
Increasing the Competitiveness of MSMEs in the Food and Beverage Sector Post Pandemic

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Abstract

MSMEs are one of the leading business sectors to encourage economic growth. However, in 2020 the condition of MSMEs underwent a very drastic change. This is due to the Covid-19 pandemic which has caused many businesses to close and even go out of business. Based on these problems, this study was conducted to analyze the readiness of MSMEs in facing the Covid-19 pandemic, and their understanding of risk management in MSME activities. The research method used is a qualitative method. The sample used is SMEs in West Surabaya. Data collection was done by interview. The data analysis technique used is SWOT analysis. The results in this study indicate that MSMEs in West Surabaya have sufficient strength in dealing with existing threats.

Keywords: competitiveness, SMEs, SWOT

1. Introduction

MSMEs are one of the business fields that have an important role for economic growth. In the last ten years, the growth in the number of MSME units in 2016-2019 has increased by 4.2 percent annually and the average contribution of MSMEs to Indonesia's Gross Domestic Product (GDP) for the last 3 years is more than 50 percent. This proves that MSMEs are able to independently boost the community's economic sector and support the rate of economic growth in Indonesia. For this reason, MSMEs are one of the leading business sectors by Bank Indonesia to encourage economic growth.

In 2020 the condition of MSMEs underwent a very drastic change, which took place in a relatively short time. In mid-March 2020, when the pandemic hit, the living conditions of MSMEs changed. The pandemic has had a major impact on the sustainability of the MSME

business. Based on the survey results, as many as 96% of business actors claimed to have experienced the negative impact of COVID-19 on their business processes. As many as 75% of them experienced a significant decline in sales.

Although the pandemic has created problems for MSME actors, on the other hand there is an opportunity that arises, namely MSME actors can take advantage of information and communication technology considering that electronic commerce in 2020 will reach US\$ 130 billion. In East Java province, almost 100% of MSMEs experienced losses (Radar Surabaya, Jawa Pos 19 May 2020) because many businesses were forced to close due to regulations from the government that implemented PSBB rules in East Java, even though the policy was controversial but for reasons of securing and handling the spread of the virus. virus, then some areas that have been the lifeblood of trade in East Java, such as Surabaya, must close.

The Surabaya City Cooperative and MSME Service noted that during 2021, there were 40,679 MSMEs in Surabaya. To avoid the bad risks that will befall MSMEs during this Covid-19 pandemic, MSMEs must implement competitive strategies. The Covid-19 pandemic is one of the risks experienced by all parties. This risk is called systematic risk because there is no one party that is not present. But what distinguishes it is that there are parties who are able to survive through it, and some are not able to survive. One of the abilities to survive in difficult times such as the Covid-19 pandemic is to have a backup plan in the form of risk management.

In ISO: 31000-2009 risk management is an organized activity carried out to direct and manage the organization in order to deal with risk. Research conducted by Brown and Rocha (2020); Chang, McAleer, and Wong (2020) reveal that some small and medium enterprises are able to survive in difficult times when they have risk management. Research conducted by Alfi (2020) states that the PSBB or Social Restrictions are enough to interfere with production activities to the marketing process. The study also found that more than 50% of MSMEs indicated they could go out of business in the next few months. Given that the impact is quite extraordinary, it is necessary to save their capital in the form of risk management.

Based on the problems above, this research is to analyze the readiness of MSMEs in facing the Covid-19 pandemic, and their understanding of risk management in their MSME activities. The problem formulation used in this research is how to manage the risk of MSMEs in West Surabaya during the Covid-19 pandemic.

2. Method

2.1 Research Design

The research method used is a qualitative method. According to Moleong (2011) qualitative research is research that intends to understand phenomena about what is experienced by research subjects such as behavior, perceptions, motivations, actions and others holistically and by means of descriptions in the form of words and language, in a context. special nature and by utilizing various natural methods. This method is used because it aims to understand social interactions where researchers participate in interacting by conducting interviews and social interactions with the object of research.

2.2 Population and Sample

Population

Population can be interpreted as a whole group of people (humans), events, or things that attract the attention of researchers where the researcher wants to investigate and draw conclusions about them (Sekaran & Bougie, 2017). The population in this study were SMEs in West Surabaya.

Sample

The sample is part of a population from which the researcher will draw conclusions and generalize them to the population (Sekaran & Bougie, 2017). The sampling technique in this study is Accidental Sampling. According to Sugiyono, (2016) accidental sampling is a sampling technique based on chance, that is, any MSME actors who coincidentally meet with researchers can be used as samples, if it is seen that the person who happened to be met is suitable as a data source.

2.3 Variable Operational Definition

1. Strength, namely the strength possessed by MSMEs. By knowing their strengths, MSMEs can be developed to be more resilient so that they are able to survive and compete.
2. Weaknesses, namely all factors that are not beneficial or detrimental to MSMEs.
3. Opportunities, namely all opportunities that exist as government policies, applicable regulations or national or global economic conditions that are considered to provide opportunities for MSMEs to grow and develop.
4. Threats, namely things that can bring harm to MSMEs

2.4 Types and Sources of Data

According to Sekaran & Bougie (2017) data can be obtained from primary and secondary sources. In this study, researchers used qualitative methods with data collection sourced from primary data and secondary data.

1. Primary data.

The primary data in this study were obtained directly in the field or from sources in the field. The research was obtained from interviews with informants and researchers obtained observational data by observing and analyzing around the research environment, and researchers obtained documentation in the form of photos from the research site.

2. Secondary Data

Secondary data is data obtained indirectly or from other people, namely in this study researchers obtained data from the internet, and archive or documentary data.

2.5 Data Collection Method

The method used in collecting data in this study is to use the interview method of SMEs in West Surabaya. According to (Narbuko, et al. 2005:83) interview or in other words is the interview is a collection of data by question and answer between researchers and informants. Interviews are the process of extracting information by asking questions to informants so that researchers can obtain data that they want to examine. In this interview method, the researcher makes a grid in the form of questions from indicators that must be answered by the informants.

2.6 Data Analysis Techniques

The data analysis technique used in this research is using a SWOT analysis technique with a qualitative approach, which consists of Strengths, Weaknesses, Opportunities and Threats. SWOT analysis aims to maximize strengths and opportunities, but can minimize weaknesses and threats.

Companies that have competence in the fields of marketing, manufacturing and innovation can make it as a source to achieve competitive advantage (Daengs GS, et al. 2020:1419).

To find out the results of the data, the technique of data analysis is also used to test the hypotheses put forward by the researchers, because the analysis of the data collected to determine the effect of the independent variables on the related variables is used multiple linear statistical test. (Enny Istanti, et al, 2020:113).

The research design is a plan to determine the resources and data that will be used to be processed in order to answer the research question. (Asep Iwa Soemantri, 2020:5).

Time management skills can facilitate the implementation of the work and plans outlined. (Rina Dewi, et al. 2020:14)

Standard of the company demands regarding the results or output produced are intended to develop the company. (Istanti, Enny, 2021:560).

3. Research result

Micro, Small and Medium Enterprises (MSMEs) have great potential in driving the economic activities of the community, even MSMEs are the main source of income for most people to fulfill their welfare. However, MSMEs experience obstacles in their development during the pandemic. This causes the need for good risk management for MSMEs in order to survive in the midst of a pandemic which has made many MSME actors out of business. In this case, MSMEs need to identify internal and external factors that are owned and can affect future business development.

Based on data from the MSME Industry in West Surabaya that has been collected and analyzed on internal and external factors, it is then used to determine the company's strategic factors for SWOT analysis. This is of course the main point in developing MSMEs in West Surabaya so that in the future they can compete with other industries both inside Surabaya and outside Surabaya.

SWOT analysis is a tool used by a company to identify or evaluate the company's internal and external factors. The company's internal factors consist of the company's strengths and weaknesses. Meanwhile, the company's external factors consist of company opportunities and threats. Based on the analysis of the internal and external environment, the strengths, weaknesses, opportunities, and threats of SMEs in West Surabaya can be identified. According to Fred R. David, SWOT analysis can develop four types of strategies, namely SO strategy, WO strategy, ST strategy, and WT strategy. In this case, a SWOT analysis can provide alternative strategic options for the development of MSMEs. The following is an analysis of the internal and external environment of the MSME Industry in West Surabaya:

1. Internal Environmental Analysis

a. Strength

The strengths possessed here are the strengths that are generally owned by MSME actors in running their business and these strengths have an influence on the development of MSMEs in the midst of competition and progress in the business world, especially during the pandemic, as for these strengths, namely as follows:

- 1) Making products by hand and prioritizing quality
- 2) More affordable price
- 3) Quality products
- 4) Flexible service
- 5) Have a good relationship with customers

b. Weaknesses

Weaknesses are a barrier faced by entrepreneurs in developing and carrying out their activities that affect the achievement of profits desired by MSME actors. These weaknesses include:

- 1) Insufficient number of human resources
- 2) HR less competent
- 3) Supporting production tools are still limited
- 4) Limited capital
- 5) Don't have good financial management yet
- 6) Rarely do promotions

2. External Environmental Analysis

a. Opportunity

This condition is a condition that supports or provides opportunities for MSME actors to grow and develop. The opportunities they have are as follows:

- 1) Market opportunities that are still wide open
- 2) The number of banking institutions that can help with capital problems
- 3) Technology and information development
- 4) Extensive market share
- 5) Patterns of behavior and community needs that are always evolving

b. Threats

In addition to the obstacles and obstacles as mentioned above, along with the development of the economy, technology, social and culture in the community. MSMEs also identify some of these developments as a threat to the sustainability of MSMEs. There are several things that are considered a threat to the sustainability of MSMEs, namely:

- 1) The emergence of new competitors
- 2) The level of business competition is getting higher
- 3) The decline in people's purchasing power during the pandemic
- 4) Nearby business location
- 5) Unstable economic situation
- 6) Many competitors are actively marketing online

After knowing the strengths, weaknesses, opportunities, and threats faced by the company, the researchers then load the SWOT matrix. The SWOT matrix is a tool used to measure the company's strategic factors. This matrix can clearly describe how external opportunities and threats are owned. This matrix can produce four possible alternative strategy cells which can be seen in the table below.

Table 1 SWOT Matrix

<p>Internal factors</p> <p>External Factors</p>	<p>Strength (S)</p> <ol style="list-style-type: none"> 1. Making products by hand and prioritizing quality 2. More affordable price 3. Quality products 4. Flexible service 5. Have a good relationship with customers 	<p>Weakness (W)</p> <ol style="list-style-type: none"> 1. Insufficient number of human resources 2. HR less competent 3. Supporting production tools are still limited 4. Limited capital 5. Don't have good financial management yet 6. Rarely do promotions
<p>Opportunity (O)</p> <ol style="list-style-type: none"> 1. Market opportunities that are still wide open 2. The number of banking institutions that can help with capital problems 3. Technology and information development 4. Extensive market share 5. Patterns of behavior and community needs that are always evolving 	<p>SO Strategy</p> <ol style="list-style-type: none"> 1. Expand market share 2. Set a more affordable price than big manufacturers 3. Continue to prioritize product quality 4. Conduct market research or surveys on consumer behavior patterns and needs 5. Can add distribution channels 6. Leveraging e-commerce technology for sales 	<p>WO Strategy</p> <ol style="list-style-type: none"> 1. Adding more qualified human resources 2. Improving HR competencies by providing opportunities to participate in training 3. Start implementing good financial management 4. Can increase capital through banking institutions 5. Adding production support tools to make it more efficient
<p>Threat (T)</p> <ol style="list-style-type: none"> 1. The emergence of new competitors 2. The level of business competition is getting higher 3. The decline in people's purchasing power during the pandemic 4. Nearby business location 5. Unstable economic situation 6. Many competitors are actively marketing online 	<p>ST strategy</p> <ol style="list-style-type: none"> 1. Can increase company sales by penetrating the retail market 2. Adding promotional activities, especially through online 3. Always develop products by innovating 4. Offer promotions to consumers in the form of discounts or discounts 5. Increase product variety 	<p>WT Strategy</p> <ol style="list-style-type: none"> 1. Can determine prices that are relatively cheaper than competitors 2. Can improve the marketing done by trying on online marketing

Based on the SWOT matrix above, it can be explained that there are several marketing strategies that can be applied by SMEs in West Surabaya to achieve competitive advantage so that they can survive and thrive in the midst of a pandemic. The strategies are divided into 4 types, namely:

1. SO Strategy

The SO (Strengths-Opportunities) strategy uses the company's internal strengths to seize opportunities that exist outside the company. If the company has many weaknesses, it means that the company must overcome those weaknesses in order to become strong. The SO strategy consists of:

- a. Expand market share
- b. Set a more affordable price than big manufacturers
- c. Continue to prioritize product quality
- d. Conduct market research or surveys on consumer behavior patterns and needs
- e. Can add distribution channels
- f. Leveraging e-commerce technology for sales

2. ST strategy

ST strategy (Strengths-Threats) is this company's strategy to avoid or reduce the impact of external threats. 4. WT Strategy (Weaknesses-Threats) This strategy is a tactic to survive by reducing internal weaknesses and avoiding threats. The ST strategy consists of:

- a. Can increase company sales by penetrating the retail market
- b. Adding promotional activities, especially through online
- c. Always develop products by innovating
- d. Offer promotions to consumers in the form of discounts or discounts
- e. Increase product variety

3. WO Strategy

The WO (Weaknesses-Opportunities) strategy aims to minimize the company's internal weaknesses by taking advantage of external opportunities. The WO strategy consists of:

- a. Adding more qualified human resources
- b. Improving HR competencies by providing opportunities to participate in training
- c. Start implementing good financial management
- d. Can increase capital through banking institutions
- e. Adding production support tools to make it more efficient

4. WT Strategy

WT (Weaknesses-Threats) strategy is a defensive tactic by reducing internal weaknesses and avoiding threats. A company that is faced with a number of internal weaknesses and external threats is actually in a dangerous position. The WT strategy consists of:

- a. Can determine prices that are relatively cheaper than competitors
- b. Can improve the marketing done by trying on online marketing

4. Conclusion

Based on the results of the SWOT analysis carried out, it can be explained that MSMEs in West Surabaya have sufficient strength in dealing with existing threats. However, SMEs in West Surabaya need to make improvements to their weaknesses in order to achieve the opportunities

that exist.

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