UDC 334

STRATEGIC PLANNING FOR MEDIUM SMALL-MICRO ENTERPRISES EMPOWERMENT OF BATU CITY THROUGH SWOT ANALYSIS METHOD: A STUDY AT THE DEPARTMENT OF MICRO ENTERPRISES AND TRADE COOPERATIVE BATU CITY

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ABSTRACT
Searching for alternative strategic planning utilizing SWOT analysis method aims to determine the internal and external factors of an organization. From the analysis result, the position of an organization today and what strategy should be applied can be known. The results exhibit that the position of the organization is in good condition, but faced with challenges. Therefore suggested strategy is a diversification strategy. The final result of this research is the selection of 5 (five) key strategies and 13 (thirteen) policy directions to achieve the goal of empowering MSME in Batu City. The five strategies are Optimization of local regulations on the protection of local products, Increasing local and regional market coverage, Optimizing facilities and infrastructure of MSME empowerment, Increasing the utilization of technology and information in producing MSME products, and Improving the quality and quantity of human resources apparatus.

KEY WORDS
Strategy, SWOT, MSME, publics service.

The increased regional development in tourism field is not proportional to community welfare level. The data obtained from Batu City statistics, open unemployment annually increased in the last three years (*Statistik Kota Batu*, 2017). In 2016 the number of unemployed people in Batu City is 4,700 people, which is a significant increase compared to 2013 with 2,421 unemployed people (*Statistik Kota Batu*, 2017). The poverty line and the poor in Batu City also increased from 4.59% in 2014 to 4.71% in the following year (*Statistik Kota Batu*, 2017).

One of the efforts that can be done by local government in addressing the problem of poverty and unemployment is to empower micro and small industrial sector. According to Constitution Number 20 the Year 2008, these micro and small-scale businesses do not need a large amount of fund to start and capable of giving an impact on the economic growth rate of a region. (Keizer et al 2002) argue that the MSME sector will make a major contribution to the economy, especially in developing countries. Home industry small sectors are the main elements of regional competitiveness (Madrid-Guijarro et al., 2009). But in reality, empowering small businesses is not as easy as imagined. The technology progress and innovation become the barrier of business actors in increasing their business level in the marketing competition. (OECD, 1997) describes small-scale industries are most vulnerable to business problems such as shortage of human resources, difficult access to technology, and low production levels. The World Economic Forum (WEF) in 2010 ranked Indonesia in 15th place in the international market. This condition means Indonesia has a large potential to serve as a market for other countries. This is also becoming the impact of the government's weakness in discovering the SMEs opportunity in each region.

As an area that relies on the tourism sector, Batu City is able to produce GRDP as many as IDR 12,901.9 billion in 2016 from several sectors. The most contributing sectors are large-scale trades such as car trading, motorcycles, etc. with PDRB IDR 2 Billion contributions. Home trading sector shows very little results (BPS, 2017).

Agriculture and Trade have become the sector contributing the most GRDP for Batu City. The sector is supported by other sectors such as hotels, restaurants and processed goods industries. The data above shows that the SME sector should be able to provide income more than 2 billion annually to be able to outperform the agricultural sector or large industries. Although Batu City's GDP is from various sources, the rate of economic growth tends to slow down. From 2013 to 2016 Batu City's economic growth continues to decline. In 2013 the economic growth rate of Batu City amounted to 7.29 and decreased to 6.61 in2016. (BPS Kota Batu).

These statistics exhibit the slowing rate of economic growth in an area. Although there was an increase of 0.11 from 2015 in 2016 that number tends to slow compared to the decreasing numbers.

On the other hand, MSME in Batu City has not been able to compete in quality in the global market. Similar to other areas in Indonesia, MSME is always outdone by technology and innovation. If business actors could peruse innovation and technology, it will MSME perpetrator to build competence and have a competitive advantage (Rezaei, 2015).

It can't be denied that the ability of MSME in Batu City in the face of free-market competition should be further strengthened and considered follow-up strategies to survive amid the global competition that threatens the Indonesian market. The local government of Batu City as a determinant and policy officer has a mandate from the community to reduce poverty and increase the rate of economic growth.

LITERATURE REVIEW

MSME. The definition MSME according to the consensus of the (German Agency Far Technical Cooperation, 2002 in Bank Indonesia, 2010: 9) there are two objectives on the clear definition concerning SMEs that is for administrative purposes and setting and goals related to coaching. While the definition of MSME according to Constitution Number 20 the Year 2008 is a productive business owned by an individual and/or individual business entity fulfilling the criteria of Micro Business as regulated in this Rules. Small-scale business is a stand-alone productive economic enterprise, conducted by an individual or a business entity that is not a subsidiary or not a branch of a company owned, controlled, or becomes part of the direct or indirect business of a medium-sized or large-scale business that meets Small-scale business criteria. A medium-sized enterprise is a stand-alone productive economic enterprise, carried out by an individual or business entity that is not a fully-owned subsidiary, controlled, or partakers directly or indirectly with a small business or a large business with a net worth or an annual sale. Training will instill the necessary skills and knowledge that work between decision making as well as production activities. (Jagersma, 2008).

Empowering Business Actor. Jamieson (1984) explained that empowering the MSME proprietor requires 3 distinct educational classes. First, the entrepreneur learns about the organization. The second in which the entrepreneur learns for the organization. Thirdly, the entrepreneur learns in the organization (such as training). The success of an organization is largely influenced by the entrepreneurial learning within the organization (Jagersma, 2008). Business actors need to develop technical knowledge of the procedures and techniques necessary to be relevant in the work and must use the technique to fulfill commissioned operational responsibilities (Chandler and Jansen, 1992; Winterton, 2002). Thus the empowerment of business actors is closely related to various efforts to improve the performance of MSME directly. MSME can be said as the spearhead for the people of this country to get out of the economic crisis. Therefore, the empowerment of the MSME proprietor turns into something very urgent. To ensure the birth and survival of every business, business entrepreneurs need to develop certain competencies. These competencies include strategic competence, innovation, opportunity utilization, and organizing.

SWOT Analysis. SWOT analysis is the systematic identification of various factors to formulate an organizational strategy. The analysis is based on the logic that can maximize strength and opportunities but simultaneously can minimize weaknesses and threats. The

strategy decision-making process is always related to the mission, goals, and target of the organization. Thus strategic planning should be able to analyze organizational strategic factors (strengths, weaknesses, opportunities, and threats) in the current conditions. The analysis is called the situation analysis and the most popular used model is the SWOT analysis (Rangkuti, 2008: 18).

METHODS OF RESEARCH

There are two approaches in the SWOT analysis method in which the approach is used to design strategies and work programs. Both approaches are:

Qualitative Approach. The SWOT matrix qualitative approach created by Pearce and Robinson (2008) presents eight variables presented in one box, the two boxes above are external factor boxes consisting of Opportunity and Threat. The two boxes on the left are internal factors comprising from Strength. The remaining squares are four boxes containing the strategic issues that arise as a result of the conclusion of the meeting between internal and external factors. These conditions are named as merger interactions.

Table 1 – SWOT Qualitative Matrix

n/n	*Strength*	*Weakness*
Opportunity	S-O Creating strategy that use power to harness the opportunity	W-O Creating strategy that minimize weakness to harness the opportunity
Threats	S-T Creating strategies that use strengths to overcome threats	W-T Creating strategies that minimize weaknesses and avoid threats

Quantitative Approach. The important and major instrument in SWOT quantitative approach is SWOT analysis data in the previous qualitative stage. This approach is developed by Pearce and Robinson (2008) where the calculation result is to determine organization position in SWOT quadrant. Thus allowing the organization to identify which strategies to use. As for the calculation consist of 3 steps/stages: Score and weight of factor points, X and Y calculations, and look for organization position.

Table 2 – EFAS & IFAS Assessment

Internal Strategy Factors	Weight	Score	Weight X Rating
Strength: • Factor Point 1 • Factor point 2	a	B	c(axb)
TOTAL	1,00		
Weakness: • Factor Point 1 • Factor Point 2			
TOTAL	1,00		

Strength Total Difference – Total Weakness = S – W = x

Internal Strategy Factors	Weight	Score	Weight X Rating
Opportunity: 1. Factor Point 1 2. Factor Point 2	a	b	c(axb)
TOTAL	1,00		
Threat: 1. Factor Point 1 2. Factor Point 2			
TOTAL	1,00		

Strength Total Difference – Total Weakness = S – W = x.
Source: (Pearce dan Robinson: 2013)

RESULTS OF STUDY

The formulation of Micro and Small Enterprises empowerment strategies in Batu City started with identifying the internal data of microenterprises in Batu City and the external data of microenterprises in Batu City. Internal data and External data that have been successfully identified are as follows:

Internal Data of Micro and Small Enterprises of Batu City:

Strength:

- Existing support from both central government and local government
- PLUT building as a service facility for MSME proprietor
- MSME exhibition as a routine activity
- Local government cooperation with the private sector
- MSMEs production stability at regional and international levels

Weakness:

- The budget for MSME empowerment program is limited
- MSME actors have limited business capital
- MSME actors commitment in entrepreneurship is still unstable
- The quality of local products can't compete with overseas products
- MSME management and production is traditional

External Data of Micro and Small Business of Batu City:

Opportunity:

- The number of tourists visited Batu City
- Society willingness or motivation for entrepreneurship is high enough
- The availability of production resources.
- MSME empowerment is a top priority for the development of the new District Head
- Trading sector through MSME become the remarkable sector in Batu City aside from agriculture and tourism.

Threat:

- Market competition increasingly free
- Batu City society as costumers do not believe in the quality of local products
- Business actors have not been willing to adapt to technological advancements
- Lack of coordination between institutions or departments that have built MSME with Department of Cooperative Micro Business and Trade Batu City as the leading sector
- The low average education level in Batu City.

Table 3 – The Determinants of Strategy

Internal Strategy Factors	Weight	Rating	Weight X Rating
Strength: • Existing support from both central government and local government • PLUT building as service facilities of MSME actors • MSME exhibition as a routine activity • Local government cooperation with the private sector • MSMEs production stability at regional and international levels	0,2 0,4 0,2 0,1 0,1	4 3 3 3 3	0,8 1,2 0,6 0,3 0,3
TOTAL	1,00		3,2
Weakness: • The budget for MSME empowerment program is limited • MSME actors have limited business capital • MSME actors commitment in entrepreneurship still unstable • The quality of local products can't compete with overseas products • MSME management and production is traditional	0,15 0,2 0,2 0,15 0,3	3 3 3 2 3	0,45 0,6 0,6 0,3 0,9
TOTAL	1		2,85

Strength Total Difference – Total Weakness = S – W =X (3,2 - 2,85 = 0,35)

Internal Strategy Factors	Weight	Rating	Weight X Rating
Opportunity:			
• The number of tourists visited Batu City increased each year giving ease of market access for the MSME actors	0,4	3	1,2
• Society willingness or motivation for entrepreneurship is high enough	0,04	3	0,12
• The availability of MSME production resources in Batu City is easily obtained	0,01	3	0,3
• MSME empowerment is a top priority for the development of the new District Head	0,03	2	0,06
• Trading sector through MSME become a remarkable sector in Batu City aside from agricultural and tourism	0,16	2	0,32
TOTAL	1		2,54
Threat:			
• Market competition increasingly free become a threat for the MSME actors in Batu City	0,3	3	0,9
• Batu City society as customers do not believe in the quality of local products	0,2	3	0,6
• Business actors have not been willing to adapt to technological advancements	0,16	3	0,48
• Lack of coordination between institutions or departments that have built MSME with Department of Cooperative Micro Enterprises and Trade Batu City become obstacles in providing capital assistance also opening market access	0,3	3	0,9
• The low average education level in Batu City which is generally at elementary stage.	0,04	2	0,08
TOTAL	1		2,96

Opportunity Total Difference – Total Threat = P – O = X (2,54 - 2,96 = -0,42)

X Axis = Total Strength (S) – Total Weakness (W) =3,2 - 2,85 = 0,35
Y Axis = = Total Opportunity (O) – Total Threat (T) = 2,54 – 2,96 = -0,42

Based on the calculation result it can be known the position of Macro and Small Enterprises Batu City in SWOT quadrant as in the following picture:
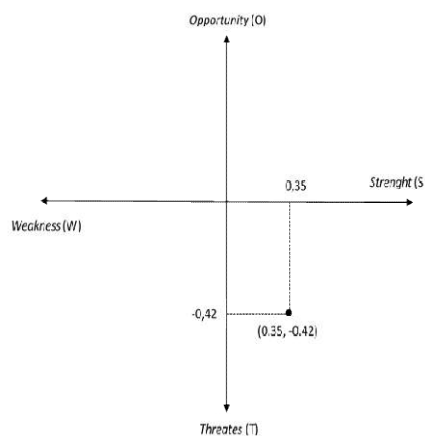

Figure 1 – Batu City MSME Strategic Position

Pearce and Robinson (2013) explained that quadrant II (positive, negative) signifies a strong organization but faces several obstacles ahead.

The recommendation for the strategies done in quadrant II is diversification of strategies. The organization is in good and strong condition but must seek solutions from the obstacles that are predicted to complicate the organization. These obstacles/ challenges are

expected to affect the organization. These challenges would become harder if the organization merely rely on the previous strategy. Therefore, the organization is suggested to search immediately for tactical strategy alternatives in the future. To search for a strategy alternative in question, an analysis of desired strategy alternatives will be required. It can be done are by observing each S with O indicators, S with T, W with O, and O with T.

Strategy Map. After assessing IFAS and EFAS, the tactical strategy suggested for the Batu City government is described as follows:

Tabel 4 – Strategy Map and Policy Direction

Target	Strategy	Policy Direction
Improving market access and local product sales. I	Local regulatory optimization on local product protection.	Making local and mayoral regulation on local product protection
		Utilization of scientific studies in the making of local regulations
	Increase local and regional market range.	Marketing facilitation by *the online* and *offline* method
		Increased the intensity of MSME exhibition internationally
		Increased of MSME production volume
	Optimization of facilities and infrastructure of MSME empowerment	Utilization of PLUT building as MSME service facility
		Increased of cooperative institutional quality
		Continuous development of cooperatives and micro enterprises
	Increase technological and information utilization in producing MSME product	Technologically based training on business management
		Training towards new business actors
		Cooperating with the private sector and academia
Improving department apparatus services toward MSME actors	Increase the quality and quantity of HR apparatus	Apparatus resources quality and quantity improvement program
		Increased on MSME data and information systems

CONCLUSION

Research result in analyzing internal and external through SWOT method concluded that Batu City has strength forming factors, weakness, opportunity, and threat with 5 (five) points each.

The process of extracting the data is by optimizing the availability of existing data. Based on the internal and external condition in Batu City local organization, the researcher concluded that Batu City MSME position is on ST condition *(strength, threat).* That condition means that Local Government needs to optimize their strengths, yet performing a preventive act to deter predicted threats.

ST strategy in creating Batu City as MSME central are described as follows: Local regulatory optimization on local product protection, Increase local and regional market range, Optimization of facilities and infrastructures of MSME empowerment, Increase technological and information utilization in producing MSME product, and increase the quality and quantity of HR apparatus.

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