

THE DEVELOPMENT STRATEGY FOR SMALL AND MEDIUM ENTERPRISES (SMEs) OF EMBROIDERY IN MEDAN

Frida RAMADINI

Universitas Sumatera Utara, Medan, Indonesia

Inggrita Gusti Sari NASUTION

Universitas Sumatera Utara, Medan, Indonesia

Abstract

The objective of this research is to implement the development strategy for embroidery SMEs in Medan, Indonesia. The data used were primary data from embroidery SMEs in Medan, using in-depth interview. The sampling methods is non-probability sampling. The data analysis technique used was SWOT analysis, by comparing internal factors with external factors. The results demonstrate that embroidery SMEs are included in Quadrant III with Defend Strategy. The applicable implementation of development strategy for embroidery SMEs in Medan is: embroidery SMEs need to make improvements to the manufacturing process for better products, the knowledge and skills about embroidery, and the capability to penetrate the embroidery market in Medan, thus they can create competitiveness.

Keywords: *Implementation, Development Strategy, Embroidery SMEs*

JEL Classification: *L27, L68*

I. INTRODUCTION

SMEs are a part of business activities that play a role in the provision of employment and the process of public income's equity and improvement, encouragement of economic growth, and embodiment of national stability. The SMEs empowerment in the globalization and the high competition force them to be able to cope with global challenges, such as improving human resource and technology development, their product, service innovation, expansion share of marketing, while not pushing aside the local values. SMEs have a pivotal role in increasing the people's economy while greatly contributing to the growth of national development. The increase the value of SMEs themselves primarily in the competition with incoming products to Indonesia, thus allowing SMEs to absorb workforce. The Small and Medium Enterprises are a priority sector that should be developed in the national economic development. The SMEs development is capable of contributing in the national economy and shows the role and activities of SMEs that keep increasing and becoming the support of national economic growth.

One developing sector of SMEs in Medan today is embroidery SMEs. Embroidery SMEs are prospective business to develop, as it is able to promote local culture. Embroidery has its own uniqueness and is highly potential to develop. The problems encountered by the embroidery SMEs actors are on the workforce (craftsmen), government support and consumers (Ramadini and Nasution, 2016, Nielsen et al., 2017 and Zhong & Chudasari, 2019). In the face of the problems, the embroidery SMEs always strives to be able to improve competitiveness in this competitive era. The sustainable development strategies must be implemented; allowing the embroidery SMEs to be more creative and more optimistic in developing their business while being able to grow and develop, and master existence and continuity. Meanwhile, the formulation of the problem in this research is: What are the strategies that should be implemented for the development of embroidery SMEs in Medan?

II. THEORETICAL BASIS

2.1 Small and Medium Enterprises

The SMEs is a stand-alone productive economic enterprise, run by an individual or a business entity; those not included as a subsidiary or branch of a company owned, controlled, or become a direct/ indirect part from Medium Enterprises or Big Enterprises fulfilling the criteria of Small Enterprises (Saiman, 2009). Although there are several definitions about small enterprises, they have nearly uniform characteristics. *Firstly*, there is no clear division of tasks between the administrative and operational fields. Most small industries are managed by individuals who double as owners and managers of the company, while utilizing their family and close relatives as their workforce. *Secondly*, low access to formal institutions funding that they tend to rely on their own capital or from other sources, such as family, relatives, intermediary traders, and even moneylenders. *Thirdly*, characterized by the non-existent status of legal entities (Ferine *et al.*, 2017 and Duarte et al, 2018 and). The

success of small and medium enterprises has a direct impact on economic development in both developed and developing countries (Demirbag et al. 2006 and Chowdhury & Alam, 2017). Small and medium enterprises have the ability to create employment at minimum cost. They are the pioneer in the innovation have a high flexibility to meet customer needs (Brock and Evans, 1986; ACS Audretsch, 1990, Vixathep et al., 2017). Urata (2000) stated that the development of small enterprises in Indonesia, asserting that small enterprises in Indonesia play an important role in several ways. Their roles are: (1) becoming the main players of Indonesia’s economic activities; (2) the provider of employment; (3) the important players in the development of local economy and community development; (4) the creator of the market and innovation through its dynamic flexibility and sensitivity, in addition to its association with several companies; (5) contributing to the increase in non-oil and gas exports.

2.2 Competitiveness

The Competitiveness has a significant effect on expanding of market share and improving company productivity and expanding market access (Ceptureanu, 2015 and Cadil et al., 2017). It will lead to an increase in sales turnover and profitability of the company. Megasari, (2014) states that the indicators of competitiveness are product, innovation, volume, market share, turnover, quality, profit, average education level of the workers and employers, number of standardization certificates owned, and patents purchased, standardized, the type of technology used, marketing, production, productivity/efficiency, the value of machinery, production machine, asset, the marketing cost and network or cooperation. Tambunan (2002) states the characteristics of competitive advantages are having good quality of human resources, optimalization of technology, efficiency and increasing productivity, capable of improving product quality, broad promotional access, having a structured quality management system, adequate capital resources, having a wide business network, and having entrepreneurial spirit.

III. RESEARCH METHODS

The present research was conducted on embroidery SMEs located in Medan. The sampling technique in this research was Non-Probability Sampling, namely saturated or census sample as the population was not so many in number. Sugiyono (2004) states the saturation sample was a technique of determining the sample when all members of the population were used as samples. It is commonly done when the population is relatively small, less than 30 people. The method used to analyze this SMEs development strategy was SWOT analysis. SWOT analysis was used to systematically identify varying factors for formulating development strategies (Singh et al., 2018, Wang, 2018 and Yang, 2018). The SWOT analysis compared the external factors of opportunities and threats with internal factors of strengths and weaknesses.

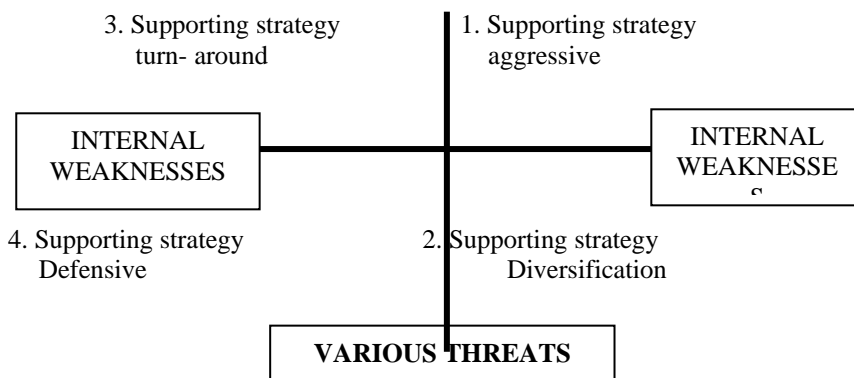


Figure 1. SWOT Analysis

Quadrant 1: is a highly beneficial situation because SMEs have the strengths and opportunities to take advantage of existing opportunities. And the strategy that must be carried out is to support an aggressive growth policy (growth-oriented strategy). Quadrant 2: despite encountering various threats, SMEs still own internal strengths. The strategies that need to be performed are to use the strengths to utilize long-term opportunities using product/ market diversification strategies. Quadrant 3: SMEs face a huge market opportunity, but on the other hand, SMEs encounter a number of internal constraints. The focus of SMEs is to minimize internal problems so as to take over better market opportunities. Quadrant 4: is an extremely disadvantageous situation since SMEs are facing many internal threats and weaknesses.

IV. RESULTS AND DISCUSSIONS

Below is a table of strengths and weaknesses factors, as well as opportunity and threat factors in embroidery SMEs in Medan.

Table 1. Strengths and Weaknesses Factors in Embroidery SMEs

Internal Strategy Factors	Sp	K	Spxk	Weight	Rating	Score
Strengths (S)						
1. Using Own Capital	2	8	16	0,1	2	0,2
2. Easy-to-get raw materials	3	8	24	0,15	2	0,3
3. The selling price can be high	1	8	8	0,05	2	0,1
4. The availability of craftsmen	4	8	32	0,2	3	0,6
Sub Total						1,2
Weaknesses (W)						
1. Low product quality	2	8	16	0,1	3	0,3
2. Totality in running entrepreneurship	4	8	32	0,2	4	0,8
3. Dependence on machine from China	1	8	8	0,05	2	0,1
4. Have not owned strong characters	3	8	24	0,15	4	0,6
Sub Total						1,8
Total			160	1,00		3,0

Table 2. Opportunity and Threats Factors in Embroidery SMEs

External Strategy Factors	SP	K	SPxK	Weight	Rating	Score
Opportunity (O)						
1. Frequent training	2	8	16	0,1	2	0,2
2. Many people having interest in the product	4	8	32	0,2	2	0,4
3. Product can be diversified	3	8	24	0,15	2	0,3
4. Usage of technology development	1	8	8	0,05	1	0,05
Sub Total						0,95
Threats (T)						
1. Similar products can be sold in cheap price	4	8	32	0,2	2	0,4
2. Competitors from outside areas	3	8	24	0,15	3	0,45
3. Consumers are less enthusiastic with Medan embroidery	1	8	8	0,05	2	0,1
4. Lack of attention from the government	2	8	16	0,1	2	0,2
Sub Total						1,15
Total			160			2,1

From the table above, the score value obtained for strength factor is 1.2, and the score value for weakness factor is 1.8. The difference of these two factors is (-) 0.6. Meanwhile, the score for the probability factor is 0.95, and the score for the threat factor is 1.15. The difference for that factor is (-) 0.2. Furthermore, the score difference is depicted in the SWOT diagram, where the strength and opportunity factors are given with the score (+), while the weakness and threat factor are given with the score (-). The SWOT diagram is presented in the figure below.

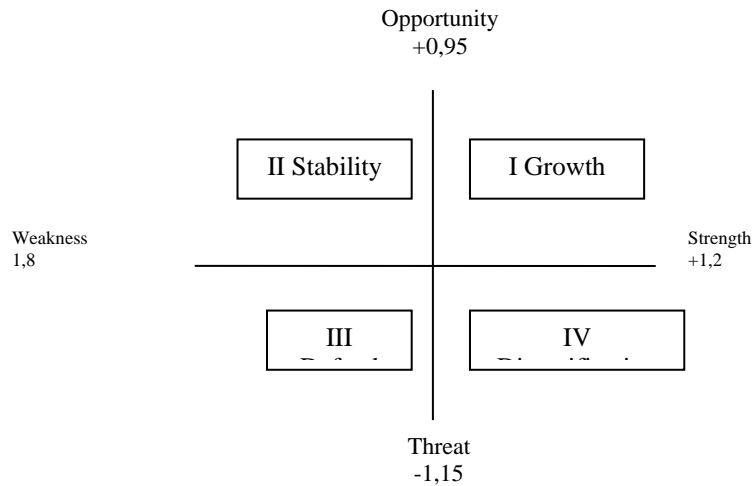


Figure 2. Cartesians Diagram of SWOT

Based on the SWOT’s Cartesian Diagram, it appears that SMEs are included in Quadrant III, meaning that the development strategy for SMEs is WT strategy. It is a strategy that suppresses all weaknesses and prevents all threats or known as Defend strategy. In the defend quadrant, SMEs face various internal threats and weaknesses so that the situation is not profitable. The strategy is to survive, focused on business improvement. It tries to minimize the existing weaknesses and avoids the threats being met. From the identification results on the strength and opportunity factors, as well as weaknesses and threats, it can be seen that the strengths of embroidery SMEs are the ability of SMEs to use their own capital, easy-to-get raw materials, high embroidery selling price, and the availability of embroidery craftsmen.

The opportunity factors are frequent training, enthusiasts of many embroidery products, diversified products, and the use of technological advances in embroidery production processes. For the weakness factor is the low product quality. The lack of totality in running entrepreneurship, dependence on machine made in China and the final product is yet to have strong characters. For threats, there are similar products sold at cheaper prices, competition with embroidery products from outside regions, consumers who are not really interested in embroidery products in Medan.

The low quality of embroidery products must be improved through production process enhancement. SMEs should regrow the spirit and enthusiasm for entrepreneurship by continuously improving the entrepreneurial knowledge and skills. It can be done by attending various embroidery training, so that the final product has uniqueness and high selling value. The embroidery SMEs actors must know the target market segment for the products resulted. If the market segment is clear and the product quality is good, then the embroidery product will be able to compete with the products from outside regions and will not worry with the selling price of similar products sold with cheaper price. The non-optimal role of local government becomes a threat to the embroidery actors. It is expected that the government will be more serious in marketing embroidery products. Below is the SWOT Matrix that describes the combination of development strategy for embroidery SMEs.

Table 3. Combination of Quantitative Strategy of Embroidery SMEs

EFAS	IFAS	STRENGTH (STRENGTH = S)	WEAKNESS (WEAKNESS = W)
OPPORTUNITY (OPPORTUNITIES = O)		Strategy SO 1,2 + 0,95 = 2,15	Strategy WO 1,8 + 0,95 = 2,75
Threat (THREAT = T)		Strategy ST 1,2 + 1,15 = 2,35	Strategy WT 1,8 + 1,15 = 2,95

The combination of strategies presented in the table above indicates that SMEs should use the WT strategy because it has the highest score at 2.95. Next is the WO strategy with a score of 2.75, followed by ST strategy with a score of 2.35, and the last is SO strategy with a score of 2.15. The implementation of this strategy is as follows:

1. Embroidery SMEs should make improvements to the production process so as to create better products.

2. Embroidery SMEs need to be more serious in developing the established embroidery business by continuously improving the knowledge and skills regarding embroidery and entrepreneurship.
3. SMEs actors should be able to penetrate embroidery market in Medan that they can stand the competition which is done by improving the quality of embroidery products. Therefore, it can attract the attention of consumers.
4. The role of government that is perceived non-optimal by SMEs actors can be improved by continuously and actively promoting products through exhibitions. In these exhibitions, they have only brought in their products, although it is actually expected that in the future, the SMEs actors can partake in the exhibitions for both national and international levels. From the exhibition, SMEs actors can learn from other exhibitors so as to increase their insight and knowledge.

V. CONCLUSIONS AND SUGGESTIONS

5.1 Conclusions

Embroidery SMEs are in quadrant III with Defend Strategy. The implementation of this Defend Strategy is:

1. Embroidery SMEs need to make improvements to the production process to produce better products.
2. Embroidery SMEs need to be more serious in developing the existing embroidery business by continuously improving the knowledge and skills regarding embroidery and entrepreneurship.
3. SMEs actors should be able to penetrate embroidery market in Medan that they can stand competition by improving the quality of embroidery produced. Therefore, it can attract the attention of consumers.
4. The role of government that is perceived non-optimal by SMEs actors can be improved by continuously and actively promoting products through exhibitions. In these exhibitions, they have only brought in their products, although it is actually expected that in the future, the SMEs actors can partake in the exhibitions for both national and international levels. From the exhibition, SMEs actors can learn from other exhibitors so as to increase their insight and knowledge.

5.2 Suggestions

The suggestions in this research are:

1. The embroidery SMEs actors should go all out in the entrepreneurship, thus they will be able to continue developing their business.
2. The SMEs actors to pay more attention to the quality of the products created.
3. The need for more serious, genuine, and right on target government's support to develop and promote products of embroidery SMEs.

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