Swot Analysis Utilization In Designing Performance Development Strategy for Micro, Small & Medium Enterprises in Malang Area Coordinator

**Adya Hermawati, Dwi Anggarani, Sandra Irawati and
Syamsul Bahri**

Abstract--- The Department of Cooperative and Micro, Small & Medium Enterprises (MSMEs) in Malang Area Coordinator has given its endeavor to develop MSMEs to become the economic power with strong commitment to improve people welfare. Research objective is to utilize SWOT in designing performance development strategy for MSMEs in Malang Area Coordinator. Primary data were used and collected with questionnaire distributed to respondents at 120 MSMEs in 6 regencies or cities in Malang Area Coordinator. Analysis instrument of this research is SWOT, and the reason of its selection is that it allows researcher to identify and understand strength, weakness, opportunity and threat around the development of MSMEs in Malang Area Coordinator. Internal and external factors of MSMEs in Malang Area Coordinator, either as a whole or per location, are evaluated. Result of this evaluation shows that MSMEs are in a good position, which is in Quadrant I. Therefore, the expected strategy is Strength-Opportunity (SO).

Keywords--- Area Coordinator, Swot Analysis, Development Strategy.

1. Background

The Department of Cooperative and Micro, Small & Medium Enterprises in Malang Area Coordinator has since long ago developed MSMEs to become the economic power with capability to improve people welfare. Puji Suci (2013b) determined that MSMEs development strategy focuses on human resource development. It is always said that human resource is an important factor in every business, including MSMEs. The success of MSMEs in penetrating global market, in dealing with import product at domestic market, and in strengthening product existence, is determined by several factors, but the most prominent is the competency of the entrepreneurs. However, it is not too much surprising if MSMEs are lacking of skilled human resource and still relying on relatively conventional strategy for human resource management. These are general weaknesses of Indonesian MSMEs. Therefore, human resource development strategy is reasonable to be promoted as the real solution to the problem. One possible strategy is the creation of partnership among MSMEs.

Hermawati, (2017, 2018) asserted that the contribution of MSMEs to national economic has been well understood, and that the government then decides to monitor the development of MSMEs in small and medium cities. One activity relevant to this monitoring is the establishment of MSMEs Empowerment Station. Moreover,

1)*Magister of Management, Postgraduate Program, Widyagama University of Malang. E-mail: wati_wati38@yahoo.co.id*
2)*Faculty of Economic, Widyagama University of Malang.*
3)*Faculty of Economic, Muhammadiyah University of Malang.*
4)*Faculty of Economic, Widyagama University of Malang.*

Micro, Small & Medium Enterprises have been meaningfully contributive to the improvement of socioeconomical level of Indonesian citizens after the emergence of global market, ASEAN Economic Community, Asian Free Market, and other economic associations.

According to Puji Suci (2009, 2013a, 2013b, 2013c), organization is existed to attain growth and development, and therefore, organization is required to emphasize on humanistic strategy to develop their human resource base to ensure that their workers work in optimum, effective and efficient ways. Meanwhile, Loyd (2001), as supported by Hermawati & Puji Suci (2017) and Suwarta (2010, 2014), asserted that *competitive advantage* is the most critical foundation for the success of MSMEs. This *competitive advantage* can be attained through visionary leadership. Visionary leaders are those who can "read" market trend, technological progress, and competition change. Leadership style that MSMEs possibly need is leadership with capability to answer their human resource problem, especially in how to prepare their human resource to be competitive in global market.

Hermawati (2015, 2016) found that MSMEs maintain their existence by exploring opportunities and efforts possibly needed to deal with challenges in global market age. She suggested that MSMEs should focus on optimizing human resource performance. Good development prospect is not only attained through implementing *transglobal leadership* and *quality of work life* , but also through strengthening the integration of *transglobal leadership*, *quality of work life*, and *job involvement*, which culminates at *employee performance* and organizational performance of MSMEs.

The role of human resource is quite relevant, or even central, to the attainment of *competitive advantage*. Therefore, it is also relevant for any researches to examine the critical issues that organizational managers must cope with before they decide to optimize employee performance at MSMEs. At least, it must be noted that employee performance has great contribution to the optimization of organizational performance (Hermawati, 2011,2013, 2014, 2015a; Puji Susi & Hermawati, 2017, 2018). By taking the explanations above as background, the current research is attempting to utilize SWOT to design performance development strategy for MSMEs in Malang Area Coordinator.

2.   Theoretical Review

Using two-factor theory proposed by Frederick Hezberg, Thomas (2001) declared that if employee demand is fulfilled, employees must feel satisfied, maximize their work, be accountable, and be willing to give better performance. The implication of this fulfillment is the optimization of individual performance, which in turn contributes to the improvement of organizational performance.

Sudaryanto & Wijayanti (2013) analyzed MSMEs' empowerment strategy to cope with ASEAN Free Market. They used descriptive explorative approach and collected the data with literature review and documentation study. They got two findings, which respectively are (1) that developmental strategy of MSMEs in Indonesia cannot be separated from the support of human resource; and (2) that market mechanism, which becomes more open and competitive, especially in ASEAN region, should be anticipated by building human resource competency. The latter is the precondition to increase *competitive advantage*. The attainment of *competitive advantage* may enable MSMEs

to reach their expected growth and development in global market. Hermawati (2015a), Hermawati & Nasarudin (2016, 2017), and Hsu (2012), were among the scholars who agree with theories suggested by Porter & Lawler (1968) and Kanungo (1982). In general, both theories explained that job involvement determines the direction of employee performance. There is positive relationship between job involvement and employee performance. Job involvement influences employee performance. Based on organizational perspective, job involvement is defined as positive subject with great impact on employee performance and organizational performance.

If employee performance is taken into account, relevant findings were already given by Husnawati (2006), Hermawati (2013, 2014, 2015a), and Hermawati & Puji Suci (2015b, 2018). Their studies analyzed few causal relationships, such as: the effect of *quality of work life* (QWL) on employee performance, work satisfaction, and work motivation; the effect of work motivation on employee performance; and the effect of work satisfaction on employee performance. Their findings can be summarized as following: (1) QWL has direct effect on employee performance; (2) QWL implementation through its dimensions, such as participation, growth-development, compensation-reward, and work environment, is influencing employee performance improvement; (3) QWL influences the improvement of organizational commitment, which then influences employee performance; and (4) QWL influences work satisfaction, which then contributes to the optimization of employee performance.

Furthermore, still related with employee performance, Sari & Ja'far (2010) had analyzed forty seven (47) middle managers at small & middle industries in Central Java, and they found that these managers have high level of job experience and job involvement but they fail to produce high performance. Mohsan (2011) proved that there is weak relationship between job involvement and employee performance. Dartu (2007) from the study on MSMEs' organizational structure said that job involvement of employees is influencing individual performance of employees.

3. Method of Research

Research location is Micro, Small & Medium Enterprises in Malang Area Coordinator. There are six areas covered by Malang Area Coordinator. These include Malang City/Regency, Batu City, Pasuruan City/Regency, and Sidoarjo Regency. The subject of research is the employees of MSMEs. The selection of employees as the subject is based on two reasons, which respectively are (1) because employees are those who are mostly available in giving explanation to researcher about *transglobal leadership*, *quality of work life*, *job involvement*, and *employee performance*; and (b) because employees are the organizational tip-of-spear who always communicate directly with other members of the organization, consumers and members of community. Pursuant to the data from the Department of Cooperative and MSMEs (2016), this research determines the size of population as 2,790 employees. Data source is primary data that are collected with questionnaire distributed to respondents at 120 MSMEs in 6 regencies or cities that constitute Malang Area Coordinator. Research design is to use sample-based survey technique along with quantitative deductive approach. Research utilizes SWOT as analysis instrument because it helps this research to identify and understand strength, weakness, opportunity and threat around the development of MSMEs in Malang Area Coordinator.

Four variables are examined in this research, and these are *transglobal leadership*, *quality of work life*, *job involvement*, and *employee performance*. Operational definition of each variable is explained as following.

1.   Transglobal Leadership: This variable refers to intelligence dimension owned by MSMEs' managers. It is measured by six indicators, namely cognitive intelligence, emotional intelligence, business intelligence, cultural intelligence, global intelligence, and moral intelligence (Sharkey, 2012)

2.   Quality of Work Life (QWL): This variable is defined as the perception of employees that they are physically and psychologically feeling safe, comfort, relatively satisfied, and capable to develop as human being. There are six measurer indicators for this variable, which respectively are participation, growth and development, compensation and reward, and work environment (Wheter & Davis, 1996; Wayne,1992).

3.   Job Involvement: This variable is said as participative process that utilizes all capacities of employees and that is designed to increase the commitment of employees toward organizational success. Two indicators are measuring this variable, which are performance self-esteem contingency and the importance of having job for total self-description of the individual (Lodahl and Kejner in Cohen, 2003)

4.   Employee Performance: This variable represents the outcome achieved by employees at their job based on certain criteria previously determined for the job. The indicator measuring this variable includes work outcome, work behavior, and personal trait (Wirawan, 2009).

4.   Result and Discussion

The making of strategic decisions in certain organization is determined by internal and external factors. Internal factor includes *Strength* and *Weakness*. External factor comprises *Opportunity* and *Threat*. These internal and external factors are identified through a process called SWOT Analysis.

In this research, SWOT Analysis is used to evaluate MSMEs in Malang Area Coordinator. Questionnaire contains few items representing each of internal and external factors. *Strength* is represented by six indicators. There are five indicators explaining *Weakness*. Another five indicators are explaining *Opportunity*, while *Threat* is explained by four indicators.

Research sample is MSMEs in Malang Area Coordinator and the size of the sample is 120 MSMEs. Detail of this sample is 20 MSMEs in Batu City, 20 MSMEs in Malang Regency, 20 MSMEs in Malang City, 20 MSMEs in Pasuruan City, 20 MSMEs in Pasuruan Regency, and 20 MSMEs in Sidoarjo Regency. Each MSME receives questionnaire. The answered items are graded by mean score. The obtained mean scores are then analyzed with SWOT Analysis. Result of analysis on internal factor of MSMEs in Malang Area Coordinator is presented in Figure 1, while result of analysis on external factor is shown in Figure 2.

S1: 4.03 | S2: 3.95 | S3: 4.07 | S4: 4.03 | S5: 4.06 | S6: 3.98   W1: 3.05 | W2: 2.98 | W3: 2.92 | W4: 3.01 | W5: 3.02
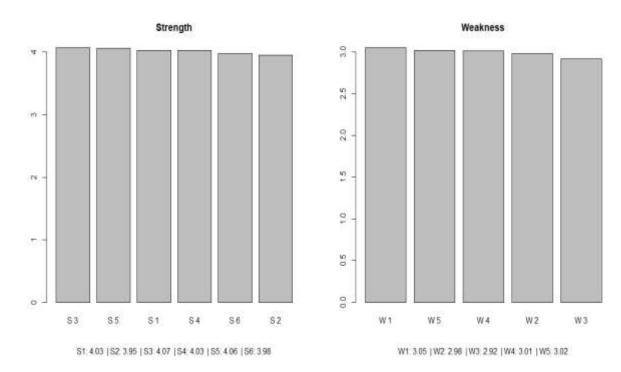
Figure 1. Internal Factor of MSMEs in Malang Area Coordinator

Note:

S1: Product Quality   W1: Over-production

S2: Brand image   W2: Distribution Scope

S3: Price   W3: Promotion Activity

S4: Location   W4: Human Resource Quality

S5: Service   W5: Less Capital for Development

S6: Customer

As indicated by Figure 1, the indicator of *Strength* with the highest mean score is S3 (Price) with score of 4.07. Based on this result, it can be explained that Price offered by MSMEs in Malang Area Coordinator is already suitable to the expectation of customer. The indicator of *Weakness* with the highest mean score is W1 (Over-production), with score of 3.05. It can be said that over-production is internal problem that MSMEs may confront with.
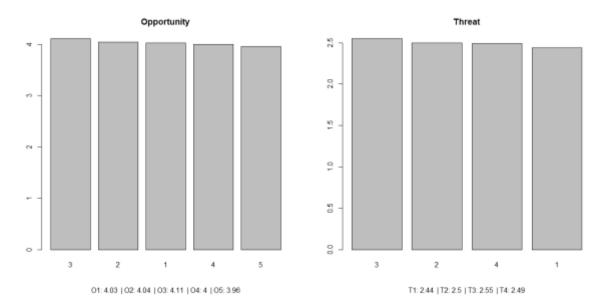
Figure 2. External Factor of MSMEs in Malang Area Coordinator

Note:

O1: Local genuine gifts   T1: Community consumption shift

O2: Market share   T2: Competitor distribution scope

O3: Good relationship across entrepreneurs   T3: Newcomer competitor

O4: Technological progress   T4: Competitor price

O5: Raw material

As Figure 2 shows, the indicator of *Opportunity* with the highest mean score is O3 (Good relationship across entrepreneurs) with score of 4.11. In pursuance of this result, it can be said that the relationship across MSMEs' entrepreneurs in Malang Area Coordinator is very good. Of indicators in *Threat* factor, Newcomer competitor is the indicator with the highest mean score, which is 2.55. From this result, it can be explained that newcomer competitor turns out to be able to threaten the existing MSMEs in Malang Area Coordinator.

Total mean scores of internal and external factors of MSMEs in Malang Area Coordinator are presented in Table 1.

Table 1. Total Mean Scores of Internal And External Factors

Internal	Mean Score	External	Mean Score
Strength	4.0162	*Opportunity*	4.0318
Weakness	-3.0026	*Threat*	-2.5008
Total	1.0136	Total	1.5310

Table 1 shows that *Strength* mean score is higher than *Weakness* mean score. Total mean score of both factors is positive. Moreover, *Opportunity* mean score is also higher than *Threat* mean score. Total mean score of these factors has positive sign.

After the scores are obtained, SWOT Plot is created containing Points A, B, C and D as depicted in Figure 3. The strategy that MSMEs may use for development is determined by focusing on the resultant point produced by the crisscross of Points A, B, C and D, which in this matter is Point E.
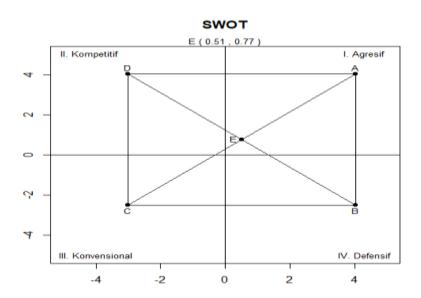

Figure 3. SWOT Plot

Another way to determine strategy is by calculating the wide of each quandrant bordered by Points A, B, C, and D. The widest quadrant is then selected as strategy. Result of calculation over the wide of quadrant in SWOT Analysis is given in Table 2.

Table 2. Quadrant Wide in SWOT Analysis

Quadrant	Wide	Rank
I	16.1925	1
II	12.1059	2
III	7.5089	4
IV	10.0437	3

Based on what Figure 2 indicates, Point E is in Quadrant I. By virtue of this result, it can be said that MSMEs in Malang Area Coordinator has good position, and the developmental strategy that can be used by MSMEs is Strategy SO (*Strength-Opportunity*).

This result is in conformity with Sudaryanto and Wijayanti (2013). They had two findings, which respectively are (1) that developmental strategy of MSMEs in Indonesia cannot be separated from the support of human resource; and (2) that market mechanism, which becomes more open and competitive, especially in ASEAN region, should be anticipated by building human resource competency because this competency is the precondition to increase *competitive advantage*. The attainment of *competitive advantage* may help MSMEs to reach their expected growth and development in global market.

5. Conclusion

Micro, Small & Medium Enterprises in Malang Area Coordinator has offered affordable price to their customer. However, they are still overwhelmed by internal problem, which is over-production. The relationship of entrepreneurs of MSMEs in Malang Area Coordinator is very good. Newcomer competitor is quite threatening to the existing MSMEs. Internal and external factors of MSMEs in Malang Area Coordinator have been evaluated, either as a whole or per location. Result of evaluation indicates that MSMEs are in a good position, precisely in Quadrant I, and therefore, performance development strategy suggested to be used by MSMEs is Strategy of Strength-Opportunity (SO).

References

[1] Dartu, 2007, Kinerja Pelayanan UMKM. *Majalah UMKM* Vol. XX, No. 69, h. 37 – 48.

[2] Hermawati, A & Nassarudin, 2016, Transglobal Leadership, Quality of Work Life, and Employee Performance in Cooperatives in East Java, Indonesia, *International journal of Business Manajement*, IJBM, Vol.1 Issue No. 1 *2016*. Hal 1-8.

[3] Hermawati, A & Nassarudin, 2017, Mediation effect of Quality of Worklife, Job Involvement, and Organizational Citizenship Behavior in Relationship Between Transglobal Leadership to Employee Performance (Case Study in The Most Outstanding Cooperatives in East Java Province), *International Journal of Law and Management* (https://www.emeraldinsight.com/doi/abs/10.1108/IJLMA-08-2016-0070), Vol. 59 Issue: 6, pp.1143-1158.

[4] Hermawati, A & Puji Suci, R, 2017, ,*Importance Performance Analysis of Cooperatives in East Java, Indonesia,* International Journal of Social Relevance & Concern (IJSRC),Volume 5, Issue 8, August-2017.

[5] Hermawati, Adya & Puji Suci, R, 2015b, *The Relationship Between Empowerment to Quality of Work Life, Trust, Satisfaction, Commitment and Performance (Case Study in Sharia Bank in East Java-Indonesia)*, IJABER *(International Journal of Applied Business and Economic Research)*, https://www.scopus.com/inward/record.uri?eid=2-s2.0-85006168512&partnerID=40&md5=d86d12e8c21683a3edd9b7598393e3e3), International Journal of Applied Business and Economic Research Volume 13, Issue 5, 2015, Pages 2865-2884 ISSN: 09727302.

[6] Hermawati, Adya, 2015a, *The effects of QWL mediation and work involvement in the effect of KT to employees' performances (A study on Islamic Bank in East Java), International Journal of Economic Research, IJER.*

[7] Hermawati, Adya, 2011, Quality of Work Life, Kepercayaan Organisasional dan Kepuasan Kerja Memediasi Psycological Empowerment terhadap Komitmen Organisasi pada Perguruan Tinggi Swasta di Jawa Timur. Disertasi. Fakultas Ekonomi, Universtias Brawijaya, Malang.

[8] Hermawati, Adya, 2013, Effect of Empowerment on Quality of Work Life, Organizational Trust and Organizational Commitment at Private higher Education Institution in East Java. *European Journal of Scientific Research*, Vol 115 No 2, 2013.

[9] Hermawati, Adya. 2014. QWL and Organizational Trust Related to Job Satisfaction and Organizational Commitment at Private Higher Education Institution in Malang-Indonesia, *Journal of Basic and Applied Scientific Research*, 4(2), March 2014.

[10] Hermawati, Adya, Nasharuddin Mas 2017, International Journal of Law And Management : IJLMA ISSN: 1754-243X, VOL 59 issue 6, 2017 Start page 778; Mediation effect of quality of worklife, job involvement, and organizational citizenship behavior in relationship between transglobal leadership to employee

performance Heward (2012) berjudul "Relationship Between Employee Performance, Leadership and Emotional Intelligence in a South African Parastatal Organisation

[11] Hermawati, Adya; Puji Suci, 2018, Peran Penting Optimalisasi Kinerja Sdm Terintegrasi Terhadap Competitive Sustainability Tourism Pada Umkm Sektor Pariwisata Di Jawa Timur, Issn Cetak : 2622-1276 Issn Online :2622-1284, Conference on Innovation and Application of Science and Technology (CIASTECH, 2018).

[12] Hsu, Yu Ru, 2012, "Mediating Roles of Intrinsic Motivation and Self-efficacy in the Relationships between Perceived Person-Job Fit and Work Outcomes," *African Journal of Business* Management, Vol, 6, No, 7, pp,2616-2625.

[13] Husnawati, 2006, *Analisis Pengaruh Kualitas kehidupan Kerja Terhadap Kinerja Karyawan dengan Komitmen dan Kepuasan Kerja Sebagai Interverning Variabel.*

[14] Kanungo, R.N, 1982, "Measurement of Job and Work Involvement," *Journal of Applied Psychology Vol.*67. No. 5.pp. 119-138.

[15] Loyd, Bernard, 2001, "Positioning for Peformance: Reshaping Co-ops for Success in the 21st Century", Makalah dalam *Farmer Co-operative Conference Las Vegas, McKinsey & Company*

[16] Mohsan Faizan., Nawaz, Muhammad, Musarrat., Khan, M, Sarfraz., Shaukat, Zeeshan., Islam, Talat., Aslam, Numan., Arslan, Hafiz Muhammad., Chouhan, Muhammad, Qasim., Niazi, M, Kabir. 2011, Impact of Job Involvement on Organizational Citizenship Behavior (OCB) and In-Role Job Performance: A Study on Banking Sector of Pakistan, European Joernal of Social Sciences,Vol. 24, No.4. pp.498-500.

[17] Porter, L. W., Lawler, E.E, 1968, *Managerial Attitudes and Performance Homewood,* I L; Irwin. *psychological empowerment on job performance: The mediating effects of organizational citizenship behavior*", International Journal of Hospitality Management 31, PP.180 -190.

[18] Sari dan Ja'far, 2010, " The Impact of Target Setting on Managerial Motivation and Performance,"

[19] Sudaryanto, R., & Wijayanti, R. R, (2013), Strategi pemberdayaan UMKM menghadapi pasar bebas Asean, *Pusat Kebijakan Ekonomi Makro, Badan Kebijakan Fiskal, Kementerian Keuangan, Jakarta.*

[20] Suwarta 2010, Efektifitas Pola Kemitraan Inti-Plasma dan Produktivitas, Usaha Ternak Ayam Broiler Peternak Plasma dan Mandiri Serta Faktor Yang Mempengaruhi Di Kabupaten Sleman, JSEP, Vol. 4 No. 1 Maret 2010.

[21] Suwarta 2014, Feed Conversion Ratio (FCR) Usaha Ternak Ayam Broiler di Sleman , Agrika Vol. 9 No. 2, Nopember ,Eds. 2014.

[22] Thomas, K. W. & Velthouse, B. A, 1990, *Cognitive elements of empowerment, An interpretive model of intrinsic task motivation*, Academy of Management Review, 15, 666–681.

[23] Yang, G., Lucas, R., Caldwell, R., Yao, L., Romero, M., Caldwell, R.Novel mechanisms of endothelial dysfunction in diabetes(2010) Journal of Cardiovascular Disease Research, 1 (2), pp. 59-63.

[24] DOI: 10.4103/0975-3583.64432

[25] K. Bhavya sri (2018) a brief overview of the very rare fibrodysplasia ossificans progressiva (stone man syndrome). Journal of Critical Reviews, 5 (1), 19-3. doi:10.22159/jcr.2018v5i1.22809

[26] Meharban, M.S., Priya, S.A Review on Image Retrieval Techniques(2016) Bonfring International Journal of Advances in Image Processing, 6 (2), pp. 7-10.

[27] Odaci, E., Ikinci, A., Yildirim, M., Kaya, H., Akça, M., Hanci, H., Sönmez, O.F., Aslan, A., Okuyan, M., Baş, O. The effects of 900 megahertz lectromagnetic field applied in the prenatal period on spinal cord morphology and motor behavior in female rat pups (2013) NeuroQuantology, 11 (4), pp. 573-581

[28] **G.Suseendran**, E.Chandrasekaran "Interference Reduction Technique in Mobile Adhoc Networks Using Mathematical Prediction Filters, International Journal of Computer Applications, Volume 60, Issue.6, December 2012. pp-9-16 Doi: 10.5120/9694-0843

[29] M. Lim, A. Abdullah and NZ. Jhanjhi, Performance optimization of criminal network hidden link prediction model with deep reinforcement learning, In Journal of King Saud University Computer and Information Sciences.