

FINDING MOST EFFECTIVE STRATEGY FOR MSMEs FOOD SOUVENIR IN INDONESIA

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ABSTRACT

There are so many businesses of souvenir food in Indonesia will no longer survive and develop from business competition caused by a lack of product innovation, capital, entrepreneurial skills, lack of government roles, etc. In Riau province, the condition of souvenir food business condition is almost the same as other provinces in Indonesia; some souvenir food businesses have problems regarding product innovation, marketing strategies, entrepreneurial skills, business competition. As a result of this condition leads the food souvenir business unable to develop and advance. Therefore, it is important to make the most effective strategies to develop the food souvenir business and make this condition better in the future. The object research of this is Micro Small & Medium Enterprises (MSMEs) souvenirs in 6 residences in Riau province, research methods with mixed methods using surveys, and in-depth interviews. The respondents of this study are from the government, MSME entrepreneur's food souvenirs, and academics from universities in Riau province. Data was collected from 100 respondents from 6 residents in Riau province. Data analysis was to make effective strategies using PEST, five force porter, SWOT-24K, and QSPM matrix. The results of this study indicate that the most effective strategies is stabile strategy growth (maintain growth) there are innovation strategies, promotion strategies, training development, government roles, industry roles, and human resource development.

Keyword: Strategy, SWOT, Entrepreneurship, Development.

INTRODUCTION

The existence of Micro Small & Medium Enterprises (MSMEs) has a big influence on a nation because MSMEs can be a source of economic tightening, especially after the economic crisis. The contribution of MSMEs to Gross Domestic Product (GDP) reached 54%-57%. The contribution of MSMEs to employment reaches 96% (Tambunan, 2011). In Indonesia, the development of MSMEs in 2014 reached 52.8 million spread across all provinces in Indonesia. From the labor sector, the MSMEs sector is still dominantly derived from agriculture with 95.5%, services and trade 4.28% (Sultan, 2017). But MSMEs also have many problems, such as limited working capital, low-skilled human resources, and lack of knowledge on how to use technology (Sudaryanto, 2002). Limitations of other MSMEs are plans, visions, and business missions that are not related to business prospects. This is caused by business owners by

families; MSMEs do not have separate financial capital with personal needs. The main problems and constraints faced by the analysis MSMEs is difficulties in obtaining financial support, bureaucracy, lack of credit options and unfriendly business environment (Ahmad, 2012). The condition of MSMEs in Riau province was based on Riau provincial government data; see Figure 1 below the total MSMEs of Riau province in 2015.

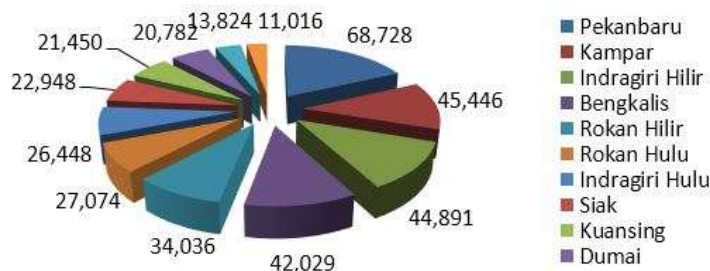


FIGURE 1
TOTAL MSMEs RIAU PROVINCE 2015
 Source: (Cooperative Service, and MSMEs Riau Province)

Based on the picture above, Pekanbaru city gets a high score with a total of 68 thousand units, and the lowest was Indragiri Hulu with 20 thousand units. Meanwhile, the condition of MSME food products in Indonesia has always fluctuated; some regions have a lot of growth and development such as tourist cities (Yogyakarta, Bandung, Bali, Jakarta, Central Java, and others). But for some provinces which are not tourism cities like Riau province, which are developing the souvenirs food products are not developed yet. In fact, some food sources come from other provinces such as West Sumatra province, Jambi province, and Palembang province, but Riau province has great potential to develop this industry because Riau province has many sources of raw materials for making souvenirs such as sago trees in meranti resident, coconut trees, bananas in Indragiri Hilir resident and fish from Rokan Hilir resident, etc.

LITERATURE REVIEW

According to presidential decree no. 99/1999, the Indonesian government defines small companies as companies with total assets of up to Rp.200 million excluding land and buildings, total annual sales of no more than Rp.1 billion is owned by citizens of Indonesia, not subsidiaries or branches of medium or large companies, private companies. While medium enterprises are companies with total assets of more than Rp.200 million but not exceeding Rp.10 billion does not include land and buildings. The central bureau of statistics defines MSMEs based on the number of employees. Small companies employ 5 to 19 people; medium companies employ 20-99 people (Hamdani & Wirawan, 2012). To make the business survive in the completion of the business environment so that the company must have a strategy in the future and competition. According to (Porter, 1986) “*a broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals.*” and from (Chandler, 1962) “*the strategy is the determination of the basic goals and long-term goals of a company, and the adoption of actions and allocation of resources to carry out these objectives*”. So

according to the definition above to make the development of strategies for MSMEs can use several involving stakeholders (government, universities, NGOs, associations and the private sector) through coordinated and integrated programs and activities (Pono et al., 2018).

To create strategy company can use SWOT analytical tools and techniques were developed, such as SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis (Dincer et al., 2006). Result research form (Helms & Nixon, 2010) Findings the use of SWOT analysis continues to spread to peer-reviewed academic literature. Research supports SWOT analysis as a tool for planning purposes. Over the past decade, SWOT research has focused on organizational analysis for recommended strategic actions. As a methodology for strategic positioning, SWOT analysis has been extended beyond companies to countries and industries and is used in almost every business case that is published that is positioned for analysis of business students. Additional use of SWOT is a teaching tool by consultants, trainers, and educators. SWOT is also an easy-to-use tool as a business analysis tool, while it is not competent enough for strategic formulation (Zakeri et al., 2018). On rare earth industries must protect the key resources based on research (Zhü et al., 2016). MSMEs must have competitiveness among MSME sectors is mostly affected by demand conditions followed by firm strategy, structure and rivalry (Manjeet, 2017).

But according to (Swarsono, 2008a) SWOT has been developed from 4 quadrants to 24 quadrants consisting of 8 strategy choices with names SWOT-24K. The SWOT analysis can also be used for entrepreneurship according to the results of research (Helms et al., 2011) the Argentine word has key strengths for entrepreneurship, namely raw resources, products, tourism, and wine production.

METHODOLOGY

The object of research in this study is MSMEs food souvenirs in 6 districts and cities in Riau province, consisting of Pekanbaru City, Kampar, Indragiri Hilir, Rokan Hilir, Bengkalis, and Meranti. Location considerations, all residences are areas that have many MSMEs food and local souvenir food developed by the Riau provincial government. Data and information from primary and secondary uses surveys, questionnaires, and in-depth interviews. Respondents from this study came from the government, MSMEs business food souvenirs, and academics from universities in Riau province, data collection from 100 respondents from 6 districts and cities in Riau province. The analytical methods used in this study are descriptive analysis, PEST analysis (politics, economics, social sciences) (Bell & Rochford, 2016), five force porter analysis (competitive rivalry, supplier power, buyer power, threat of substitution, threat of new and entry)(Gartner, 1985), SWOT-24K matrix (Swarsono, 2008b), and QSPM matrix (Nurlaelasari et al., 2014).

RESULTS

Question	Percent
Women	78%
Business duration 2-4 Year	27%
Level of education D1-D3	59%
Mentor by government	74%

Based on the information Table 1 above, it shows that based on sex is dominant by women with a total score of 78%. Results the duration of the business shows that 2-4 years means that the average MSMEs food souvenir is still young with 27%. While the education level shows that in D1-D3 with a total score of 59%, the last is the mentor by the government for the development of souvenir MSMEs shows a total score of 74%. This means that some MSMEs have never received mentors by the Riau provincial government such as training, workshops, financial support, and others.

PEST Analysis

This analysis will provide information about the influence of politics, economy, social, and technology on MSMES of souvenirs food in Riau province. First, influence of politics on MSMES souvenirs food, namely some rules and policies of the Indonesian government and the Riau government such as the policy on the government of Indonesia MSMES policy number 17 of 2013 concerning MSMEs in clauses 64, 12, 16, 37 and clause 39. On the other hand, the government also has a program to develop MSMEs by financing MSME loans or people business credit program (KUR) is a financing program for MSMEs that do not have collateral to obtain capital as in banks (Sudaryanto & Wijayanti, 2013). Data from the ministry of finance of the Indonesian government said that from 2007 to 2014 the total distribution of public business credit (KUR) was Rp.159 trillion to 12,145,201 debtors (Abidin, 2015). Second, economic influence on MSMEs food souvenirs is very dependent on the economic conditions of a country (Munandar, 2016), based on Riau province BPS, Gross Regional Domestic Product (GRDP) with a total of 177.45 trillion in 2017.

On the production side, the growth of the business sector comes from company services with a total of 8.86 percent (Gultom, 2017b) in terms of inflation in Riau province from 2017 data with a total of 0.49 percent Consumer Price Index (CPI) with a total of 133.43 percent. On the production side, the growth of the business sector comes from company services with a total of 8.86 percent (Gultom, 2017a). in terms of inflation in Riau province from 2017 data with a total of 0.49 percent Consumer Price Index (CPI) with a total of 133.43 percent. In unemployment, Riau province, the total unemployment with a total of 2.97 million people in August 2017 decreased by 22.37 thousand people (0.75) percent compared to August 2016 (Gultom, 2017a). Exports and imports show that the export value of Riau province has increased by a total of 20.35 percent. Third, reviewing the influence of the social side of the MSMES food souvenirs. The total population of Riau province in 2017 with a total of 6,188,442 people with a higher distribution population of Riau province from Pekanbaru city with a total population of 1,011,467 people, around 16.34%. Fourth, the effects of the technological environment on food MSMEs can help MSMEs to adapt technology by using online marketing. On the government side, improving MSME services and corporations has always been developed using applied technology and easily obtained permits for MSMEs. Riau province also has an apple technology program with the go it program and economy-based tourism industry (Admin, 2016).

Five Force Porter Analysis

The industrial environment has many effects of developing MSMEs; Many MSMEs cannot deal with this condition. To analyze this condition (Porter, 1995) Giving five porter powers based on this study shows several effects. First, the effect among competitors on MSMEs food souvenirs in Riau province come from imports of products from Malaysia and Singapore such as chocolate, wafers, biscuits, oatmeal, etc. Competitors also came from large companies such as Coca-Cola, PepsiCo, Unilever, Danone, Mars, Mondelz International, Kellogg, Garuda Foods, Indofood, General Mills, Nestle, and related British foods (Adila, 2016).

Indicator	Score	Level Influence
Politic	4.00	High
Economic	3.00	Medium
Social	2.00	Low
Technology	2.00	Medium
Competitor rivalry	4.00	High
Power of buying	2.00	Low
Power of supplier	2.00	Low
Threat of substitution	3.00	Medium
Threat of new entry	3.00	Medium

Competition from other competitors came from local Chinese businesses and MSME products from West Sumatra because the closest provinces spread all the population in Riau province such as Jacek crackers, Sanjai, and Balado, etc. Second, the threat of new entry influences MSMEs because to enter this industry must not have much budget because MSMEs can find easy raw materials such as bananas, sago, and fruits, etc.

Third, the influence of the power of buying has an effect on MSMEs food souvenirs in Riau province but few; it causes consumers of MSMEs not to have many consumers. This is consistent with (Hemmatfar et al., 2010) that consumers have a large influence on the company if consumers buy many products. Fourth, in Riau province, the influence of supplier power did not have much effect on MSMEs food because raw materials in Riau province were easily found. Sources of data in 2015 total agricultural land 106,037 hectares. Add some residents in Riau such as Meranti regency with sago. Fifth, on the last influence of the threat of substitution on MSMEs food souvenirs have little effect because there are only a few product substitutions (Table 2) value of PEST and five force porters.

Based on information and analysis from external consist with politic, economic, social, technology and five force porter consist with competitor rivalry, power of buying, power of supplier, threat of substitution, and threat of the new entry. Showed positive value with score 1.67 (Table 3).

Table 3			
EXTERNAL AND INTERNAL ANALYSIS MSMES FOOD SOUVENIR			
Opportunity	Weight	Rating	Score
Development technology food process.	0.01	2	0.02
Policy government about development MSMEs.	0.16	4	0.64
One of vision Riau Province to development MSMEs.	0.17	4	0.68
As investor destination.	0.11	3	0.33
Program (UMI).	0.02	2	0.04
Technology development.	0.04	2	0.08
Regulation about MSMEs.	0.13	4	0.52
Economic growth 4.11% to 5.03%.	0.05	3	0.15
Near with Malaysia and Singapore.	0.01	1	0.01
Development central industry.	0.04	2	0.08
Threat			2.55
Easy to enter this industry.	0.06	3	0.18
Technology Food process to create product.	0.01	2	0.02
Competitor rivalry food product MSMEs local and competitor product import from Malaysia and Singapore.	0.11	4	0.44
Much product substitution.	0.08	3	0.24
Total	1		0.88
Score			1.67
Strength	Weight	Rating	Score
SEMs is Power of Nation.	0.02	1	0.02
All product of MSMEs have been known by society.	0.08	3	0.24
SEMs can survive from crisis.	0.1	4	0.4
Low cost of Human Resource.	0.03	2	0.06
Society have believe with product MSMEs Souvenir Food.	0.09	3	0.27
Easy to create and process MSMEs business.	0.01	2	0.02
Several area in Riau have local unique product and raw material.	0.06	3	0.18
Easy to open and closed the business.	0.02	2	0.04
Much of population.	0.03	2	0.06
Much available of raw material.	0.05	4	0.2
Weakness			1.49
Didn't know how to promote business.	0.1	3	0.3
Didn't know how to arrange financial report.	0.05	2	0.1
Law to development their knowledge and education.	0.05	3	0.15
Still low knowledge of packaging.	0.07	3	0.21
Didn't have management process.	0.03	3	0.09
Location of production still no clean and healthy.	0.02	3	0.06
Didn't know how to sell their product modern market and export.	0.01	3	0.03
Limited capital resources.	0.09	4	0.36
Didn't have strategic plan in the future.	0.04	3	0.12
MSMEs don't know how to get capital from private and government.	0.05	4	0.2
Total	1		1.62
Score			-0.13

Source: Data Process, 2018.

After an external analysis consisting of PEST and five force porter, the next analysis is Internal Analysis consisting of human resources, operational business, marketing, products, prices, distribution, and promotion. Based on the results of observations and questionnaires showing First, the Influence of human resources on food SMEs Souvenirs in Riau are very important in developing this industry, and a key factor in the success of this industry is the quality of human resources to make decisions and make policies for their business. From the education level, some are dominated by elementary schools (SD), junior high schools (SMP) and high schools (SMA), only a few of which have a bachelor education (S1). So, the effects of these conditions make their mindsets and knowledge become their weaknesses, and that must be resolved, and the average MSMEs business for food has been thirty years. Secondly, the operational influence of MSMEs Food souvenirs is quite important because some production processes are carried out by type and long term and all production support are available in Riau province. Third, about marketing consisting of products, prices, distribution, and promotions.

MSMEs products souvenir food has good quality with a quality level in the middle of the packaging that has plastic and cardboard materials, plus logos, brands, contact person, product composition, etc. On the price, side shows that MSMEs food souvenirs have competitive prices on average Rp.10.000-40.000 depending on size and weight. Furthermore, in the analysis of the distribution of all MSMEs souvenirs food products have distribution in the local market to big cities such as Pekanbaru, Jambi, West Sumatra but the distribution channels are not extensive because some products sell to collectors and direct to consumers. The last is the promotion of several products that have promotional strategies to promote their products to consumers through social media, from month to month but only a few do not use this strategy, and the rest use traditional methods to promote their products.

After an internal analysis, based on data collection from respondents showed that the position of food MSMEs souvenirs in Riau with a total deviation of -0.13 see in Table 3 above.

SWOT-24K Matrix

The greatest influence on the strength of MSMEs food is society have believe with product MSMEs souvenir food with total score 0.27 and MSMEs can survive the crisis with a total score of 0.4, but weaknesses indicate that limited capital resources factors a score of 0.36 it suitable result research (Suwastika, 2012) the study concluded that financial problems faced by the MSMEs could be divided into three broad categories: financing problems; operational and administrative problems; and sales and debtors problems and MSMEs have no effort to develop their skills and knowledge to get a score of 0.15.

shared. It means MSMEs must hold their competitive position as priority right now and kept build competitive advantage. In (Kuncoro, 2013) stability strategy is organization hold their organization right now. Stability strategy also as short strategy cause environment always change although organization used this strategy, therefore stability strategy isn't use by organization for long time. In (Rahajeng et al., 2018) said that environment have significant effect to competitive strategy and MSMEs must create competitive strategy to growth business performance (Ramdani et al., 2018). MSMEs Souvenir food also must use their competitive advantage to push marketing performance and their innovation product (Nuryakin, 2018) but to implementation this strategy MSMEs souvenir food need reputation to solve their problem (Sarjana et al., 2018) and MSMEs need to strategy partnership with all of stakeholder (Purnomo et al., 2018).

QSPM Matrix

This analysis is used to analyze and determine the most appropriate strategy of two or more strategies that are appropriate to the needs. In QSPM analysis only uses two strategic choices that can only be used by MSMES provincial food Riau souvenirs, there are aggressive strategies (penetration, market development, and product development) and stable growth strategies (maintaining growth) (Table 4).

Table 4					
ALTERNATIVE STRATEGY MSMES SOUVENIR FOOD RIAU PROVINCE					
QSPM		Aggressive Strategy (Penetration, Development market, and Development product)		Stabile Strategy Growth (Maintain growth)	
Factor	Wight	AS	TAS	AS	TAS
(Opportunity)					
Development technology food process	0.17	3	0.51	4	0.68
Policy government about development MSMEs	0.06	3	0.18	4	0.24
One of vision Riau Province to development MSMEs	0.08	2	0.16	3	0.24
As investor destination	0.07	2	0.14	3	0.21
Program (UMI)	0.09	3	0.27	4	0.36
Technology development	0.01	1	0.01	1	0.01
Regulation about MSMEs	0.04	1	0.04	2	0.08
Economic growth 4.11% to 5.03%	0.09	2	0.18	2	0.18
Near with Malaysia and Singapore	0.02	-	0	-	0
Development central industry	0.05				
(Threat)					
Easy to enter this industry	0.13	3	0.39	4	0.52
Technology Food process to create product	0.1	3	0.3	4	0.4
Competitor rivalry food product MSMEs local and competitor product import from Malaysia and Singapore	0.01	3	0.03	4	0.04
Much product substitution	0.08	3	0.24	4	0.32
(Strength)					
SEMs is Power of Nation	0.06	3	0.18	4	0.24

All product of MSMEs have been known by society	0.08	2	0.16	2	0.16
SEMs can survive from crisis	0.02	4	0.08	4	0.08
Low cost of Human Resource	0.09	2	0.18	4	0.36
Society have believe with product MSMEs Souvenir Food	0.01	3	0.03	4	0.04
Easy to create and process MSMEs business	0.07	3	0.21	4	0.28
Several area in Riau have local unique product and raw material	0.06	3	0.18	4	0.24
Easy to open and closed the business	0.07	3	0.21	4	0.28
Much of population	0.05	3	0.15	4	0.2
Much available of raw material	0.05	3	0.15	4	0.2
(Weakness)					
Didn't know how to promote business	0.08	2	0.16	4	0.32
Didn't know how to arrange financial report	0.05	3	0.15	4	0.2
Law to development their knowledge and education	0.04	2	0.08	3	0.12
Still low knowledge of packaging	0.06	3	0.18	4	0.24
Didn't have management process	0.02	3	0.06	4	0.08
Location of production still no clean and healthy	0.06	3	0.18	3	0.18
Didn't know how to sell their product modern market and export	0.01	1	0.01	4	0.04
Limited capital resources	0.05	3	0.15	4	0.2
Didn't have strategic plan in the future	0.06	1	0.06	4	0.24
MSMEs don't know how to get capital from private and government	0.01	-	0	-	0
Total			5.01		5.98

Source: Data Process, 2018.

Based on the table from the QSPM matrix above, the results show that of the two strategy choice strategies that have the greatest value is the strategy of maintaining existing growth with a score of 5.98. MSMEs food souvenirs are advised to correct all existing weaknesses while maintaining a competitive advantage. Among these weaknesses is strengthening existing product promotion techniques, making customer reports that are the owners of MSMEs companies to continue learning to make product innovations, MSMEs owners must increase knowledge when packaging production products can collaborate with government and universities, improve the production process. better, improve cleanliness in the production process, look for working capital from other sources, make clear goals for the future of MSMEs food souvenirs, MSMEs owners seek information on how to get government and private funds.

DISCUSSION

This study used two analyzes, namely the SWOT-24K matrix to find the most effective strategy for food by SMEs in Riau province. The SWOT-24K results show a position that is in line with the aggressive maintenance strategy. That means MSMEs have opportunities, but on the other hand, MSMEs do not have a competitive advantage to explore available market opportunities. MSMEs food souvenirs only have weaknesses. Therefore, MSME owners must recover their weaknesses and maintain their market share. Based on Figure 1 shows that MSMEs

in sub-quadrant IIA1 mean that MSMEs by food have small opportunities, but at the same time MSMEs do not have a competitive advantage. So, MSMEs can hardly effort to improve this condition. MSMEs only hope that the business environment will change (Swarsono, 2008a; Kanagal, 2015). Recommendations for strategies for implementing innovative strategies and product innovation strategies because they are the main weapon for marketing strategies. In (Obasan et al., 2015) recommendations for using marketing strategies consist of pricing strategies, product strategies, distribution strategies, and promotion strategies and the most important promotional strategies for developing companies in Nigeria.

Another solution to this condition originates (Nofrizal, 2017) to use the influence of funds from the government and local governments to make local product promotions by creating national events. On the other hand, looking at it from the QSPM matrix shows that the QSPM recommendation for using stabile strategy growth means that MSMEs must focus on their weaknesses using their strengths and opportunities accordingly (Ghisi et al., 2008) suggest to use strategic alliances with stakeholders but according to according (Gupta, 2015) MSMEs can use human resource development using the development of training created by universities, industry, government, and private businesses. Training effects for MSMEs have a positive effect on the development of appropriate MSMEs (Raghuvanshi & Garg, 2018) knowledge management is the most important and creativity and management of ideas and culture to develop the MSMEs.

The real contribution of this study is every stakeholder such as government, university, industry and own MSMEs food souvenir must work together to develop MSMEs food souvenir in Riau province. Role of government to develop MSMEs is create police for development and control all police, provide budget for capital MSMEs and when existing public policies in other domains are in conflict with policies to promote entrepreneurship and MSME development (Edoho, 2015). According (Singh et al., 2017) the most important for small firms are entrepreneurial capability, technology infrastructure capability and government initiatives. According (Rodríguez et al., 2015) the findings reveal that entrepreneur characteristics, firm features and managerial attributes have significant effect on the business performance.

Next, role of university is all of lecture must create program to development MSMEs such as training and workshop. Role of industry is create program such as workshop or provide budget and given opportunity MSMEs to sell their product. Last is role of own MSMEs food souvenir must active if any workshop and training provide by government, university and industry and create product with focus on market orientation and technology orientation and managerial network and political network (Panda, 2014). According (Manex & Tassew, 2018) the public intervention encouraged MSEs to develop innovative business practices and improve their human capital development process. MSMEs also create effective SME marketing (Sheilagh et al., 2016) SME marketing is effective in that it embraces some relevant concepts of traditional marketing, tailors activities to match its customers and adds its own unique attribute of self-branding as bestowed by the SME owner-manager also SMEs should take a strategic focus and plan their use of social media (Margaret, 2015).

CONCLUSION

The objective of this study is to determine what the most effective strategies are for MSMEs in Riau province by using two methods, namely SWOT-24 K and QSPM matrix. The results of the two methods show that using the strategy of positioning the SWOT-24K matrix from the food and beverage MSMEs of the province of Riau in the IIA1 quadrant meant that MSMEs food souvenirs had few opportunities, but at the same time, MSMEs did not have competitive advantages. So, MSMEs cannot do much to improve this condition. MSMEs only hope that the business environment will change. However, using the QSPM matrix shows the recommended strategy for MSME food souvenirs is the stable growth strategy (maintaining growth) that means MSMEs must focus on their weaknesses using their strengths and opportunities. So, the recommendation of this research is that MSMEs food souvenirs must use several strategies, namely innovation strategy, promotion strategy, training development, government role, industry role, and HR development.

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