

Small Industry Development Strategy in North Gorontalo-Indonesia

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Abstract: As the increase of small scale economic empowerment to the people of North Gorontalo through small and medium industries needs to get great attention from the government. Therefore, it needs good role and strategy in developing these small industries by regional government. This research used descriptive qualitative approach method and SWOT analysis which consists of three analysis components, data reduction, data display and conclusion drawing. The research result showed that human resource, marketing strategy, enterprise capital, competitors and government policy became factors which need to be changed in these small industries, thus, it needed self-improvement strategy in order to develop the industries well. Government policy in directing economic development which be pointed on small and medium industries and also maximize people's role will be massive to the industries and then all potentials can be developed well.

Key words: Strategy, small industries, SWOT analysis, self-improvement, North Gorontalo

INTRODUCTION

In facing ASEAN Economic Community (AEC), people demanded to be well-adapted (Yohe and Tol, 2002) in order to not be crushed with this change, thus they will give effect to the change of national economic order. This effect is truly affected to the economic actors, especially who included into small industries because it must be realized that the existence of small industries is very vulnerable to the changes and global competition.

To strengthening small industries in the competition to AEC (Lee and Fukunaga, 2014) it needs people empowerment and the improvement of all national economic potentials (Itakura, 2014) through people's economy development which stood on fairly market mechanism, the owned natural resources and productive and independent human resource development.

People's economic system can be developed through small and medium scale economic (Ferenhof *et al.*, 2014) empowerment by activities based group community which purposed to create equity of development and the improvement of business opportunities around community which in the end it can support the realization of sustainable national development.

Developmental programme of people's economy that created by North Gorontalo District is independent, means the implementation of regional autonomy afforded to be self-funded through the owned economic potential optimalize (Datta *et al.*, 2013) cultured means the implementation based on divinity, humanity values and prevailed norms also education values (Farley *et al.*, 2015) prosperity means all developmental activities directed to the realization of people's prosperity.

The large of North Gorontalo area is about 1772 km and has very good small and medium industry potential (Delgado *et al.*, 2014). There are many industry potentials in North Gorontalo which can be developed and can be regional superiority (Laufs and Schwens, 2014) as follow:

- Industry based fishery. Potentials of this fish raw material are in 11 Districts along the coastline of North Gorontalo. These fish processing industries are fish drying and smoking
- Industry based shell craft where these potentials are in coastline seaboard and located in Ponelo Island and can be developed as central of shell craft
- Industry based sugar palm and palm fiber where sugar palm molasses produced traditionally to make brown sugar and palm fiber used as fiber broom, fiber roof, etc
- Industry based dotted bamboo (also known as bambu burik) plant in Gentuma Raya, Tomilito and Monano District. This kind of plant only grows in North Gorontalo Regency and very potential to be taken by investors who produce furniture
- Industry based Karawo embroidery which also known as Kabate embroidery of North Gorontalo

MATERIALS AND METHODS

This research used descriptive qualitative approach (Chahraoui *et al.*, 2015) which aims to give systematically, actual and accurate general description about facts and phenomena related to the development of small and medium industry potential in North Gorontalo.

Data collection: Data was collected integratively (Whittemore and Knafl, 2005) means: Main data source comes from direct interview to the bureaucracy apparatus and many small and medium industries in North Gorontalo area; data source obtained through the available data dan document review, both regulation of Act and government regulation related to the small and medium industry policy.

Data analysis: Data analysis used SWOT analysis (Miles, 1992) which consists of three analysis components, data reduction, data display and conclusion drawing. Data analysis based on interview result, field note and other materials was reviewed, particularly related to the small industry development, then analyzed systematically to create conclusion about small and medium industry development potential.

RESULTS AND DISCUSSION

Human resource factor: In developing a small industry, it needs managerial ability and professional human resource in maintaining the business activities (Marler and Fisher, 2013). It is due to human resource in a company, if it is well-managed, then the company will have more capability in integrating and coordinating company's interest by improving productivity and production quality. Generally, human resource quality which managing industry based shell craft in North Gorontalo Regency is very low, especially in education, skill and experience aspect such what's been stated by Mr. FD, shell craftsman in coastal area of Ponelo island.

"The craftsmen here, including the workers, almost all of them only graduated from Elementary School and the highest graduated from Junior High School. It really restricts the understanding related to the production process, marketing, and accounting. During this time, I try to emphasize on the workers to keep learning and asking to the experienced one in managing this business".

It is in line with the statement of Mr. NM, one of staff in the Department of Industry and Trade of North Gorontalo Regency that up till now becomes counselor in many centrals of small and medium industry, he stated that: "In general, formal education of small and medium industry enterprisers is very low, most of them dropped out from school, Elementary School graduation and only few graduated from Junior High School. Nevertheless, they quite understand and have been experienced in production process. However, when they faced to the production quality and marketing, they are still very static and seem to have no idea to develop".

Human resource of small and medium industries in North Gorontalo Regency is still very low due to most of the workers are casual worker and use manpower as main source, without paying attention on production quality, marketing and accounting aspect.

Marketing strategy factor: Marketing strategy is one aspect that really affected to the development of small and medium industry including marketing technique, market segment, promotion, distribution network and price (Kumar *et al.*, 2015). Talking about marketing technique, most of small industries manage their marketing business by relying on old habits where to conduct product marketing, the industrialists or enterprisers still depend on customer's or store's order such what's been mentioned by Mr. DS, enterpriser who has 5 employees as follow:

"Marketing that I and my friends have been conducted here only based on order. Many shell productions that sold here is still in raw material in order to deliver the items to the third party and be processed then finally the product is marketed in the city, Marisa and out of Gorontalo area. Besides that we also make our own crafts to be marketed in our small stands and also get incentive from related Department of Industry and Trade".

The same argument also stated by other enterpriser, Mr. AM as follow: "It has 2 types of product marketing here, first is in raw material to be taken by the third party and re-sold out of city and second is produced as shell crafts to be sold in our own area which is still limited".

Enterprise capital factor: Very large enterprise capital mostly needed to start a new enterprise or industry. Most of small and medium enterprisers use their own capital to start the industry (Hoenig and Henkel, 2015) and after the industry get developed then they look for fund assistance to add the capital. Capital availability factor seems to be main problem in these small industry activities such what's been stated by Mr. MA, brown sugar and fiber broom enterpriser in ponelo Village.

"I started this industry with my own savings, indeed, it was very small in the beginning was about 4 millions. After a long time then we start to add production volume, absolutely because we get many orders. But until this time, I am still afraid to take credit from bank because you know it well, besides I only have small market for my product, it also needs many requirements and procedures to take credit from bank. It is required to have good accounting, mortgage and honestly it burden us. Thus, we must be smart in managing the capital". In the other times, one of dotted bamboo (bambu burik) furniture enterpriser from Monano village, DN, tried to give the opinion related to enterprise capital.

“To expand this industry, we should be smart in managing the products because if they are unsold then we can’t conduct production anymore. It is due to the purchasing result from sold products will be re-managed to produce new product”.

Competitor factor: Competition around small industries mostly occurred due to competition in determining selling price, product variation and marketing competition (Marx and Hsu, 2015). In the industry competition, it needs clarity whether the industry placed its position as market leader or market challenger and market follower. The competition is needed to face market properties such as monopoly market, oligopoly market which has perfect competition.

About small and medium industry competition, PL, one of brown sugar and fiber broom enterpriser in Monano village stated that: “If there is an industry and the products are well-accepted by market and in demand then it tends to stimulate the same new industries in that area. It is also same here, for the first time, it was only 1 home industry which produced fiber broom in this area but it becomes more and more as time flies. However, alhamdulillah, people here have no conflict in competition among craftsmen. Of course there is competition among craftsmen but it is health competition”.

Similar argument also stated by Mr. KS, one of shell craftsman in Ponelo village. “If we see in general, there is competition among shell craft sellers here but we are still unified and solid because we are here still stay in the same village and know each other well. If we have problem related to the industry, then we will solve it in discussion and look for best solution. However, one of our worst competitors is shell ordered in raw material from out of city; the raw material shell will be re-produced and sold with their own brand”.

Factor of government policy of north gorontalo about small industry: The development of small industries actually becomes main focus of North Gorontalo regional government because as one of small area which be developed, the existence of small industries will be main encouragement of regional economy and expected to be one of superiority sector from this area (Pape *et al.*, 2016). Therefore, to develop these industries, it doesn’t need small funds, however, North Gorontalo regional government has very limited budget and human resource, and thus it will be a problem. Moreover, the development of small industry is getting larger and need to be managed well by the government through the related department.

According to Mr. RM, one of staff in Department of Industry and Trade of North Gorontalo argued that many things that they have done to help the development of these small industries.

“We see quite good development of small industry here and it needs serious attention from the government in order to develop it further to improve people income and create new job opportunities. For example, we can see that brown sugar and fiber broom industry doesn’t need much capital because the raw materials can be taken from nature, besides that it is also the same for shell craftsmen, they can take the raw materials directly from the sea. And it can be regional potential that we can develop. We have done many things to help the enterprisers such as conducting counseling and training about marketing management, accounting management and their product promotion through exhibition”.

The argument above also affirmed by Mr. FA as Chief of Department of Tourism in North Gorontalo. “We have many tourism potentials here. One of sector that support these potentials is the existence of small industries because they can be made as one of regional icon. When someone visits to our place, either as tourist or doing her/his business trip here, we always try to show our craft products in order to make them remember about North Gorontalo area while they remember about craft products from this place. Promotion and marketing becomes our main weapon to advance the small industries here through exhibition and promote directly to the visitors about craft products from this area”.

SWOT analysis: Implicitly Bull *et al.* (2016), it is explained that the change of organizational environment of a company including small and medium industries expected to make a strategy to conduct self-analyzing to the environmental changes. Strategy in this analysis includes strengths, weaknesses, opportunities and threats in order to know organizational position in the environment and also as strategy to face the changes in the environment. Many of internal factors can be seen in Table 1 and it needs to be known by related small industries with their own strengths and weaknesses.

Table 1, it explains that factor for the greatest weakness from the development of small industries is enterprise capital which very limited. However, it also has advantage in other sector such as raw material and market segment that can be developed and managed well by the craftsmen. Besides trying to look for strength factor which can be main sector for industries and know the weaknesses to be improved, the small and medium

Table 1: Urgency matrix of internal factors

	Urgent factors																		
Internal factor	a	b	c	d	e	f	g	h	i	j	k	l	m	N	Percentage	NRK	NBK	TNB	
Strength																			
Human resource skill and expert	#	b	a	d	e	f	g	h	a	a	k	a	a	5	6.570	3.56	0.23	0.49	
Raw material available	b	#	b	d	e	f	b	b	b	b	b	b	b	9	11.84	4.04	0.47	1.03	
The number of craftsmen in the same area	a	b	#	d	c	f	g	c	l	c	c	c	c	6	7.890	3.69	0.29	0.60	
The shuhite clear market segments	d	b	d	#	d	f	g	d	d	d	d	d	d	9	11.84	3.78	0.44	1.00	
Craftsmen each village	a	b	c	d	#	f	g	h	i	e	e	l	m	5	2.630	3.95	0.10	0.23	
Weakness																			
Human resource still traditional	f	b	f	f	f	#	g	f	f	f	f	f	f	10	13.15	2.91	0.38	1.04	
Limited capital business development	g	b	g	g	g	g	#	g	g	g	g	g	g	11	14.47	3.13	0.45	1.03	
Marketing techniques through in orders	a	b	h	h	h	f	g	#	i	j	k	h	h	5	6.570	2.91	0.19	0.38	
Less promotional products	a	b	i	i	i	f	g	i	#	j	i	i	i	7	9.210	2.86	0.26	0.62	
Enteprenurship soul employers are less	a	b	j	j	e	f	g	j	j	#	j	j	j	7	9.210	3.26	0.30	0.66	
kThe lack of variety of products	a	b	k	d	k	f	g	h	i	j	#	k	k	3	3.940	2.04	0.15	0.31	
lnadequate infrastructure	a	b	c		e	f	g	h	i	j	k	#	m	1	1.310	2.82	0.03	0.06	
Financial bookkeeping administration	a	b	c	d	e	f	g	h	i	j	k	m	#	1	1.310	2.69	0.03	0.06	
														76	100.0				

Total value strength = 3.35; Total value weakness = 3.35

Table 2: Urgency matrix of external factors

	Urgent factor											Percentage	NRK	NBK	TNB	
Faktor eksternal	a	b	c	d	e	f	g	h	i	j	N					
Opportunities																
The number of available raw materials	#	a	a	a	a	a	a	a	a	a	9	19.59	4.00	0.78	1.76	
Local government policy for the development of small and medium industries	a	#	c	d	e	f	g	h	b	j	1	2.170	3.21	0.06	0.14	
Capital increase credit opportunities wide open	a	c	#	d	e	c	c	c	c	j	5	10.86	4.00	0.43	0.86	
The market is still very large open	a	d	d	#	e	d	d	d	d	j	6	13.04	3.86	0.50	1.15	
Coaching and training for businesses	a	e	e	e	#	e	e	e	e	e	8	17.39	3.86	0.67	1.54	
A show at the local and regional levels	a	f	c	d	e	#	g	h	F	j	2	4.340	3.13	0.13	0.30	
Threats																
Synchronization craftsmen and lgs	a	g	c	d	e	g	#	h	i	j	2	4.340	2.86	0.12	0.25	
Price competition with overseas manufacturer	a	h	c	d	e	h	h	#	h	j	4	8.690	2.82	0.24	0.58	
Relevant agencies limited budget	a	i	c	d	e	i	i	h	#	j	3	6.520	2.91	0.18	0.37	
Coaching is not sustainable	a	j	j	d	e	j	j	j	j	#	6	13.04	3.30	0.43	1.08	
												46	100.0			

Total value opportunities = 3.35; Total value threats = 2.28

industries also need to evaluate opportunities and threats that they will face such what's included in Table 2 related to the opportunities and threats that they will be faced to the development of their industries.

The abundant raw materials that available in the nature to be processed into qualified products becomes rally larger opportunity for small industry enterprisers, however, it also needs supports from regional government by continually conducting counseling to the craftsmen and enterprisers in the case of production process, accounting and promotion in order to develop these small industries to be superiority industry sector in North Gorontalo area.

To assess the level of urgency from each factor thus it used by comparison method to determine the importance (urgency) level of a factor than other factors. Comparison between opportunity analysis, threats of external environment and strengths and weaknesses of internal environment in the strategy of small industry development obtained the description as follow:

Cell 1: The availability of opportunities and strengths in small industry development needs encouragement or stimulation in order to use the available opportunities to reach comprehensive policy that can be implemented effectively to create aggressive and optimal growth and development.

Cell 2: Various threats in the strategy of small industry development can be solved by maximizing the owned strengths to face disadvantage environment and also can use the opportunities which is developing and introducing small industries in North Gorontalo Regency to the larger community.

Cell 3: By removing and decreasing internal weaknesses of small industries in developing the industry and using the opportunities, it can reach significant development and growth to the existence of small industries.

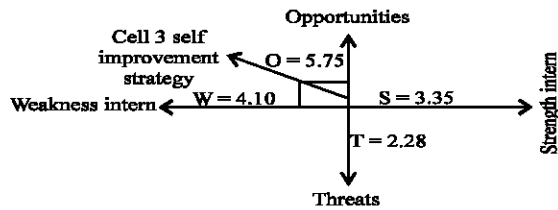


Fig. 1: Opportunity, threat, strength, and weakness analysis of small industry

Cell 4: In the condition to face many problems of internal weaknesses and external threats then it is necessary to conduct the change in policy aspect and also regional government strategy by involving related components. Therefore, it can decrease those weaknesses and threats which in the end will be a strength and opportunity in developing small and medium industries.

By combining between strengths and weaknesses also opportunities and threats in the strategy of small industry development, it can be described as follow (Fig. 1). Description from analysis result shows that opportunity to be developed for small and medium industry sector in North Gorontalo Regency is still large, however, to decrease internal weakness problem and overcome the external threats needs an action by taking a strategy which is self-improvement strategy because small and medium industry development is really necessary to face AEC (ASEAN Economic Community).

It needs serious attention from regional government to encourage or stimulate new and creative small industries which have national competitiveness to be able in developing North Gorontalo area. Besides that, the role of enterprisers and related environment also needed such as improvement in marketing and financial accounting sector that will really helpful in the process of these industries.

The choice of sel-improvement strategy: Development basically comes from and for all people (1945 Constitution of Indonesian Republic). Therefore, in order to reach advanced regional development target, it should involve the people because in the end the people are who will get benefit from the development. Starting from this concept, development meaning is directed to the effort of potential optimalize that owned by every rural areas (Hong *et al.*, 2016) through people's economy development strategy. One of realization from this development is small and medium scale economic empowerment through small and medium industry development in North Gorontalo area.

As the time goes by this small industry development is expected to be able in being a bridge for development equity concept and can create large job opportunity in order to create sustainable development. Therefore, every enterprisers and craftsmen who become spearhead in the implementation of small and medium industry expected to conduct evaluation and self-improvement in order to be able to compete with the market. Besides that, really important role also should be given by regional government in developing these small industries, it is expected that government as "parent or host" party can support and guide these industries such as ease in searching for enterprise capital credit, human resource training, market price stability and support in the aspect of production infrastructure and marketing. Because with synchronization between enterprisers and government can create people's economy as with the idea which is prosperous and welfare Indonesia.

If it is seen from economic point of view, development based community means that development which oriented to the people's prosperity. The same thing also tries to be explained by Turnheim and Geels (2013) on the coal industry in the UK there are three methods that affect the stabilization of the company are external influences. Reduction of the company's performance and weakening of the commitment to developing, and therefore for North Gorontalo area, it can be conducted through small industry empowerment model. Although this model considered as slower model in reaching nationally economic growth but this model has its own advantage if it is seen from natural resource and geographic potential that owned by North Gorontalo area which surrounded by mountain and coastal area.

Government policy in directing economic development which pointed to the small and medium industry and maximalization of people participation as large as possible need serious effort in radical and pro-people action which means political protection to people's economy should be conducted seriously and not to disadvantage marginal people. The research that conducted by Solomon *et al.* (2013) showed that n some small companies in the USA who get coaching assistance in terms of business and enterprise development shows that government policies have a positive effect on survival and earn profits in the company.

Resource factor really affected in success achievement of a company organization, it needs activity and creativity to improve productivity. Thus, if the abundant natural resources can be well-processed through skilled human resource then it will result in very good production process quality (Farley *et al.*, 2015) tried to explain from the his/her research result that manage a resource that is owned by the company can be done by

sharing resources and information that was obtained, it is in line with what is done by the craftsmen of the region of Gorontalo in the North where the best thing they can do to manage natural resources is a way in working in groups and share information in producing handicraft products.

CONCLUSION

Generally, human resource quality that owned by enterprisers in small and medium industry at North Gorontalo Regency is still very low in education, skill and experience aspect, thus is affected to the product development and business management. Besides that, marketing technique and enterprise capital become one of problem that mostly faced by many enterprisers of this small and medium industry.

Government role in developing this small and medium industry is still less because it is only incidental and temporarily without sustainable process to keep helping and guiding this industry enterprisers. Recalling the large opportunity for these small industries to be developed in greater way, although, in the other side it still has internal weaknesses and external threats which can affect and inhibit this small industry development, then it can take self-improvement strategy by using the opportunities.

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