Strategic Planning of small and medium industries. Case study: Hulu Sungai Selatan Regency, South Borneo Province

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Abstract. Hulu Sungai Selatan Regency has a potential of SMI (Small and Medium Industries) sectors can be developed as economic development. Based on RTRW of Hulu Sungai Selatan Regency, the region has 14 SMI are a propeller, pottery, blacksmith, dried fish, purun webbing, pastries, dodol, crackers, imitation jewelry, woven water hyacinth, bamboo, syrup, brown sugar, and saber. There are several issues related to SMI development such as low quality and quantity of human resources, local raw material, limited capital, low competitiveness, conventional production equipment, and lack of media for marketing the product. The purpose of this study is to develop the leading sectors of SMI and improve the economy and quality of the resident. The research method is descriptive qualitative, leading sectors analysis and force field analysis. Data were obtained from primary and secondary survey of relevant institutions and interview to the community. Based on leading sectors analysis, there is six leading sector is a propeller, blacksmith, dodol, dried fish, pottery, and crackers. Based on force field analysis, determined the strategy for using operational excellence’s concept, so that we can develop the industrial sector by minimizing productions cost so SMI’s product can compete by the price and efficient production process.

1. Introduction

1.1 Background
Forest Industrial sector development is very important to face stiff competition, both in the domestic market and the international market in the era of globalization and liberalization of world trade. Despite industrial sector as the main support of national development in Indonesia, this sector still has some issues which have a negative effect because it is not obedient to public policy. The problem must be solved by the government for continuity of national development, especially in the industrial sector. Industrial sector as a non-farming activity has a huge potential to expand and open job vacancy [1]. South Kalimantan Province also have Industrial Area Industrial Area which are Batulicin, Tanah Bumbu and Jorong Industrial Zone, Tanah Laut, and Hulu Sungai Selatan [2].

Hulu Sungai Selatan is one of regency in South Kalimantan, which have 14 SMI. They are the propeller, pottery, blacksmith, dried fish, purun webbing, pastries, dodol, crackers, imitation jewelry, woven water hyacinth, bamboo, syrup, brown sugar, and saber. The SMI are located in different districts
such as Simpur, Kalumpang, Sungai Raya, Kandangan, Telaga Langsat, and Daha Utara. This condition indicates that Hulu Sungai Selatan Regency has a big chance to develop SMI.

This development has something to do with ASEAN Economic Community (AEC) as well. AEC is agreement among the members of Southeast Asia Countries which agree to make an economic integration. AEC give benefits such as to facilitate the movement of goods, services, investment, capital, and skill, increase trade and investment among member states, promote and expand regional production sharing and network [3]. Indonesia is one of the countries which signed the agreement. Aside from the benefits Indonesia will get, it also means that Indonesia is facing international economic rivalry. One of the challenges facing the national industry of Indonesia is low competitiveness in the international market. Factors that caused the lack of competitiveness among others is the increase in energy costs, the high economic costs, as well as inadequate bureaucratic service.

Attempts the government to do in the era of the AEC is to help the community to survive in the face of free trade between ASEAN countries to support the SMI in Hulu Sungai Selatan through the empowerment of local communities, training, counseling latest information, provision of funds and technology to help the production process in order to develop any existing SMI [4]. AEC enables many sectors are opening jobs vacancy for the local and international community [5]. So that the employee is an important component to survive in the competition in the era of the AEC. We also hope the more the quality of Indonesian workers that are capable of working and to produce goods or services with the best quality.

1.2 Problem Formulation
Based on the identification problems above, the formulation of the problem for SMI in Hulu Sungai Selatan are as follows:

1. Which is the leading SMI can be developed in Hulu Sungai Selatan?
2. What kind of the strategic planning which relevant for SMI in Hulu Sungai Selatan?

1.3 Purpose of the Research
There are so many things could be research on this problem, but this paper would explain the main purpose of this research as follows:

1. Analyze leading SMI which could be developed in Hulu Sungai Selatan.
2. Determine public policy which relevant for the SMI in development plan based on the strategic planning and innovative planning in Hulu Sungai Selatan.

2. Literature Review

2.1 Small and Medium Industries
SMIs are productive business opportunity belonging to individuals or entities that meet the criteria of individual businesses micro enterprises as stipulated by law [6] [11]. Small businesses are the chances of productive economic activities that stand alone, carried out by an individual or business entity that is not a subsidiary or not a branch of the company owned, controlled, or be a part either directly or indirectly from medium or large businesses that meet the small business criteria as defined in the legislation. Criteria of SMIs, micro business opportunities have a maximum asset Rp 50 million, with a maximum turnover of USD 300 million / year. A small business opportunity has assets> Rp 50 million-Rp 500 million with a turnover> Rp 300 million-Rp 2.5 M / year. Opportunities medium-sized businesses have assets> Rp 500 million-Rp 10 M with a turnover> USD 2.5 M - USD 50 M / year.

A form of micro, SMI in the form of a sole proprietorship, a partnership, such as firms and CV as well as a limited liability company. From the perspective of the world recognized that SMI plays a very vital role in the development and economic growth, not only in developed countries (NSB) but also in advanced countries (NM). In developed countries the SMIs are very important not only for the business groups absorb the most labor than large businesses, as well as in developing countries but also in many
countries, its contribution to the formation or growth of gross domestic product (GDP) compared to the contribution of large companies.

2.2 Strategic Planning
Strategic planning is a long-term planning that is comprehensive and provides a related formulation of the area will be directed and allocating resources to achieve the goals for a certain period in a range of possible circumstances. Strategic Planning has another sense, namely the process of selecting the organization's goals, strategy determination, wisdom, strategy programs necessary for these purposes. There are three reasons that show the importance of strategic planning, as follows:

1. Strategic planning provides a basic framework for all forms of planning which could be taken.  
2. An understanding of strategic planning will facilitate an understanding of other forms of planning.  
3. An understanding of strategic planning will facilitate an understanding of other forms of planning.

Strategic planning has the benefit that the direction of development of the area become clear that it is easier to formulate targeted and effective. so it can be said that strategic planning can determine the success of an organization or company. This is because:

1. Strategic planning is the most important type of planning.  
2. Perform strategic planning means setting clear organizational mission.  
3. Strategic planning allows managers prepare for the possibility of changes to the environmental organization.

Strategic planning is not familiar with standards and processes have unlimited variation. Each implementation of the strategic need to design according to the needs, circumstances and local conditions.

3. Methodology of The Research
In order to collect the data, we do the primary and secondary survey. The primary survey we use the questionnaire to interview the owners of the potential SMI in Hulu Sungai Selatan Regency and for the secondary survey is being used to collect data from the institutions related to the SMI. The questionnaire consists of several questions that are prepared by the researchers related to the industrial activities. The research itself uses two main analysis, which is leading SMI analysis and force field analysis (FFA) to develop the strategy of the SMI in Hulu Sungai Selatan Regency.

3.1 Leading Small and Medium Industries
Leading SMI analysis can be decided by these variables which are scoring the LQ result criteria, product durability, availability of raw material, market location, labor, and the related regulation that applied to the SMI.

3.1.1 LQ Result Criteria
LQ technique is one of the most common approaches that used in the basic economic model as a first step to understanding the activity sector that triggers the growth [10]. LQ result criteria (Table 1) is done based on the LQ formula that is applied to every SMI industries in Hulu Sungai Selatan Regency. If the LQ > 1, that means the SMI has a high production and has a bigger chance to become a basis sector. However, if the LQ < 1, it means the SMI has a low production and does not have a chance to become a basis sector.
Table 1. Scoring LQ Result Criteria

| No. | LQ Result | Score |
|-----|-----------|-------|
| 1   | LQ Negative | 10    |
| 2   | LQ $<$1     | 20    |
| 3   | LQ $>$1     | 30    |

3.1.2 Durability Product Criteria
Durability product criteria (Table 2) is done based on how long the product can be used without any problems. The higher durability product score, the farther products can be marketed and vice versa.

Table 2. Scoring Durability Product Criteria

| No. | Durability Product Criteria | Score |
|-----|----------------------------|-------|
| 1   | Low                        | 10    |
| 2   | Medium                     | 20    |
| 3   | High                       | 30    |

3.1.3 Availability of Raw Material Criteria
The availability of raw material is seen based on its location (Table 3). The closer raw material can be collected, the cheaper the transportation cost. Conversely, further location can increase the transportation cost.

Table 3. Scoring Availability of Raw Material Criteria

| No. | Availability of Raw Material Criteria | Score |
|-----|--------------------------------------|-------|
| 1   | Located outside Borneo Island         | 10    |
| 2   | Located on South Borneo Province and other provinces in Borneo Island | 20 |
| 3   | Located on Hulu Sungai Selatan Regency | 30 |

3.1.4 Market Location Criteria
Market location criteria are seen based on distance and accessibility to the location (Table 4). Market location depends on the type of industrial products that marketed. It is because the market location is affected by durability product as well. For instance, industrial products such as food have to be made near the market location so that the food will not break easily.

Table 4. Scoring Market Location Criteria

| No. | Market Location Criteria | Score |
|-----|--------------------------|-------|
| 1   | Located only in Hulu Sungai Selatan Regency | 10    |
| 2   | Located on Borneo Island  | 20    |
| 3   | Located outside the Borneo Island | 30 |
3.1.5 Labor Criteria
Labor criteria (Table 5) is seen based on the amount of labor that can work in an SMI. The growth of the SMI is expected to reduce the number of the unemployment in Hulu Sungai Selatan Regency.

Table 5. Scoring Labor Criteria

| No. | Labor Criteria            | Score |
|-----|---------------------------|-------|
| 1   | Low level of employment   | 10    |
| 2   | Medium level of employment| 20    |
| 3   | High level of employment  | 30    |

3.1.6 Related Regulation Criteria
Related Regulation criteria (Table 6) can be seen based on regulations that are related to developing industrial sector in Hulu Sungai Selatan Regency. The more regulations that have programs for the SMI, the higher score will be given.

Table 6. Scoring Related Regulation Criteria

| No. | Related Regulation Criteria                                                                 | Score |
|-----|---------------------------------------------------------------------------------------------|-------|
| 1   | There is no program for the SMI in the regulations                                          | 10    |
| 2   | There are programs for the SMI in the regulations but not a leading SMI                      | 20    |
| 3   | There are programs for the leading SMI                                                      | 30    |

3.2 Force Field Analysis
Force field analysis is a tool to make a strategy in developing industrial sector in Hulu Sungai Selatan Regency. There are several steps to do in order to enhance the industrial sector with this analysis;

1. Identify the driving and resisting factors in industrial activity
2. Give score to each factor
3. Determination of the key factors

4. Research Results

4.1 Leading Small and Medium Industries
Activity in the SMI Hulu Sungai Selatan Regency consists of SMI food and beverages, handicrafts and IKM metals, machinery and equipment [7]. From the criteria and variables in Table 1, Table 2, Table 3, Table 4, Table 5 and Table 6, here are the scores in every SMI (Table 7). Six SMI that get the highest score is the leading SMI in Hulu Sungai Selatan Regency which are propeller, blacksmith, pottery, dodol, dried fish, and crackers (Fig. 1 & Table 8).

Table 7. Scoring Leading SMI in Hulu Sungai Selatan Regency

| No. | SMI            | Score | No. | SMI            | Score |
|-----|----------------|-------|-----|----------------|-------|
| 1   | Propeller      | 180   | 8   | Pottery        | 170   |
| 2   | Blacksmith     | 170   | 9   | Crackers       | 150   |
| 3   | Dodol          | 160   | 10  | Woven water hyacin | 140 |
| 4   | Pastries       | 120   | 11  | h              | 120   |
| 5   | Purun webbing  | 140   | 12  | Bamboo         | 140   |
| 6   | Dried fish     | 150   | 13  | Syrup          | 130   |
| 7   | Imitation jewelry | 80   | 14  | Brown sugar    | 130   |
|     |                |       |     | Saber          |       |
Table 8. The Six Leading Industries

| No. | SMI          | Photos | No. | SMI        | Photos |
|-----|--------------|--------|-----|------------|--------|
| 1   | Propeller    | ![Propeller](image1.png) | 4   | Dried Fish | ![Dried Fish](image4.png) |
| 2   | Blacksmith   | ![Blacksmith](image2.png) | 5   | Pottery    | ![Pottery](image5.png)   |
| 3   | Dodol        | ![Dodol](image3.png)     | 6   | Crackers   | ![Crackers](image6.png)  |

Figure 1. Leading SMI Sector Distribution Map of Hulu Sungai Selatan Regency
4.2 Strategic Planning of Leading Small and Medium Industries

Force Field Analysis [8] [9] is based on six SMI in Hulu Sungai Selatan Regency is obtained each of the factors of the driving factors and resisting factors (Table 9). Based on those factors, we can get the urgency score and factor percentage of industrial activity in Hulu Sungai Selatan Regency. Key success factors have the highest score among all factors in industrial activity. Here is a table of key success factors from industrial sector (Table 10).

| No   | Driving Key Factors                        | Resisting Key Factors                      |
|------|--------------------------------------------|--------------------------------------------|
| 1    | Raw material from Hulu Sungai Selatan      | Lack of capital                            |
| 2    | Local labors from Hulu Sungai Selatan      | Lack of skills                             |
| 3    | Good quality product                       | Still using traditional equipment          |
| 4    | Marketing outside Hulu Sungai Selatan      | Does not have brand                        |

Table 9. Driving and Resisting Factors in Hulu Sungai Selatan Regency

Table 10. Driving and Resisting Key Factors in Hulu Sungai Selatan Regency

After deciding the driving and resisting factors, the next step is to make strategy in developing the industrial sector. The concept of the development of the industrial sector in Hulu Sungai Selatan Regency based on force field analysis, so we get a value proposition that is the direction of the development of operational excellence. Operational Excellence means products and services based on competitive pricing, to minimize the price through benchmarks of efficiency, organization and industry are multifunctional, as well as the advancement of the industry and organizations through the prices that the process is efficient and easy. Thus, the industrial sector products Hulu Sungai Selatan Regency is expected to have a competitive edge in terms of product quality and price.

Operational embodiment excellence did through linkage system development plan, the plan sector linkages, SMI product marketing plans to the management plan of SMI. Operationalization of the concept is carried out with strategies in accordance with their respective development plans. The strategy linkage system development plan includes an increase in the working system from input to output process with good management and structured. Strategy development plans linkage sectors include improving cooperation with the sector Agropolitan and Minapolitan in the supply of raw materials, the development center for new industrial processing sector Agropolitan and Minapolitan, utilization of local tourism as a marketing medium, the active promotion of SMI marketing facilitated by the government or the private sector, an increase in media campaign to support network expansion of the market, the use of e-commerce to support the expansion of the network market. Strategy development plan processing SMI include increased productivity products through the development and utilization of technology, productivity improvement products through training in processing and packaging of industrial products, increase productivity through the capital increase with the cooperation of government and private sector, improving the competitiveness of industrial products, industrial waste processing with the 3R concept (Reuse, Reduce, Recycle), increased use of local resources effectively efficient professional. Then supported with advice and infrastructure plan include the marketing of
products closer to the node movement (docks, airports, and seaports), optimization of transport facilities and infrastructure to support the distribution of industrial activities.

5. Conclusions

Based on the leading sector analysis, the SMI sector that has to be developed is a propeller, blacksmith, dodol, dried fish, pottery, and crackers. Therefore, to develop those leading sector of SMI we can use operational excellence concept for strategic planning.

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