements of the organisation will have a strong commitment to realise the vision. Identifying opportunities include the identification of potential markets for the products and potential development of the product.

Building infrastructure in the form of the use of appropriate technology and other infrastructures. Intervention in the creative industry infrastructure can be done by using a management information system to conduct marketing research. The results of the marketing research are the product specifications required by customers. Such information would be a very important step to make the appropriate product design to produce different/unique and saleable products for the market. The next infrastructure intervention is to develop lean managerial structures to reduce costs and reduce slow bureaucracy. SMEs should form a flat organisational structure with a short command line.

Improving the competence of human resources; some of the strategies that can be done are: training to improve the ability to use information technology in the production process, training on the use of the Internet as a promotional media for products, and extensive training in financial management.

On the financing aspects, strategies that can be done are: forming partnerships with banks and other financial institutions to expand and facilitate access to finance.



Conclusions

Based on the results of the assessment of organisational capacity in the handicraft industries in Bandung regency, the following conclusions can be drawn:

1. The results of the performance assessment of the craft industries using local, nature-based, raw materials in Bandung regency show that all organisational capacities require interventions to increase the business capacity (Clear need for increased capacity) although there are differing levels of need
2. Because the potential for industrial development of craft industries using local, nature-based, raw materials is very high, it is necessary to pay more attention to the promotion and improvement of the business capacity development by focusing on the driving and inhibiting factors
3. In order to prevent any potential problem, it is necessary to formulate strategic steps to improve the business, such as improving financial sources, intellectual training, and facilitating training to improve the added value
4. The limitation of this study is that there is no previous research that discusses organisational capacity in craft industry using local, nature-based, raw materials that can be used as a reference. The results of this study can be a base line study that is expected to encourage further research on organisational capacity in other types of creative industries.

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