Developing Competitive Strategic Model Using Quantitative Strategic Planning Matrix Appeach for Handycraft Ceramic Industry in pulutan, minahasa Regency

by Shane Anneke Pangemanan

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Merlina Ivoletti Walukow[a], Shane Anneke Pangemanan[b]

[a] Manado State of Polytechnic, Polytechnic Campus at Buha Village, 95252 Manado Indonesia
[b] Manado State of Polytechnic, Polytechnic Campus at Buha Village, 95252 Manado Indonesia
Ivolettiwalukow@gmail.com

Abstract

PulutanCeramics, located in Minahasa Regency has been established for decades and has a significant impact on the local economy. It creates employment for more than 57 thousand people or 18 percent of the total employment in the regency. However, this industry is not able to compete with the new products available in the market. Some of the weaknesses can be identified as follows. The provider does not have vision or marketing goals, raw materials are expensive, the end product is not competitive, product quality is low, monotonous promotion effort, skilled workers are not available, managed by family who are lacking the passion for innovation, investment is not a priority. This research is expected to achieve the following objectives to analyze the internal and external environment that affect the industry operation and to develop a robust model of strategy to compete in the market. The method employed in this research are qualitative using descriptive analysis. The result is the industry can be possibly positioned as a competitive industry and has a prospect to grow. To achieve this they need to develop product diversification, partnership and association, human resources empowerment, promoting & marketing efforts and market expansion.
Type of paper : Empirical Paper
Keyword :External environment, Internal environment, Marketing Goals,MinahasaPulutan Ceramic.

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1. Introduction

Ceramics are an integral part of the economy of Pulutan village community. For decades, from generation to generation the people of this village have made the manufacture of ceramics as their main jobs so, the ceramic has become *"trademark"* of this community. Society in almost all of the regions in the province of North Sulawesi consider ceramics identical with Pulutan village and vice versa as a *symbiosis.*

As observed, although the presence of these ceramics has been around for decades, pulutan ceramic, SME cannot compete with new *competitors,* in terms of quality, design innovation, quality of raw materials, as well as *distribution channels.* In relation to the last mentioned factor, Pulutanceramecsaresold *door to door* with a *brand* that *is* weak compared with those of other *competitors.*

From the sociological aspect, Pulutan ceramics has become the identity of the community, thus needsd a strategy to be able to make it survive and remain part of the economy and of the community.

In accordance with the results of interviews with some of the craftsmen, in the last few years, sales decreased to 50% and even more. This is due to the tight competition because of the Asean Economic Community era where markets become more open to inflows and outflows of goods and services. There is also the development of technology that has been altering the buyers and sellers access and exit among regions and even among countries that are getting faster and easier. Problems faced by these craftsmen have caused an increasingly tight competition and threaten the existence of pulutan ceramics industry. Right now in the market, there are many similar products originating from outside the region such as Java, Batam, even from other countries such as Taiwan with more competitive prices.

Facing increasingly fierce competition, a SME should have a reliable strategy in order to win the competition, because it is a competitive strategy in a planned strategic step that will be able to compete and survive in the competition, attract the attention of consumers as well as seize the market.

The purposes of this study, are:

1)To formulate a model of competitive strategy competitive strategy for Pulutan ceramics in Minahasa 2)To identify and analyze problems faced by Pulutan ceramics industry in Minahasa 3) To identify and analyze internal factors as strengths and weaknesses and external factors as the opportunities and threats for the Pulutan ceramics industry in Minahasa in facing competition 4) to determine the strategic *positioning* of Pulutan ceramics industry in Minahasa in facing the competition 5) to create a reliable model of competitive strategy for the Pulutan Ceramics industry in Minahasa in facing they competition.

2. Literature Review

2.1 Small and Medium Industry

Based on the decree of the minister of Industry No. 19 / M / I / 1986 issued by the Departement of Industry small industry is economic activity performed by individuals or households and a body intended to produce goods and services for commercial purposes with a relatitively small amount of labor and, While SMEs as the driving force of the region are industries that produce goods and services that use raw materials mainly based on the utilization of natural resources, talents, and traditional artwork from the local area.

The characteristics of this industry group are using local raw materials that are easily obtained, easy process of production that controlled by local communities, most products can be absorbed by the local / domestic market, labor intensive or to absorbs a lot of labor, involving the local community, and having the potential to be developed, especially when it can be developed as a

superior product.

Small industries are industries that have relatively little capital, simple technology, workers are less than 10 people, the products are still modest and marketing location are still limited. For example, the craft industry and food industry. In terms of capital, small industry has a relatively small capital.

Small industries are industrial activities carried out in the homes of residents whose workers are members of the family who are not tied to working hours and place. Small industries can also be interpreted as productive business agriculture, whether it is the main livelihood or byproducts. Definition of small and medium Industry according to Law No. 20 of 2008 is: Small industry is productive economic activity that stands alone, carried out by an individual or business entity that is not a subsidiary owned, controlled or become part either directly or indirectly of a medium or large businesses that have net assets of more than Rp. 50.000.000, - (fifty million dollars to a maximum of Rp. 500.000.000, - (five hundred million rupiahs) not including land and buildings or have annual sales of more than Rp. 300,000,000 (three hundred million dollars) up to a maximum of Rp. 2.500.000.000.- (two billion five hundred million rupiahs).

While medium industry is productive economic activity that stands alone, which is done by the individual or business entity that is not a subsidiary or branch of a company not owned, controlled, or be a part either directly or indirectly, of small businesses or large businesses that have a net worth from Rp. 500.000.000.- (five hundred million rupiahs) up to a maximum of Rp. 10.000.000.000.- (ten billion rupiahs) not including land and buildings; or have annual sales of more than Rp. 2.500.000.000, - (two billion five hundred million rupiah) up to a maximum of Rp. 50.000.000.000.- (fifty billion rupiahs).

2.2 Challenges and Problems of Small and Medium Enterprises

Right now any type of business of SME should begin to be prepared to face the era of free trade in ASEAN that has been in effect from 2015. this mechanism, all products manufactured by 10 ASEAN countries will be free to facing to Indonesia, it will be devastating for industry –based businesses such as batik making, crafts, fashions and other,This condition is a very serious challenge for small businesses, which generally have a turnover,of less than 50 million. The main cause is the structure of the national economy which is getting weaker.

The key to survive is to make business with a specific target market and add more values (such as best service). Competition among businesses is predicted to be increasingly stringent. The major challenge that must be addressed is how to make the Indonesian people want to buy domestic products the amid rampant fever of buy ingported products.

David (2004: 15) states that strategy is a way to achieve long-term goals. Business strategy could be geographical expansion, diversification, acquisition, product development, market penetration, employee rationalization, divestiture, liquidation and *joint ventures*. Boyd (2000: 29) states that strategy is a fundamental pattern of current and planned objectives, mobilization of resources, and the interaction of the organization with the market, competitors and other environmental factors.

2.3 Stages of Strategic Planning

David (2004: 285) stated that the important techniques of strategy formulation can be integrated

into the framework of a three-stage decision-making. Phase 1 comprises a formulation farmework EFE, EFI, matrices and Competitive Profile Matrix CPM called Stage Input *which summarizes the basic information* necessary for formulation a strategy. Stage 2 is called *(Matching Staget),* focusing on efforts to produce alternative strategies that can be executed *(feasible)* by combining external and internal Factor. The second stage techniques consist of *Threats - Opportunities - Weaknesses - Strengths* (TOWS), matrix *Strategic Position and Action Evaluation* (SPACE), Matrix BCG *(Boston Consulting Group),* Matrix Internal-External (IE) matrix and *Grand Strategy* (Strategy parent) matrix Stage 3 called Phase *Decision Stage,*use one kind of technique, namely *Quantitative Strategic Planning Matrix* (QSPM).

2.4 Competitive Strategy AndCompetitive Advantage

According to Porter (1994: 1) competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena where competition occurs. Competitive strategy aimed at enforcing the favourable position and can be defended against the forces of industry competition. Porter further (1994: 3) states that basically competiton excellence develops from the values created by the COMPANY for the buyers that exceeds the cost of the company in creating it.

Porter (1990) explains that the competitive advantage is the heart of marketing performance to face the competition. Competitive advantage is defined as a strategy that benefits from the company cooperated to create a more effective competitive advantage in the market. This strategy should be designed to achieve continuous competitive advantage that the company can dominate both in the marketplace and new markets. Essentially growing competitive advantage of the values or benefits is created by the company for its buyers.

3. Methods

Qualitative methodis chosen as the research method. Results of this study will be presented descriptively, regarding findings obtained through the interview process to the respondents of the study. The study was conducted in the village PulutanRemboken District of Minahasa. the object of research is the development model of competitive strategy development forpulutan ceramics small and medium-sized industry (SMI) ceramic craft Pulutan in Minahasa. In this study, the respondents were the pulutan ceramics craftsmen with. with population of 215 business units in Minahasa. According to Sugiyono (2008: 117) population is the object / subject that has certain qualities and characteristics defined by the researchers to be studied to come to conclusions. While the sample is part of the number and characteristics possessed by this population. In this study all the population of pulutan ceramics craftsmen is taken as the research sample.

3.1 Method ofcollectingdata

The methods ofcollectingdata in this study are: (1) observation; (2) interviews; (3) The questionnaire and (4) documentation. The operational definition of variablesstrengths and weaknesses variables in this study were analyzed from *internal factor evaluation* (IFE) and variables Such as opportunities and threats from *external factor evaluation* (EFE).

3.2 Data Analysis Methods

This research resulted in a model that is considered suitable competitive strategy to be implemented by Pulutan Ceramics SME in Minahasa regency in facing the of competition using several analytical tools, namely: (1) qualitative analysis; (2) IFE and EFE matrix; (3) SPACE matrix; (4) SWOT matrix; (5) QSPM.

4. Results Achieved

### 4.1 Internal Factor Analysis as Strengths and Weaknesses

1). Internal factors as the strength gained weight and rating from eight variables. The total score achieved is 2.6671 with an average of 0.33, while the weakness factor gained weight and rating from eight variables as great as -2.1974 and the average of -0.2747 average. 2). External factors as opportunities based on seven variables with a total rating of 15.56 and the average of 0.33 and the highest is MICE variable of 3,14 2,53 followed by the development of the interior and style of life of 2.48 While the threat variables are consecutively Increased production costs amounted to -3.21, the imported products amounted to -2.87 and -2.71 customer loyalty.

4.2 SPACE Analysis And SWOT analysis

The data obtained were re-analyzed using SWOT and QSPM. The analysis of space matrix of the pulutan ceramics handicraft matriks space can be are in the appendix.
The results of SPACE matrix analysis show that the position of Pulutan Ceramics in Minahasa in the facing competition is at the quadrant 4 is in a state of competitive position (competitive position). Quadrant 4 shows the state of the industry position of strong competition but is a slow growth industry. This company has the power to launch programs of diversification into business areas that are growing and promising. Companies in this position have a high *cashflow* level as, can be seen in the figure below.

<div align="center">Figure 1 Strategic positioning ofPulutan Ceramics small and medium industry in Minahasa In Facing Competition with a SWOT Analysis</div>
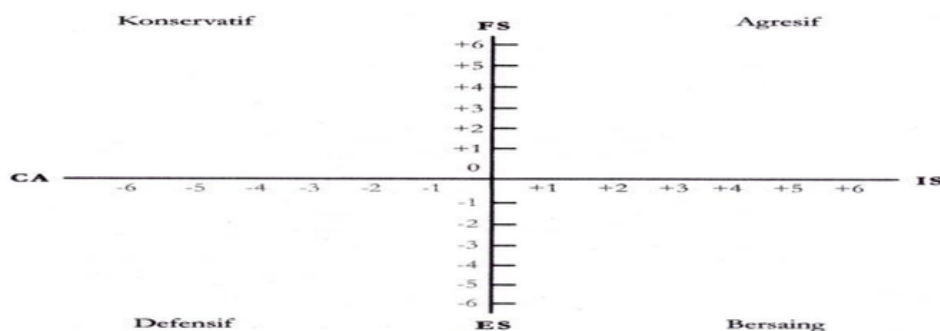
In this analysis resulted in eight alternative strategies with a variety of programs that can be implemented by the craftsmen of ceramics pulutan in Minahasa regency in the face of world competition namely: 1) Expanding the market both in the region, outside the region and even abroad, 2) The presence of partners (cooperation) with other affiliated companies, 3) Establishing the Association, 4) Improving marketing management, 5) Improving the competitiveness of products, 6) cooperation is needed, 7) Improving human Resources, and 8) Diversified Products. With the SWOT analysis has created eight alternative strategies with a variety of programs that can be used by craftsmen in Minahasa regency and of the eight strategies that have produced results with subsequent SWOT analysis followed by analysis QSPM *(Quantitative Strategic Planning Matrix),* to determine the relative interest *(Relative attractiveness)* of the implementation of alternative staregi. The goal is to mendaptkan best strategy and cocock and allows a priority to be implemented. the results of the analysis QSPM can be determined by the priority strategies that could be implemented by existing pulutan ceramic artisans in Minahasa regency in the face perasaingan can be seen in the table below.

4.3 QSPM Analysis (Quantitative Strategic Planning Matrix)

Table 1. Matrix QSPM *(Quantitative Strategic Planning Matrix)*
Competing Strategies of Small and Medium Pulutan Ceramics craft in
Minahasa according to Priority Scale

| NO	STRATEGY	KODE	TAS
1	Expanding markets both in the region and outside the region as well as abroad	S01	2.37
2	Establishing cooperation with other companies	S02	2.57
3	Establishing Association	WO1	2.34
4	Improving marketing management	W02	2.34
5	Improving the produk competitiveness	ST1	2.37
6	Establishing required cooperation	ST2	2.25
7	Improving Human Resources	WT1	2.38
8	Diversifying product	WT2	3.34

The analysis of QSPM matrix shows that the order of strategi priorities than can be applied by Pulutan Ceramics crafts men in Minahasa is as follows : 1) Diversification of products, 2) presence of partnership with other companies, 3) Establishing the Association, 4) Improving Human resources and 5) Promotion of expanding market share.

4.4 Competitive Strategy Model of Pulutan Ceramics SMI

From the analysis a QSPM matrix model of competitive strategy of Pulutan Ceramics Small and Medium Industries (SMI) in Minahasa can be presented as follows :

Figure 2. Competitive Strategic Model Using*Quantitative Strategic Planning Matrix (QSPM) Approach*For Handycrafts Ceramic Industry in PulutanMinahasa Regency
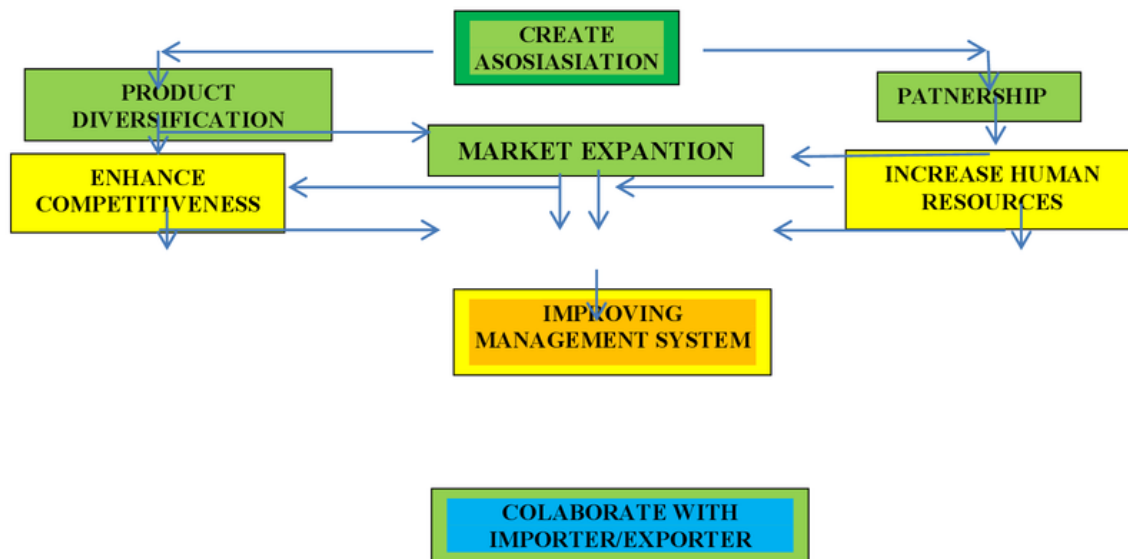
5. Conclusions And Recommendations

Based on the results of the discussion above, some of the conclusions are:

- Pulutan Ceramics Industry in Minahasa still lost the competition because of the problems faced including: quality or quality of products still has not met the standards, many consumers are not satisfied with the results of the products that have been produced. Besides, the technological equipment used is not adequate / limited. Additional raw material is still difficult to obtain due to limited resources and limited funds. The marketing of the products of the craftsmen has less access to transportation and adequate information so that it is limited and not growing. The very limited cost/capital results in products which are not appropriate as demanded by the customers. Besides, the local government institutions have very less attention resulting the slow development of Pulutan Ceramics SME.
- There are 32 variables of Internal and external factors. Of these variables are 16 Variables are Internal factors and 14 variables external factors. The are 8 (eight) variables of strengths and 8 variables of weaknesses. External factors consist of seven (7) variables of opportunities and 7 variables of threaths.
- The results of SPACE matrix analysis show that Pulutan Ceramics Crafts SME in Minahasa in the facing the competition is in a competitive. The position of the four the Quadrant show that the industry is in the position of a great competitive advantage in an industry that is growing rapidly.
- The QSPM matrix analysis results show that there are 8 strategy as priorities.

　　Strategies that can be done by the Pulutan ceramics in Minahasa according to the order are: Establishing associations, product diversification, the partners (cooperation)

with other affiliated companies, Increasing human resources, Expanding market share, Enhancing competitiveness, Improving system management, cooperation with importers and exporters.

In facing strict competition, the PulutanCeramics SMI in Minahasa performs the following program:

- The Pulutan Ceramics SMI craftsmen in Minahasa must (1) *Addmodels and types* (2) pay attention to the price *each product* (3) have a cooperation *with hotels, restaurants / cafes for using ceramic crockery* (4) Cooperate with a distributor of raw materials (5) Establish cooperative (6) Perform cooperation with a distributor of raw materials (7) Improve the skills with the training involving the mastery of production technology (8) Conduct promotion (9) Promotion held on the campus of Higher Education for the students (10) hold online promotion (11) get support from government to issue a regulation on the mandatory use of pulutan ceramic in all hotels, restaurants / cafes, and salons that is in the province of North Sulawesi (12) increase quality way of painting, refine products that are still rough, the maximum combustion techniques, downloading am ground milling machine tool sump (13) Conduct a collaboration in expanding import market (14) Join exhibitions in and outside the region and abroad, open a counter in a mall (15) Attend entrepreneurship training (16) develop products that use raw materials mixing.
- Equipment / technology used must comply with the requirement, affordable, and can be used efficiently. If you want to thrive it must be able to keep abreast of modern technology and equipment.
- Pulutan Ceramics SME craftsmen require additional feedstock fixed or can be obtained continuously by having fixed distributor.
- In marketing is needed so that the optimal performance of Pulutan Ceramics SME in Minahasa can compete in international markets.
- To be able to win in the competition Pulutan Ceramics SME in Minahasa as a driver of the region should continue to be supported by the government to create more conducive, business climate including outlined in the legislation, the facility to support access to capital, access to information technology, improve the quality of human resources through education and training.
- One strategy to boost the role of SMEs in the free market is to grow strong medium-sized enterprises in building the industry. With the rapid advancement of small and medium enterprises Pulutan Ceramics SME in MinahasaRegency can improve the lives of rural communities so that in the next 5 years it is expected that Pulutan village will be a tourism village that will make the people of Minahasa Regency pround.

Appendix:

Table 2.
Space Analisis of Pulutan Ceramics Handycraft SME Minahasa Regency

POSITION INTERNAL STRATEGIC FACTOR	RATING	POSITION EXTERNAL STRATEGIC FACTOR	RATING
FINANCIAL STRENGTH (FS)		ENVIROMENTAL STABILITY (ES)	
		1 Customers Loyal	-2,71
Easy Capital Loan	2,39	2. Tourism Loyal	-2,65
		3.Decreasing buying power	-2,53
		4. Import products	-2,87
		5.Thread of competitor in the market	-2,20
		6. Copying variaty models	-2,06
		7.Production cost increase	-3,21
Total	2,39		-18,23
Average	2,39		-2,60
FS + ES = 2,39 + (-2.60) = - 0,21			
COMPETITIVE ADVANTAGE (CA)		INDUSTRIAL STRENGTH (IS)	
Expensive Raw Materials	-2,26	Economic Growth	1,99
Without the Goals	-2,70	Investment Policies	1,99
Monotonous Promotion	-2,18	MICE	3,14
Product Quality	-2,20	Population Growth	1,71
Level of education	-1,99	Interior Development	2,53
Family Management	-1,00	Community Life Style	2,48
HighProduct Price	-2,22	Information Technology Development	1,85
Small Business Capital	-1,82		
Total	-17,36		15,69
Average	-2,17		2,24
CA + IS = (-2,17) + 2,24 = + 0.071			

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