

# Strategies for Developing the MSMEs of Fisheries Processing Industry in Sukabumi, Indonesia



Yusuf Iskandar, Nimmi Zulbainarni, Siti Jahroh

**Abstract:** The purpose of this research is to develop strategies to enhance the performance of MSMEs in the fisheries processing industry in Sukabumi Regency. The data used in the study were obtained from the result of interviews using questionnaires. This research used descriptive analysis, internal-external matrix analysis, IE matrix analysis, SWOT matrix, and QSPM analysis. The research findings obtained from internal and external factor evaluation using the IFE dan EFE matrix found that the industry has a rating of 2.775 and 3.225. The industry's position is in quadrant II of the IE matrix, which is in the 'intensive' and 'integration' area. Based on the results of the SWOT analysis and QSPM analysis, four strategies can be carried out. The strategies obtained are expected to be able to answer all existing problems and be able to develop the fisheries processing industry MSMEs in Sukabumi Regency.

**Keywords :** Development strategy, intensive, integration, MSMEs.

## I. INTRODUCTION

MSMEs are one of the foundations of the Indonesian economy, apart from being distributed throughout the Indonesian territory, also because of its position which is central because of the large number of workers in it. The number of MSMEs in Indonesia is too vast and dominates various business sectors. MSMEs also have a significant contribution to economic growth, but in its development MSMEs face multiple problems, including limited working capital, low capacity of human resources, and lack of understanding the science and technology (Sudaryanto and Hanim, 2002).

The fishery processing industry is also one of the sectors in Sukabumi Regency. That is a logical consequence of fishing activities. This industry has emerged for a long time, and Sukabumi is one of the leading centers of national preserved fish production (Faruqi et al. 2016). Specifically for fisheries processing businesses, there are 1,574 MSMEs in Sukabumi

Regency, and 88.7% of them are preserved fish businesses (BPS Sukabumi Regency, 2017). However, it is miserable that the majority of these businesses are micro-businesses, and some are small businesses. Medium-sized companies in the fisheries processing and preserved fish industries tend to be non-existent. There is a problem with the development of MSMEs in this field, namely not optimal business transition from micro to small and small to medium. That needs to be learned and made a strategy.

Development of MSMEs in the fisheries processing industry in globalization and rising competition makes MSMEs in the fisheries processing industry must be able to compete globally, such as improving products and services, developing human resources and technology, and increasing the market area (Faiq et al., 2012). That needs to be done to improve the selling value of MSMEs in the fisheries processing industry itself. This development is a shared responsibility between the government, MSME actors, catalysts, facilitators, and financial institutions (Bank Indonesia, 2011).

**Table- I: Realization of several targets of Marine and Fisheries Agency of Sukabumi Regency in 2015-2016 related to the fisheries processing industry**

Performance Indicator	Unit	Initial Performance Condition of RPJMD (2015)	2016		
			Target	Realization	%
Capture fisheries production	Tons	13,790	14,066	10,241	72.81
Production of processed fisheries	Tons	15,571	16,500	14,484	87.78
Fish processing unit (UPI)	Unit	1,514	1,539	1,549	100.65
Number of exported products	Tons	793	833	674	80.91
Fisheries consumption	Kg/Capita/Year	25.60	25.80	26.80	103.88
Integrated Fish Marketing Centre	Unit	1	1	1	100.00

Source: Marine and Fisheries Agency of Sukabumi Regency (2017)

Looking at various aspects, especially in terms of fish processor income and fish processor production in Sukabumi Regency, it is necessary to develop a strategy.

Manuscript published on November 30, 2019.

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The strategy should improve the fisheries processing MSMEs' performance in Sukabumi Regency. The formulated plan should base on what is the strength and opportunity possessed and the weaknesses and threats that exist in fisheries processors in Sukabumi Regency. The strategy needed is to increase fish processor income and increase production and product variation. Talking about the quality of processed fisheries, in Sukabumi, this is also still a problem. There are several possible influential factors, especially on the psychological and cultural side of entrepreneurs. Those influential factors develop in the environment of fish processing production centers and other areas that process fisheries products in Sukabumi Regency.

## II. RESEARCH METHOD

This research was conducted for six months at the fisheries processing center and communities also the office center that related to the fisheries processing industry in Sukabumi, Indonesia. The primary data were obtained through in-depth interviews and filling out questionnaires by the expert respondents. The expert respondents consist of government, MSME actors, catalysts, facilitators, and financial institutions. The secondary data obtained from financial statements, literature study, and reports from related institutions to this research.

This research used descriptive analysis, internal factor evaluation (IFE), external factor evaluation (EFE), IE matrix analysis, and SWOT analysis, also the qualitative strategic planning matrix (QSPM). The IFE matrix used to summarize and evaluate the strengths and weaknesses of the fisheries processing industry in Sukabumi Regency. The EFE Matrix used to summarize the opportunities and threats by weighting each factor. The weight range starts from 0 (least important) to 1 (essential). The factors that considered to have the most influence on a business's performance will be given the highest weight, regardless of whether it is a weakness or strength. The total weight of all factors is 1. The rating shown was related to how effective the business in responding to internal and external factors. The EFE and IFE result obtained by multiplying the weight of each element with its rating. The total weighted score was obtained by summing all the weighted score multiplication results.

The IE matrix used the score from the IFE and EFE matrices, and the IE matrix that could describe the position of the business in the industry. The IE matrix consists of two critical dimensions comprised of the total weighted of the IFE score on the X-axis and the overall weighted of the EFE score on the T-axis. There are three main areas in the IE matrix that have different influence strategies. The SWOT matrix used for strategy formulations. Based on David (2013), there are four alternative strategies that could be chosen consisting of strengths and opportunities strategy (SO strategy), strengths and threats (ST strategy), opportunities and weaknesses strategy (WO strategy), as well as weaknesses and threats strategy (WT strategy). To determine which plan needs to be prioritized, QSPM analysis was used to answer that question.

## III. RESULTS AND DISCUSSION

The research findings obtained from internal and external factor evaluation using the IFE (Table 2) dan EFE matrix (Table 3) found that the industry has a rating of 2.775 and

3.225. That means the fishery processing industry in Sukabumi Regency is in quadrant II. The suitable strategy is intensive (market penetration, market development, and product development) or integration (backward integration, forward integration, and horizontal integration). Based on the background of this research, that is good to develop MSMEs' fisheries processing industry activities focused on market and product development as well as integration among MSME actors to take advantage of the viral momentum of Ciletuh-Palabuhanratu Geopark for mutual progress.

**Table- II: The IFE matrix of fisheries processing industry in Sukabumi Regency**

No	Internal Strategic Issues	Weight	Rating	Weighted Score
<b>Strength</b>				
1	The strong influence of psychological characteristics and local culture on the performance of MSMEs owned by fish processors with a large number of human resources in Sukabumi Regency	0,2	4	0,8
2	Has institutions that support the development of MSMEs such as PLUT and ease of licensing at DPMPPTSP	0,15	3	0,45
3	Has various product variants and targets almost all levels of society in the Sukabumi Regency area	0,125	4	0,5
4	Potential fisheries resources and supported by the existence of PPN Palabuhanratu and fish processing centers	0,1	3	0,3
<b>Weakness</b>				
1	Experiencing severe losses and decreases in income and high dependence on external parties	0,2	2	0,4
2	The tool used for fish processing are classified as traditional and ownership of business licenses is very low	0,1	2	0,2
3	Low desire to accept innovation from other parties and low levels of independence	0,075	1	0,075
4	Absorption of KUR financing and microcredit is deficient, the habit of using funds is unfortunate, and tolerance for uncertainty is quite low.	0,05	1	0,05
<b>Total</b>		<b>1</b>	<b>-</b>	<b>2,775</b>

**Table- III: The eFE matrix of fisheries processing industry in Sukabumi Regency**

No	External Strategic Issues	Weight	Rating	Weighted Score
<b>Opportunity</b>				
1	The active market for processed fish in Sukabumi and the high potential of market opportunities for fish processors in other regions	0,2	4	0,8
2	The existence of information accessibility and the era of global competition	0,15	3	0,45
3	The existence of the Ciletuh-Palabuhanratu Geopark which is being increased its potential and existence by the government nationally	0,125	4	0,5
4	There are government programs that give attention to MSME actors, such as the KUR and Gemarikan programs	0,1	2	0,2
<b>Threats</b>				
1	The higher prices of raw materials and additional ingredients and the unavailability of fish catch at PPN Palabuhanratu	0,2	4	0,8

2	The increasing number of fish processors, especially in the sector of preserved fish, salted fish and dozing of fish meat and un-optimal development of other businesses such as fish jelly, fish crackers and processed freshwater fish	0,1	2	0,2
3	There is a possibility of adverse reactions from citizens to negative externalities that may arise from fish processing activities	0,075	3	0,225
4	The emergence of large foreign-based companies operating in the Sukabumi coastal area targeting the freezing, fumigation, fermentation, extraction and handling of fresh products	0,05	1	0,05
<b>Total</b>		<b>1</b>	<b>-</b>	<b>3,225</b>

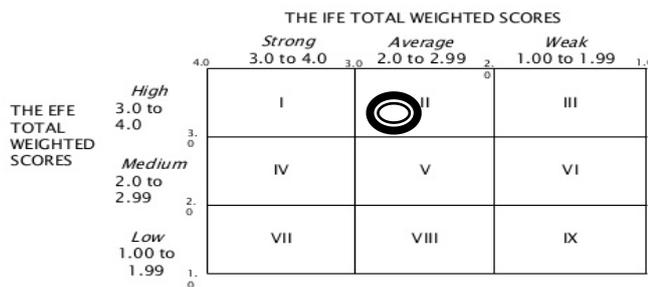


Fig. 1. The internal-external matrix

In the formulation of alternative strategies, the author uses the SWOT matrix approach which in the formulation of alternative strategies uses an internal factor approach in the form of strengths and weaknesses as well as external factors in the form of opportunities and challenges. According to Rangkuti (2004), the factors that have a positive impact (strengths and opportunities) can be used to anticipate the weaknesses they have and the threats that arise, and even take advantage of the strengths and opportunities that exist, to produce a better positive impact. The formulation of the strategy that is the solution to the development of fisheries processing MSMEs in Sukabumi Regency presented in Table 4.

Table- IV: The SWOT matrix of fisheries processing industry in Sukabumi Regency

	S	W
<b>O</b>	Enhancing fish processing capabilities and innovations through psychological and cultural approaches to optimize the potential of natural resources and market potential	The utilization of KUR and microcredit programs to improve fish processing equipment and product innovation to minimize losses and take advantage of market potential.
<b>T</b>	Increasing the role of fishery processing centers and fish processing communities to obtain cheap and quality raw materials and minimize the negative externalities	Being cooperate with large foreign-based companies related to the availability of raw materials and product also market

To achieve a goal, of course, a business organization requires qualified human resources. Based on the results of the study, the psychological characteristics and culture of fish processors in Sukabumi Regency were quite good. That has supported by the strength of their business characteristics, where the three factors have proven to affect their business performance. Some crucial aspects such as socialization,

workshops, and training need to continuously nurtured and improved so that fish processors can innovate and take advantage of the opportunities that exist. Besides, in the context of market development and product development which is the direction of MSME development in the fisheries processing industry in Sukabumi Regency, there needs to be banking support concerning financing providers for fish processors.

Until now, fish processors in Sukabumi Sukabumi still entangled with mobile banks (loan sharks). If this condition allowed, then the possibility of MSMEs to go up to class will be challenging to achieve. That is a logical consequence of the high interest in mobile banks and the use of funds that are not under their designation. Of course, it needs hard efforts from various parties, especially the Marine and Fisheries Agency of Sukabumi Regency as an organization that houses fish processors. The utilization of fish processing centers in Bantargadung can also be expanded as a place to exchange ideas between processors and other stakeholders.

Table- V: The QSPM results of fisheries processing industry in Sukabumi Regency

No	Alternative Strategies	TAS Score	Rank
1	Enhancing fish processing capabilities and innovations through psychological and cultural approaches to optimize the potential of natural resources and market potential	6.72	1
2	Increasing the role of fishery processing centers and fish processing communities to obtain cheap and quality raw materials and minimize the negative externalities	6.37	3
3	The utilization of KUR and microcredit programs to improve fish processing equipment and product innovation to minimize losses and take advantage of market potential.	5.95	4
4	Being cooperate with large foreign-based companies related to the availability of raw materials and product also market	6.61	2

Based on the results of the QSPM matrix (Table 5), 4 (four) strategies obtained. The strategy was distributed to expert respondents to obtain priority strategies. The expert respondents were the respondents who were previously used to formulate strengths, weaknesses, opportunities, and threats. The first strategy for developing MSMEs in the fisheries processing industry in Sukabumi Regency is increasing the ability and innovation of fish processing entrepreneurs through psychological and cultural approaches to optimize the potential of natural resources and market potential. The second strategy is cooperation with large foreign companies related to the availability of raw materials and product and market development. The third is role enhancement fisheries' processing centers and fish processing communities to obtain cheap and quality raw materials and minimize negative externalities. Last, utilize the KUR program and microcredit to improve fish processing equipment and product innovation to minimize losses and take advantage of market potential.

Local governments and related agencies could improve



the supervision of the programs that have implemented. They should make one program but continuous each year to provide a tangible and measurable impact on the development of this fisheries processing industry. The government also needs to provide counseling and training to strengthen psychological and cultural characteristics so that fisheries processors can develop their businesses. The government needs to provide motivation and outreach to fisheries entrepreneurs in Sukabumi Regency through various training programs that can improve entrepreneurial and family competency, seminars, and competition for developing fishery products to improve competitiveness, creativity, and innovation of fish processors. Based on the results of the QSPM analysis, two main strategies obtained from the four strategies offered to the government of Sukabumi Regency, especially the Marine and Fisheries Agency of Sukabumi Regency. The first strategy is to increase the ability and innovation of fish processors through psychological and cultural approaches to optimize the potential of natural resources and market potential. The big problem experienced by fish processors is the lack of optimal cultivation of natural resource potential and un-optimally reaching the market potential. That is a serious concern because the products produced by fish processors tend to undeveloped. Besides, the scale of production still stagnant and even tends to decline as a logical consequence of increasing prices of raw materials. Of course, with the presence of psychological and cultural strength, it can be a concern for policymakers to improve fish processing capabilities and innovations to answer global challenges. The second strategy that can be carried out is in cooperation with large foreign-based companies related to the availability of raw materials and product also market development. As a follow up to the first strategy, this second strategy could be done to answer the problem of obtaining increasingly competitive raw materials and fulfillment of market potential through innovative products that could produce. The presence of some foreign companies operating in the Palabuhanratu and surrounding areas could be utilized as a business partner and product distribution media between the two parties. Of course this needs intervention from the government of Sukabumi Regency so that this strategy can be carried out and the desired results obtained.

## IV. CONCLUSION

Based on the IFE matrix analysis, the fisheries processing industry in Sukabumi Regency has a score of 2.775 and based on the EFE matrix, and the industry has a score of 3.225. The fisheries processing industry in Sukabumi Regency position is in the quadrant II of the IE matrix, which is in the 'grow' and 'build' position. The results of the strategy formulation with the SWOT matrix get 4 (four) alternative strategies. The primary strategy of the QSPM results is enhancing fish processing capabilities and innovations through psychological and cultural approaches to optimize the potential of natural resources and market potential which has the highest TAS value of 6.72. The second strategy with the TAS score of 6.61 is co-operating with large foreign-based companies related to the availability of raw materials and product also market.

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