

## **BUSINESS MANAGEMENT DEVELOPMENT STRATEGY IN MICRO, SMALL AND MEDIUM ENTERPRISES**

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### **Abstract**

Domestic MSMEs that are highly competitive, innovative and creative are able to expand the ASEAN Economic Community market. However, there are problems that often hinder the development of MSMEs in Deli Serdang Regency, namely weak institutional and individual factors, for this reason efforts are needed to increase the growth of MSMEs with competitive strategies, especially in facing the AEC. The method used is a literature study using descriptive analysis techniques and qualitative research. The results of this research are Porter's Five Forces model consisting of: threat of new entrants, strength of supplier's bargaining position, strength of buyer's bargaining position, threat of substitute or substitute products, strength of competition or competitors, has not been sufficiently applied to MSMEs in Deli Serdang Regency and is very It is necessary to develop a model with the addition of 2 more indicators that will support MSMEs to be able to survive, compete and excel in facing the ASEAN Economy. Community (AEC), namely: Governance, Innovation Capability and Mastery of Technology, Effective Low Cost Strategy for MSMEs in Deli Serdang Regency. This can be seen from the expected goals for business actors (MSMEs), namely being able to increase profits by reducing costs and setting prices which is in accordance with the average industry and business actors (MSMEs), can increase market share by applying lower prices and still achieve or obtain adequate profits from each sale of products or services because costs have been reduced.

**Keywords: Strategy, Business Management, MSMEs**

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## I. Introduction

Based on Law Number 20 of 2008 concerning MSMEs or Micro, Small and Medium Enterprises has the definition of Micro Enterprises, namely productive businesses owned by individuals and / or individual business entities that meet the criteria for micro enterprises as stipulated in the law. As a Small Business, which is a productive economic business that stands alone, carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or become part either directly or indirectly of Medium Enterprises or Large Enterprises that meet the criteria for Small Business as referred to in the Law. As a Medium Enterprise, it is a productive economic business that stands alone, carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or become part either directly or indirectly with Small Businesses or Large Businesses with total net worth or annual sales proceeds as stipulated in the Law. MSMEs in Indonesia are mostly household business activities that can absorb a lot of labor. Based on data from the Ministry of Cooperatives and SMEs, in Indonesia in 2019, there were 65.4 million MSMEs. With the number of business units that reach 65.4 million, it can absorb a workforce of 123.3 thousand workers. This proves that the impact and contribution of

MSMEs is very large to reduce the unemployment rate in Indonesia.

With more labor involvement in MSMEs, it will help reduce the number of unemployed in the country. Currently, MSMEs are in a positive trend with the number continuing to grow every year. This positive trend will have a good impact on the Indonesian economy. Based on data from the Ministry of Cooperatives and SMEs, the contribution of MSMEs to National GDP is 60.5%. This shows that MSMEs in Indonesia have the potential to be developed so that they can contribute even more to the economy. As a state organizer, the government can help MSME actors to develop even more. The Government of the Republic of Indonesia has helped MSMEs by providing People's Business Credit (KUR). Based on data from the Ministry of Cooperatives and SMEs, KUR growth amounted to IDR 178.07 trillion or approximately 16.25% in 2020 and amounted to IDR 1 92.59 trillion or approximately 8.16% in 2021. This also proves that MSME players really need an injection of funds in developing their business. The government has also provided credit to micro business actors who are at the bottom layer and have not been facilitated by People's Business Credit (KUR) or non-banking. Based on data from the Public Service Agency (BLU) of the Government Investment Center (PIP), Micro Business

Distribution (UMi) from 2017 to 2022 has reached IDR 26.2 trillion to 7.4 million debtors. This proves that there are still many micro business actors who have not been facilitated by KUR from banks. The Indonesian government should take sides and focus on MSME actors so that it is easy to get MSME empowerment activities, both in terms of capital and in terms of business capacity development. The MSME sector, which is proven to be able to absorb a large number of workers, is also a solution to reduce the number of unemployed. This positive trend needs to be maintained so that the MSME sector on a large scale is able to overcome the unemployment problem in Indonesia. The preamble to the Constitution of the Republic of Indonesia in 1945 states, the purpose of the Government of the State of Indonesia is to protect the entire Indonesian nation and all Indonesian bloodshed, promote general welfare, educate the life of the nation and participate in implementing world order based on independence, lasting peace, and social justice. If we link the empowerment of MSMEs with the purpose of statehood, it has a very close correlation how the state tries to advance general welfare through the empowerment of MSMEs.(Keuangan, 2023)

The importance of business management for business people in the MSME sector can be

seen in several areas of management strengthening, namely marketing, HR, finance and operations. In the field of marketing, it is necessary to develop a digital marketing system that is right on target and can reach the wider community. For example, by distributing brochures in strategic locations, promoting through radio, newspapers, social media such as Facebook, Instagram, Whatsapp or other social networks. In the field of strengthening human resource management, increasing knowledge, insight and skills so that they are able to manage their business in a more planned and well-organized manner. (Wahyuni, 2020) (Rangkuti, 2013) (Sandiasa, 2017)

This study also explores the answers to questions posed by Pedersen and Ritter 5P: position, plan, perspective, project, and prepare adapted from Henry Mintzberg. The following questions can guide respondents as business people to bounce back from the crisis so that MSME players can take the right steps to save their business for the masses ahead.

In the opinion of I Wayan Dipta (2013), SME Resources Research Assistant, said if Indonesia does not encourage competitiveness and added value of manufactured goods/products, then Indonesia could lose its role in the region and become an object of development.

progress in the region without obtaining maximum benefits. Therefore, policy programs aimed at increasing competitiveness receive special attention from the government, especially in strengthening domestic small and medium enterprises. This is important to facilitate the emergence of highly competitive, innovative and creative domestic MSMEs, which are able to expand the ASEAN Economic Community market. Deli Serdang Regency is an area in North Sumatra spread over a large area. In addition, there are problems that often hinder the development of MSMEs in Deli Serdang Regency, namely weak institutional and individual factors, including: the ability to find business opportunities, enthusiasm in starting a business. culture, business leadership, market availability, education level, availability of information and communication technology and ability to innovate. For this reason, efforts are needed to increase MSME growth with a competitive strategy, especially in facing the AEC.

#### 1. Business Management

Etymologically the word management comes from Old French *ménagement*, meaning the art of executing and organizing. While terminologically experts define management variously, including: Follet quoted by Wijayanti defines management as

the art of completing work through others. According to Stoner quoted by Wijayanti, management is the process of planning, organizing, directing, and supervising the efforts of members of the organization and the use of other organizational human resources in order to achieve the goals of the organization that have been set. Management as a field of science seeks systematically to understand why and how humans work together to achieve goals and make these systems more beneficial to humanity. (Wijayanti, 2008)

Management as a profession. According to him, management is a profession that is required to work professionally, its characteristics are that professionals make decisions based on general principles, professionals get their status because they achieve certain standards of work performance, and professionals must be determined by a strong code of ethics. Management is a process or framework, which involves guiding or directing a group of people toward organizational goals or tangible intentions. (Schein, 2008)(Terry, 2010)

Business in a broad sense is an umbrella term that describes an activity and institution that produces goods and services in everyday life. Business is a total number of businesses that include agriculture, production, construction, distribution,

transportation, communications, service businesses and government, which are engaged in making and marketing goods and services to consumers. Business (business) consists of all activities and businesses to seek profit by providing goods and services needed for the economic system, some businesses produce tangible goods while others provide services. While behavior is a person's actions in everyday life. Therefore, business is the act of individuals and groups of people who create value through the creation of goods and services to meet the needs of society and obtain profits through transactions. (Amirullah, 2005)(Alma, 2004)

a. Types of Business

There are several types of businesses, to make it easier to find out the grouping, it can be grouped as follows:

- 1) Extractive, which is a business that carries out activities in the field of mining or digging mining materials contained in the bowels of the earth.
- 2) Agrarian, which is a business that runs its business in agriculture.
- 3) Industry, which is a business engaged in industry.
- 4) Services, namely businesses engaged in services that produce intangible products. (Gitosudarmo, 1993)

Business ethics is related to the issue of valuation of business activities and behavior

that refers to the correctness or honesty of trying. Major changes in business management today have caused attention to business ethics to become increasingly important. Therefore, business ethics is the knowledge of merchants about the procedures for regulating and managing businesses that pay attention to norms and morality through the creation of goods and services to meet the needs of society and obtain profits through transactions.(Soeprihanto, 2005)(Chandra I. Robby, 1998)

b. Principles of Business Ethics

Business ethics has principles that aim to provide a reference for the way that must be taken by the company to achieve its goals. Muslich states that the principles of business ethics include:(Muslich, 2004)

- 1) Economic principles The company freely has authority in accordance with the field carried out and its implementation with the vision and mission it has in determining company policies must be directed at efforts to develop the company's vision and mission oriented to prosperity, the welfare of workers, the community it faces.

- 2) The principle of honesty Honesty is the most fundamental value in supporting the success of company performance. In relation to the business environment, honesty is oriented to all parties related to business activities. With the honesty

possessed by a company, the community around the company environment will put high trust in the company.

3) The principle of good intentions and non-malicious intentions This principle is closely related to honesty. Evil actions certainly do not help companies in building public trust, instead crimes in doing business will destroy the company itself. The intention of a goal looks quite transparent about the mission, vision and goals to be achieved from a company.

4) Fair principle This principle encourages companies to behave and behave fairly to business parties related to the business system.

5) The principle of respect for oneself The principle of respect for oneself is a positive mirror of appreciation for oneself. It starts with respect for others. Maintaining a good name is an acknowledgement of the existence of the company.

Principles of business ethics There are five principles that are used as a starting point for code of conduct in carrying out business practices, namely:

a) Principle of Autonomy, The principle of autonomy shows an attitude of independence, freedom, and responsibility. An independent person means one who can make decisions and carry out actions based on his own abilities in accordance with what he believes, free from pressure, incitement,

and dependence on others.

b) The principle of honesty instills the attitude that what is thought is what is said, and what is said is what is done. This principle also implies compliance in carrying out various commitments, contracts, and agreements that have been agreed.

c) The principle of justice, the principle of justice instills an attitude to treat all parties fairly, which is an attitude that does not discriminate from various aspects both from economic, legal, and other aspects.

d) The principle of mutual benefit instills awareness that in doing business it is necessary to instill the principle of win-win solution, meaning that in every business decision and action must be sought so that all parties feel benefited.

e) The principle of moral integrity is the principle of not harming others in all business decisions and actions taken. This principle is based on the awareness that everyone must be respected for their dignity and dignity. The principles of business ethics above are not only applied to a company or trade organization, but can also be used in businesses managed by MSME Actors, this is because every business run by MSME Actors must be based on these principles so as not to violate consumer rights.

## 2. Understanding MSMEs

The definition of MSMEs is regulated in Law No. 20 of 2008 concerning MSMEs using the criteria of the value of wealth or net assets without land and annual sales proceeds. Based on these criteria, micro enterprises are business units that have a maximum asset value of IDR 50 million or with annual sales of at most IDR 300 million. Small businesses with assets of more than Rp 50 million to Rp 500 million or have annual sales of more than Rp 300 million to Rp 2.5 billion. While medium enterprises are business units with a net asset value of more than Rp 500 million to Rp 10 billion or have annual sales above Rp 2.5 billion to Rp 50 billion. In addition, the definition of MSMEs according to the Central Statistics Agency (BPS) is based on the criteria for the number of workers. According to BPS, micro enterprises are business units with a permanent number of workers up to 4 people. Small business is a business unit with between 5 and 19 workers. While medium enterprises have workers from 20 to 99 workers. In Indonesia, there are many types of business sectors on the MSME scale. Broadly speaking, the types of business sectors in MSMEs are grouped into four types, namely as follows:

- o Trading Business. Includes agencies, retailers, export/import, and informal

sectors.

- o Agricultural Business. Covering plantations, livestock and fisheries.

- o Industrial Business. Covering food/beverage, mining, craftsman and convection industries.

- o Service Business. Includes consultant services, workshops, restaurants, transportation services and educational services.

In Indonesia, MSMEs are dominated by micro enterprises, most of which are located in rural areas. Production activities in micro enterprises, especially in food, beverage and handicraft production, are relatively easy to do. This is because the initial capital requirement is small, does not require high formal education, and does not require a special place for production activities. Therefore, micro business production activities are mostly carried out by women. Income from micro-business activities is very important both as the main source of income and as an additional source of income for the family. Micro-enterprises are generally self-employed business units or business owners do all the work themselves. The MSME sector will be able to develop better if there are easily accessible sources of capital and financing and assistance for capacity building MSME entrepreneurs who can produce competitive products are MSMEs that carry out an innovation

strategy so that they can develop rapidly. But b. in general, MSMEs in Indonesia have weaknesses in mastering technology, information and the quality of human resources which causes low productivity of MSMEs and hinders the ability to innovate. This is due to the low level of formal education of entrepreneurs and limited capital to innovate. In addition, the low level of formal education of entrepreneurs in MSMEs causes a low level of average business profits and low competitiveness of MSMEs. The level of welfare or development of MSMEs can be measured by calculating the level of productivity of business units, namely the average sales value or turnover per day per business unit. The value of turnover is c. the overall value of goods and services traded. Business units that have a turnover value that continues to increase every year mean that market demand for their products continues to increase. This shows that the business unit is highly competitive.(Kusmuljono, 2009)

The concept of corporate competitive advantage is widely developed from generic strategies put forward by . Things that can indicate competitive advantage variables are imitability, durability, and ease of matching. Competitive advantage is at the heart of a company's performance in a competitive market. Company excellence basically grows from the value or benefits that the

company can create for its buyers. If then the company is able to create an advantage through one of the three generic strategies, it will gain a competitive advantage. Competitive advantage can be understood by viewing the company as a whole, derived from the many different activities carried out by the firm in designing, producing, marketing, delivering and supporting sales. So that competitive advantage is a position that the organization is still working on as an effort to beat competitors.(Porter, 1985)(Aaker, 1995)(Porter M. , 1980)

Porter's 5 (five) strengths analysis is a framework for industry analysis and business strategy development developed by Michael Porter. According to him, there are five forces that determine the intensity of competition in an industry, namely, as follows: a. The threat of substitute products b. Competitor threats c. The threat of newcomers d. Bargaining power of buyers e. Supplier bargaining power The five competitive forces are: a. Threat of Substitute Products Threat of substitutions. Substitution products are goods or services that can replace similar products, for example information delivered by telephone can be replaced with sms or chat. The level of substitution is influenced by factors such as price and transfer costs. b. Competitor Threat Competition between competitors in the same industry (rivalry among

competition). Competition in this field is at the core of competition as each firm strives to outperform its competitors. In this aspect, it will affect the number and equality of competitors and also the growth rate of the industry. c. Threat of Newcomers Threat of entry. An industry that offers high returns will invite new companies to enter the industry. So that macro will make competition tighter and will result in a decrease in profits for all companies in the industry. d. Buyer's Bargaining Power The bargaining power of buyers. This factor is important because customer satisfaction in buying is the key to the success of a company. The influencing factors are a large share of buyers, the large number of substitute products and the small cost of switching products. e. Supplier Bargaining Power The bargaining power of suppliers. Influenced by factors such as the number of suppliers and goods or services provided by suppliers. The fewer suppliers, the stronger the threat to the company.

## II. Methodology

The method used is a literature study using descriptive analysis techniques, Qualitative research is a research method based on the philosophy of positivism that views social reality as something whole, complex, dynamic, full of meaning, and the relationship of symptoms is interactive

(reciprocal) .(Sugiyono, 2017). This research was conducted at MSMES Deli Serdang North Sumatra Province.

## III. Discussion

Factors of MSME Readiness to face AEC

There are 5 (five) Porter forces that greatly determine the success of business actors in this case are MSMEs to face AEC, namely, as follows: 1. Threat of Substitute Products The threat of substitutions. Substitution products are goods or services that can replace similar products, for example information delivered by telephone can be replaced with sms or chat. The level of substitution is influenced by factors such as price and transfer costs. 2. Threat of Competition Competition between competitors in the same industry (rivalry among competition). Competition in this field is at the core of competition as each firm strives to outperform its competitors. In this aspect, it will affect the number and equality of competitors and also the growth rate of the industry. 3. Threat of Newcomers The threat of entry of newcomers. An industry that offers high returns will invite new companies to enter the industry. So that macro will make competition tighter and will result in a decrease in profits for all companies in the industry. 4. Buyer's Bargaining Power The bargaining power of buyers. This factor is important because

customer satisfaction in buying is the key to the success of a company. The influencing factors are a large share of buyers, the large number of substitute products and the small cost of switching products. 5. Supplier Bargaining Power The bargaining power of suppliers. Influenced by the number of suppliers and goods or services provided by suppliers. The fewer suppliers, the stronger the threat to the company.

#### Supporting Factors for MSMEs Facing AEC

In addition to the five (5) factors above, other supporting factors that must be taken into account are, as follows: 1. Government Government policies and the role of the government in the success of MSME implementers are very necessary, because the role of the government can influence the five factors above, especially threats to new entrant companies, for example: The government can organize MSME actors who produce products to cooperate with each other agencies related to the marketing of their products, providing business capital, providing information and facilitating the establishment of small industrial estates, trading centers, handicraft centers and others as well as promoting goods produced by MSME players at every event and opportunity. 2. Innovation Ability and Technology Mastery Based on the results of surveys, interviews and questionnaires obtained, it can be seen and concluded that

MSME actors, are still lacking and unable to master technology, which in this case is computers and the internet and operationalize mechanization for the production process, because most of them try manually or conventionally, so that product design, production processes are less creative and innovative, so it is expected that MSME actors, must have the ability and master technology, especially computers so that the products produced are more competitive and product promotion can be done with or via online.

#### IV. Conclusion

Based on the problems and the basis of related theories and the results of the analysis of the findings that have been discussed as previously presented, the conclusions that can be drawn in this study are as follows: Porter's Five Force Model consisting of: a) The threat of new entrants, b) The strength of the bargaining position of suppliers or suppliers, c) The strength of the bargaining position of buyers, d) The threat of substitute or substitute products, e) Competitive strength or competitors, has not been sufficiently applied to MSMEs in Deli Serdang Regency and it is urgently needed to develop the model with the addition of 2 more indicators that will support MSMEs to be able to survive, compete and excel in facing the ASEAN Economic Community

(AEC), namely: Government and Innovation Ability and Technology Mastery. Low Cost Strategy, which is effective for MSMEs in Deli Serdang Regency, This can be seen from the expected goals for business actors (MSMEs), which can increase profits by reducing costs and setting prices in accordance with industry averages and business actors (MSMEs), can increase market share by applying lower prices and still achieve or get adequate profits from each sale of products or services due to costs that have been Pressed.

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