

DETERMINE ALTERNATIVE STRATEGY BY USING SWOT ANALYSIS: CASE STUDY AT RAPI AYU HANDICRAFT

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ABSTRACT

Rapi Ayu Handicraft is one of small medium enterprises which has location at Jambangan-Surabaya and engaged its business in handicraft. The aims of this study are to determine alternative strategies that can be applied in the SMEs by using SWOT analysis. This is qualitative research with data collection techniques through interviews and observation. Based on the results of SWOT analysis at SMEs Rapi Ayu Handicraft, there are several alternative strategies that can be used in the SMEs. These strategies include: (1) Improving the quality of service to consumers in the face of new competitors, (2) Finding and maintaining suppliers that sell at low prices, (3) Making new innovations, (4) Creating a new look for (5) Using modern technology to improve the production process, (6) Utilizing the internet media to do product marketing, (7) Looking for a more strategic place so that the consumer easy to access the place.

Keywords: *Small and Medium Enterprises (SMEs), SWOT Analysis, Waste management, Handicraft*

INTRODUCTION

The importance role of Small and Medium Enterprises (SMEs) in Indonesia is its function as a catalyst of Indonesia's economic recovery. Data show that 18% of manufacturing gross output in the UK is produced by SMEs (Ghobadian and Gallear, 1996), while in Japan, 72% of all workforce are involved in SMEs, 53% in the US and 53% in Korea (Kalpande et al. 2010).

Based on data from State Minister for Cooperatives Small and Medium Enterprises Republic Indonesia, the contribution of SME to Gross Domestic Product (GDP) in 2016 has reached 61.41 percent (Mutmainah, 2016). This is the largest achievement compared to other countries in the ASEAN region. Moreover, the SME sector also contributed to the absorption of domestic workforce in the last five years, from 96.99 percent to 97.22 percent. Thus, the accomplishment of SMEs in increasing people's income and fighting poverty in Indonesia has been taken into account.

Although Surabaya has a high population density and large area, the job availabilities become the main problem in the city. Barnes et al. (1998) states that political, economic and social are very important in helping SMEs survive and develop, particularly to support job growth. Not only vocational problem, but also the increasing number of people affect to the huge number of waste from consumption both plastic and organic. Plastic is not harmful, but it could disrupt the environmental if it left unchecked. Therefore, the use of waste recycle into valuable goods with high selling value would be one of the best solution for environment sustainability.

Rapi Ayu Handicraft produces handicrafts that utilize waste from both industry and household. Making handicrafts using plastic waste needs proper creativity. Rapi Ayu Handicraft was

founded by Ms. Puji who is motivated to see the phenomenon of population density in Surabaya which is inversely proportional to the number of available jobs. This opportunity will make difficulties for women or housewives to find work. Thus, Ms. Puji established Rapi Ayu Handicraft to provide training and skill improvement for her surrounding community. Based on data from the Department of Statistics of Malaysia, it is known that in Malaysia there is a proportion of women who are actively involved in entrepreneurial activities with significant figures that is 19.7 percent of total Malaysian SMEs (Department of Statistics, 2011). Where only about 6.9 percent are involved in manufacturing (Department of Statistics, 2011).

Using the existing waste and converting them into useful goods and have high selling value are the competitive advantage from Rapi Ayu Handicraft. That increase self-reliant of Surabaya community, particularly women by helping them to have skills and meet their economic needs. In addition, Al Mamun et al. (2018) explains that women's involvement in entrepreneurship is recognized as a major contributor to job creation and creative innovation.

Small and Medium Enterprises (SMEs) in Indonesia, specifically Rapi Ayu Handicraft has not applied SWOT analysis to support the business development. Johnson and Scholes (1994) cited in Kalpande et al. (2010) stated that the purpose of SWOT analysis is to know specifically the company's strategy that is applied based on the company's internal ability to face the changes that occur in the external environment of the company. The purpose of this research is to develop SWOT analysis for Rapi Ayu Handicraft products in order to have strategic position in market.

LITERATURE REVIEW

Micro, Small, and Medium Enterprises (MSMEs)

Low budget to develop business for micro, small, and medium enterprises (MSME) increase community interest to participate in the sectors in Indonesia. There are three indicators which show Micro-SMEs (MSMEs) have a significant role in Indonesia economy. First, almost all sectors of economy represented by the number of MSMEs. Second, MSMEs have great potential in absorbing labors. Third, MSMEs contribute substantially to national income (Anwar, 2013). The development of MSMEs in Indonesia until 2012 has been able to absorb 107,657,509 workers or 97.16% of the workforce is engaged in SMEs. In 2012, the number of UMKM units in Indonesia is 56,534,592 business units or 99.99% and is dominated by micro business of 98.79% (State Minister for Cooperatives Small and Medium Enterprises Republic Indonesia, 2014).

Although MSMEs are perceived as the main drivers of the economy and the source of job creation, they still face financial difficulties (Schwab, 2015). One reason is that SMEs in running their business in Indonesia is often still a business in the informal sector. The majority of them have not been legally registered. This is the difference between large companies and MSMEs in terms of access to finance. In fact, every business, whether large and medium-sized companies and small will certainly expect a better performance from year to year. The Government of Indonesia has identified the SME sector as the key to promoting growth, employment creation, and poverty alleviation.

The total contribution of SMEs to the National GDP is an accumulation of all sectors of the economy of SMEs. The classification of economic activities follows the concept of ISIC (International Standard Classification of All Economic Activities) which was revised in 1968. The classification of this sector aims to facilitate the comparison of the level of economic activities between various activities: Based on Republic Indonesia Law Number 20 2008 on Micro, Small and Medium Enterprises (MSMEs), the meaning of Micro, Small and Medium Enterprises determined as follow:

- 1) Micro Business is productive business owned by individual and/or individual business entity fulfilling the criteria of Micro Business.
- 2) Small-scale business is a stand-alone productive economic enterprise undertaken by an individual or business entity that is not a subsidiary or not a branch of a company owned, controlled, or becomes part of either directly or indirectly from a Medium-Sized Enterprises or a Large Business criteria of Small Business in this Law.

- 3) Medium-sized Enterprises shall be independent, productive economic enterprises, carried out by individuals or business entities that are not subsidiaries or branches of a company owned, controlled, or become part directly or indirectly with the Small Business or Large Business with the amount of wealth net or annual sales results.

Characteristics of SMEs is the nature or condition factual inherent in the business activities and behavior of the entrepreneur concerned in running his business. This characteristic is the distinguishing characteristic between business actors according to the scale of their business. According to the World Bank, MSMEs can be grouped into three types:

- a) Micro Business (number of employees 10 people);
- b) Small Business (number of employees 30 people); and
- c) Medium Enterprises (number of employees up to 300 people).

In the business perspective, LIPI and Bank Indonesia (2015) classify MSMEs in four groups, namely: 1) UMKM informal sector, for example street hawkers. 2) Micro SMEs are enterprises with the ability of the craftsmen, but lacks entrepreneurial spirit to develop their business. 4) Dynamic Small Business is a group of MSMEs capable of entrepreneurship by establishing cooperation (receiving sub contract work) and export. 5) Fast Moving Enterprise is a UMKM that has a capable entrepreneurship and is ready to transform into a big business.

Waste Management is Business Value

Waste management in Indonesia itself has been regulated in Republic Indonesia Law Number 18 2008. However, there are still obstacles in the implementation of waste management. As part of regional autonomy, matters relating to waste management are under the jurisdiction of local governments at both the city and district levels (Tribunnews.com, 2018). Efforts to improve the quality of residential environments have been proclaimed by the government, both in urban and rural areas in the form of waste recycling program, Waste Bank, up to waste management in residential neighborhoods with business value. According to Darwin (2006) cited in Wibowo (2010) garbage has become the main problem agenda faced by almost all regions in Indonesia. On the other hand, people's motivation in managing waste has not been seen. People's lifestyles still prioritize the fulfillment of life needs so that waste management problems have not become a priority to be addressed. The behavior and habits of people or individuals to manage waste has not led to positive behaviors such as dumping in its place (Wibowo, 2010), or even changing waste into a business value product of handicrafts and home furnishings.

Handling of residential waste requires the active participation of individuals and community groups in addition to the role of the government as a facilitator. Public ignorance of waste will result in degradation of environmental quality that will affect the quality of life of people in a region. The degradation of environmental quality is triggered by community behavior that is not environmentally friendly, such as disposing of waste in water bodies (Widiati and Alkadri et al. 1999 cited in Wibowo, 2010).

In the participation of every member of society is required a contribution or contribution. The contribution is not limited to finance and finance but can be formed in power and thought. In this case can be realized in 4M which is manpower (energy), money (money), material (objects), and mind (idea or idea). According to Walgito (1999) cited in Furnanda (2012), community participation has a close relationship between individuals with each other or vice versa, so without maximum participation, then any development activities will be less successful. According to Wibisono and Alfiandra (2009) cited in Furnanda (2012), participation is defined as the participation, involvement and equality of community members in a particular activity, either directly or indirectly, from ideas, policy formulation, program implementation and evaluation, in the concept of community empowerment.

SWOT Analysis

SWOT analysis as a strategic planning method used to evaluate strengths, weaknesses, opportunities (opportunities), and threats in a project or a business speculation. This process involves determining the specific objectives of business and identifying internal and external factors that support and which are not in achieving that goal. SWOT analysis can be applied by analyzing and sorting things that affect the four factors, then applying them in SWOT matrix

images, where the application is how strengths are able to take advantage of existing opportunities, how to overcome weaknesses that prevent the advantages of existing opportunities, then how strengths are able to deal with existing threats, and the last is how to overcome weaknesses that can make threats become real or create a new threat. According to Nisak (2004) elements of SWOT include strength, weakness, opportunities, and threat are distinguished based on external and internal factors (Table 1).

Table 1. Internal and External Business Factor

	Positive Impact	Negative Impact
Internal Origin	Strengths (S)	Weaknesses (W)
External Origin	Opportunities (O)	Threats (T)

The SWOT analysis is expected to maximize the company's strengths and opportunities and to minimize weaknesses and threats. In the business functional areas, each organization must have strengths and weaknesses, but opportunities and threats are factors that, the environmental factors facing a particular business or organization. According to David (2006) all organizations have strengths and weaknesses in the functional areas of business. No firm is as strong or weak in all areas of the business. Internal strengths / weaknesses, combined with external opportunities / threats and clear mission statements, form the basis for goal setting and strategy. Goals and strategies are set with the intention of harnessing internal strengths and overcoming weaknesses.

The environmental analysis is divided into two: the external environment and the internal environment. External factor is a force (strength) that is outside the corporate environment so that companies have no role to change these factors. The internal environment is the environment within the company and the company can control this environment and can be a place to take an opportunity (Kotler 2008).

Strengths (*Strengths*) of the company can be seen from the advantages of the company dipili good resources, or the advantage to win the competition. Weakness Company can be seen from the limited resources, skills, and capabilities that impede the company's performance. For example: inadequate facilities, weak financial resources, poor management skills and lack of marketing skills.

Opportunities company can be seen as a factor from outside the company who profitable and provide opportunities for the company. Examples of technological changes, increased corporate relationships with buyers or suppliers, and so forth. Threats is a state that is unfavorable to the company, are disturbing the position of the company today and in the future, such as new government regulations or revised and potentially interfere with the success of the company.

The analysis of enterprise environment using SWOT analysis model is done by comparing the external factors with internal factors (Rangkuti, 2006). According to Nisak (2004) tool used to compile the company's strategic factors is the SWOT matrix. This matrix (Table 2) can clearly illustrate how external opportunities and threats facing the company can be tailored to the strengths and weaknesses it has. This matrix can generate four sets of possible strategic alternatives. Process matching internal and external factors will produce four alternative strategies:

1. SO Strategy (*Strength and Oppurtunity*), where the company exploits all its power to seize and take advantage of opportunities as much as possible.
2. ST Strategy (*Strength and Threats*), where the company will use its power to cope with threats.
3. WO Strategy (*Weakness and Oppurtunity Strategy*) where companies will take advantage of opportunities by minimizing existing weaknesses.
4. WT strategy (*Weakness and Threats*) where the company will be defensive and try to minimize weakness and avoid threats.

Table 2. SWOT Matrix

	Strengths	Weaknesses
Opportunities	SO Utilizing strengths to obtain opportunities	WO Utilizing opportunities by minimizing weaknesses
Threats	ST Utilizing strength to overcome threats	WT Defensive activity, minimizing weaknesses and avoiding threats

Source: Nisak (2004)

RESEARCH METHODS

Qualitative research is selected because the results of this research will be in the form of data description. Qualitative data is obtained from interviews, field notes, photographs / drawings, personal documents of personal records, and other official documents (Moleong, 2005).

The data of this research are primary data and secondary data. Primary data obtained from the direct interview with the relevant informant, the owner of Rapi Ayu Handicraft. This SME is located on Jl. Pagesangan III GG Mawar No. 24 Surabaya. The data is then analyzed using SWOT analysis with the following stages:

- a. Describing internal factors (strengths and weaknesses) and external factors (opportunities and threats).
- b. Internal factors included IFAS matrix (Internal Strategic Factor Summary Analysis) and external factors included EFAS matrix (External Strategic Factor of Summary Analysis).
- c. The result of IFAS and EFAS is compiled into qualitative model that is SWOT matrix to formulate strategy.

RESULT AND DISCUSSION

SWOT analysis result include strength, weakness, opportunity and threat to Rapi Ayu Handicraft:

1. Strengths of Rapi Ayu Handicraft
 - a. Buyers can order the product according to the customer's request
 - b. Handmade products from recycle waste.
 - c. Huge network of suppliers that offer low prices for materials.
 - d. Having innovative ideas and skills to recycle invaluable materials.
2. Weakness of Rapi Ayu Handicraft
 - a. Rapi Ayu Handicraft location is in the village.
 - b. Bad administration and financial records.
 - c. Less promotion strategies.
 - d. Demand that follows the season.
 - e. No special store to sell products.
 - f. Packaging that are less attractive.
 - g. The structure of the organization is very simple.
 - h. There is no separation between the property owner's property and company.
3. Opportunities of Rapi Ayu Handicraft
 - a. According from the level of productivity in the financial statements from year to year can be expanded by increasing the company's assets.
 - b. Increasing demand for handicraft.
 - c. Providing employment opportunities for women prone to socioeconomic around SMEs and provide additional economic for local residents.

- d. Helping environment by reducing plastic waste around Pagesangan.
4. Threats of Rapi Ayu Handicraft
- a. Technological developments make Rapi Ayu Handicraft possibility to compete with Other SMEs that use more modern technology
 - b. Raw material price increase
 - c. Number of emerging new competitors
 - d. Consumer tastes are changing

After the identification and elaboration of internal and external factors on Rapi Ayu Handicraft then analyzed to be able to determine strategies and steps that can applied in the future to Rapi Ayu Handicraft.

Next using the IFAS matrix (Internal Strategic Factor Summary Analysis) and EFAS (External Strategic Factor Analysis Summary), the factors were analyzed and the results continued by making the SWOT matrix from the product Rapi Ayu Handicraft.

Table 3. Strategic SWOT matrix

Internal Factors	Strengths (Strengths-S) a. Buyers can order the product according to the b. Having a good supplier network that has relatively affordable price. c. Products is innovative and having variation. d. Using raw materials recycling.	Weaknesses-W a. Location of SME production is less strategic. b. The administrative and financial records are not good enough. c. Less promotion strategies. d. Demand that follows the season. e. No special store to sell products. f. Packaging less attractive. g. The organizational structure is too simple. h. Do not have a permanent employee
External Factors		
Opportunities (O) a. Increase the level of productivity by increasing its assets. b. The growing demand for handicraft. c. Provide employment opportunities and welfare of socio-economic vulnerable women around SMEs. d. The needs to reducing plastic waste around Pagesangan.	SO Strategy a. Maintains and improves relationships with suppliers. b. Improves and creates new innovations for the product. c. Maintain using recycled materials. d. Maintaining sales commitment at affordable prices with good quality.	WO Strategy a. Create a clearer organizational structure b. Adding permanent employees to increase production. c. Cooperate with craft stores that have strategic places. d. Improve attractive packaging design e. Conducting bookkeeping in suitable Financial Accounting Standards. f. Expanding promotions to make the product more familiar to the public.
Threats (Threats-T) a. Technological developments makes the increasing competition between SMEs using more modern technology. b. Rising raw material prices. c. Increasing number of emerging new competitors. d. The faster change in consumer tastes.	ST Strategy a. Improving the quality of service to consumers in the face of new competitors. b. Maintain and locate suppliers who sell at low prices. c. Make new innovations. d. Create a new look for consumers not to get bored.	WT Strategy a. Using modern technology to improve the production process. b. Utilizing the internet media to help product marketing to not only wait for customer orders only. c. Looking for a more strategic place is not in the village so that consumers are easy to access there.

Based on the SWOT matrix (Table 3), there are internal factors and external factors which present in Rapi Ayu Handicraft. Strengths, Weaknesses, Opportunity, and Threats which present in Rapi Ayu Handicraft can be analyzed to choose appropriate strategies that should be applied. Maximizing the strengths and taking plan of existing opportunities that belong to Rapi Ayu Handicraft can establish strategies: maintaining and improving good relationships with suppliers, improving and creating new innovations for products, maintaining the use of recycled materials, and maintaining sales commitment with affordable price with good quality.

For the weaknesses, Rapi Ayu Handicraft can take advantage of opportunities that exist to minimize these weaknesses. Such strategies that must be applied in Rapi Ayu Handicraft include: organizing a clear organizational structure, adding permanent employees in order to increase production, in collaboration with craft stores that have strategic places, improve design packaging to make it more interesting, do bookkeeping in accordance with the appropriate

Financial Accounting Standards, and expand the promotion for the product more familiar to the public.

In an effort there must be a threat from outside, but with the strength of Rapi Ayu Handicraft can minimize the threats that exist with appropriate strategies. Strategies that need to be applied in Rapi Ayu Handicraft include: improving the quality of service to consumers in the face of new competitors, maintaining and looking for suppliers who sell cheaper, doing a new venture, and creating a new look innovation for consumers.

To face the internal weakness and outside threats, Rapi Ayu Handicraft need to be very clever in setting strategy to minimize the weaknesses and threats. Strategies that need to be applied include using modern technology to improve the production process, utilizing the internet media to help product marketing, and finding a more strategic place (better the city than the village) that make consumers easier to access their products.

CONCLUSION

Based on the analysis of the internal environment in Rapi Ayu Handicraft there are some strengths and weaknesses that will effect on Rapi Ayu Handicraft business development: 1) The existence of Rapi Ayu Handicraft opens new opportunities for its circumstances but some threats occurred internally that will disturb the balance of Rapi Ayu Handicraft business such as technology. 2) Although Rapi Ayu Handicraft offers new product for marekt that consider as one of its strengths, some weaknesses exist in its operation especially in marketing aspects.

Rapi Ayu Handicraft could improve and develop its business among others through some steps: 1) apply the bookkeeping in accordance with the Financial Accounting Standards, so that the company's finance between income and expenditure more clearly. 2) Cooperate with craft shops and open stores which have strategic location to sell more products. 3) Improve product quality by making product innovations. 4) Utilizing technology to expand the promotion for the product more widely known to the public.

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