Analysis of IFE, EFE and QSPM matrix on business development strategy

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Abstract. IFE matrix, EFE matrix, and QSPM matrix are business strategy tools that can be used to identify the threat, opportunity, weakness, strength as internal, external business factors. The goal of Danti’s Deli Bakery is to provide pastry product and distribute to other food and beverage outlet all around Jakarta. Thus, Danti’s Deli Bakery requires development strategy in order to win the tight competition. Applied descriptive research and data collected from focus group discussion, questionnaire, interview, observation and literature review. The objectives of this paper are (1) to identify and evaluate internal and external factors, (2) to formulate alternative strategy toward business development program, and (3) to give effective recommendation. The result shows that Danti’s Deli Bakery should apply product differentiation strategy. Implementation of this study is providing the recommendation for pastry and bakery industry to establish a successful business.

Keywords: Bakery, business strategy, EFE, IFE, QSPM matrix

1. Introduction
Based on data from the Ministry of Cooperatives and Small and Medium Enterprises and Statistic Centre Agency (2016) mentions the growth of SMEs during the year 2016 showed symptoms better than the previous year. The total number of centers in 2016 as many as 7,437 centers. The highest number of food sector (40 percent), handicrafts and others (23 percent), and clothing (16 percent). The food industry is a dominant player and always developing. Many companies will always compete to be superior to others.

The bakery business, in general, is a promising prospect because of the need to get alternative food is still wide open, especially the people in urban areas. Hill and Westbrook suggest SWOT is a strategic planning process for analyzing and positioning an organization (2016) [1]. The company must set the target market, and communicate the unique advantages of its positioning and also have to develop several important factors from its competitors’ exceptional offerings and services, such as the taste of the cake, the shape of the cake, and the packaging.

Ghorbani et, al., state strengths, weaknesses, opportunities and threats (SWOT) and quantitative strategic planning matrix (QSPM) analysis techniques were directed to recognize the essential management strategies [2].
The operations problems are such as the maximum unused production capacity due to lack of storage, and limited product differentiation, the background of the formulation of appropriate strategies. Research needed, which method is appropriate to use for further development.

Companies must make strategic plans to gain competitive advantage. The formulation of the problem in this study detailed as follows; what are the external and internal factors affecting Danti’s Deli’s business?, what are the alternative business development strategies available to Danti’s Deli based on the factors that influence the company’s condition?, which business development strategy is a priority for Danti’s Deli?. The purposes of this research are: (1) To identify external factors and internal factors that influence the performance of Danti’s Deli, (2) To formulate alternative strategies of business development of Danti’s Deli, (3) To determine the priority of Danti’s Deli business development strategy.

2. Literature review

2.1 Strategy

AG Lupu et, al., state A SWOT analysis recognizes and focus on internal and external attributes that are useful and beneficial to accomplishing the goal of the company [3]. Companies need those matrices that are by all sizes and types of corporate organizations, so they can be used to assist in identifying, evaluating and choosing the most appropriate strategies. To elevate the strengths point of business community and income of the population [4]. The strategy is to be able to determine the strengths and weaknesses of the company which can be used to become the leading company in the competition. To become effective, the strategic management is significantly needed to elevate the strength factor compare to other competitor [4]. TOWS matrix was used to improve another of resources management strategies [5]. Which can be used as a guide and in strategic decision making.

2.2 External Factor Evaluation and Internal Factor Evaluation

The SWOT analysis aims to analyze and evaluate business processes during corporate strategic planning. Focus on internal and external factors that will be use in achieving company’s goals [3]. External forces influence the type of product developed, the characteristics of the market segmentation and positioning strategy, the type of services offered, and the business choices that they want to acquire or sell.

Internal analysis is an attempt to determine the organizational capability in operations and achieve performance. Determination of internal strategic factors can do by comparing and evaluating the past performance of the company, key competitors of the company, and industry. The internal strengths and weaknesses, external threats and opportunities can be summarized into; the SO strategy, the ST strategy, the WO strategy and the WT strategy [6]. Aspects analyzed include aspects of operations management, marketing, finance, production, research and development, human resources, and management information systems.

2.3 Quantitative Strategic Planning Matrix (QSPM)

QSPM is a technique that objectively indicates which is the best alternative strategy. Evaluate alternative strategies based on external and internal strategic factors that have identified previously. QSPM requires subjective decisions, making decisions throughout the process increasing the likelihood that the final strategy decision for the organization. The function of QSPM analysis is to define the interest of the application of different method comparatively. The result of analysis QSPM is the significance strategies that could be applied by the companies [7].

An important component of QSPM is the weighting of each of the previously identified internal and external factors as well as the attractiveness score (AS) of a value indicating relative attractions for each chosen strategy. The highest attractiveness score is the alternative solution which is the choice.

3. Methodology

3.1. Research method

Research conducted at Danti’s Deli production house in Cibinong, Bogor District. The time of study began in February 2017 until April 2017. The method used is the descriptive method. With this method
can be determined external and internal strategic factors, alternative and priorities strategies. The required data consists of primary data. Primary data is data obtained through interviews, discussions and Focus Group Discussions (FGD) activities to particular respondents. Secondary data is data obtained from internal management, literature study, print and electronic media, and other information related to the research topic [8].

3.2. Data collection and technique
The data collection in this research conducted by using several techniques. Primary data obtained from the observation and this activity completed by interviewing and filling out questionnaires by respondents from management and external respondents companies (experts). Secondary data obtained from various sources: companies, related institutions, the internet, and other literature studies related to this research.

Primary data collection techniques conducted; interview, questionnaire and forum discussion group. Primary data collection using purposive sampling technique is an intentional sampling of some respondents who have been determined based on position, position, knowledge, and other factors that indicate the competence of respondents to the research topic. There are selected six people, three respondents from Danti's Deli managements’ and three external respondents’ selected based on expert competence. Analytical analysis is: (1) Internal Factor Evaluation Analysis. (2) External Factor Evaluation Analysis. (3). SWOT Analysis. (4) QSPM Analysis.

4. Research finding
The results of an external environmental analysis that led a number of factors of opportunity and threat, after evaluation by weighting method and rank obtained the value as seen below.

| Table 1. Results of Evaluation of External Factors |
|-----------------------------------------------|
| EXTERNAL FACTORS | RATING | WEIGHT | SCORE |
|------------------|--------|--------|-------|
| **Opportunity**  |        |        |       |
| Increased public consumption of wheat flour | 3      | 0.109  | 0.328 |
| Increased cake business growth              | 3      | 0.095  | 0.286 |
| Bakery innovation                            | 3      | 0.109  | 0.328 |
| The development of cake business technology | 3      | 0.113  | 0.339 |
| Application of information technology       | 2      | 0.079  | 0.157 |
| **TOTAL**                                     |        |        | 1.438 |
| **Threat**                                    |        |        |       |
| Raw material price increase                  | 3      | 0.106  | 0.319 |
| Fluctuation Needed                           | 3      | 0.099  | 0.297 |
| consumer tastes follow the trend             | 3      | 0.102  | 0.306 |
| New competitor                               | 2      | 0.100  | 0.200 |
| High transportation costs                    | 2      | 0.087  | 0.174 |
| **TOTAL**                                     |        |        | 1.295 |
| **TOTAL EFE**                                |        |        | 2.734 |

Weight value > 0, 1 indicates a very important role, while Weight value <0, 1 indicates less important role

Internal factor evaluation done by searching the average value of each internal key factor which is then compiled in matrix, as shown below.
### Table 2. Internal Factor Evaluation Results

| INTERNAL FACTOR                        | RATING | WEIGHT | SCORE  |
|----------------------------------------|--------|--------|--------|
| Strength                               |        |        |        |
| Owner commitment                       | 4      | 0.097  | 0.389  |
| Have products                          | 4      | 0.097  | 0.389  |
| Employee Competencies                  | 3      | 0.091  | 0.272  |
| Have good quality of the product       | 4      | 0.102  | 0.407  |
| Employee loyalty to company            | 3      | 0.080  | 0.239  |
| Total                                  |        |        | 1.696  |
| Weakness                               |        |        |        |
| Marketing function not maximized       | 2      | 0.112  | 0.224  |
| Limited business capital               | 2      | 0.129  | 0.257  |
| Limited access to the production place | 1      | 0.101  | 0.101  |
| Products requiring special treatment   | 1      | 0.102  | 0.102  |
| Skill of employee                      | 1      | 0.090  | 0.090  |
| Total                                  |        |        | 0.774  |
| TOTAL IFE                              |        |        | 2.470  |

Weight value > 0, 1 shows a very important role, while the weight value < 0, 1 indicates less important role

### Table 3. TOWS Matrix

| TOWS Matrix | Strength                                                                 | Weakness                                                                 |
|-------------|--------------------------------------------------------------------------|--------------------------------------------------------------------------|
|             | 1. Owner commitment                                                     | 1. Marketing function not maximized                                      |
|             | 2. Have products                                                        | 2. Limited business capital                                              |
|             | 3. Employee Competencies                                                | 3. Limited access to the production place                                |
|             | 4. Have good quality of the product                                     | 4. Products requiring special treatment                                  |
|             | 5. Employee loyalty to company                                          | 5. Skill of employee                                                     |

**Opportunity**

1. Increased public consumption of wheat flour
2. Increased cake business growth
3. Bakery innovation
4. The development technology of cake production
5. Application of information technology

Open own outlets (O1, O3, O5, S1, S3, S4)
Expanding partnership with pastry shop in Jakarta area (O1, O2, S1, S4)

Improve marketing function (O1, O2, W1, W4, W3, O5)

**Threat**

1. The raw material price increase
2. Fluctuation Needed
3. Consumer tastes follow the trend
4. New competitor
5. High transportation costs

Diversification product variants (T3, T4, S1, S3, T5)

Applying for a bank credit (W2, T1, T2, T3)
Investments in appropriate processing technology (W4, T1, T2, W5)

Priority strategy done by using QSPM Matrix. The six established strategic alternatives determined by the attractiveness score (AS) of each external and internal factor. The interest rate of each factor will be multiplied by the weight of each factor to get the total attractiveness score (TAS).
Table 4. Total Attractiveness Score

| Parameter                        | Total Attractiveness Score (TAS) |
|----------------------------------|----------------------------------|
|                                  | Strategy A  | B  | C  | D  | E  | F  |
| Opportunity                      |             |    |    |    |    |    |
| Increased public consumption of wheat flour | 0.437       | 0.437 | 0.437 | 0.219 | 0.328 | 0.437 |
| Increased cake business growth   | 0.381       | 0.381 | 0.381 | 0.095 | 0.286 | 0.191 |
| Bakery innovation                | 0.437       | 0.328 | 0.437 | 0.328 | 0.328 | 0.328 |
| The development of cake business technology | 0.113       | 0.226 | 0.452 | 0.452 | 0.339 | 0.226 |
| Application of information technology | 0.315       | 0.315 | 0.236 | 0.157 | 0.236 | 0.157 |
| Threats                          |             |    |    |    |    |    |
| The main raw material price increase | 0.426       | 0.426 | 0.426 | 0.319 | 0.106 | 0.160 |
| Fluctuation Needed               | 0.396       | 0.198 | 0.396 | 0.099 | 0.099 | 0.149 |
| consumer tastes follow the trend  | 0.407       | 0.204 | 0.306 | 0.306 | 0.102 | 0.204 |
| New competitor                   | 0.400       | 0.300 | 0.300 | 0.300 | 0.100 | 0.350 |
| High transportation costs        | 0.261       | 0.174 | 0.261 | 0.087 | 0.174 | 0.261 |
| Strength                         |             |    |    |    |    |    |
| Strong owner commitment          | 0.389       | 0.194 | 0.389 | 0.389 | 0.292 | 0.389 |
| Have specifically products       | 0.389       | 0.340 | 0.389 | 0.389 | 0.194 | 0.292 |
| Employee Competencies            | 0.363       | 0.272 | 0.363 | 0.272 | 0.181 | 0.363 |
| Have good quality of the product  | 0.407       | 0.407 | 0.407 | 0.407 | 0.204 | 0.407 |
| Employee loyalty to company      | 0.080       | 0.159 | 0.080 | 0.319 | 0.159 | 0.239 |
| Weakness                         |             |    |    |    |    |    |
| Marketing function not maximized | 0.448       | 0.448 | 0.448 | 0.224 | 0.224 | 0.280 |
| Limited business capital         | 0.515       | 0.515 | 0.515 | 0.515 | 0.515 | 0.322 |
| Limited access to the production place | 0.202       | 0.404 | 0.202 | 0.202 | 0.101 | 0.353 |
| Products requiring special treatment | 0.407       | 0.407 | 0.407 | 0.407 | 0.306 | 0.255 |
| Skill of employee                | 0.090       | 0.090 | 0.269 | 0.359 | 0.180 | 0.269 |
| Total                            | 6.864       | 6.226 | 7.102 | 5.845 | 4.454 | 5.631 |
| Priority                         | 2           | 3   | 1   | 4   | 6   | 5   |

5. Discussions and conclusions
The alternative strategies generated from the analysis of SWOT analysis, while taking into account the vision, mission, goals, and objectives of the Danti’s Deli cake company are as follows: improving the marketing function, enhancing partnerships with cake shops in Jakarta area, creating new product variations, on appropriate production technology, increasing capital with bank credit, opening an outlet using its own brand.

Table 5. List of action plan

| No. | Strategies                         | Action plan                                                                 |
|-----|------------------------------------|-----------------------------------------------------------------------------|
| 1   | Add or diversification product variants | 1. Improve the ability of employees by participating in product development training that usually held by the Ministry of Industry, Trade, and Cooperatives. So it will get new ideas about product development |
2. Become an active member of bakery and bakery associations such as APEBI and ABI so that the company can get product insight from other cake entrepreneurs
3. Seek independently from various sources of information (print or electronic media) that exist about how to differentiate a product
4. Differentiate the product by baking the cake by modifying the main ingredients, such as the addition by using rice flour, sago flour, and others.

| 2 | Improve marketing function |
|---|----------------------------|
| 1. | Improving the ability of employees by attending product marketing training that usually held by the Ministry of Industry, Trade, and Cooperatives. So that will get new ideas about the ways of marketing the product |
| 2. | Recruiting employee marketing department to work with the maximum |
| 3. | Have a personal homepage or blog to promote their products |

| 3 | Expanding partnership with pastry shop in Jakarta area |
|---|------------------------------------------------------|
| 1. | Become an active member of bakery and bakery associations such as APEBI and ABI so that the company can get product insight from other cake entrepreneurs |
| 2. | Immediately print legal aspect labels on product packaging |
| 3. | Attend the exhibitions |

| 4 | Investments in appropriate processing technology |
|---|--------------------------------------------------|
| 1. | Re-inventory what tools are by the conditions of Danti’s Deli. |
| 2. | Gradually invest in production technology that can support Danti’s Deli products |

| 5 | Open own outlets with own brand |
|---|--------------------------------|
| 1. | Improve the ability of employees by participating in product development training that usually held by the Ministry of Industry, Trade, and Cooperatives. Get new ideas about cake trends and the flow of business establishment. |
| 2. | Become an active member of bakery and bakery associations such as APEBI and ABI, so the company can get product insights from other cake entrepreneurs, as well as their experience that already has a pastry shop |

| 6 | Enhancement for a bank credit |
|---|-----------------------------|
| 1. | Applying for a bank credit |

Structured strategic priorities are: (1) Diversification product variants, (2) Improve marketing function. (3) Partnership with pastry shop in Jakarta area. (4) Improvement the equipment, and (5) Open own outlets with own brand.

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