

## STRATEGY FOR BUILDING SHARIA-CONSCIOUS COMPETITIVENESS IN SMALL AND MEDIUM ENTERPRISES BASED ON LOCAL WISDOM

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### ABSTRACT

**Purpose:** This research aims to answer how to build a competitive strategy to increase competitive advantage based on a sharia economic perspective which is the basis for developing the strategy model.

**Design/methodology:** This research method is qualitative research with the main data source obtained from observations and interviews with informants selected in this research. Sampling was carried out using purposive sampling with the informant subjects being songko recca business owners and the local government in charge of it.

**Findings:** This research produced several important findings including strategy, constraints, and competitive advantage models referring to Michael Porter's competitive strategy theory. The strategies that are considered important to implement are strategies oriented toward price, quality, and human resources.

**Practical implications:** The findings suggest that SMEs in traditional industries like songko recca can benefit from competitive strategies that align with both modern market expectations and long-standing local customs. These strategies should focus on improving quality, maintaining cultural motifs, and addressing customer expectations.

**Originality/Value:** This research offers a unique perspective by integrating Sharia economic principles with competitive strategy theories, providing valuable insights into how local wisdom and cultural heritage can be leveraged to create sustainable competitive advantages for SMEs.

**Keywords:** Business Strategy, Business Excellence, Sharia Business

### A. INTRODUCTION

Small and Medium Enterprises (SMEs) are one of the business sectors that make the largest contribution to the Indonesian economy. SMEs play a very important strategic role in national economic growth. Its contribution to Domestic Product shows this so that every year Indonesia's Gross Domestic Product (GDP) grows. The SME sector has proven more resilient in facing crises during Indonesia's recent economic crisis, which saw many large-scale businesses experience stagnation or even cessation of activity (Hafsah, 2004). SMEs account for almost 40% of GDP and about 55% of employment in middle-income countries. But in a world where rich countries are the norm, SMEs are becoming more significant. SMEs also achieve an employment rate of 65 percent and contribute 50 percent of the national GDP (Ayyagari et al., 2003). SMEs are becoming more significant to the economy (Bagwell) (Da Costa & Xiong Ying, 2021). In addition, SMEs serve as a significant source of growth and employment in the country and play an important role in stabilizing society (Siu & Liu, 2005) China employs nearly 230 million in the SME sector (Ben Lowe; Julian Lowe; David Lynch, 2010). SMEs have succeeded in empowering communities dramatically in recent years, including last year (Bagwell) (Da Costa & Xiong Ying, 2021).

The Ministry of Cooperatives and SMEs noted that in 2019 there were 65.47 million types of micro, small, and medium enterprises (MSMEs), or 99.99% of the total businesses in

Indonesia. This has increased by 1.98% compared to the previous year. Meanwhile, specifically for small and medium enterprises, there are only 65,465 units (M Ivan Mahdi, 2022), 2021 in Indonesia only around 19 million will have entered the digital realm out of around 64 million MSMEs (Sulistiyono, 2022). The implication is that SMEs have a role as microeconomic supporters when large-scale businesses tend to perform poorly. If you look at the organizational perspective, SMEs and large businesses show different characteristics (Hafsah, 2004). These differences include benefits such as increased adaptability, lower overhead costs, and innovation. However, the current limitations and weaknesses of SMEs are access to capital, resources, and managerial and market power (Walsh & Lipinski, 2009). SME marketing is based on the characteristics of company owners and managers, such as ownership, resources, distinctive managerial style, freedom, scale, and scope of operations (O'dwyer et al., 2009). Several research results show that most of the problems occur in aspects of resources, finance, and market reach which are still not optimal (Fadilah et al., 2021; Juliprijanto et al., 2017; Taufiq et al., 2017; Yazfinedi, 2018), whereas Large companies achieve better competitive advantages than small companies because brands have strong marketing to be able to compete effectively (Walsh & Lipinski, 2009).

Therefore, this has become an interest for previous researchers in researching to improve the competitiveness conditions of SMEs (Jones, 2003; Ong et al., 2010; Siregar & Hidayah, 2014), this is also an interest for researchers in conducting research on SMEs in strengthening their business from a sharia business perspective to strengthen and increase the competitiveness of SMEs in Indonesia. Previous research related to strategy and competitive advantage as carried out (Abdulwase et al., 2020; Acquaaah, 2011; Farida & Setiawan, 2022) emphasized that business strategy has an important role in increasing competitive advantage, while research (Gorla et al., 2010) competitive advantage can be achieved through implementing strategies by focusing on strategies to improve system quality, information quality and service quality, while research conducted (Al-Rousan & Qawasmeh, 2009; Jatmiko et al., 2021) focuses on formulating strategies using the SWOT matrix. Looking at these two studies, this research complements previous research which not only examines aspects of increasing promotion and using SWOT analysis but also applies Sharia business practices in mapping strategy formulation to achieving competitive advantage.

*Songkok Recca* Small and Medium Enterprises in Awangpone District The regional government has created a strategy for developing the *Songkok Recca* Business in Awangpone District, Bōne Regency. However, the government's effectiveness has not made significant progress in optimizing the existing potential to involve local communities, so increasing these efforts requires another strategy to develop the *Songkok Recca* business sector in Bōne Regency. The effectiveness of this government is through visitors and local communities. It is hoped that this system will be able to optimize and answer visitor needs and can increase local community opinion. Apart from maintaining continuity in the development of the *Songkok Recca* business in Bōne Regency, the *Songkok Recca* business is considered capable of absorbing labor and providing a decent income for the local community, one of the developments in Bōne Regency. Based on initial observations at the research location, the development, and improvement of the *Songkok Recca* work business has been around for approximately twenty-three years, *Songkok Recca* makers started by only making it in small groups and only buying and selling in the surrounding area, then expanded after many makers *Songkok Recca* and visitors and buyers who are interested in *Songkok Recca*, both outsiders and local people. After seeing the business opportunities of *Songkok Recca's* work and the large amount of income obtained from *Songkok Recca's* business as well as in the production process

of *Songkok Recca*, the materials for making *Songkok Recca* are now easily accessible. So business actors begin to be motivated to carry out the *Songkok Recca* business, which is one solution to overcoming economic problems related to providing opportunities to try and work to meet life's needs. *Songkok Recca's* business sector movement to create growth and jobs.

However, in efforts to make the business competitive, several obstacles are still found, including those related to marketing, which is mostly still conventional, a lack of business partners, low mastery of technology and information, and a managerial system that is not well organized. Meanwhile, the conditions currently being faced by SMEs in Bōne are a decline in markets both nationally and internationally due to the Covid-19 pandemic which has caused SMEs products in Bōne Regency to experience a decline. Therefore, business strengthening in crafts sector SMEs based on local wisdom must be carried out to restore and increase their marketing capacity. One thing that can make a significant contribution to recovery is mapping the right business strategy to provide a positive impact on marketing activities. Formulating a business strategy in the Islamic view is an effort that must be carried out and this effort is part of the value of worship. To obtain a business strategy that has beneficial value in this world and the hereafter, it is necessary to formulate business indicators according to sharia. Based on this explanation, it is important to formulate a Sharia-based business strategy that prioritizes Sharia values and norms so that the business, apart from being competitive, also has Islamic blessing values.

## B. LITERATURE REVIEW

Business strategy is a tool for achieving long-term goals, follow-up initiatives, and resource allocation priorities. Corporate strategy is described as the formulation of a comprehensive plan for how the company will achieve its mission and goals (Thomas L. Wheleen and J. David Hunger, 2010). The use of strategy is a typical way to achieve long-term goals (Fred David, 2012). The plan will increase competitive advantages while reducing competitive constraints. Indonesian Wikipedia, on the other hand, defines strategy as an all-encompassing approach to implementing ideas, planning, and executing an activity within a specific time frame. A company develops a strategy as a means to achieve its mission and goals (Violinda, 2018, p. 35). Business strategy is based on four main pillars, including opportunities, threats, and strengths and weaknesses. A company's strengths and weaknesses (internal factors) can be used to identify its advantages by measuring its capacity for resource management and competitiveness. Political, economic, social, and technological progress is one of the factors of opportunities and threats (external factors), and shifting social conditions. (Narto & HM, 2020, p. 49) Strategy is an action plan that aligns the resources and commitments organization to achieve superior performance (Saiman, 2014, p. 124). Strategy is the determination of decisions that must be taken in facing competitors in a life environment that is interdependent and determining the fundamental long-term goals and objectives of an organization (Assauri & Assauri, 2011, p. 2). It can be concluded that strategy is a series of decisions and actions implemented to win the competition to achieve sales, company, or organizational goals.

### 1. Competitive Advantage

Husein Umar, as quoted by Hidayanti, stated that competitive strategy is a formulation to increase a company's competitiveness in the eyes of customers or potential customers. The relationship between strategy and competitive advantage is that strategy is more about guidelines for action, while competitive advantage is more about concrete things that a business must have (Violinda, 2018, p. 36). According to Porter, five competitive forces determine the strength of an industry to compete. The five forces are as follows: Potential new players,

suppliers, buyers, substitutes, and competitors in the industry (Wijiharjono, 2021). Competition is a process of continuous work on a company's ability to seek and maintain an advantage (Magretta, 2011, p. 9).

According to Porter, the nature of competitiveness in a particular industry can be seen as a combination of five forces rivalry among existing companies. Potential entry of new competitors. The threat of substitute products 4. Bargaining power of suppliers. Bargaining power of buyers. According to Agustinus Sri Wahyudi, (2021), there are several competitive advantages that companies can use, namely rice, market share, brand, product quality, consumer satisfaction, and 6. Distribution channels. Some product advantages that can be used to increase competitiveness are as follows products, and business ventures in the form of competing goods or services must be halal. The specifications must be by what consumers expect to avoid fraud, guarantee quality, and be competitive. Price If you want to win the competition, prices must be competitive. In this case, it is not permissible to lower prices to bring down competitors. The place must be good, clean, healthy, and comfortable to attract customers. Services must be provided in a friendly manner, according to the agreed contract, and there are no elements of immorality (Sholihah, 2015).

## 2. Sharia Economics

The main goal of Islamic economics is to build a fair and beneficial economic system considering that every economic action or behavior is prohibited in Islam (*Bai'a Najazy, Itikhar, Taghrir, and Riba*). Everyone's economic behavior must be by or guided by the Qur'an and hadith (Adlan, 2021, p. 92) and this is what is called Sharia economics. The following are the values that form the basis of Islamic economic theory.

- a. Oneness of God (*Tawhid*). The core of Islamic teachings is monotheism. People who practice monotheism prove that "no one has the right to be worshiped except Allah" and "No one owns the heavens, the earth, and everything in it except Allah." Consequently, the true owner is Allah. Therefore, the relationship with Allah is the foundation for all human interactions with nature (resources) and other people (*muamalah*), because He will hold humans accountable for everything they do, including the sharia economic business activities of craftsmen.
- b. Justice (*'Adl*). Humans are commanded by God to uphold justice. Justice is characterized in Islam as "not oppressing and not being wronged." This economic value implies that economic actors should not pursue personal gain if this endangers other people or damages the environment. Humans will be divided into various groups if justice does not exist. Other groups will be oppressed by one group, which will lead to human exploitation. Each strives, out of greed, to obtain a result greater than the effort he exerts. To be fair, things must be placed appropriately.
- c. Prophecy (*Nubuwwah*). To give guidance to humans on how to live a good and moral life in the world and to show them how to repent and return to the source of all things, Allah, the Almighty sent prophets and messengers. For Muslims, the Prophet Muhammad is the last ideal human role model who must be emulated until the end of time. The characteristics of the Prophet Muhammad SAW, in general, which must be emulated by people in business and economics in particular are as follows; Honesty is shown by truthfulness (*Shiddiq*), trustworthiness (*Amanah*), intelligence (*Fathanah*), and conveying the message (*Tabligh*), while accountability, credibility, and responsibility are shown by trustworthiness (*Amanah*), communication, openness, and marketing.

- d. Caliphate. The word of Allah SWT, that humans were created as caliphs on earth, brings prosperity to this planet. In Islam, the role of government in the economy is minimal but crucial. Its main duties include ensuring that economic practices comply with Sharia and that no one's rights are violated.
- e. Results (*Ma'ad*). Everyone will eventually return to Allah, *ma'ad* means "return". "The world is the field of the hereafter" summarizes the typical Muslim viewpoint regarding the world and the afterlife. In other words, the world functions as a place for human activity and work (good deeds), because *ma'ad* is interpreted as a reward, so every struggle will produce rewards in this world and the afterlife. Imam al-Ghazali, who emphasized that business actors are driven by the desire to make a profit, articulated the implications of this value in economic and business life. The concept of profit gains legitimacy in Islam as a result of worldly profits and hereafter profits. Results (*Ma'ad*) can be interpreted again because everything will return to Allah. The world and the afterlife for Muslims are seen as: "the field of the afterlife". This means that the world is a means for humans to work, be active, and do good deeds. Every sacrifice will be rewarded in the world and the afterlife, therefore, *ma'am* is interpreted as a reward. The implementation of this response in economic and business life, for example, was formulated by Imam al-Ghazali who argued that the motivation of business people is to gain profits in the afterlife, therefore the concept of profit has gained legitimacy in Islam (Karim, 2007).

### C. METHOD

This research was conducted in Bõne Regency, South Sulawesi Province, with the research subjects being craftsmen in local wisdom-based craft businesses who were registered with the Bõne Regency Industry Service. Searches for research data are carried out directly at the research location so that the data and information collected for this research can be verified accurately and used to overcome problems during the research process. In this research method, a qualitative approach is combined with descriptive research techniques. Descriptive research examines social issues, social norms, and specific circumstances, such as interactions, pursuits, attitudes, and viewpoints, as well as ongoing processes and organizational phenomena. Instead of using data that can be analyzed statistically, descriptive research usually describes behavior through observation, interviews, and case studies. Determining the sample in this study used a purposive sampling technique, namely a sample of 6 people. The reason for using a purposive sampling technique is that the researcher will take representatives from each type of craftsman business, representatives from local government, academics, and practitioners. However, the implementation does not rule out the possibility of increasing the sample size, so this research also uses the snowball sampling technique. The types of data in this research are primary data and secondary data. Primary data is obtained directly from business owners and the data required is name, age, gender, business name, education level, and respondents' answers. Secondary data is supporting data obtained from the Department of Industry and the Department of Cooperatives and SMEs of Bõne Regency.

The informants involved in this research were divided into two types, namely informants who were directly involved and informants who were not directly involved. The informants who were directly involved were craftsmen and informants who were not directly involved, namely the head of the industrial service and the head of the SMEs service. This research aims to design appropriate alternative strategies for achieving competitive advantage at the national level based on local wisdom after conducting direct observations and observation of the locations of small and medium business craftsmen based on local wisdom in Bõne Regency, it was concluded that business development crafts based on local wisdom have not

been maximized, for this reason, researchers have created a strategy for developing competitive advantage using SWOT analysis techniques, strategies that will be created based on data obtained from both primary and secondary data, such as literature studies, observations, and interviews.

## D. RESULT AND DISCUSSION

### 1. Strategy for Building Sharia-Based Competitiveness

Islamic banks play a significant role in supporting *Songkok Recca* artisans through Sharia-compliant financing that is tailored to the needs of small businesses. Various financing products, such as *murabahah* and *musharakah* contracts, provide flexibility for SMEs to secure working capital without the burden of interest. Additionally, Islamic banks can contribute to enhancing Sharia financial literacy among artisans, helping them understand the range of products and services available to grow their businesses in accordance with Islamic principles. Moreover, the role of Islamic banks can be further expanded by offering training programs on Sharia business management and the utilization of technology, such as e-commerce and other digital platforms, to help SMEs improve their competitiveness in the era of globalization. In this way, *Songkok Recca* artisans will be better equipped to face market challenges and seize new opportunities both at the national and international levels. The results of this study indicate that the strategy of building Sharia-based competitiveness for *Songkok Recca* SMEs holds significant potential, especially with the active support of Islamic banks. Through a SWOT analysis, it can be concluded that, despite the presence of weaknesses and threats, there are substantial opportunities, particularly in expanding markets through digitalization and enhancing Sharia financial literacy. Islamic banks play a crucial role in supporting Sharia-compliant financing while also providing training and guidance to artisans, enabling them to improve their competitiveness in an increasingly competitive market.

The *Songkok Recca* SMEs artisans possess several competitive advantages, such as recognized product quality, deep-rooted local wisdom, and a strong traditional reputation in South Sulawesi. *Songkok Recca* is a distinctive product that utilizes high-quality local raw materials, enabling it to compete in the national market. Additionally, the artisans' adherence to Sharia economic principles, such as the prohibition of *riba* (interest), maintaining honesty in transactions, and upholding justice, enhances consumer trust and adds significant value. These Sharia principles foster strong relationships with customers, increasing loyalty and business credibility. Islamic banks play a crucial role in facilitating Sharia-compliant financing, such as *musharakah* (partnership) and *murabahah* (cost-plus sale) contracts, which allow the business to grow without violating religious values.

Despite their significant strengths, the *Songkok Recca* SMEs artisans face several weaknesses. One of the primary challenges is limited working capital, which restricts their ability to scale up production. Artisans often struggle to secure financing from conventional financial institutions due to interest (*riba*), which conflicts with Sharia principles. Furthermore, limited innovation in design and the underutilization of digital technology are weaknesses that hinder broader market penetration. Although Islamic banks provide important support, challenges remain, particularly in the form of low Sharia financial literacy among artisans. This limits their ability to access Sharia-based financing despite the availability of suitable financing products from Islamic banks.

The growing awareness of local wisdom-based and halal products provides *Songkok Recca* with significant potential to expand its market, not only within Indonesia but also in countries with large Muslim populations. The implementation of digital marketing and e-commerce strategies can help these SMEs reach a wider consumer base, including international markets. Islamic banks have the opportunity to offer additional services, such as Sharia-based management consultations and training for artisans, enabling them to better understand and take advantage of Sharia-compliant financing options. The support of digital technology from Islamic banking allows artisans to enhance their business and financial management capabilities. Nevertheless, the threats facing *Songkok Recca* SMEs include competition from cheaper imported products made from lower-quality materials. Furthermore, government policies that inadequately support the local handicraft industry present additional challenges. The rapid changes in fashion trends and the lack of knowledge about branding and digital marketing increase the risks to the sustainability of this business. The competitive strategy applied to the *Songkok Recca* craft business is promoting on social media, having a stock of products such as gold, maintaining the family business legacy from generation to generation, and delivering out of town.

The steps used to maintain a competitive advantage by Sharia economics include maintaining the quality of goods and human resources, Natural processes by soaking in mud make sure there is no uncleanness in the mud by preparing a container because it can invalidate the prayer if it is used for worship. Maintain the purity of the dye so that it still looks as bright as the original maintains smoothness, and neatness, and model according to order. The strategy used has been successful, because it has been passed down from grandmothers and maintains the characteristics and selling points of *Songkok Recca*, apart from having a big name, the network that has been built for a long time, maintaining manual working methods so that it is purely from skilled hands without the touch of machines. The craft business that is run by Sharia economics welcomes competitive advantage in the era of globalization because immersion is carried out in clean land and it is ensured that there is no uncleanness so it is safe to use for prayers because *Songkok Recca* is a craft product that continues the family legacy so only the cheap ones are marketed. High prices are not marketed through resellers or other places to maintain perfection. The price of each *Songkok Recca* varies from tens of thousands, hundreds of thousands, tens of millions, to hundreds of millions, the highest price during sales is around Rp. 80,000,000 to more than Rp. 200,000,000,-. Factors that influence the *Songkok Recca* craft business to develop further with other crafts include; product uniqueness, competitive prices, not easy to find, and not easy to imitate. The factors applied to be superior to other craftsman businesses are maintaining a balance in price, quality of goods, and a persuasive approach. Strategy to continue to utilize the internet to maximize profits above average by packaging and neatness.

## 2. Constraints Faced By Craftsmen in Small and Medium Business Centers Based on Local Wisdom in Bône Regency

The production and sale of *Songkok Recca* fiber have encountered no significant issues thus far. This fiber is widely available in the market, even though it was originally produced in-house. Consumer requests are now met with specific motifs and variations, such as gold and copper, according to the grade. Additionally, when marketed outside Bône Regency, the product experiences no challenges, as there are already established customers. *Songkok Recca* has rules from the ancestors in terms of local wisdom, there are certain levels of the wearer according to the stratification of nobility, so the higher the gold pattern, the higher the degree of nobility, but by the times and shifts in time, there are still people who wear it without paying

attention to the philosophical meaning of *Songkok Recca*. For example, rich people can order according to their tastes and level of satisfaction. The president could be defeated by certain businessmen. There are a few problems with palm tree raw materials during the harvest season for rice farmers, but they are only temporary. Sometimes craftsmen from outside the region claim or imitate typical Bõne crafts but will not be able to replicate the characteristics and styles of Bõne craftsmen.

Once an exhibition was held in Sengkang, when interviewed it turned out that it was originally from Bõne and belonged to the same family, meaning that even if someone acknowledged production from another district, it would fail because they couldn't keep up with market demand. Only Bõne can produce the most superior *Songkok Recca*, while other districts only inherit the craft from Bõne unless there is a married family, relatives, or a family group that continues in another district. Samarinda, Sinjai, and Wajo are just the continuation of the Bõne legacy, even though the *Songkok Recca* production is in other villages or areas, it is under the control of Rahmatang's mother. If the number of orders increases, it is clear that the number of employees will be added, it is proven that at first, it was just continuing the family craft business, it turns out that until now employees are needed and they have opened branches in Cabalu and Polewali, even brands and craft businesses have been registered with the Department of Industry, including handicraft products that have received patents and Haki.

### **3. Model of Competitive Advantage In Craftsman Businesses Based on Local Wisdom In Bõne Regency**

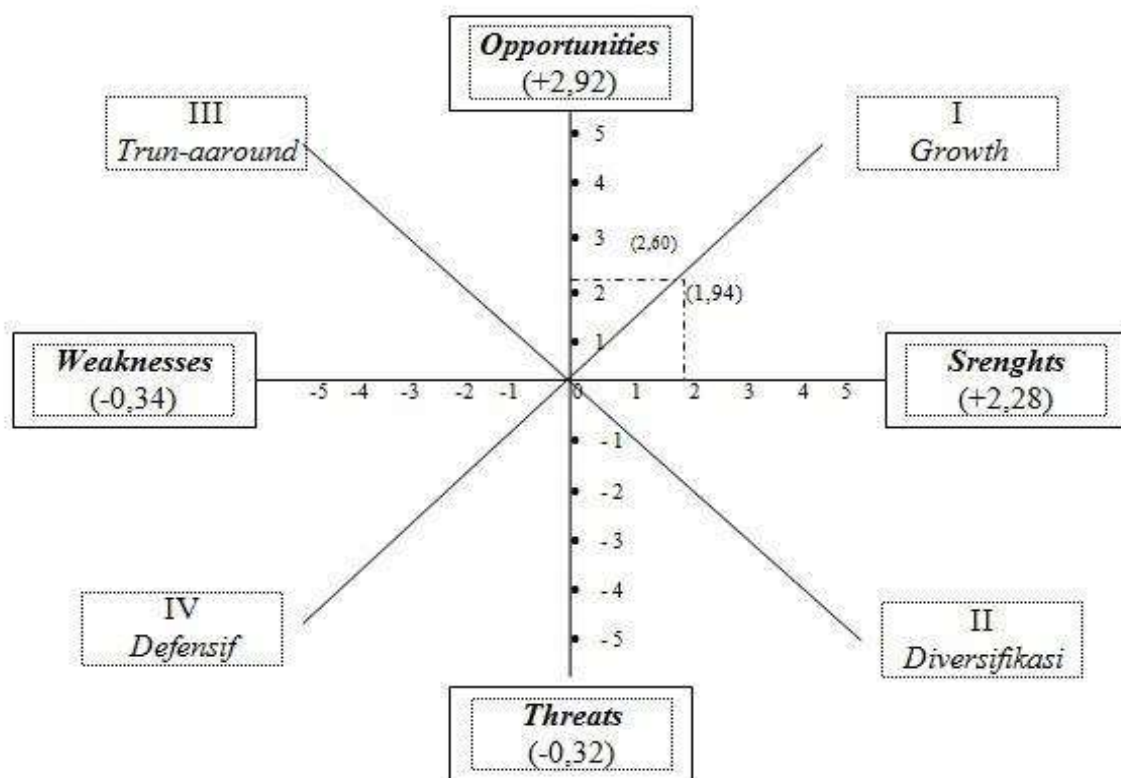
The characteristics and advantages of local wisdom-based crafts are; Clean, Neat, and free. The use of *Songkok Recca* depends on the consumer, it can be used for receptions, *aqikah*, lectures, thanksgivings, and other events, except for traditional events such as Bõne birthdays, certain crafts cannot be used by ordinary people because they violate ancestral customary rules so that *Songkok Recca* production is by orders certain from officials and nobles according to the level of nobility stratification. This craft has a value that symbolizes the level of nobility for the wearer, meaning that the higher the gold thread, the higher the level of nobility, the model has less black fiber. Marketing strategy model to be able to increase sales in the following way, attend craft exhibitions, online via employees. Collaboration with the Bõne regional government for the exhibition, joined a trade mission and have competed in more than 2000 products entered the top 10, and won second place at the National level. The original model is manual and natural because if the production process uses machines and dyes, it will not work, there was even training from the Deputy Regent so that Jusuf Kalla offered certain dyes and chemicals to make the pattern more natural but it didn't work, with manual and natural so able to last for decades. Become a pioneer of new products by carrying out updated innovations, and maintaining refinement which is the secret of the maker so that if there is a craft competition, it always wins because in terms of fiber, smoothness, and naturalness, it is different from other products, what resellers sell is not a good product, just an average one. Average standard to intermediate. To be more widely known than competitors, craftsmen promote on social media and at family events, especially Bõne's anniversary, which is the center for exhibitions of noble and cultural heritage, exhibiting across provinces and explaining that this craft is rough, fine, finer, and the smoothest, maintaining model and smoothness.

Factors that influence craftsmen's businesses to be superior to other businesses include a widely known name, price, and type of material. Materials from palm trees will not become extinct because their development is similar to humans and will not become extinct, meaning that when palm fruits fall, new ones grow again, so that basic raw materials are never lacking.



Every trending day, production is monitored directly, if it is less than optimal then it is immediately directed. Marketing is carried out through Lazada, Shopee, Facebook, Marketplace, and Instagram, which is handed over to employees who are more knowledgeable in technology, but predominantly buying and selling transactions are rarely done online for several reasons, for example: *Songkok Recca* cannot be crushed by heavy equipment, there is concern that the photos sent are not suitable. With consumer expectations, certain motifs and patterns are not visible online, there is a risk of counterfeiting in the name of shops, it is feared that the current application has weaknesses, and there have even been complaints from officials about buying online. In this case, craftsmen only carry out online marketing for Rp. 500,000 and below, while the standard is Rp. 1,000,000 and above, direct transactions except that resellers buy Rp. 1,000,000 and then sell up to Rp. 3,000,000 because they are given freedom according to the conditions of the place being marketed. The online turnover of employees is around IDR 50,000,000 per month, however, the annual turnover can reach more than 1 billion. When marketing online, sometimes the style drawn does not match the customer's wishes because of the quality of the photo shoot and is prone to counterfeiting in the name of the product store being offered. The marketing strategy model is increasing market sales by participating in craft exhibitions, collaborating with the Bōne Regency Government, joining trade missions, and maintaining smoothness and naturalness, the general model is like a piece, even though the basic material is from palm trees, as for online and offline marketing models. Based on the strategies and models applied by *Songkok Recca* craftsmen, there is harmony with the theory offered by Michael Porter.

Figure 1 SWOT Analysis Diagram



SWOT analysis is a systematic identification of various factors to formulate a company's strategy. A strategic planning method is used to evaluate strengths, weaknesses, opportunities, and threats in a project or business speculation. These four factors form the

acronym SWOT (strengths, weaknesses, opportunities, threats). SWOT stands for the Internal Strengths and Weaknesses environment and the external Opportunities and Threats environment faced by the business world (Rangkuti, 2008, p.19). SWOT analysis includes efforts to identify the strengths, weaknesses, opportunities, and threats that determine the company's performance. External information regarding opportunities and threats can be obtained from many sources, including customers, government documents, suppliers, banking circles, and colleagues in other companies. Many companies use the services of scanning agencies to obtain newspaper clippings, internet research, and analysis of relevant domestic and global trends (Nisak, 2013, p.2). According to David (2008, p.8), all organizations have strengths and weaknesses in functional areas of business. No company is equally strong or weak in all business areas.

Quadrant I: is a very profitable situation, because it has opportunities and strengths so that it can take advantage of existing opportunities. The strategy that must be implemented in this condition is to support an aggressive growth policy (Growth). Quadrant II: although facing various threats, but still has internal strength. Quadrant III: facing very large market opportunities, but on the other hand facing several obstacles, namely internal weaknesses. Quadrant IV: is a very unfavorable situation because it faces various threats and internal weaknesses.

After knowing the results of the analysis of data entry based on the SWOT classification above, the strategy will be used to increase the competitiveness of Sharia. Business can be described as (1) Strengths Opportunities (S-O) Strategy, a strategy that prioritizes strengths and utilizes existing opportunities: (a) Increase promotions routinely both from advertising and online. (b) Utilize the brand image of the central company to compete in achieving the development of sharia business units. (c) Cooperate with related institutions. (d) Increase Sharia principles that are more *muamalah* (economic) in nature. (e) Compete healthily against other financial institutions. (2) Strengths Threats (S-T) Strategy, a strategy that utilizes strengths to overcome existing challenges: (a) Brand image that is known to all Bōne people so that they can compete well and develop a superior sharia business. (b) Become the best with adequate financial resources, even though all business already have their technology. (3) Weaknesses Opportunities (W-O) Strategy, a strategy that minimizes internal weaknesses by utilizing strong opportunities to improve internal conditions: (a) Conducting promotions through advertising and television, routinely. (b) Utilizing market potential, to focus on small business centers. (c) Increasing customer service standards. (d) Opening up new product ideas to compete for market share. (e) Conducting routine socialization of products. (4) Weaknesses Threats (W-T) Strategy, a strategy that minimizes internal weaknesses to survive in facing challenges: (a) Optimizing promotions so that customers understand the procedures for the products issued (b) Maintaining customer loyalty even though there are still many competitors. (c) Maintaining the quality of products and issuing the latest products to meet market needs.

## E. CONCLUSION

Competitive advantage strategy from a Sharia economic perspective in local wisdom-based small and medium enterprise craftsman businesses in Bōne Regency with the application of Michael Porter's competitive strategy theory, the average *Songkok Recca* craftsman business is registered and has patent rights for *Songkok Recca* crafts and can penetrate the market globally and following the craft of weaving. The obstacles faced by *Songkok Recca* craftsmen in Bōne Regency include consumers who use products without knowing the philosophical

meaning of *Songkok Recca* crafts and there are still craftsmen who do not maximize online media, are constrained by delivery, must have special skills, the process requires patience, thoroughness and tenacity. The competitive model for the *Songkok Recca* craftsman business is based on local wisdom in Bōne Regency by highlighting regional characteristics and philosophical meanings and the products produced are long-lasting, and maintain the authenticity of the motifs, refinement, naturalness and uniqueness. The suggestion from the research is that the company is expected to implement a customer loyalty program to maintain continuity between producers and customers. Developing existing products is adjusted to the needs of today's society so that the products produced are more innovative and able to compete in the market.

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