Optimization of Industrial Development Based on Local Potential in Tanjungpinang

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Abstract

Industrial development based on local resources is part of local economic development. This is not something new, but the concept of local economic development and its implementation techniques continue to evolve. In general, regional or local economic development is essentially an effort to strengthen local economic competitiveness for regional economic development and the accumulation of these activities will have a major impact on the development of national economic competitiveness and strengthening national economic competitiveness. Local Economic Development itself is essentially "A process when actors within a community, whether city, regional area or major cities, namely government, private sector and community, work collectively to create economic development conditions and better generation growth. The local-based industrial sector plays a role as a leading sector that can stimulate and lift the development of other sectors in the city of Tanjungpinang. With this study, it is certainly expected to change the GRDP data of Tanjungpinang City where so far the industrial sectors have not become the main sectors driving the Tanjungpinang City economy. Based on the GRDP data At Current Prices by business field in Tanjungpinang City in 2017, the industrial sector is in the fourth rank with a value of 1198.38 billion rupiah. The first rank is the Construction Sector with a value of 5670.95 billion rupiah. The second order is the trade sector with a value of 4661.93 billion rupiah. The third order is the government administration sector with a value of 1825.5 billion rupiah (BPS Tanjungpinang City, 2020).

Keywords: Optimization, Industrial development, Local potential, Strategy,

1. Introduction

The dynamics of regional development in Indonesia are confronted with the phenomenon of globalization which is the tendency of global trade, technological and information advances, and changes in a democratic, independent, open and innovative societal system have a major impact on the Indonesian economy. On the one hand, globalization followed by trade and industry liberalization will certainly provide many opportunities for all businesses in all sectors, but on the other hand, changes in the trade and industry system will also create new competitive challenges if the national economy fails to penetrate regional and global competition, it can be ascertained that Indonesia will experience significant economic losses.

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Based on data from the Tanjungpinang City Industry and Trade Office, the number of IKM actors in Tanjungpinang City in 2020 amounted to 757 IKM units. This data is spread across 4 districts in Tanjungpinang City. For Bukit Bestari District, the number of IKM actors is 191 units. Tanjungpinang Timur District has the largest number of IKM actors, which is 307 units. Meanwhile, for Tanjungpinang City district, there are 109 IKM actors and for Tanjungpinang Barat District, there are 150 IKM actors. Based on the number of IKM actors in Tanjungpinang City, it is dominated by the food industry with 473 units. Then the garment industry with 129 units, the craft industry with 62 units, the workshop industry with 40 units, the furniture industry with 33 units, various industries with 12 units, and the shipbuilding industry with 8 units. Of all the industries in Tanjungpinang City, some use local raw materials and some are brought in from outside the region.

For the food industry, which is the majority type of industry in Tanjungpinang City, it is still dominated by traditional food processing which is a characteristic of Riau Islands food. Likewise with the raw materials used, many use local raw materials from the fisheries around Tanjungpinang City. This indicates that the food industry in Tanjungpinang City in terms of the potential use of local raw materials provides its own advantages and provides a multiplier effect on other economies. Only the problem is that the industry in Tanjungpinang City has not developed to its maximum potential. This can be seen from the value of investment and production capacity which is still very low so that the monthly turnover is also not yet fully developed. Therefore, a study is needed that can optimize the development of industries that use local potential to provide a multiplier effect and improve the economy of Tanjungpinang City as a whole.

2. Literature Review

Local Economic Development (LED)

In the current era of regional autonomy, local governments are very interested in being able to create conditions that exist in the LED concept, which emphasizes the strength to mobilize resources, capacities and skills that are owned and possessed by the local (region) to be utilized for achieving quality and sustainable regional economic development. In the Reference Book for the Implementation of Local Economic Development published by the Director General of Public Works in 2012, LED is defined as: "A collective collaboration between the government, the business world, the non-government sector, and the community to identify and optimally utilize the resources possessed in an effort to stimulate and create a strong, independent, and sustainable local economy." While the World Bank (2011) defines LED as: "The ability of a region to build its economy to improve economic quality and quality of life in the future.

Industry

The macro definition of industry is all sectors that can generate added value and broadly can be divided into two parts, namely industries that produce goods and industries that produce services. The micro definition of industry is defined as a collection of companies that can produce homogeneous goods or can closely replace each other (Hasibuan, 1994) a. Grouping of Types of Industry Based on the Decree of the Minister of Industry and Trade of the Republic of Indonesia Number 257/MPP/Kep/7/1997, industries are classified according to the amount of investment, as follows: • Small and medium industries, are types of industry with an investment up to IDR 5,000,000.00. \neg Large industry, which is an industry with an investment of more than IDR 5,000,000.000. This investment value does not include the value of land and business premises.

Optimization

Optimization is also often defined as a measure where all needs can be met from the activities carried out. According to Winardi (1996:363) optimization is a measure that causes the achievement of objectives. In general, optimization is the search for the best value available from several given functions in a context. According to Singiresu S Rao, John Wiley, and Sons (2009) Optimization can also be defined as a process to obtain a state that provides a maximum or minimum value of a function. From the above explanation, it is known that optimization can only be realized if it is effectively and efficiently realized. Always aim to achieve effective and efficient results in order to optimize.

Optimization Process

The optimization process departs from a policy or program. The implementation stage as a process to realize policy objectives is often referred to as an important (critical) stage. It is called important because this stage is a "bridge" between the world of concepts and reality. (Purwanto & Sulityastuti, 2012). The optimization process is illustrated in Figure 1 below:

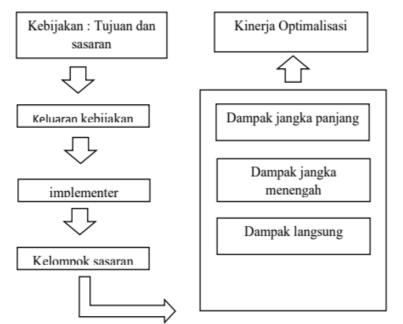


Figure 1. Optimization Process (Purwanto & Sulityastuti, 2012)

Factors that Affect Optimization Performance

The implementation process is influenced by various complex variables, both individual variables and organizational variables, and each variable influence and interacts with each other. According to George C Edward III (1980) he gave the view that policy implementation is influenced by four variables, namely: 1. Communication, 2. Resources, 3. Disposition (attitude), 4. Bureaucratic structure and the four variables are interrelated with each other as presented in Figure 2 below:

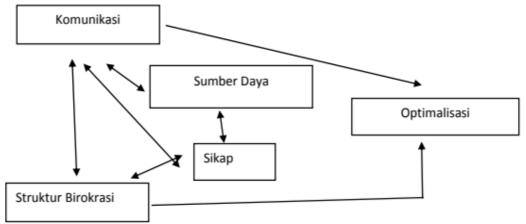


Figure 2. Optimization Model (Edward III, George C., 1980)

The Strategy

According to David (2011) Strategy is a means together with long-term goals. According to David (2011), a strategy is a means along with long-term goals to be achieved. Business strategies include geographic expansion, diversification, acquisition, product development, market penetration, retrenchment, divestiture, liquidation, and joint ventures. Strategy is a potential action that requires top management decisions and a significant amount of company resources. So, a strategy is an action or activity carried out by an individual or company to achieve predetermined targets or goals. According to Tjiptono (2006), the term 'strategy' originates from the Greek word 'strategia' which means the art or science of being a general. According to Stoner, Freeman, and Gilbert Jr. (2005), the concept of strategy can be defined based on two different perspectives: (1) from the perspective of what an organization intends to do, and (2) from the perspective of what the organization ultimately does. From these definitions, the author concludes that the understanding of strategy is what the company wants to do to achieve a predetermined goal.

Small and Medium Industry (IKM) Development Strategy

The strategy to be implemented in the development of Small and Medium Industries according to Hetifah Sjaifudin in Fanany (2008) is as follows:

- Financial capability strategy: The dqevelopment of several financial strengthening models for small and medium entrepreneurs has recently demonstrated the strengthening commitment of the government. These governmental efforts are realized by assisting the development of small and medium enterprises through temporary capital participation.
- Marketing development: In the era of free markets where the world becomes borderless, there is a unification of domestic markets with international markets. This presents both an opportunity and a challenge for small and medium businesses. There are three marketing strategy methods, namely increasing the access of small and medium enterprises to the market, market protection, and shifting the monopolistic market structure to be competitive.
- Human Resources Development: This is expected to occur through improvements to the formal education system, increasing the linkage between the educational world and the labor market through apprenticeship systems (link and match), and providing initiatives for the growth of research and development centers to develop human resources and technology.

3. Methodology

The approach used in this research is a survey technique, by trying to collect data as is, without special treatment to the research object through the provided instrument. Once the data is collected, it will be analyzed, described, and interpreted to provide a factual overview of the object and subject of the research. The population of this survey is all Small and Medium Industry players in the city of Tanjungpinang as the observation area in this study. Also included are several government agencies/OPDs related to the development of SMEs in the city of Tanjungpinang, which is the research location.

Data Types

Primary data, that is, qualitative and quantitative data obtained directly from the source, which is the industry players in the city of Tanjungpinang and the stakeholders related to industrial development (for more details, see subsection 3.8). The data used in this research is obtained by arranging a list of statements in the form of a list of open structured questions in the questionnaire, to the respondents by distributing the established questionnaire by visiting the respondents directly. Secondary data, is data obtained indirectly from the researched subject, to answer the research objectives. The qualitative and quantitative data obtained from research results or publications from relevant departments or OPDs with research objectives. The collected data is related to the research objectives in the city of Tanjungpinang.

Data Collection Techniques

This research will use several data collection techniques, including: Observation Observation is an activity using the senses, such as vision, smell, hearing, to obtain the necessary information to answer research problems. The observed data can be a description of attitudes, behaviors, actions, overall human interactions. Observation data can also be an interaction in an organization or the experiences of members in organizing. In this study, the observation process is carried out by observing social media, sites, and electronic media related to online-based transportation. In this research, the observation techniques that will be used are: a. Participatory observation, where the researcher must strive to be as close as possible to the informant. This means that the researcher must be 'accepted' and interact naturally for a continuous period (Manzilati, 2017). To avoid language, culture, and interpretation issues due to cultural and language differences with the informant, it is possible that this research will use a trained local assistant. b. Mystery client technique This technique is where the observer must act secretly so as not to disturb the natural setting of the researched community (Manzilati, 2017). Questionnaire A questionnaire is a method where the researcher prepares a list of written questions that are then distributed to respondents to obtain data related to research activities. The instrument used to collect data in this research is a questionnaire in the form of a list of written statements, where respondents are asked to answer or fill in several things related to self-identity (gender, age, education, income, the length of time being an industry player in the city of Tanjungpinang, and provide responses to the problems faced so far according to the respondent's perception. The collected data is primary and secondary data. In-depth interview The interview conducted with in-depth interview techniques with a semi-standard question structure, namely having main questions, additional questions, and investigative questions. This technique is used to obtain data that may be difficult to obtain through a questionnaire. According to Sarantakos in Manzilati (2017), the interview has specific characteristics, namely:

- 1. Using open-ended questions
- 2. The interview is conducted individually, that is, conducting interviews one person at a time.
- 3. The question structure is not fixed or rigid, allowing for the addition or reduction of questions if necessary.

- 4. It allows the researcher to ask in various ways and expressions with the principle that the necessary questions are reached.
- 5. Interviews with closed questions using a Likert scale to obtain quantitative data

Population

The population in this study is the small and medium industries totaling 174 SMEs distributed in Bukit Bestari district with 191 SMEs. Tanjungpinang Timur district has 307 SMEs, Tanjungpinang Kota district has 109 SMEs, and Tanjungpinang Barat district has 150 SMEs. Sample Sample collection is based on the Slovin's formula which is commonly used in survey research where the sample size is usually very large, thus requiring a formula to obtain a small but representative sample of the entire population. The Slovin's formula is as follows:

$$n = \frac{N}{1 + Ne^2}$$

Explanation:

n = Sample size

N = Total Population

e = Error

Tolerance Limit From several populations, a sample of 20 SMEs and 7 OPDs throughout Tanjungpinang City can be taken.

4. Result and Discussion

SWOT Analysis

SWOT is an acronym for strengths, weaknesses, opportunities, and threats associated with a company's internal and external environment. SWOT analysis is a matching tool that assists managers in developing effective strategies to maximize strengths and opportunities while minimizing weaknesses and threats (Rangkuti, 2009). Based on survey data from the field, we found values from the indicators of strengths, weaknesses, opportunities, and threats in the local potential-based industries in the city of Tanjungpinang. These values can be seen in Table 6.1 below.

Table 1. SWOT Analysis of Tanjungpinang's Local Potential-Based Industry

| | | | | Weight x Score |
|----|-------------------------------------|--------|-------|----------------|
| No | STRENGTH | Weight | Score | |
| 1 | Availability of raw materials | 0,07 | 80 | 5,6 |
| 2 | Strategic business location | 0,06 | 60 | 3,6 |
| 3 | Via the main road / provincial road | 0,05 | 60 | 3,0 |
| 4 | Have a trained workforce | 0,07 | 80 | 5,6 |
| 5 | Neat and quality production results | 0,06 | 50 | 3,0 |
| 6 | There is technology support | 0,06 | 50 | 3,0 |
| 7 | Packaging innovation | 0,06 | 50 | 3,0 |
| 8 | Product innovation | 0,07 | 50 | 3,5 |
| | Total | 0,5 | | 30,3 |
| | | | | Weight x Score |
| No | WEAKNESS | Weight | Score | |

| 1 | There is no own product brand yet | 0,08 | 60 | 4,8 |
|-------------------------------------|--|--------|-------|----------------|
| 2 | Lack of own marketing capabilities | 0,06 | 30 | 1,8 |
| 3 | Small road and no parking area | 0,02 | 60 | 1,2 |
| 4 | There are no workshops and showrooms | 0,1 | 60 | 6,0 |
| 5 | Do not have collateral assets | 0,06 | 60 | 3,6 |
| 6 | Not yet able to access the internet to make transactions | 0,06 | 60 | 3,6 |
| 7 | Lack of signposts and no billboards | 0,1 | 50 | 5,0 |
| | Total | 0,5 | | 26,0 |
| DIFFERENCES IN STRENGTHS AND WEAKNE | | | RE | 4,3 |
| No | OPPORTUNITY | Weight | Score | Weight x Score |
| 1 | The opening of development assistance programs from the government | 0.1 | 40 | 4.0 |
| | | 0,1 | | 4,0 |
| 2 | area & banking | 0,08 | 70 | 5,6 |
| 3 | The high growth of the IKM industry based on local potential | 0,08 | 70 | 5,6 |
| 4 | Changes in consumer lifestyle & product trends | 0,07 | 60 | 4,2 |
| 5 | There is stakeholder concern | 0,09 | 50 | 4,5 |
| 6 | Business facility assistance | 0,08 | 60 | 4,8 |
| | Total | 0,5 | | 28,7 |
| No | THREAT | Weight | Score | Weight x Score |
| 1 | Public ignorance of the location of potential-based SMEs local | 0,08 | 70 | 5,6 |
| 2 | Lack of government attention in development infrastructure | 0,08 | 40 | 3,2 |
| 3 | Consumer reluctance to buy directly to SME locationsUKM | 0,08 | 60 | 4,8 |
| 4 | There are similar businesses in other areas | 0,08 | 40 | 3,2 |
| 5 | Falling trust from financial institutions | 0,08 | 30 | 2,4 |
| 6 | Public ignorance of the location of potential-based SMEs | 0,1 | 70 | 7,0 |
| | Total | 0,5 | | 26,2 |
| | 4,5 | | | |
| L1 | | | | |

Sumber: Data processing, 2020

To determine the priority and interrelation between strategies based on their SWOT weightings, an interaction of internal-external strategy combinations is conducted. These strategies are formulated based on internal factors - strengths and weaknesses, as well as external factors - opportunities and threats, and are organized into the SWOT IFAS and EFAS interaction matrix.

| IFAS | (Strenght - S) | (Weakness - W) | | |
|-------------------|----------------|----------------|--|--|
| EFAS | | | | |
| (Opportunity - O) | Strategi S-O | Strategi W-O | | |
| | 30,3 + 28,7 | 26 + 30,7 | | |
| | 59, | 56,7 | | |
| (Threat - T) | Strategi S-T | Strategi W-T | | |
| | 30 + 26,2 | 26 + 26,2 | | |
| | 56,5 | 52,2 | | |

Table 2. IFAS dan EFAS Matrix

Based on the calculation in Table 2, the score for opportunities and threats (O/T) is 2.5, located on the Y-axis = 2.5 > 0, and the score for strengths and weaknesses (S/W) is 2.3, located on the Xaxis = 2.3 > 0. It can be concluded that the development position of small and medium industries (SMIs) based on local potential in Tanjungpinang City is in quadrant I. This position is very advantageous where SMIs based on local potential have opportunities and strengths and can thus maximize available opportunities. In this quadrant position, SMIs based on local potential in Tanjungpinang City, supported by the government and stakeholders, should implement a strategy to support aggressive growth. The strategy is designed for growth (Rangkuti, 2001:43).

Then, based on the IFAS and EFAS matrix scores, the S-O strategy has the highest value. The S-O strategy aims to stimulate rapid growth and is formulated on the consideration that SMIs in Tanjungpinang based on local excellence will use their strengths and advantages to take advantage of existing business opportunities by accelerating the organization's growth rate and improving quality as a strength factor to maximize the use of all opportunities. The S-O strategy can be translated as a strategy to use strengths to take advantage of existing opportunities/chances. This condition is beneficial for the development of SMIs based on local potential in Tanjungpinang because the strength of internal factors is greater than their weaknesses. On the other hand, from the external factor's perspective, the existing opportunities far outweigh the threats. Therefore, the strategy applied in this condition supports an aggressive/rapid growth policy (Rapid Growth Strategy).

Throughout the observation of the culinary and craft industries based on local potential in Tanjungpinang City and studying existing documents, the role of the Tanjungpinang City government is actually on the right track in supporting and developing culinary and craft industry products in Tanjungpinang. There are several things that the Tanjungpinang City government has done such as:

- 1. Promoting by involving all culinary and craft products with local potential in art exhibition or festival events, both locally and nationally. These festival and exhibition events are held by considering the months when international tourists are abundant. According to BPS data, these busy months are at the end and in the middle of the year. In addition, the Tanjungpinang City government can align local events with events in other districts/cities, such as the Tour de Bintan event in Bintan Regency, which is always held annually involving the international community and world-class racers, and this event is used to introduce craft and culinary industries typical of Tanjungpinang City based on local potential.
- 2. Training and human resources development, the City Government through related agencies can provide training and development for existing industrial business actors and prospective industrial business actors who will enter the industrial world. This training needs to be carried out in stages or levels and using a standard curriculum. Training both in terms of management skills and product innovation skills. By conducting regular training, it is expected to increase the turnover of existing industry actors and increase the number of industry actors who enter the world of culinary and craft industries based on local potential.
- 3. The Tanjungpinang City Government can urge Civil Servants and institutions under the Tanjungpinang City Regional Government (both educational institutions and non-educational ones) to use products from small and medium industries with local potential at certain events. This will certainly encourage industry players to produce more vigorously, so their turnover will continue to grow and be sustainable.
- 4. Introducing industrial products with local potential in Tanjungpinang through online media such as the official website of the Tanjungpinang City Government. Then, collaborate with social media enthusiasts who have a large number of followers

5. Conclusions

Based on input from FGD departments and related stakeholders, accompanied by previous data and studies, the local potential industries to be developed are culinary or specialty food industries

derived from sea processing and handcraft industries that are artistic, unique, and characteristic of Tanjungpinang City. This potential can be seen from the abundant marine natural resources in the area around Tanjungpinang City. Then, the tourism factor is also very potential to be developed around Bintan Island, especially Tanjungpinang City.

From the descriptive analysis explaining the competencies of local-based industrial actors / entrepreneurs in Tanjungpinang are in a medium or average position, but have high motivation and confidence to develop their business. This is due to the availability of technical training which is still considered very lacking and not optimal. The current competencies are very dependent on work experience alone, which often correlates with trial and error. Of course, the competence must be supported by clear technical abilities, which can be obtained through training activities. As for the capital aspect, the average capital obtained is independent and there has been no government assistance. While bank loans are also done individually. This is because several IKM actors in Tanjungpinang City do not yet have a business entity, and the bookkeeping carried out is also very simple and does not yet use Accounting Standards.

Based on the SWOT analysis, it can be concluded that the local potential-based industry in Tanjungpinang is in quadrant I. This position is a very advantageous position where the local potential-based IKM has opportunities and strengths so that it can take full advantage of existing opportunities. In this quadrant position, the local potential-based IKM in Tanjungpinang City, supported by the government and stakeholders, should implement aggressive growth strategies. The strategy from utilizing opportunities with existing strengths (SO) is; a. Improving the quality of the workforce (HR), entrepreneurial mindset, willingness and strong work ethic through training and expertise programs. b. Creating quality local potential-based IKM products in line with the trends of society. c. product innovation development with the application of appropriate technology. d. Building a showroom and workshop center as a product marketing center in the main road path and installing billboards in strategic areas. e. Increasing cooperation with stakeholders to make it a souvenir center for tourists as well as the consistency and sustainability of government policies in developing Small and Medium Industries based on the Local Potential of Tanjungpinang City.

To optimize the role of local potential-based industries in Tanjungpinang City, it is necessary to form clusters and a cluster development action plan in the local potential-based industry in Tanjungpinang City. This is to facilitate coordination both in the form of training and in the form of financial assistance. The program for implementing cluster approach strategies for the development of local potential-based IKM in Tanjungpinang in an effort to increase competitiveness and bargaining position in global business competition.

Suggestions The potential for developing local-based industries is very high, so there needs to be attention to efforts to increase and improve the quality of IKM, entrepreneurs, labor, competencies, business structures, modernization, intellectual capital behavior, and company performance are relatively less optimal. To overcome various obstacles, strategic steps are needed to overcome obstacles and encourage local potential-based industrial efforts in general, including increasing financial resources, intellectual training, and facilitating various training to increase added value. Because the central point of success of local potential-based industrial efforts is Human Resources (entrepreneurs), what is needed is continuous and sustainable guidance from the start of input efforts, processes, to sales to consumers. In addition, it is necessary to improve quality local potential-based IKM products according to appropriate technology. Building a showroom and workshop center as a hub for product marketing in strategic and busy areas, both within the city and in counties/cities with high prospects is essential. Therefore, further research is required relating to the establishment of clusters of industry based on local potential, in conjunction with upstream and downstream industries within the structure of industry based on local potential.

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