

THE MODEL FOR DEVELOPING SME BUSINESS STRATEGY IN INDONESIA

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ABSTRACT: The objective of this research is to analyze the profile, condition and model for developing a business strategy for SME in producing processed fish products in Sumenep District, Madura, Indonesia. The research involved 40 respondents and applied the SWOT, EFE and EFI approach. The results of the study showed that most of the respondents were young, uneducated females, while most of the SMEs are non-formal entities. The management ability and the marketing performance of the SMEs have not achieved optimal level, however, the production capability is promising. The SMEs in processed fish products in Sumenep Regency are more focused in addressing external factors rather than optimizing their own internal strength, meanwhile the strategy model for the business development applies the S-T (Strength- Threats) approach, which means leveraging its strength to address the constraints.

KEY WORDS: SWOT, EFE/EFI, Business Development Strategy

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I. INTRODUCTION

Indonesia is one of the largest archipelago in the world with a vast number of islands and covering an enormous area of ocean which hosts a huge range of fish. Having such rich fish resources, Indonesia is a highly potential resource for marine and fishery products. Therefore, Indonesia has great opportunities to become the largest producer of fish products in the world. To optimize the utilization of the marine and fishery potential and drive this sector to become the *prime mover* for the national economic development, it is necessary to accelerate and find a new breakthrough in marine and fishery development that is supported by conducive political and economic policies from the government within a good social environment.

Sumenep Regency, in Madura is one of the largest regencies in the Province of East Java with a many small and medium scale producers of processed fish products. The products from processing fresh fish include canned, frozen, salted/dried, cured, smoked, fermented, reduced, semi fish and other processed fish products. The production activities are generally dominated by micro, small and medium scale businesses with limited capacities which include among others: innovation ability, limited capital, technology and information, subsistent management and partially dispersed marketing.

According to Aldo (2015, 185-194), a business is defined as all activities that produce goods and services to gain a profit. Meanwhile a business development strategy is the creation of long-term value for the consumers and the market in relation to the function and process of analytical preparation for *growth opportunities* and assistance for the implementation of the *growth opportunities*, but not including decision making, formulation, and direct implementation of the *growth opportunities*. In order to make decisions for the business development it is necessary to have a business and strategy developer to decide.

Preceding studies on models for business development strategy through SWOT, EFE and EFI analysis, such as the research by Arslan et. al (2013, 91-98), stated that the impact of pre-job evaluation in assessing SWOT analysis appears to be positive for effective strategic marketing planning. Another study by Ifediora et al (2014, 23-32), concluded that the SWOT analysis, helped one of the two studies to advance in facing the growing challenges thereby leading to its stability and increased productivity. According to Alka Jain (2015, 31-34), the SWOT model of thirukkural was a complete analysis model for any problem that an entrepreneur may have to face while starting a new business. The research by Muatasim and Norlena (2015, 13 – 23), applied the SWOT and EFE/EFI matrix in order to analyze and investigate the implementation and adaption of e-Government in Oman by using secondary data from statistical reports.

Research Objectives

Based on the above explanation, it is therefore important to conduct a research entitled A Model for SME Business Development Strategy for Fishery Products in Sumenep Regency, Madura with the objective to

identify the profile, condition and business development strategy for SME in fishery products in Sumenep Regency, Madura

II. HEORITICAL BASE

The variables of this study include the strengths, weaknesses, opportunities, and constraints of the SME businesses. According to Dwi Fatimah FN, (2016;13), the strengths of a business company include the natural resources managed by the business company and the skills of the personnel, or other advantages related to their business competitors and the market needs served by the company. The strengths of the company also include the competitive advantage for the company in the market. The weaknesses of a company may include the limited or lack of natural resources, the skills, and capability of the entrepreneurs that can constrain their business performance. The limited facilities, financial resources, management capability, and marketing skills may also impede the performance of the company. The opportunities of a company are significant situations that are favorable for the company's business environment. Current trends are sources for opportunities, such as technology development and enhanced relations between the company and the buyers or the suppliers are opportunities for companies. Threats are important situations that are unfavorable for the company's business environment. For examples new or revised regulations issued by the government that may impede the company's growth.

According to Rangkuti Freddy (2016, 24), the evaluation of internal factors (EFI) have an effect towards the Strengths and Weaknesses (S and W) of a company in which the factors determine the decision making process within the company. From another research, Joko et.al (2015, 60-71), stated that the internal factors may include marketing strategy, financial/accounting, production/operations and other factors. Meanwhile, according to Fandy and Gregoriu (2012, 193), marketing strategy is the company's plan that explains their expectation of the product demand or production line as a result various activities or marketing programs in a certain target market. According to Gary Dessler (2016, 5), human resources management is the process of recruiting, training, assessing and providing compensation to employees, attending industrial relations with the employees that include attending their health, safety, and fairness. According to Kasmir (2010, 5), financial management includes all activities related to obtaining, financing, and managing assets that have certain purposes. While according to Sofjan Assauri (2016, 1), production operation management is the management of an organization that is responsible for the production of goods and/or services.

According to Rangkuti Freddy (2016;24), the evaluation of external factors (EFE) affect the *opportunities and threats* (O and T), refer to the external conditions that may affect the company's decision making. As stated by Joko et.al (2015, 60-71), the external factors may include economic strength, social and cultural capital, demography and environment, political strength of the government, law, technology and competition. Therefore, before a strategy is applied, a strategy planning is conducted to analyze the external environment to understand the various possibilities of opportunities and threats. The strategy of a company is always oriented towards enhancing the company's marketing performance (such as sales volume and sales growth, and market share). According to Ferdinand (2000, 23), marketing performance is one of the factors that is often applied as a benchmark to assess the impact of the implemented strategy.

III. METHODOLOGY

The data used in this study was primary and secondary data. The primary data was derived from interviews with 40 respondents of SMEs and their stakeholders in fishery products in Sumenep Regency. Meanwhile, the secondary data was taken from the Central Bureau for Statistics (BPS) and other sources.

Questionnaires were used as assessment tools for this research consisting of questions with alternative answers that applied the Likert scale, namely score 1 (not agree), 2 (doubtful/neutral), and 3 (agree). The variable value that was observed in this study was based on the calculation (highest score – lowest score)/highest score $(3 - 1)/2 = 0.67$, resulting in a variable score of $1.00 - 1.67 = \text{low}$, $1.68 - 2.34 = \text{moderate}$, and $2.35 - 3.00 = \text{high}$.

The data was then analyzed with SWOT, EFE and EFI. According to Gomatesh and Poornima (2012, 2-9), the SWOT analysis method has been widely used as a tool for planning and analyzing strategic actions over the past decade. As stated by Dijana Oreski (2012, 283-291), the SWOT is an acronym of strength, weakness, opportunities, and threats, therefore the data that is analyzed consists of the strength, weakness, opportunities, and threats in managing the employees, production, finance, external factors, strategy and marketing performance of the SMEs.

According to Nura and Garba (2013, 83-91), SWOT is a system or process in considering the internal and external factors that affect the performance of an organization in relation to its competitor or market situation. Noga and Geoffrey (2007, 51-63), explained that the strengths and weaknesses are internal to the entity under evaluation whereas opportunities and threats refer to the broad context or environment in which the entity operates. According to Joko dkk (2015, 60-71), the internal factors may include management, marketing,

finance/accounting, production/operation, research and development as well as management information system. Meanwhile the external factors include the economic strength, social and cultural strength, demography and environment, political strength of the government and the law, technology, and competitive advantage. According to Xia Chan (2011, 147-153), the tools to develop a business development strategy is the SWOT matrix that consists of the Evaluation on External Factor (EFE) and Evaluation of Internal Factors (EFI).

Table 1. SWOT Matrix

	EFI	STRENGTHS (S)	WEAKNESSES (W)
EFE			
	OPPORTUNITIES (O)	STRATEGY S - O	STRATEGY W - O
	THREATS (T)	STRATEGY S - T	STRATEGY W - T

Based on the matrix in Table 1, there are 4 models for business development strategy using the SWOT analysis. The first one is S – O strategy, which is a condition that is very favorable for the company as it has good strength and good opportunity. The SO strategy utilizes the entire strength and opportunities of the company to maximize the performance. The second strategy is the S – T strategy which the company is in the condition having adequate strength but is facing various threats. This strategy utilizes the strength of the company to overcome the threats. The appropriate strategy is a strategy system to diversify, namely by utilizing the company’s strength to take the long term opportunity to expand. The W-O strategy is a system that has good opportunity but is constrained by its internal weaknesses. This strategy is applied by minimizing its weaknesses and take advantage of any opportunity that arises. The appropriate strategy is minimize the internal issues, so that the company can better seize every external opportunity. The W-T strategy is the condition that most unfavorable. The strategy applied for this situation is the defensive strategy by minimizing the weaknesses and avoid threats.

IV. RESULTS AND DISCUSSION

The number of respondents in this study were 40 SMEs in fishery products. Most of the respondents are women (77,5%). Most of the respondents were relatively young at age, consisting of 72,5% respondents were less than 54 years of age, in fact 7.5% of the respondents were no more than 30 years of age. Most of the respondents had low education, 62.5% respondents either did not finish primary school (SD) or only finished SD. Many of the respondents (42.5%) were producers of fish crackers. The SMEs in ocean fishery products in Sumenep Regency were not established as a legal entity. The SMEs have been running their business for a relatively long time, in which most of them (80%) have been in the business for more than 8 years, in fact 42.5% among them have been in the business for more than 25 years. Most of the respondents in this study (87.5%) are the owners of the business. The fishery product business in Sumenep Regency is a labor-intensive business, in which 67.5% respondents employ more than 5 workers, and in fact 17.5% among the respondents have more than 20 workers.

The capability of the SMEs in Sumenep Regency, in managing its products is categorized as moderate. This conclusion is based on the results from level of capability of managing SME workers, managing its finance, external factors, strategy and marketing strategy that are all moderate level with a score of 1.67 – 2.34. However, the capability of the SMEs in managing production categorized as good since the index reached a level of ≥ 2.35. See Table 2

Table 2. Capability of SMEs in Managing its Business

No.	Management Aspect	Index
1	Workers	1.74
2	Production	2.53
3	Finance	1.69
4	External Factors	2.18
5	Marketing Strategy	2.21
6	Marketing Performance	2.15

Source: Data Analysis

Based on the SWOT analysis, the strengths of the SMEs in producing ocean fish products in Sumenep Regency include ease of obtaining supplies (S1), adequate supplies (S2), consistent work procedure (S3), availability of raw material (S4), easy access to products (S5), and ease of doing transactions (S6), and regular promotion (S7)

The weakness of the SMEs include the lack of recruitment of suitable workers (W1), establish regulations/coordination (W2), develop worker capacity (W3), low wages/salary (W4), no sanctions (W5),

utilize adequate machinery/equipment (W6), record of business transactions(W7), computer illiterate (W8), documentation on business transactions (W9), establish a plan for income and expenses (W10), separate assets and obligation of the owner and the business (W11), training on financial reports (W12), apply for loan from a bank or financial institution (W13), evaluate the financing and the financial system (W14), audit the finance of the business (W15), limited variation of product flavors (W16), lack of promotion offers (W17), unregistered brand/trade mark (W18).

The opportunities for these SMEs in Sumenep Regency include the opportunity to conduct on natural resources (O1), and the relatively strong bargaining position of suppliers (O2).

The challenges of the SMEs include apply updated technology (T1), no request for support for the Regency Government (T2), no apply for support from state enterprises (BUMN)(T3), no require support from other institutions (T4), no increase on market share compared to last year's position (T5), no growth in profit compared to last year's position (T6), no growth in sales volume compared to last year's volume (T7), no improvement in customer satisfaction compared to last year's position (T8).

Based on the Internal Factor Evaluation (EFI), the score for the EFI = 2.695that consisted a score for strength = 0,855which is less than the score for weakness = 1,840. This means that the SMEs have more weakness than their strengthes.

Table3. EFI Analysis

No	Indicator	Weighted	Rating	B x R
	Strength			
1.	S1	0,036	3	0,108
2.	S2	0,033	3	0,099
3.	S3	0,041	3	0,123
4.	S4	0,047	3	0,141
5.	S5	0,042	3	0,126
6.	S6	0,049	3	0,147
7.	S7	0,037	3	0,111
	Score	0,285		0,855
	Weaknesses			
1.	W1	0,034	2	0,068
2.	W2	0,029	2	0,058
3.	W3	0,040	2	0,080
4.	W4	0,049	3	0,147
5.	W5	0,047	3	0,141
6.	W6	0,025	2	0,050
7.	W7	0,038	2	0,076
8.	W8	0,052	3	0,156
9.	W9	0,040	3	0,120
10.	W10	0,040	2	0,080
11.	W11	0,034	2	0,068
12.	W12	0,046	3	0,138
13.	W13	0,036	2	0,072
14.	W14	0,045	3	0,135
15.	W15	0,029	2	0,058
16.	W16	0,046	3	0,138
17.	W17	0,041	3	0,123
18.	W18	0,044	3	0,132
	Score	0,715		1,840
	Total	1		2,695

Source: Data Analysis

Based on the Evaluation on External Factors (EFE), the EFE score = 2.552that consisted of the opportunity score = 0.618,which is less than the threat score = 1,934. This means that the SMEs are facing more threats than opportunities.

Table4. EFE Analysis

No.	Indicator	Weighted	Rating	B x R
	Opportunity			
1	O1	0,119	3	0,357
2	O2	0,087	3	0,261
	Score	0,206		0,618
1.	T1	0,105	3	0,315
2.	T2	0,074	2	0,148
3.	T3	0,115	3	0,345
4.	T4	0,126	3	0,378
5.	T5	0,094	2	0,188
6.	T6	0,094	2	0,188
7.	T7	0,088	2	0,176

8.	T8	0,098	2	0,196
	Score	0,794		1,934
	Total	1		2,552

Source: Data Analysis

From Table 2 and 3 the score for EFI = 2.695 is higher than the EFE score = 2.552. This means the SMEs in fishery products in Sumenep Regency, Madura are more focused in addressing the internal factors rather than optimizing the external factors when running their business. The score for weakness = 1.840 is higher than the score for strength = 0.855 and the score for threats = 1.934 is higher than the score for opportunity = 0.618, therefore the model for the business development strategy of fishery products SMEs in Sumenep Regency, Madura is the W-T strategy, namely the strategy that is to minimize the weaknesses to overcome the threats.

Table 4. EFE/EFI Matrix

EFI EFE	STRENGTHS (S) S1, S2, S3, S4, S5, S6	WEAKNESSES (W) W1, W2, W3, W4, W5, W6, W7, W8, W9, W10, W11, W12, W13, W14, W15, W16, W17, W18
OPPORTUNITIES (O) O1, O2	Strategy S – O Strategy utilizing strength S1, S2, S3, S4, S5, S6 to optimize opportunities O1, O2	Strategy W – O Strategy to minimize weaknesses W1, W2, W3, W4, W5, W6, W7, W8, W9, W10, W11, W12, W13, W14, W15, W16, W17, W18 by utilizing opportunities: O1, O2
TREATHS (T) T1, T2, T3, T4, T5, T6, T7, T8	Strategy S – T Strategy utilizing S1, S2, S3, S4, S5, S6 to overcome threats T1, T2, T3, T4, T5, T6, T7, T8	Strategy W – T Strategy to minimize weakness W1, W2, W3, W4, W5, W6, W7, W8, W9, W10, W11, W12, W13, W14, W15, W16, W17, W18 to overcome threats T1, T2, T3, T4, T5, T6, T7, T8

Source: Data Analysis

The implication of the W-T strategy for SMEs in producing ocean fish products in Sumenep Regency, Madura is as follows: The SMEs business should minimize their weaknesses : the lack of recruitment of suitable workers, establish regulations/coordination, develop worker capacity, low wages/salary, no sanctions, utilize adequate machinery/equipment, record of business transactions, computer illiterate, documentation on business transactions, establish a plan for income and expenses, separate assets and obligation of the owner and the business, training on financial reports, apply for loan from a bank or financial institution, evaluate the financing and the financial system, audit the finance of the business, limited variation of product flavors, lack of promotion offers, unregistered brand/trade mark. In addition, the SMEs must face threats that impede their business that may include apply updated technology, no request for support for the Regency Government, no apply for support from state enterprises (BUMN), no require support from other institutions, no increase on market share compared to last year’s position, no growth in profit compared to last year’s position, no growth in sales volume compared to last year’s volume, no improvement in customer satisfaction compared to last year’s position.

V. CONCLUSION AND RECOMMENDATION

The SMEs in ocean fishery products in Sumenep Regency, Madura are sustainable as the business players are mostly young women, despite their low education level and that their business are non-formal businesses without any legal entity.

The capacity in managing the SMEs which includes the capability of managing the workers, the financial management, and external business, implementing marketing strategy is categorized as moderate. However, the capability in managing production is low therefore the marketing strategy is only moderate.

The SMEs in ocean fishery products in Sumenep Regency are more concerned about addressing external factors rather than optimizing their internal strengths. The appropriate strategy model for their business development is the S-T strategy that optimizes the strength to deal with the issues that they are facing.

The SMEs in ocean fishery in Sumenep Regency needs to enhance the utilization of their strength which may include provision of incentives to the workers, supervision of workers, easy access to supplies, adequate supplies, consistent work procedure, adequate storage for supplies, identified working capital for production, available method in determining price and profit, quality of raw material, concern for consumers’ health, price variation, easy formula to determine price, and available facilities to ease transactions. The SMEs in ocean fishery products should minimize their weaknesses by improving the recruitment plan, wage/salary scheme, providing health insurance benefits, establishing clear work hours, and imposing clear sanctions on any violation of rules, utilizing computer facilities, documentation of business transactions,

providing training on financial report writing, using bank services, create more flavor variants for the products, create promotion activities, offer promotion schemes, and register their brand or trade mark.

It is expected that the results from this research may serve as an input for further study in analyzing the influence of internal and external factors towards the business strategy and marketing performance of the SMEs.

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