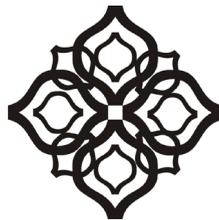


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Business Development Strategy Model of SMEs Through SWOT and EFE-IFE Analysis

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Abstract

Considering that the SME entrepreneurs of Gresik Regency are mostly young, educated and experienced, however their businesses are not yet in legal entities. This research situates the SME business development strategy model through SWOT and EFE-EFI analysis, aiming to identify the conditions and models of SME business development strategies to improve their performances. This research has interviewed 40 respondents who were selected in multi stage, and analyzed through SWOT and EFE-IFE analysis. The result of this research explains that the ability of SME entrepreneurs in managing business and the achievement level of marketing performance is good, except the ability to manage finances. In addition, external conditions support these SMEs.

Keywords : SWOT, EFE-IFE, business development strategy, SMEs

Introduction

Gresik Regency is one of the regencies in East Java, Indonesia with a large number of SMEs engaged in marine fish processing businesses. This type of business includes processing fresh fish, salting/drying, salting

and seasoning, smoking, and such processed products as shrimp paste, crackers, *and petis*. However, these SMEs face some problems, including: lack of innovation, lack of capital, inability to apply adequate technology and information, lack of management and marketing skills, and the spread of the location. To optimize the utilization of marine fishery products and make this sector the prime mover of economic development, this article shows that SMEs are a tool of national struggle to grow and develop the economics by involving as many potential economic practitioners as possible based on justice for all stakeholders (Wilantara, 2016). Therefore, this SME development requires the right strategy as an acceleration and breakthrough effort for the SME development supported by political and economic policies and appropriate social climate.

The business development strategy is the creation of long-term value for consumers and markets related to the task and analytical preparation process for the potential opportunities growth and assistance to the implementation process of opportunity growth, but it does not include decision making, formulation, and direct implementation of opportunities growth (Sancoko, 2015). Tools for developing business development strategies include SWOT and EFE-IFE analysis. Such previous studies on SWOT and EFE-IFE analysis for business development strategies as of Helms & Nixon's (2010) explains that SWOT analysis can analyze organizations and can provide recommendations for strategic activities; the results of the study (Chan, 2011), SWOT assists the business in developing feasible strategies, and simultaneously provides an in-depth understanding of the "global" strategy of the future as one of the most successful enterprises in China; study results (Abubakar & Bello, 2013), applying SWOT analysis in the Nigerian Mobile Telecommunication Industry, among the findings are that Globacom is the second in terms of market share (subscriber base) and having the most advanced network

(technology), fast, robust and cheap excess bandwidth from GLO-1, being financially strong and the most innovative telecom operator in Nigeria constitutes its competitive advantage.

Other studies of (Muhammad, Adeel, Ayub, 2013) argues that the impact of pre-job evaluation in assessing SWOT analysis appears to be positive for effective strategic marketing planning. The results of Joko's study, et al (2015), through EFE-IFE analysis, the position of Rumah Tempe Indonesia in the second quadrant is growing and building. Following these studies, yet in different manners, it is necessary to conduct a study on business development strategy models of SMEs through SWOT, EFE and IFE analysis. The objective of this study is to determine the conditions and models of SME business development strategies of marine fish processing in Gresik Regency, East Java. Indonesia has the opportunity to produce the world's largest marine fishery products due to the vastness of the sea it has and contribution of marine fisheries from year to year has increased (Osita, Christian Ifediora.; Onyebuchi R, 2014). Opportunities to develop marine products and fisheries businesses in Indonesia have good prospects to boost the economy of the community particularly SMEs (Small and Medium-Scale Enterprises) (Abubakar & Bello, 2013).

Quantitative Studies of SMEs

This article is a quantitative study describing the condition of SMEs. The population of this study is the SME entrepreneurs of marine fish processing in Gresik Regency, East Java. The sample used 40 selected multi-stage SMEs. Four (4) villages that have many (purposive) SMEs of marine fish processing were determined in phase one as sample units, namely Ujung Pangkah Village of Ujung Pangkah District, Kramat Village of Duduk Sampeyan District, Mengare Village and Indrodelik Village of Bungah District. In the second phase, 10 entrepreneurs of the SMES from each village were randomly selected as respondents.

The measuring instrument in this study is a questionnaire consisting of statements with alternative answers on a Likert scale, namely the value of 1 (disagree), 2 (neither agree nor disagree/neutral), and 3 (agree). The level of SMEs condition on this study is expressed based on the calculation (the highest value – the lowest value)/the highest value, namely $(3 - 1)/2 = 0.67$. So that the level of the condition values are: $1.00 - 1.67 = \text{low}$, $1.68 - 2.34 = \text{medium}$, and $2.35 - 3.00 = \text{high}$.

Variable of strengths is a special competition that provides a competitive advantage for companies in the market including natural resources owned, skills, or other advantages related to company competitors and market needs that can be served by companies that are expected to be served (Bloomsbury.com, n.d.). Weaknesses are limitations or shortcomings in natural resources, skills, and capabilities that effectively inhibit the company's performance, including facilities, finance, management skills, and marketing skills (Osita, Christian Ifediora.; Onyebuchi R, 2014). Opportunities are important situations that benefit the company environment, such as technological changes and the improved relationship between companies and buyers or suppliers give a picture of opportunities for the company (Abubakar & Bello, 2013). Threats are important situations that are not favorable in the corporate environment. The existence of new or revised government regulations can be a threat to the success of the company (Fajar, 2016).

Data is analyzed by SWOT. SWOT analysis method has been widely used as a tool for planning and analyzing strategic actions over the past decade (Ramavanavar, Gomesh M.; Charantimath, 2012). SWOT is an acronym of strength, weakness, opportunities, and threats (Oreski, 2012). SWOT is a system or process of considering the internal and external factors affecting the performance of an organization in relation to competitor or market situation (Abubakar, Nura.; Bella, 2013). 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 (Kreiner, Collins, Wall, 2007).

This external factor evaluation (EFE) influences the formation of opportunities and threats (Rangkuti, 2016), whereas these factors are related to conditions that occur outside the company that affect the company's decision making. External factors include economic strength, social, cultural, demographic and environmental strength, political power of government and law, technological strength, and competitive strength (Purwono, Suryaningsih, Putri, 2015; Abubakar, Bella, 2013). In doing so, before a strategy is implemented, strategic planning must analyze the external environment (Kassim, Redzuan, Harun, 2017). Internal factor evaluation (IFE) influences the formation of strengths and weaknesses. Whereas these factors are related to the conditions that occur in the company, which also influence the formation of company's decision making. Internal factors include management, marketing, human resources (HR), finance/accounting, production/operations etc (Purwono, Suryaningsih, Putri, 2015).

The tool used to develop a business development strategy is a SWOT matrix consisting of EFE analysis based on opportunities and obstacles and IFE based on strengths and weaknesses (Rangkuti, 2016). There are 4 alternative business development strategies based on SWOT analysis, namely: S-O Strategy. This strategy has very favorable conditions, i.e. the system has good strengths and opportunities. The SO strategy is developed based on the company's mindset, namely by taking advantage as much as possible all the strengths and opportunities. The system of S - T Strategy has strengths but faces various threats. This strategy is developed using the company's strengths to overcome threats. The system of W-O strategy has good opportunities, but is constrained by internal weaknesses (Niinimäki, 2018).

This strategy is implemented by minimizing existing weaknesses and utilizing opportunities. The right strategy is to minimize internal problems, so that they can seize external opportunities better (Chan, 2011). The W - T Strategy has very unfavorable conditions. This strategy is based on activities that are defensive and try to minimize existing weaknesses and avoid threats. See Table 1.

Table 1. SWOT Matrix

IFE EFE	Strength (S)	Weakness (W)
Opportunity (O)	S – O STRATEGI	W – O STRAGEGY
Obstacle (T)	S – T STRATEGY	W – T STRATEGY

The strategies that can be implemented based on SWOT conditions (Nur, 2013), are as follows: S-O strategy is to maintain and improve product quality and after-sales service, develop a middle to lower market, and hold exhibition activities; W-O strategy is a targeted promotion, more vigorous promotion by holding, following, or as a sponsor in various events, promotion through printed media, and social networking media, and increasing the sales network (Razak & Taib, 2011) debt-based financing, and diminishing partnership (DP); S-T strategy is to develop competitiveness and improve good relations with customers (Rafay & Farid, 2017). The W-T strategy is to expand the promotion area by opening outlets to expand the sales network, adding variety of dealer sales such as selling trendy motorcycle accessories in the community, giving price discounts to loyal customers.

Respondents and Condition of SMEs

Male respondents are the same as women. Most (67.5%) are young (≤ 40 years). Most (67.5%) have high school education and above. Most (95%) are not legal entities. Most SMEs produce fish crackers. Others produce shrimp paste, petis, nugget, etc. The condition of SMEs in Gresik Regency is good in terms of the ability of SMEs in the management of employees, production, marketing strategies and performance, but the financial management skill of the SMEs is moderate. Meanwhile the external conditions of SMEs are able to provide support to the business development. This fact is indicated by the index level in the management of employees, production, external, marketing strategies and performance i.e. ≥ 2.34 , except for the index of financial management activities i.e. ≤ 2.34 .

Table 2. Business Management Levels and External Conditions of SMEs

	Mean
Employees	2.36
Production	2.49
Finance	2.33
External Business	2.59
Marketing Strategy	2.52
Marketing Performance	2.80

Source: The results of data processing

The results of previous studies shows that SWOT analysis helped one of the two studied to advance in the face of growing challenges leading to its stability and increased productivity (Osita and Onyebuchi, 2014); SWOT model of *thirukkural* is a complete analysis of any problems that an entrepreneur may have to face while starting a new business (Jain, 2015).

In this article, the strengths of these SMEs are employee recruitment planning carried out in accordance with the needs of the work unit (S1), carrying out the recruitment process, selection, placement, orientation, and introduction to get employees who fit the needs (S2), assigning clear tasks to employees in writing and its implementation (S3), organizing in such a way that employees work in a coordinated manner within a work unit or between work units (S4), carrying out employee development activities that can improve technical skills and behavior to support the achievement of business goals (S5), supervision of work of employees by business owners or managers (S6), sanctions given to employees for disciplinary violations (S7) and ease of obtaining suppliers with raw materials that meet the business needs (S8).

Following it, other work units contains machines/equipment used for the production process (S9), the work steps for the production process so that the finished product quality is guaranteed (Rusby, 2016) (S10), the supply of raw materials and finished goods are stored in a safe place and avoiding the risk of damage/expiration (S11), planning of income and financial expenses and profits (S12), knowing the calculation of working capital costs needed for a production process (S13), determine the price and profit of an item (S14), the separation between assets and owner's debt with the business unit's assets and debt (S15), the product already has a variety of tastes that consumers like (S16), the product has a variety of packaging and size (S17), products are made with special attention to the quality of raw materials (S18) (Kashif, Abdur Rehman, & Pileliene, 2016), products are made with special attention to the health of consumers (S19), the product has a variety of affordable prices for consumers (S20), offering clear prices on goods price list (S21), the product is sold in a place that is easily accessible by consumers (S22) (Amin, 2017), facilities for the convenience of consumers to transact such as goods delivered, purchases

via telephone, online, etc (Razak & Taib, 2011). (S23), promotional activities are carried out periodically to introduce products both through WA, brochures, signboards, etc. (S24).

The weaknesses of SMEs are that the monthly wages/salaries are not in accordance with government regulations (UMP) (W1) (Ahmad & Burki, 2016), there are no incentives other than wages/salaries (W2), there are no other rewards besides salaries (W3), there is no health or old age insurance such as BPJS, etc. (W4), inadequate inventory of raw materials (W5), every business transaction in this business has not been processed by a computer (W6), the document regarding the recording of each business activity transaction from this business is inadequate (W7), owners or financial managers rarely evaluate the finance and financial systems of businesses (W8), owners or financial managers rarely check business finances (W9), there are no offers of several promos such as discount promos, free of charge promos (bonuses), and gift promos (W10) , this product does not have a registered trademark (W11).

The opportunities that these SMEs have are increasing market share compared to the previous year (O1), profit growth compared to the previous year (O2), sales volume growth compared to the previous year (O3), and increasing customer satisfaction compared to the previous year (O4). Meanwhile the challenges that the SMEs must face are facing a high level of business competition (T1), the natural situation greatly influences production activities (T2), has a relatively high level of buyer bargaining power (T3), has a relatively high level of supplier bargaining power (T4), there is no support from BUMN/BUMD for increasing this business (T5), and there is no support from other parties (T6).

Based on Tables 2 and 3, the results show that the IFE score = 3.00, greater than the EFE score = 2.606. This means that these SMEs prioritize internal factors rather than external factors. Strength score =

2.429 is greater than the weakness score = 0.571. Obstacle score = 1.336 is greater than the opportunity score = 1,270.

Table 3. IFE Analysis

No	Statement Item	Weight (W)	Rating (R)	WxR
	Strength:			
1	S1	0.026	2.40	0.062
2	S2	0.035	2.65	0.093
3	S3	0.021	2.40	0.050
4	S4	0.032	2.68	0.086
5	S5	0.037	2.78	0.103
6	S6	0.028	2.45	0.069
7	S7	0.027	2.48	0.067
8	S8	0.025	2.50	0.062
9	S9	0.025	2.38	0.059
10	S10	0.027	2.58	0.070
11	S11	0.032	2.65	0.085
12	S12	0.025	2.53	0.063
13	S13	0.025	2.50	0.063
14	S14	0.028	2.55	0.071
15	S15	0.024	2.43	0.058
16	S16	0.038	2.75	0.104
17	S17	0.038	2.78	0.106
18	S18	0.039	2.75	0.107
19	S19	0.031	2.60	0.081
20	S20	0.026	2.55	0.066
21	S21	0.027	2.60	0.070
22	S22	0.028	2.63	0.074
23	S23	0.026	2.55	0.066

24	S24	0.026	2.45	0.064
	Sub total	0.696		2.429
	Weakness			
1	W1	0.032	2.30	0.074
2	W2	0.027	1.83	0.049
3	W3	0.027	1.83	0.049
4	W4	0.025	1.85	0.046
5	W5	0.027	1.68	0.045
6	W6	0.033	1.93	0.063
7	W7	0.028	1.80	0.050
8	W8	0.024	1.78	0.042
9	W9	0.022	1.70	0.037
10	W10	0,034	2.03	0.069
11	W11	0.025	1.90	0.047
	Sub total	0.304		0.571
	Total	1.000		3.000

Source: the results of data processing

Table 4. EFE Analysis

No	Statement Item	Weight (W)	Rating (R)	WxR
	Opportunity			
5	O5	0.111	2.68	0.297
6	O6	0.111	2.80	0 - 311
7	O7	0.114	2.85	0.325
8	O8	0.117	2.88	0.337
	Sub total			1.270
	Challenges			
1	T1	0.091	2.63	0.239
2	T2	0.107	2.80	0.300

3	T3	0.084	2.65	0.223
4	T4	0.111	2.70	0.300
5	T5	0.080	1.88	0.150
6	T6	0.074	1.68	0.124
		1.00		1.336
				2.606

Source: the results of data processing

Business Development Strategy

Based on the above analysis, it is found that the business development strategy model of this business is the S-T strategy, meaning that these SMEs optimize the strengths they have to overcome the obstacles they face. Therefore, the strategy recommendations for SMEs are to develop competitiveness and improve good relations with customers (Oreski, 2012). The same study explains that the SWOT and EFE/IFE matrix in order to analyze and investigate the implementation and advices of e-Government in Oman using secondary data from statistical reports (Salmi & Hasnan, 2015; Jain, 2015).

The management implication of this study is that the SME entrepreneurs of marine fish processing in Gresik Regency, East Java need to further optimize the strengths (S) by having a large number of workers who are ready to work. In addition, the suppliers should be easy to get, simple machinery/equipment can be used and there is guaranteed product quality, raw material inventory and finished goods are stored in a safe place and the risk of damage/expiration should be avoided, experienced in calculating working capital costs, prices, and profits (Ahmed, 2010; Yusof, Oseni, & Hasan, 2016). Furthermore, they must have the skills to administer finances, calculate the cost of working capital, prices, and profits. The product has a variety of tastes, packaging and sizes, and prices (Bian,

Lin, & Liu, 2018). They should also provide convenience for consumers to conduct transaction such as delivery of goods, telephone purchases, online, etc(Alhifni, Huda, Anshori, & Trihantana, 2017). In addition, SMEs need to seek more information about MSME empowerment programs from the central and regional governments, BUMNs, universities and other parties who have an interest in improving the welfare of the community, especially the SME entrepreneurs of marine fish processing in Gresik Regency, East Java. This is needed so that SMEs can face obstacles (T) such as tight business competition, the natural situations that have great influence on production activities, the relatively high bargaining power of buyers, the relatively high bargaining power of suppliers, lack of support from BUMD and from other parties for increasing this business (Carneiro-Da-Cunha, Dos Santos, De Souza, Alssabak, & Macau, 2015).

The variables of this study are strengths, weaknesses, opportunities, and threats from several aspects including marketing performance, which is one indication that describes the progress of a company or a measure of achievement obtained from the overall marketing activity process of a company (Best, 2009). Ferdinand (2007) explains that good marketing performance is expressed in three main quantities, namely customer growth, sales growth, and market share. According to Kotler and Keller (2009), measurement of marketing performance can be seen from the conformance between the profit level, sales volume, market share, and customer satisfaction. Every business manager is required to make decisions that support the achievement of the company's goals through the earnings, namely the company's net profit; sales volume is goods sold in the form of money for a certain period of time and in it has a good service strategy; customer satisfaction is one's feelings after comparing the performance of the product he feels with his expectations (Abdullah, Kedah, & Anwar, 2015). According to Ujang et al (2011), market share is the percentage of

company sales compared to its close competitors, or is a key indicator of market competition because it shows how much the market is controlled by a company against its competitors.

The success of a company is largely determined by the success of the marketing efforts of the products it produces. According to Kotler and Keller (2009), the financial success of a business often depends on its marketing capabilities. Operational, financial, accounting, and other business functions are meaningless when there is no demand for products and services so the company does not make a profit (Ahmed, 2010). In doing so, marketing is an unavoidable aspect and must be carried out by a business engaged in sales or production. According to Halim (2016), marketing is an activity, a set of institutions, and a process for creating, delivering, and proposing a value offer to consumers, clients, partners, and society at large. Conceptually it is known that the four elements that influence the marketing success of a business, namely: product, price, place, and promotion.

According to Kotler and Keller (2000), a product is anything that can be offered to market to satisfy a want or need. Products that are marketed include physical goods, services, experiences, events, persons, places, properties, organizations, information and ideas. According to Lovelock and Wright (2007), products consist of goods, services, experiences, events, people, places, ownership, organization, information, and ideas; prices and other service costs are expenses of money, time, and effort by customers to provide and consume services; place and time are management decisions about when, where, and how to deliver goods and services to customers; promotion and education are all activities and tools that trigger communication designed to build customer preferences for goods and services, as well as providers of certain goods and services (Kashif et al., 2016).

In addition to good products, good HR (Human Resources) also determines the success of a business. According to Gary (2016), HR management is the process of obtaining, training, assessing, providing compensation to employees, paying attention to their work relationships, health, security and justice issues. According to Edy (2012), human resources are employees who are ready, able, and alert in achieving organizational goals. With better employee performance, even small businesses can provide great results. But to achieve this goal, good and directed HR management is needed for a business so that it can contribute meaningfully to the business. When HR management can be managed properly, business operations can run in balance. According to Edy (2012), there are three functions of HR management, namely managerial functions (planning, organizing, directing and controlling), operational functions (procurement, development, compensation, integration, maintenance, and termination of employment, and achievement of integrated organizational goals).

The production process is not directly related to consumers. However, obstacles in the production section can result in product/service being hampered to the consumers, which eventually results in disappointment or a bad image (Abubakar and Bella, 2013). If SMEs are not supported by a good production management system, then it might hamper the sales process which can ultimately harm the producers and can disappoint consumers. According to Sofjan (2016), the production process in a business activity includes the change process from raw materials to finished goods. The elements involved in the production process are raw materials, semi-finished goods, finished goods, machinery, equipment, methods, and others (Maamor, Rahman, & Hamed, 2016). Some activities in production management that need attention are: purchase of raw materials, quality control, finished goods storage, maintenance and delivery of goods.

Money is the blood for the survival of all business activities that must be fulfilled to finance a business. Therefore, good management or financial management is needed to achieve the goals of a business (Ali, Mukhtar, & Sofwan, 2016). According to Kasmir (2016), financial management is related to earnings, funding, and asset management activities with several overall objectives, including how to obtain and manage funds to finance a business so that the company's objectives are achieved, and how the company manages its assets efficiently and effectively. In financial management there are 3 focuses of attention, namely: aspects of funding sources, planning and use of funds, as well as financial supervision/control (Ali et al., 2016). Company funding sources are internal and external spending. The use of internal funds is the easiest way to get because it only takes available funds, including the use of business funds, use of reserves, and the use of profits that are not shared/ retained. But usually the amount is very limited (Fitriati, 2012). External funding sources include funds from owners or investments, loans both short and long term, assistance from central or regional government programs, funds from friends or family who want to invest, venture funds (Abdullah et al., 2015). Meanwhile, there are three aspects that must be considered in designing the use of costs, namely the initial costs or costs required when the company will be established, projections/financial designs that include the daily balance sheet, income statement, and cash flow statements, as well as analysis of capital return. Meanwhile, financial supervision/control is based on verification of financial transaction records in the form of financial statements.

External conditions can be identified through activities that include careful observation of competition, regulation, inflation rate, business cycle, consumer desires and expectations, and other factors that can identify opportunities and threats (Abubakar and Bella, 2013). Companies or SMEs must have strategic planning. Company leaders must try to find

a balance between internal and external strengths of a market and be able to objectively see internal and external conditions. Strategic planning is important for gaining competitive advantage (Rangkuti, 2003).

Conclusion

SMEs of marine fish processing in Gresik Regency, East Java will develop. This is because most business entrepreneurs are young, relatively well educated, and experienced. In addition, the skills of SMEs in Gresik Regency in terms of employee management, production, external business, and marketing strategies and the marketing performance achievement are good, except their financial management skill. The management index level of employees, production, external, marketing strategy and performance is ≥ 34 2.34, but the index level in the financial management is ≤ 34 2.34. The SME entrepreneurs of marine fish processing in Gresik Regency, East Java set their business priority on overcoming internal factors rather than external factors. This business development strategy model is S-T, which means optimizing the strengths in order to minimize obstacles that they must face. Therefore, the strategic recommendation is to develop competitiveness and improve good relations with customers.

This article can be use as an input for the government, universities or other parties that have an interest in the development of SMEs, among others, to provide opportunities for SMEs to participate in training to improve internal business management, namely human resources, marketing, and production; providing opportunities or support for these SMEs to participate in exhibitions that can develop markets for marine fish processing products. This study can be an approach for further study on the influence of internal and external business factors on SME marketing strategies and performance as well as study on the influence of business development strategy factors on SME performance.

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