

ABSTRACT

The development of the manufacturing industry should be able to become an economic engine capable of responding to global economic challenges and having a major impact on the economy. Small and Medium Industries (IKM) have an important role in supporting the economy of local communities, one of which is exhaust business in Purbalingga Sub-district. Classified as a labor intensive industry, exhaust business are faced with competitiveness barriers that need to be addressed, including the problem of low human resources and limited production technology. Apart from that, managerial knowledge and awareness of trademark rights is still lacking among industry players. The problems faced by the exhaust business in Purbalingga Sub-district above have the potential to hamper the achievement of a competitive industry.

Industrial competitive advantage can be achieved by formulating a strategy that focuses on the factors driving competitiveness. This qualitative research was conducted using Porter's Diamond Model framework as a basis for understanding and assessing the factors driving industrial competitiveness. Starting with identifying the industry profile to understand the characteristics of the exhaust business. Then an analysis of the competitiveness of the exhaust industry is carried out based on competitiveness indicators, including condition factors, demand conditions, company strategy and competition, and related and supporting industries. followed by determining a strategy to increase industrial competitiveness using urgency-performance analysis. Data was collected using a questionnaire with a Likert scale for 64 respondents who were exhaust entrepreneurs in Purbalingga Sub-district.

The results of the analysis of industrial competitiveness using the Porter diamond model framework show that condition factor indicators provide the highest contribution to the competitiveness of the exhaust industry compared to other dimensions. Based on the urgency-performance analysis, 10 of the 15 sub-factors driving competitiveness have maintain status. Meanwhile, the other 5 subfactors have underact status. These subfactors include: 1) Accessibility of capital; 2) Ability to reach the market; 3) Brand rights and business legality; 4) Promotion by the government; 5) Industrial development by the government. The strategy to increase industrial competitiveness focuses on sub-factors with under act status. Active collaboration between business actors/partners, business associations and the government needs to be increased so that programs to increase industrial competitiveness can provide maximum benefits.

Keywords: *Competitiveness, Small and Medium Enterprises, Porter's Diamond Framework, Importance-Performance Analysis, Exhaust*