

THE CHOOSING OF LEATHER INDUSTRY DEVELOPMENT IN TANGGULANGIN STRATEGY USING INTERNAL EXTERNAL MATIX AND QUANTITATIVE STRATEGIC PLANNING MATRIX APPROACH

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ABSTRACT

The problem that is being faced by leather craftsmen in INTAKO Cooperation in order to internationally compete are qualified products, SNI certificated, and primary services. Because of this, the leather industry in Tanggulangin Sidoarjo needs a strategy to exist globally around the world.

The purpose of this research was to know whether there is an internal or external factor which affects, formulating alternative strategy and making a strategy that could be implemented into developing the leather industry in Tanggulangin Sidoarjo, prominently for major entrepreneur included in INTAKO Siodarjo.

The data analysis method that is being used was IE Matrix and QSPM Matrix (Quantitative Strategic Planning Matrix). The result could be concluded that the merger of IFI and EFE matrix would be IE matrix. IFE matrix is 2.870. This result shows that the company's capacity to accommodate internal strategy factor is on the average number. EFE matrix is 3.019 which shows that The Big Company of INTAKO in Tanggulangin is on the second quadrant which depicts that The Big Company of INTAKO in Tanggulangin is on the "grow and build" area. Meanwhile the priority being produced by QSPM Matrix is the biggest priority that is market penetration (first strategy). The result from QSPM Matrix calculation was a strategy with the highest weight as to 6,558.

Keywords: IE matrix, quantitative strategic planning Matrix and SNI,

INTRODUCTION

Tanggulangin is one of the subdistrict in Sidoarjo who's most of the population is working as a leather craftsmen in the industry. A lot of leather needs were produced in this place, such as sandal, shoes, bag, wallet, suitcase, jacket and other leather-based things. Leather crafts has been known since 1939, at that time they were starting off with bag and suitcase products.

The enactment of Asean Economic Community (AEC) in 2015, the government has prioritized nine (9) to be developed in the ASEAN market, that is agriculture industry (CPO, cocoa, rubber), fish processed product industry, TPT industry, footwear industry, leather and leather

goods, furniture industry, food and beverage industry, fertilizer and petrochemicals industry, machine and tool industry, and basic metal, iron and steel.

The quality standard will also take the ASEAN's. Until now, UMKM products which have a chance in the markets were constrained by those quality standards. The small and middle industry have a significant role especially in business unit numbers and labors. The government shouldn't ignore the small and middle industry as the economic's drive force. In return, the government should make the right policy for the small and middle industry.

Financial has always been the number one problem in small and middle industry. Limited access to the bank and the circumspection principle in giving credits to small and middle industry became an obstacle. The other problem is imported materials; it takes only two million of cow's skins when the adequate number is five millions.

Based on the background above, the formulation of the problem could be demonstrated as (1) What kind of internal factors that affect the development of leather industry in Tanggulangin Sidoarjo strategy, (2) What kind of external factors that affect the development of leather industry in Tanggulangin Sidoarjo strategy, and (3) What strategy is being used in developing leather industry in Tanggulangin Sidoarjo.

The purpose of this research are (1) To know what kind of internal factors which affect the development of leather industry in Tanggulangin Sidoarjo strategy, (2) To know what kind of external factors which affect the development of leather industry in Tanggulangin Sidoarjo strategy, and (3) To know what strategy is being used in developing leather industry in Tanggulangin Sidoarjo.

LITERATURE REVIEW

Management strategy could be defined as art and knowledge in formulating, implementing and evaluating cross-functional decisions that enabled an organization to reach the goal. Management strategy is also planning strategy. Point taken, planning strategy is a tactic of a company. Like a soccer team, they need a planning strategy to success. Planning strategy was produced from the hard choice of managerial from other alternatives and this signifies commitment to a market, certain policy, procedure and operation above other "less fortunate" movements. (David, 2009;5-6)

David (2006) defines strategy as a tool to reach long-term goal. Strategy is a potential movement which needs top level management and company's manpower in a great amount. Strategy has multi-functional and multi-dimensional consequences and in needing of internal and external factors to be considered towards the company.

On principle, generic strategy is divided into 4 by Fred. R. David, that is (1) Integration Strategy, (2) Intensive Strategy, (3) Diversification Strategy, and (4) Defensive Strategy.

IE Matrix (Internal and External)

Internal and External Matrix aims to know alternative type strategy that could be implemented in a certain company's condition to get business strategy in a more-detailed business level. The parameter involves the internal force of the company and the external effect it has for the outcome. Internal and external matrix was developed from Generic-Electric model (G-E model).

Table 1. Internal and External Matrix

1. Growth Concentration through vertical integration	2. Growth Concentration through horizontal integration	3. Retrenchment <i>Turn Around</i>
4. Stability Careful	5. Growth Concentration through horizontal integration Stability No changes of the company's profit	6. Retrenchment <i>Captive Company and Divestment</i>
7. Growth Concentric diversification	8. Growth Conglomerate diversification	9. Retrenchment Broke or liquidation

On the table above could be identified 9 cell of company's strategy, but in principle those 9 cells could be categorized into 3 main strategy (Rangkuti, 1977):

1. Growth strategy is the growth of the company itself (cell 1, 2, 5) or diversification effort (cell 7 and 8).
2. Stability strategy is an assigned strategy without changing the implemented strategy.
3. Retrenchment strategy (cell 3, 6, 9) is an effort to minimize or reduce an effort from the company.

Strategy Making in the Decision Stage

After the early stage is made and analyzed, then the next stage is priority list that should be implemented. Quantitative Strategy Planning Matrix (QSPM) could objectively established the prioritized alternative strategy. As a technique, QSPM needs good intuitive judgment.

Steps in arranging QSPM:

1. Make an external factor (chance/threat) list and internal factor (strength/weakness) on the left side of QSMP matrix column.
2. Give weight for every external and internal factors.
3. Analyze the corresponding matrix from step two by identifying alternative strategy that needs to be implemented.
4. Give an alternative score (SA) with the range score as:
 - 1=no attraction
 - 2=low attraction
 - 3=medium attraction
 - 4=high attraction
 - 5=does not have any effect towards alternative strategy

Steps of Developing QSPM

The primary component of QSPM are key factories, strategic alternatives, weight, attractiveness score, attractiveness score total, and the total sum of attractiveness score. These are steps in developing QSPM:

1. Step 1: Make a chance, threat, strength and weakness list company's SBU on the left column of QSPM. This information was taken from IFI and EFE matrix. Minimum of ten external critical success factor is included in QSPM.

2. Step 2: Give weight on external and internal key success factor. This weight is the same as the one in IFI and EFE matrix.

3. Step 3: Research the matrixes from stage 2 and identify the alternative strategy as the implementation is considered by the company. Note these strategies on the upper side of QSPM. Classify those strategies in a whole that is mutually existence, if probable.

4. Step 4: Use Attractiveness Score (AS) that is a score to show alternative attractiveness for every chosen strategies. Attractiveness score was established in researching every external and internal key success factor.

Specify the role from every factor in the process of choosing the making strategy. If the role from the factor is big, then strategies to be compared to relatively in the prime factor. In detail, attractiveness score needs on every strategy to show relative attractiveness from one strategy to other strategy. The limit of attractiveness score is 1=not attractive 2=rather attractive 3=logically attractive 4=very attractive.

5. Step 5: Count the attractiveness score total. The total of attractiveness score was made from multiplication of weight (in step 2) and attractiveness score (in step 4) in every line of attractiveness total shows relative attractiveness from every alternative strategy.

6. Step 6: Count the total sum of attractiveness score. Total every attractiveness score in every QSPM column.

RESEARCH METHODS

This research was the extension from 2015 research which was done in some of leather industry Tanggulangin Sidoarjo in bags and suitcases field. The choosing of the place was because Tanggulangin Sidoarjo is one of the centric UMKM in bags and suitcases crafts.

The data that is being used is primary data and secondary data. Primary data was from interviews and questionnaire from the respondent. Observation was also done to obtain additional information such as competitiveness factor, internal and external factor. Secondary data was from literary (books, journal, and article related to the topic) and internal report data bags and suitcases industry. Respondent's criteria as to be researched was having knowledge and experience about the researched object. The chosen respondent was a company's representative who have deep comprehension towards competitiveness and the whole company, and the caretaker, the companies included in INTAKO, Disperindas Service Sidoarjo, Kadin Jatim Province. Processing and data analysis in this research is using Porter's Diamond Model to identify competitive excellence factor of UMKM's bags and suitcases in Tanggulangin district with analyzing internal external factor and Quantitative Strategic Planning Matrix (QSPM).

The data processing was using Expert Choice program and Microsoft Excel 2007. The substantial potential of bags and suitcases industry came to realization as to UMKM doers. The consequences are there are many companies or UMKM in this business so it rises competitors which move in the bags and suitcases industry. UMKM's product was to be expected to

increase the quality products in having competitive excellence on markets. The framework scheme of this research could be seen in Figure 1.

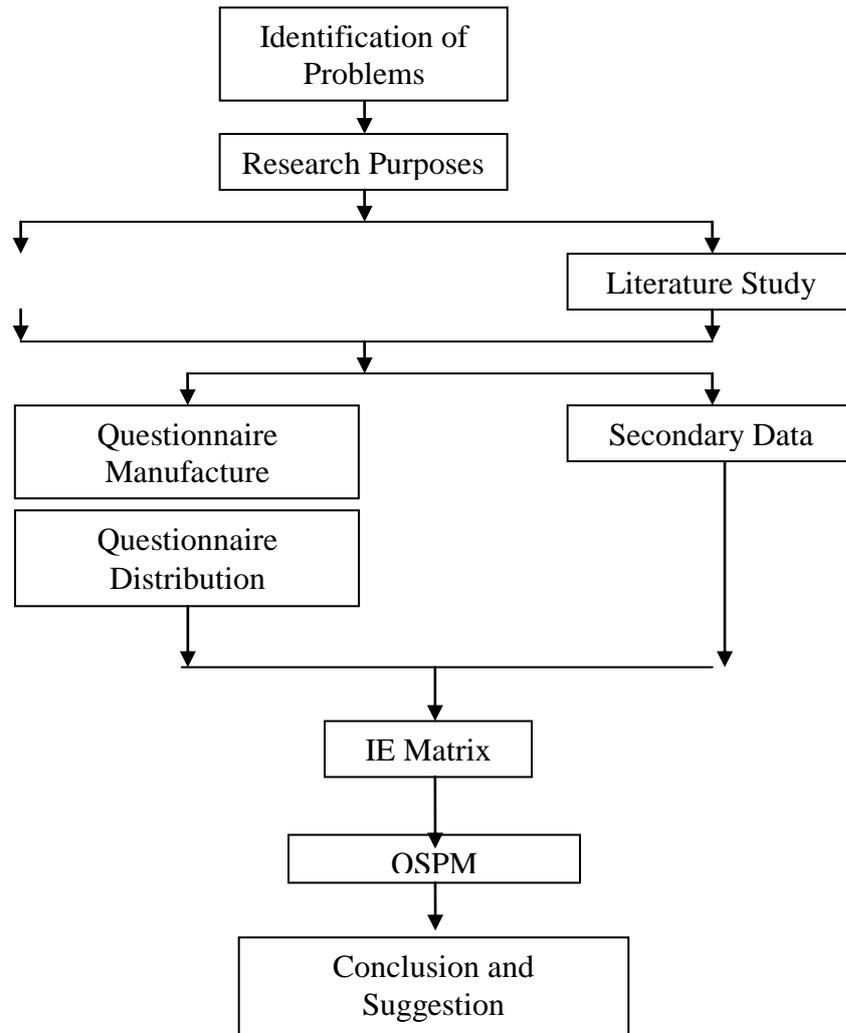


Figure 1. Research Method

RESULT AND DISCUSSION

The respondents from this research are companies to be engaged in INTAKO cooperation in Tanggulangin, Disperindag Sidoarjo employees, Kadin Jatim Province, and INTAKO Cooperation caretaker. From the total of 15 respondents, there are 10 to fulfill the criteria. Meanwhile who doesn't add up to criteria was 5 respondents because the 4 was out of town, and the other one didn't come back.

Internal External matrix (IE Matrix)

Major Company IE matrix

IE matrix was obtained from the merge result of IFI and EFE matrix. From the IE matrix analysis then it is known the position of INTAKO entrepreneurs. The merge of IFI and EFE

matrix will produce IE matrix to positioning parts of organization in a nine cell display. Based on the result from IFE matrix (2.870) which depicts the company's capability to accommodate internal strategic factor in average condition. EFE matrix (3.019) so IE matrix could be depicted as:

		IFE SCORE TOTAL		
		Strong 3.0-4.0 3.0	Medium 2.0-2.99 2.09	Weak 1.0-1.99 1.0
E F E S C O R E T O T A L	Strong 3.0-4.0	4.0 I <i>Grow and Build</i>	II <i>Grow and Build</i> 2,532; 3.019	III <i>Hold and Mountain</i>
	Medium 2.0-2.99	3.0 IV <i>Grow and Build</i>	V <i>Hold and Mountain</i>	VI <i>Harvest or Divesture</i>
	WEak 1.0-1.99	2.0 VII <i>Hold and Mountain</i>	VIII <i>Harvest or Divesture</i>	IX <i>Harvest or Divesture</i>
		1.0		

Figure 2. IE matrix INTAKO major company in Tanggulangin district

After matching the IFE and EFE matrix with IE matrix, the major company of INTAKO's position is on the quadrant II which is to "grow and build". In this area, the business entity needs to apply intensive or integrative strategy. Intensive strategy could come in market penetration, market development, and product development. Integrative strategy could come in integrative to the back (doing acquisition towards the suppliers), integrative to the front (doing acquisition towards the distributors), and horizontal integrative (doing acquisition towards competitors). Major company of INTAKO's position should be matched with strategy type produced by SWOT matrix that is market penetration through market and product development.

QSPM Matrix Analysis

After developing some alternative strategy, the company needs to evaluate and choose the best strategy to be matched with internal condition and external environment. There are 6 steps to make QSPM matrix (David, 2002):

1. Arrange strength, weakness, chance and threat list like the SWOT's.
2. Giving them weight like IFI and EFE matrix.
3. Arrange alternative strategy to be evaluated.
4. Set attractiveness score (AS) from the range of 1 until 4. Score 1=no attraction 2=low attraction 3=medium attraction 4=high attraction. If there are no effects towards the considered alternative strategy, then the AS wouldn't be needed.

5. Count the alternative score total (TAS). Multiply weight and attractiveness score on each internal and external factor in every strategy.
6. Count the total of attractiveness score. The highest alternative strategy have the best strategy.

Table 2. Total Alternative Score (TAS)

No	Factor	Weight	Strategy 1		Strategy 2		Strategy 3	
			AS	TAS	AS	TAS	AS	TAS
	Strength							
1	Leather crafts industry in Tanggulangin have many skilled labors.	0,111	4	0,444	4	0,444	3	0,333
2	Having cooperation to compile leather crafts product.	0,118	2	0,236	3	0,354	3	0,354
3	The availability of raw materials from suppliers until now is still fulfilled.	0,119	3	0,357	3	0,357	4	0,476
4	Having product machine tool from the Ministry of Trades.	0,112	3	0,336	4	0,448	4	0,448
5	Having promotional support from Pemkab Sidoarjo or Pemprov Jawa Timur in a form of place/facility to exhibit leather crafts.	0,116	3	0,348	3	0,348	3	0,348
6	The marketed products have affordable price for the consumer.	0,108	3	0,324	4	0,432	3	0,324
	Weakness							
1	Acceleration in developing products is still slow.	0,048	3	0,144	3	0,144	4	0,192
2	The service towards buyers have not reach its maximum capacity.	0,058	4	0,232	3	0,174	3	0,174
3	Indepent promotion without the help of Dinas is not maximum yet.	0,054	4	0,216	4	0,216	4	0,216
4	Crafts product from Tanggulangin is not SNI certificated yet.	0,048	4	0,192	3	0,144	4	0,192
5	Low quality of product.	0,053	4	0,212	4	0,212	4	0,212
6	The limitations of modal.	0,056	3	0,168	3	0,168	3	0,168
	Chance							
1	Leather crafts industry have a big market potential because Indonesia is the most populated country in ASEAN.	0,119	3	0,357	3	0,357	3	0,357
2	Leather crafts product have a potential to be market leader especially East Javanese during the Asean Economic Community (AEC) with the promotional support from Pemprov Jawa Timur and Pemkab	0,124	4	0,496	3	0,372	3	0,372

	Sidoarjo.							
3	The government's regulation in maximizing industry sector to face Asean Economic Community (AEC).	0,127	3	0,381	2	0,254	2	0,254
4	Leather crafts industry in Tanggulangin Sidoarjo until now still considered as the best craft center in Jawa Timur.	0,126	3	0,378	2	0,252	3	0,378
5	With the free market of ASEAN or AEC, it affects on the traveler's visitor enchancement to Tanggulangin.	0,127	3	0,381	3	0,381	2	0,254
6	The buying of raw materials and adding product tools from outside the country could be purchased easily.	0,116	4	0,464	3	0,348	3	0,348
	Threat							
1	Products from ASEAN would flood Indonesia during the AEC.	0,049	3	0,147	3	0,147	3	0,147
2	More affordable price and varieties quality of products from other countries.	0,058	4	0,232	3	0,174	3	0,174
3	Citizen of Indonesia tend to choose to buy imported products as a life style and assumed it has better qualities.	0,054	3	0,162	4	0,216	3	0,162
4	The appearance of same kind of products from ASEAN countries.	0,049	3	0,147	3	0,147	4	0,196
5	Terjadinya peningkatan upah tenaga kerja yang kemungkinan disebabkan oleh banyaknya tenaga kerja terampil yang mencari kerja di Indonesia. Wage increase caused by many skilled labors to find jobs in Indonesia.	0,051	4	0,204	3	0,153	3	0,153
Total				6,558		6,242		6,232

The total of QSPM above was based by input from internal and external factors weight, and alternative strategy in matching stage. After collecting the data then there are results to compare strategy with internal and external factors, which is strategy 1 as much as 6,558, strategy 2 as much as 6,242 and strategy 3 as much as 6,232. Based on QSPM total, strategy with the highest weight that is 6,558 was chosen (penetration market strategy). Market penetration, that is to try

to enhance market segment for the already available products in the market for more vigorous marketing.

In order for penetration market strategy to be succeed, then Tanggulangin Sidoarjo needs to be supported with:

1. The government's support in building infrastructure to push productivity and the growth of business, would be meaningless if it could not be marketed in the right way or having a low price. The effort to escalate the product's quality and quantity is to build products and marketing infrastructure. From location product to market will reduce marketing chains and in the end escalate the acceptance of Tanggulangin's leather industry.
2. The development of industry's business network in Tanggulangin Sidoarjo. There will be expansion of network such as subcontract. This kind of pattern had been formed but not optimized yet. This pattern could be an alternative towards Tanggulangin Sidoarjo industry's existence. But there aren't many craftsmen to have networks even subcontracts to major companies so they have susceptible existence. To have a chance having excellence competitiveness and could compete in global markets.
3. Bank gives modal credit easiness. Towards the easiness of credit application, to be expected of the modal in developing products. Then the banks not only just to hunt the established companies but also to be the pioneer to develop economic potential in growing leather craftsmen industry in Tanggulangin Sidoarjo through support in easiness getting modals from business development.
4. Leather crafts industry in Tanggulangin Sidoarjo empower employees which is an important factor to every business including the small ones. The success of small scale industry that could compete with the same kind of products and could penetrate global markets or facing imported products in domestic market determined by doer's ability in that small industry to develop their products so it could still exist. The government needs to increase training for leather industry in Tanggulangin Sidoarjo in traveling, administration, knowledge and skills aspect in business development. The increase of labor quality was done through many ways as education and training, seminar and workshop, intern in workspace and business collaboration.

CONCLUSION AND SUGGESTION

Conclusion

Based on processing data's analysis and result, we can conclude that:

1. The merge of IFI and EFE matrix will produce IE matrix. In IFE matrix is 2.870. This result shows that the company's ability to accommodate internal strategy factor is in average condition. EFE matrix is 3.019 which shows major company INTAKO's position in Tanggulangin district is in quadrant II which depicts major companies in INTAKO is on the area of "grow and build". In this area a business entity needs to apply intensive and integrative strategy.
2. Priority to be produced by QSPM matrix is the highest priority that is market penetration (strategy 1). The result from QSPM matrix total was strategy with the highest weight as to 6,558.

Suggestion

Suggestions for this research are:

1. To develop leather crafts industry in Tanggulangin Sidoarjo needs an internal fixation that is service enhancement, production total enhancement, SNI certificated products, development

- product acceleration, and enhancing promotion.
2. The entrepreneur of leather industry in Tanggulangin Sidoarjo needs to do promotion with broadside, brochure, leaflet, pamphlet, or other media promotion so there are more consumer candidates to know Tanggulangin industry's existence.

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