

SME Center Development Strategy Langkat Furniture in an Effort to Increase Competitiveness with SWOT Analysis and QSPM

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ABSTRACT

The construction of an SME center is an alternative for the Langkat Regency government to develop the furniture industry. Until now, SME centers have not shown economic development and activity as expected. A prospective strategy to analyze internal and external environmental factors related to development, competitiveness and existence needs to be owned by SME centers. This research aims to analyze internal and external factors, as well as develop alternative strategies for developing the Langkat Furniture SME center. The analysis tools used are the SWOT matrix and QSPM. Previous research did not determine a development strategy for the small industrial sector which focused on centers built by the government with the concept of artificial development. Respondents in this study were SMEs and government employees who knew the conditions of the centers as a whole. The results of the IE matrix analysis show the position of SME centers in quadrant I, namely belonging to the category of growth through vertical integrity. The formulation of alternative strategies from matching each internal and external factor in the SWOT matrix resulted in 9 strategies. The results of the IE and SWOT matrix assessment and analysis of the strategies formulated show that the strategies required regarding the development of SME centers are intensive, namely market penetration, product development and market development. The QSPM analysis displays strategic decisions that are priorities according to the conditions of the Langkat Furniture SME center, namely the commitment of the local government in developing the center.

Keyword: Development Strategy, SWOT and QSPM Analysis, Furniture SME Center

ABSTRAK

Pembangunan sentra IKM merupakan salah satu alternatif bagi pemerintah Kabupaten Langkat untuk mengembangkan industri furniture. Hingga saat ini, sentra IKM belum menunjukkan perkembangan dan aktivitas ekonomi sebagaimana yang diharapkan. Strategi prospektif untuk menganalisis faktor lingkungan internal dan eksternal terkait perkembangan, daya saing dan eksistensi perlu dimiliki sentra IKM. Penelitian ini bertujuan menganalisis faktor internal dan eksternal, serta menyusun alternatif strategi pengembangan sentra IKM Furniture Langkat. Alat analisis yang digunakan adalah matriks SWOT dan QSPM. Penelitian terdahulu tidak menentukan strategi pengembangan sektor industri kecil yang berfokus pada sentra yang dibangun pemerintah dengan konsep pengembangan secara buatan. Responden pada penelitian ini adalah pelaku IKM dan pegawai pemerintah yang mengetahui kondisi sentra secara menyeluruh. Hasil analisis matriks IE menampilkan posisi sentra IKM pada kuadran I yaitu tergolong pada kategori pertumbuhan melalui integritas vertikal. Perumusan alternatif strategi dari pencocokan setiap faktor internal dan eksternal pada matriks SWOT dihasilkan 9 strategi. Hasil penilaian dan analisis matriks IE dan SWOT dari strategi-strategi yang dirumuskan menunjukkan bahwa strategi yang dibutuhkan terkait pengembangan sentra IKM bersifat intensif yaitu penetrasi pasar, pengembangan produk, dan pengembangan pasar. Analisis QSPM menampilkan keputusan strategis yang menjadi prioritas sesuai dengan kondisi



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sentra IKM Furniture Langkat adalah komitmen pemerintah daerah dalam pengembangan sentra.

Keyword: Strategi Pengembangan, Analisis SWOT dan QSPM, Sentra IKM Furniture

1. Introduction

According to Langkat Regency GRDP data for 2020-2022, the small and medium processing industrial sector has an important role in the economic growth of the Langkat Regency area [1]. The development of SME centers is expected to make a significant positive contribution to efforts to overcome the problems of poverty, unemployment, inequality in income distribution and uneven development [2]. Langkat Regency has quite large potential for developing the furniture industry. This is supported by the availability of raw materials and human resources. The construction of a Langkat furniture SME center with the concept of artificial development is an alternative for the Government to develop the furniture industry in Langkat Regency. The main target of developing the center is not as a relocation place, but rather to expand the market, facilitate increased added value, absorb labor, so that it has an impact on increasing the progress of the furniture industry in Langkat Regency.

According to the Langkat Furniture SME center development report, to date the center has not shown the development and activity as expected. When the SME center was in operation, it was filled with 10 SMEs according to the available capacity, but over time it continued to decrease and now there are only 3 SMEs. The decline in the performance of SME centers can be seen from the fluctuation in the number of production, workforce and productive SMEs in the centers.

The growth and development of the SME center is greatly influenced by internal and external factors in the Langkat Furniture SME center. Internal factors that become the center's main obstacles include managerial management of the center, access to capital, production, marketing and human resources. External factors include government policies, socio-economic aspects, and the role of institutions [3]. The importance of knowing the strengths and weaknesses as well as opportunities and threats for SME centers is a key factor in achieving competitive advantage [4]. This success depends on the ability to manage influencing factors through analysis of environmental factors as well as the creation and implementation of business strategies [5]. SME centers must have a prospective strategy to be able to develop, be competitive and be able to maintain their existence [6]. The SWOT analysis approach is one of the most well-known techniques for conducting strategic studies, by looking at the internal environment including strengths and weaknesses and the external environment including the opportunities and threats that a company has in order to be competitive and able to maintain its existence [7]. The strategy produced by SWOT analysis can be developed to maximize strengths to overcome weaknesses, and take advantage of opportunities to face threats [8]. This method is subjective and linguistic, making it difficult to examine strategic factors and compare selected strategies [9]. The solution to overcome these weaknesses is to use SWOT and QSPM analysis. The SWOT and QSPM analysis models are easy to adapt and provide comprehensive analysis according to the needs of the company's development strategy [10]. The use of SWOT and QSPM analysis in selecting the right strategy is widely used by companies and academic activities. Previous research did not formulate a strategy for developing the small industrial sector which focused on SME centers formed by the government with the concept of artificial development.

The internal and external factors of the Langkat Furniture SME center can be used as a basis for formulating various alternative strategies. The formulated strategies are analyzed in order to obtain the right strategy to be applied to the development of the Langkat Furniture SME center. This research was designed to formulate a strategy for developing SME centers using SWOT and QSPM analysis. If the Langkat Regency Government does not address the existing problems, the Langkat Furniture SME center will not be able to compete and even maintain its existence.

2. Method

This research is a type of quantitative research, where the research results are presented descriptively in the form of data in the form of numbers or qualitative data calculated based on statistical analysis. The research was conducted at the Langkat furniture SME center located in Sei Karang Hamlet, Kwala Begumit Village, Stabat District, Langkat Regency, North Sumatra. The number of samples in this research was 20 respondents. The respondents consisted of small and medium industry players and government employees who were able to provide information regarding the overall condition of the Langkat Furniture SME center. The data collected

are all facts or information related and relevant to the problems of the Langkat Furniture SME center using observation, interviews and questionnaire methods.

Quantitative data processing to determine the Langkat Furniture SME center development strategy used SWOT and QSPM analysis. Strategy formulation is carried out through three stages, namely: input stage, matching stage, and decision stage [11]. The input stage consists of two parts, namely the EFE and IFE matrices. The matching stage of the Langkat Furniture small and medium industrial center development strategy formulation framework uses the IE and SWOT matrices. At the decision making stage the analytical tool used is QSPM.

3. Results and Discussion

The results of questionnaire data collection become the basis for formulating alternative strategies and strategic decisions for developing SME centers. Decision making in the strategic planning process requires basic assumptions that will be used as a basis for selecting and implementing strategies. The first strategy formulation is the input stage. The input stage uses the EFE and IFE matrices to weight and rank each central external and internal factor. The weighting and ranking in the EFE matrix are carried out based on external factors from Langkat Furniture SME center. The results of the weighting and ranking of the EFE matrix can be seen in Table 1. The weighting and ranking of the IFE matrix are carried out based on internal factors of the Langkat Furniture SME center. The results of the weighting and ranking of the IFE matrix can be seen in Table 2.

Table 1. EFE Matrix Weighting and Ranking Results

| No | Main External Factors Opportunity | Amount | Ratings | Weight | Score |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------|--------|---------|--------|-------|
| 1 | There is a government policy that encourages financial institutions to provide people's business credit with low interest to SME centers | 72 | 4 | 0.08 | 0.32 |
| 2 | There are regulations regarding the provision of incentives and ease of investing in the regions | 70 | 4 | 0.08 | 0.32 |
| 3 | There is synergy between Central and Regional Government Policies in supporting the development of SME centers | 73 | 4 | 0.09 | 0.36 |
| 4 | Open access to product marketing using digital media | 61 | 3 | 0.07 | 0.21 |
| 5 | Exhibition a national and international scale, superior regional products followed by the Regional Government | 64 | 3 | 0.08 | 0.24 |
| 6 | The potential for local, national and international markets is still wide open | 73 | 4 | 0.09 | 0.36 |
| 7 | Availability of teak wood raw materials based on community agriculture | 74 | 4 | 0.09 | 0.36 |
| 8 | Community traditions regarding wedding gifts use furniture products | 62 | 3 | 0.07 | 0.21 |
| Total | | 549 | 26 | 0.65 | 2.38 |
| No | Main External Factors Threat | Amount | Ratings | Weight | Score |
| 1 | The Government's commitment to supporting SME players | 60 | 3 | 0.07 | 0.24 |
| 2 | There is no certainty about the availability of sustainable teak wood raw materials | 55 | 3 | 0.06 | 0.18 |
| 3 | Competitors with similar products | 68 | 3 | 0.08 | 0.24 |
| 4 | Competition with similar manufacturers with modern technology | 56 | 3 | 0.07 | 0.21 |
| 5 | Illegal online marketing actors can damage the market | 65 | 3 | 0.08 | 0.24 |
| Total | | 304 | 15 | 0.36 | 1.08 |
| Total Matrix EFE | | 853 | | | 3.46 |

The second stage is concerned with formulating a reasonable and logical strategy. This stage is the matching stage of the framework for formulating a strategy for developing the Langkat Furniture SME center in an effort to increase competitiveness using the IE and SWOT matrices.

Table 2. IFE Matrix Weighting and Ranking Results

| No | Main External Factors Strength | Amount | Ratings | Weight | Score |
|--------------|-------------------------------------------------------------------------------------------------------------------------|------------|-----------|-------------|-------------|
| 1 | There is construction of an SME centers | 77 | 4 | 0.09 | 0.36 |
| 2 | Establishing synergy between SME centers actors and the Regional Government for the development of furniture SME center | 72 | 4 | 0.08 | 0.32 |
| 3 | Availability of facilities, means and infrastructure | 73 | 3 | 0.08 | 0.24 |
| 4 | Basic skills in processing carved wood have been passed down from generation to generation | 71 | 4 | 0.08 | 0.32 |
| 5 | Experience running a business will help SME players advance their centers | 64 | 3 | 0.07 | 0.21 |
| 6 | The technology used is simple | 60 | 3 | 0.07 | 0.21 |
| 7 | Strategic location and easy to reach | 74 | 4 | 0.09 | 0.36 |
| Total | | 491 | 25 | 0.56 | 2.02 |

| No | Main External Factors Weakness | Amount | Ratings | Weight | Score |
|-------------------------|----------------------------------------------------------------------------------------------|------------|-----------|-------------|-------------|
| 1 | Low educated workforce, | 49 | 2 | 0.06 | 0.12 |
| 2 | Limited business capital owned | 67 | 3 | 0.08 | 0.24 |
| 3 | It is difficult to get access to capital from financial institutions with low interest rates | 67 | 3 | 0.08 | 0.24 |
| 4 | Facilities, means and infrastructure are not yet optimal, | 66 | 3 | 0.08 | 0.24 |
| 5 | The machines and production equipment used are not optimal | 65 | 3 | 0.08 | 0.24 |
| 6 | Production quantities are limited | 69 | 3 | 0.08 | 0.24 |
| Total | | 383 | 24 | 0.47 | 1.32 |
| Total IFE Matrix | | 874 | | | 3.34 |

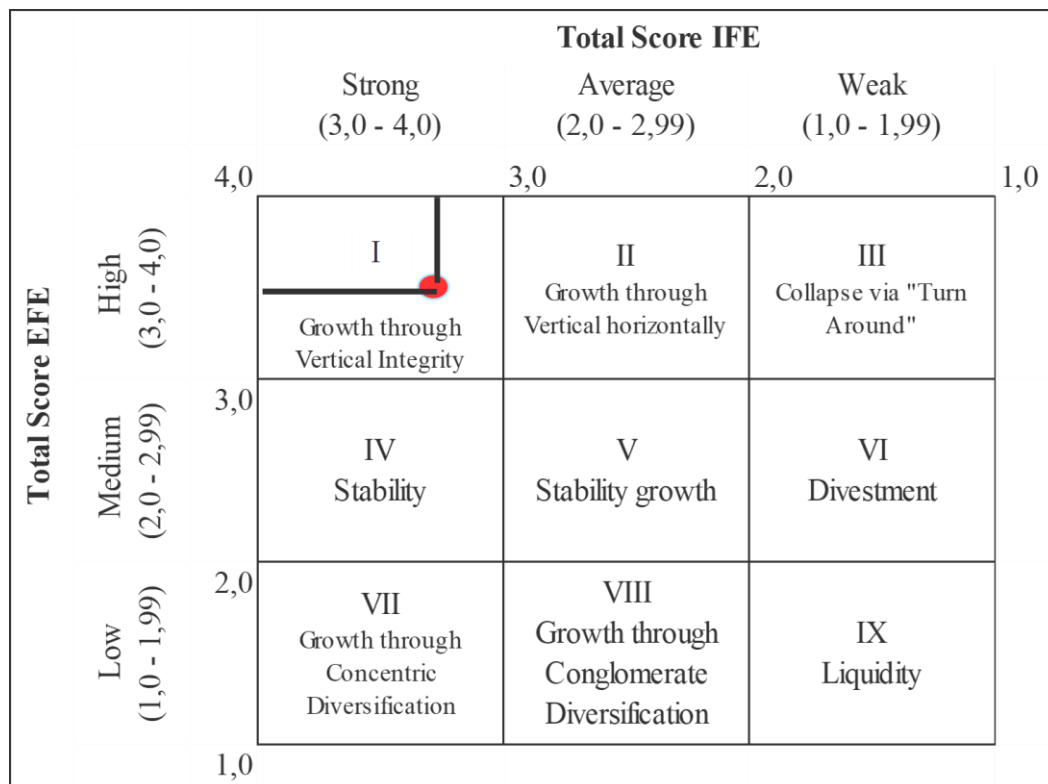


Figure 1. IE Matrix Diagram

The IE matrix is a matching tool by positioning various organizational divisions in a 9-cell display. The IE matrix is based on two main dimensions: the total EFE matrix score and the total IFE matrix score. From the data processing results of calculating weights and rankings on the EFE and IFE matrices, a total EFE matrix

score of 3.46 was obtained, which is included in the high category, plotted on the horizontal axis. The total value of the IFE matrix score of 3.34 which is included in the strong category is plotted on the vertical axis. Based on the results obtained, the IE matrix diagram can be seen in Figure 1.

Based on the IE matrix diagram, the position of the Langkat Furniture SME center is in quadrant I, namely belonging to the category of growth through vertical integrity. The strategy that can be applied in this position is intensive (market penetration, market development, and product development). This type of strategy approach will be used in formulating alternative strategies for developing the Langkat Furniture SME center in an effort to increase competitiveness.

SWOT analysis is a matching tool to determine various strategic alternatives based on the company's internal and external environment. The SWOT Matrix consists of SO Strategy (aggressive strategy) which utilizes the company's internal strengths to seize opportunities outside the company; ST (diversification) strategy uses company strengths to reduce external threats; WO strategy (turnaround strategy) minimizes weaknesses by exploiting external opportunities; and WT strategy (defensive strategy) reduces company weaknesses and avoids external threats. At this stage, the main external and internal factors are matched based on the EFE and IFE matrices as a basis for producing prospective alternative strategies.

The results of the SWOT matrix obtained 9 alternative strategies for developing the Langkat Furniture SME center, as follows: (a) Regional Government commitment to central development (SO)₁, (b) Promotion Policy for SMEs products (SO)₂, (c) Organizing education and training activities to improve HR competency (WO)₁, (d) Facilitate the ease of providing low interest credit with banks as an incentive for SME centers (WO)₂, (e) Providing the facilities and infrastructure needed by SME centers (WO)₃, (f) There is support from the Regional Government for easy availability of raw materials (ST)₁, (g) Improving product quality with innovation (ST)₂, (h) Encouraging creativity and innovation through the use of Appropriate Technology (WT)₁, and (i) Strengthen partnerships between SME centers and suppliers and medium and large scale industries, and/or develop online product marketing (WT)₂.

The final stage of strategic planning is decision making based on choosing the right strategy for developing the Langkat Furniture SME center. The selection of strategic alternative priorities obtained from the SWOT matrix uses QSPM analysis. From the SWOT matrix, 9 alternative strategies were produced by matching internal and external factors for the Langkat Furniture SME center. The results of the QSPM analysis obtained alternative strategies that can be implemented to develop the Langkat Furniture SME center, which can be seen in Table 3.

Table 3. Alternative Strategies According to Ranking on TAS Score

| No | Strategy Alternatives | TAS Score | Rating |
|----|------------------------------------------------------------------------------------------------------------------------------------------|-----------|--------|
| 1 | Regional Government commitment to central development | 7,38 | I |
| 2 | Providing the facilities and infrastructure needed by SME centers | 7,00 | II |
| 3 | Encouraging creativity and innovation through the use of Appropriate Technology | 6,99 | III |
| 4 | Facilitate the ease of providing low interest credit with banks as an incentive for SME centers | 6,65 | IV |
| 5 | Promotion Policy for SMEs products | 5,99 | V |
| 6 | There is support from the Regional Government for easy availability of raw materials | 5,75 | VI |
| 7 | Improving product quality with innovation | 5,73 | VII |
| 8 | Strengthen partnerships between SME centers and suppliers and medium and large-scale industries, and/or develop online product marketing | 5,14 | VIII |
| 9 | Organizing education and training activities to improve HR competency | 4,26 | IX |

4. Conclusion

The challenges in developing the Langkat Furniture SME center in the future are not easy, it requires good cooperation and commitment between the government, SMEs players and stakeholders. The results of the EFE matrix analysis show that there are 8 external factors that are opportunities and 5 external factors that are threats in SME centers. Meanwhile, the results of the IFE matrix analysis show that there are 7 internal factors that are strengths and 6 internal factors that are weaknesses in SME centers.

Based on the IE matrix diagram, the position of the Langkat Furniture SME center is in quadrant I, namely belonging to the category of growth through vertical integrity. The strategy that can be applied in this position is intensive (market penetration, market development, and product development). The product development strategy approach that can be taken is to improve product quality and innovation by highlighting local culture as a carved design motif to become a characteristic of furniture produced by the Langkat Regency SME center. The next strategy that can be implemented is to guarantee that the price matches the quality of the product offered. Market penetration strategies include establishing a mobile procurement policy, preferably using SME production centers for all regional apparatus, schools and offices within the Langkat Regency Regional Government. Institutional formation is very much needed in central management and to form a collaborative network in marketing aspects. Facilitating the participation of SME center products in exhibitions at local, national and international levels as well as other superior product promotional events is part of the market penetration strategy.

The results of the SWOT matrix obtained 9 alternative strategies that can be implemented to develop the Langkat Furniture SME center in an effort to increase competitiveness. The results of the assessment and analysis using the IE and SWOT matrices of the strategies formulated show that the strategies needed in developing the Langkat Furniture SME center are intensive (market penetration, product development and market development).

The results of the QSPM analysis show that strategic decisions are strategic priorities in accordance with the conditions of the Langkat Furniture SME center, namely the commitment of the Regional Government in its development. The Langkat Furniture SME center was built by the Central Government with the concept of artificial development. The role of the Langkat Regency Regional Government in developing the Langkat Furniture SME center is a major factor. The strategies formulated will not work without the regional government's commitment to central development.

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