Contents

List of Tables and Figures 11

Glossary of Terms 13

1. Introduction 15
   1.1 Background 15
   1.2 Research Questions 19
   1.3 Research Methodology 20
      1.3.1 Type of Research 20
      1.3.2 Data Collection and Respondents 21
      1.3.3 Research Locations 22
   1.4 Chapter Plan 24

2. Theoretical Framework 27
   2.1 Definitions 27
      2.1.1 Small and Medium-sized Enterprises (SMEs) and Small and Medium-sized Industries (SMIs) 27
      2.1.2 (Business) Clusters 31
   2.2 Understanding (Business) Clusters 32
      2.2.1 Types of Clusters 33
      2.2.2 Factors of a Strong Cluster 38
      2.2.3 Benefits of a Cluster 44
      2.2.4 Attributes of a Cluster 49
   2.3 The Role of the State in Economic Development 55
   2.4 Policies on Cluster Development in Indonesia 57

3. The Role of the Central Government in Developing Industrial Clusters: Institutions, Policies, and Strategies 61
   3.1 The Importance of SMEs in Indonesia 61
   3.2 The Ministry of Cooperatives and SMEs 73
      3.2.1 Vision and Mission 74
3.2.2 Strategic Objectives
3.2.3 Organizational Structure
3.2.4 Policies to Develop and Empower SMEs
3.3 The Ministry of Industry
3.3.1 Vision and Mission
3.3.2 Strategies to Promote the Industrial Sector
3.3.3 Organizational Structure
3.3.4 Strategic Objectives

4. The Role of the Local Government in Developing Industrial Clusters: Offices, Policies, and Strategies
4.1 Introduction
4.2 The Profile of the Province of West Java
4.2.1 Vision and Mission
4.2.2 Policies to Develop and Empower SMEs/SMIs
4.3 The Responsibility of Regional Offices
4.3.1 The Office of Cooperatives and SMEs
4.3.2 The Office of Industry and Trade

5. The Implementation of Business Clusters in the Cibaduyut Footwear Industrial Cluster and the Plered Decorative Ceramic Industrial Cluster
5.1 The Role of the Central Government
5.1.1 The Development of the Footwear Industrial Cluster
5.1.2 The Development of the Pottery and Decorative Ceramic Industry Cluster
5.2 Profile of the Cibaduyut Footwear Industrial Cluster
5.2.1 The Importance of the Cibaduyut Footwear Industrial Cluster and its SMEs/SMIs to West Java’s Economic Performance
5.2.2 The Implementation of the Cluster Concept in Cibaduyut
5.2.3 Challenges in the Globalization Era
5.3 Profile of the Plered Decorative Ceramic Industrial Cluster
5.3.1 The Implementation of the Cluster Concept in Plered
5.3.2 Problems Faced by SMEs and the Ceramic Cluster
6. Factors Affecting the Implementation of Business Clusters in Indonesia

6.1 The Implementation of Decentralization (Local Autonomy) in Indonesia

6.2 The Influence of Culture in the Implementation of Business Clusters in Indonesia

6.3 Additional Attributes to Porter’s Diamond Theory Using the Indonesian Context

7. Conclusion

7.1 Introduction

7.2 The Findings

7.2.1 The Governmental Roles in Developing Business Clusters

7.2.2 The Implementation of the Business Cluster Concept

7.2.3 Other Factors Affecting the Implementation of Business Clusters in Cibaduyut and Plered

7.3 Implications for Policies

7.4 Research Limitations and Recommendations for Further Research

References