To What Extend is Inclusive Business Model Adopted by Tourism-related Industries in Toba Samosir Regency?

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Abstract: This study identifies to what extend do tourism-supporting industries in Toba Samosir Regency adopt the principles of inclusive business model (IBM) as a foundation to analyze the opportunities and challenges for full implementation of IBM in such sector in the light of Indonesian government's policy to establish Lake Toba area as one of national strategic tourism area. Eight business entities representing three tourism-supporting industrial sectors were surveyed. The sectors are Batak traditional textile, food, and traditional crafting. The practices of business activities in each of these industries are compared with the criteria of the IBM obtained from the broad body of literature. The conformity is rated in the range of 0 to 1, where 0 indicates no conformity and 1 indicates perfect conformity. The results show that the adoption rating of IBM by tourism-supporting industries in Toba Samosir Regency among the three sectors vary between 0.43 and 0.71. This fact implies that even though IBM's principles have been applied in the business processes of tourism-supporting industries in Toba Samosir Regency, there are still huge opportunities to improve the implementation of IBM. One of the typical challenges found in this study is that most of the companies surveyed adopt the family-business system, and thus limiting the inclusion of low income people into their business process.

1 INTRODUCTION

Lake Toba area is a natural ecosystem that provides strategic functions of the basic human needs and economic development. One of some regencies located in the Lake Toba area is Toba Samosir Regency. Recently, the Government of Indonesia is making every effort to accelerate the development of the Lake Toba region into a main tourist destination in the country. Even though tourism has traditionally been considered the main driver for social and economic development for the region, the development of the Lake Toba region is also marked by the rise of manufacturing sectors. The industrial application of IBM in strategic decisions and operational practices in Lake Toba area is essential considering the demographical condition, in which the poor who lives at the base of the global income pyramid (the so-called 'base of the pyramid' or BoP) in the region are still dominant.

New companies that want to anticipate their long-term presence in a place take a long-term orientation in strategic decisions and make social investments to connect themselves with the community (Wang & Bansal, 2012). In the future, it is expected that companies' mindset will be more to find out why some companies prioritize their economic environment while others embrace a company's view that is further (Crily & Sloan, 2012). Previous research (Tampubolon & Manik, 2018) has found an IBM's application in Toba Samosir Regency, Lake Toba Area, at a tapioca flour industry made from cassava which is located far from the market and has been built from the beginning to be closer to the cassava farming community.

Departing from these facts, the authors consider it important to conduct research which identifies the opportunities and challenges in implementing Inclusive Business Model in manufacturing industries in Toba Samosir Regency. This study is a part of a larger agenda in the research roadmap of the Faculty of Industrial Technology at Institut Teknologi Del, which contributes in policy design and development of Toba Samosir Regency and Lake Toba Area.

2 METHODOLOGY

In this section, the framework of this study is presented. The framework is presented in Figure 1.

This research aims to identify opportunities and challenges for implementing IBM in Toba Samosir Regency in the shape of recommended strategies for policy makers such as the government as regulators and industrial stakeholders. For that, this study begins with a literature review about IBM through several studies undertaken by previous researchers and organizations. This literature review is performed to find the parameter or criteria of IBM ((Kelly, et al., 2015) and (Rösler, et al., 2013)) by revisiting theories, backgrounds, and reports about the practices of IBM in the companies worldwide.

After the literature review, a series of data collection and interview is then conducted, limited to the manufacturing industry in Toba Samosir Regency. The business model, business plan, employee's background, and companies' vision are
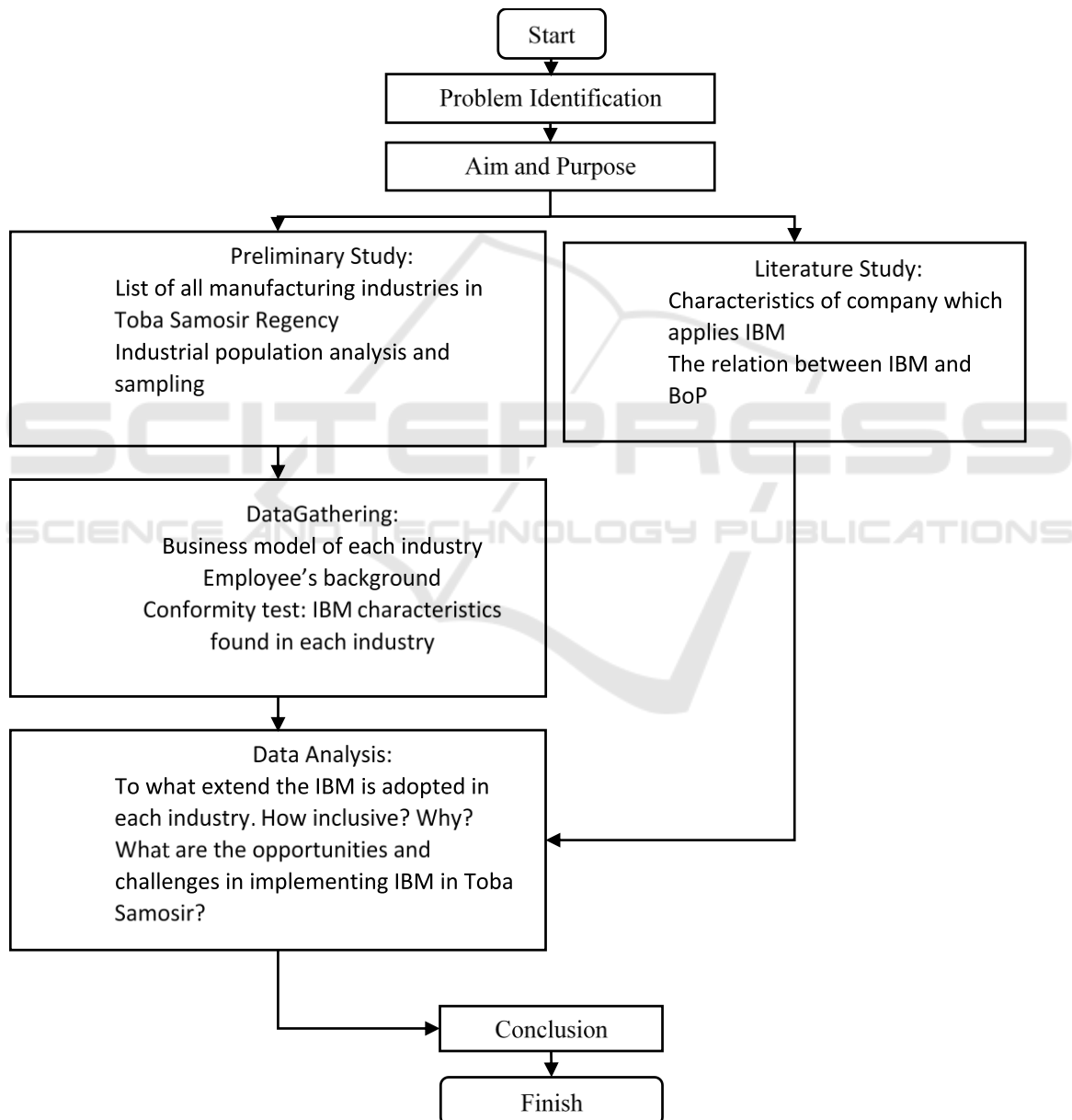

Figure 1: Methodology framework.

gathered from the key personnel or the executives of the company in question. After that, authors then continue to do conformity test through comparing the practical field finding and theoretical characteristic of IBM. The comparison is discussed to find to what extend the IBM is adopted in the strategic management of the company. Finally, the authors analyze the opportunities and threats in implementing IBM in manufacturing industries in Toba Samosir Regency.

According to Rösler, et al. (2013), 'The poor' are those who are at the bottom of the income pyramid (called the 'Base of the Pyramid' or BoP) who do not have access to markets which provide essential services and essential goods.

Criteria for IBM, have been formulated in several existing literature. Some of the relevant and authors use in this study are IBM criteria (according to (Kelly, et al., 2015) and (Rösler, et al., 2013)) presented in Table 1.

3 INCLUSIVE BUSINESS MODEL REVISITED

The definition of IBM is a type of business model that includes or includes 'the poor' on the demand side, namely as a client, and on the supply side, namely as employees, material producers, etc., at various points in the value chain (UNDP, 2008).

4 RESEARCH DATA COLLECTION AND PROCESSING

In this paper, authors use 8 unit of industries as sample. Briefly, eight of these samples can be seen in Table 2.

Table 1: Source: (Kelly, et al., 2015) and (Rösler, et al., 2013), processed.

No.	Characteristics of IBM
1.	Creating capacity and room for innovation and research
2.	Deepening and expanding the involvement of low-income communities
3.	Build awareness among clients and other stakeholders
4.	Building capacity, e.g supplier training
5.	Engage in policy dialogue
6.	Set upstream-downstream solutions
7.	Improve self-management skills, as SMEs (Small and Medium Enterprises)
8.	Commit to financing, time and patience to carry IBM up to return on investment (break-even)
9.	Providing decent wages for vulnerable groups (low-income, weak economy)
10.	Use flexible trading settings
11.	Support farmers and small businesses to build stronger negotiating positions
12.	Build skills and expertise of business people in existing markets
13.	Measurably, business scale can be enlarged in the medium term
14	Allows for diverse sources of income

Table 2: Research samples.

No.	Type of Industry	Industrial production	Location	Label
1		Weavering of *ulos**	Balige	Clothing #1
2	Clothing	*Manirat** ulos*	Silaen	Clothing #2
3		Weavering of *ulos*	Laguboti	Clothing #3
4		Tapioca flour	Laguboti	Food #1
5	Food	Making of *Sasagun*	Balige	Food #2
6		Coffee	Habinsaran	Food #3
7		Wood-crafting	Balige	Craft #1
8	Craft	Wood-cutting and wood crafting	Laguboti	Craft #2

Ulos is a traditional cloth from Batak tribe.
**Manirat* is a process to put some motives or name writings on a plain *ulos*.

Table 3: Comparison between IBM Parameters and Field Practices in the Clothing #2.

No.	Parameter	Practices in industrial unit	Conformity
1	Creating capacity and room for innovation and research	This industrial unit has indeed experienced an increase in terms of production volume and choice of types of products and services. However, the types of products and services do not increase through innovation or research.	Non-conforming
2	Deepening and expanding the involvement of low-income communities	This industrial unit has involved low-income communities as labor. This is supported by the increase in the number of workers from 2 people in 2007 to 15 in 2018.	Conforming

In Table 3 is an example of conformity test which is done qualitatively by authors.

In accordance with the research objectives and so that the level of inclusiveness can be displayed quantitatively, the inclusivity of each sample is performed. Presentation with numbers allows each sample unit to be compared with each other. The calculation is carried out following the following formula 4.1:

$$\text{Inclusivity} = \frac{\text{Number of criteria that are compatible with IBM}}{\text{Total number of IBM characteristic}} \quad \dots \quad (4.1)$$

Table 4 is the result of calculating inclusivity from all sample of industrial units. Inclusivity values are obtained from the number of conformities divided by the number of IBM criteria.

Table 5 is the result of calculating inclusivity from industrial clusters. Inclusivity values are obtained from the average number of conformities in each cluster divided by the number of IBM criteria.

5 DISCUSSION

In this section, the authors discuss the analysis of the opportunities and challenges of each sample of industrial units.

As an example, Clothing #1 (inclusivity: 0.71) has tried to focus to operate independently, or being free from any parenting companies. This unit does not sell its product directly to the consumer, so this unit is not directly related to consumers. The yarn which is used in this unit is bought from other part of the country which limits the ability of this unit to help other local IBM units and local BoP. Meanwhile, there is an opportunity because this unit has applied industrial work patterns in the local society which is related to this unit as workers. Instead of hiring as much local BoP as possible to increase productivity and competitiveness, this unit chooses the use of more automated or mechanical machines which can threaten the process of adding more local BoP into this unit.

Table 4: Inclusivity of Each Industrial Unit Sample.

No.	Industrial production	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Sum of conformities	Inclusivity
1	Clothing #1															10	0.71
2	Clothing #2															4	0.29
3	Clothing #3															5	0.36
4	Food #1															13	0.93
5	Food #2															12	0.86
6	Food #3															4	0.29
7	Crafting #1															11	0.79
8	Crafting #2															5	0.36

Table 5: Inclusivity of each Industrial Cluster.

No.	Type of sample	Sum of conformities	Inclusivity
1	Clothing	6	0.43
2	Food	10	0.71
3	Crafting	8	0.57

The author takes another example form Clothing cluster. This cluster gets stacks of stakeholder's support, from big companies and the central government of the country. Moreover, the number of BoP, who want to join, is abundant. Those opportunities are also challenged by some threats. Clothing units are not yet fully operating independently and are still under parenting organization or parenting companies which means that Clothing units are not so independent in management and financial affairs.

6 CONCLUSIONS AND RECOMMENDATIONS

Authors conclude that IBM's application to industrial units in Toba Samosir varies. A bold point which reduces the inclusivity of those industrial units is the fact that some of them are family companies which make an exclusive barrier from BoP coming from outside the family. Meanwhile, some units are under other organizations as their parenting management or as their subsidiary donor. Some companies do not see that involving the BoP is an important thing to do. Because of their need for a donor, BoP can still rely on IBM concepts, but IBM needs support from government and large organizations.

Authors recommend, for further study, some features to be added to the formula which is used in this paper. There is a weakness in the formula for calculating inclusivity. The formula does not pay attention to the number of BoP involved. Suitability of the conformity is limited to 'yes or no', 'conforming or non-conforming', or '1 or 0'. It will be more specific if it is between 0 and 1.

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