Research article

Business Strategies of MSMEs During COVID-19,Deli Serdang, Indonesia

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Abstract.
The Indonesian economy has been severely affected by the COVID-19 pandemic. The impact of the pandemic on the performance of MSMEs (Micro, Small, and Medium Enterprises) is important to study as they contribute up to 35% to the National Gross Domestic Product (GDP) of Indonesia. Therefore, this study was conducted to map the performance of MSMEs in the Deli Serdang Regency of Indonesia and recommend strategies for increasing their competitiveness during and after the pandemic. The study included MSMEs from three sub-districts of Deli Serdang Regency (Pantai Labu, Percut Sei, and Tuan and Hamparan Perak) that had managed to survive the pandemic. The sample in this research were MSME centers that carried out raw material processing into finished goods and the marketing activities thereafter (*purposive sampling*). The sample size was determined using the Krejcie–Morgan formula with a 90% confidence level, which amounted to 90 MSME businesses. Data were analyzed using the SWOT analysis technique. The implications of this study are as follows: MSMEs must build strategies to maintain their performance such as minimizing promotions by fostering relationships with customers, reducing production capacity, promoting products online, purchasing raw materials online, and cash assistance for working capital.

Keywords: strategy, MSME, COVID-19, SWOT

1. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) play an important role in local, national and global economies and are critical in thecreation of jobs and incomes [1];[2], [3]. At least 90% of companies in developed and developing countries are MSMEs [4]. MSMEs account for 40–60% of GDP in both developed and developing countries [5] and generate about 40% of global industrial production and 35% of world exports [4] .

MSMEs in Indonesia have contributed to the 2018 National Gross Domestic Product (GDP) of 35%, which is targeted for the contribution of MSMEs to reach 50% by 2025. Wiyadi (2009) revealed that the current condition of the business environment is changing radically , directing every industry must be efficient in order to be able

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to compete with domestic products. The way the industry must be able to offer good quality products at low prices to consumers. Therefore, competitiveness must exist in every industry.

The current COVID-19 pandemic has hit nearly 209 countries around the world [6]. Various policies to reduce and stop this pandemic were carried out by the government, including social distancing, physical distancing, large-scale social restrictions (PSBB), and prohibitions for traveling (mudik). On the other hand, this policy is beneficial for public health resilience, but has a significant economic impact on the business world in Indonesia, including MSMEs.

As a result of the implementation of *social distancing* and Limited Lockdown (PPKM) policies to avoid the transmission of the Corona virus. Furthermore, the psychological impact felt by consumers is the fear of buying goods. The role of the government in helping MSMEs will affect the wheels of the MSME economy in Indonesia and specifically in Deli Serdang Regency is very necessary.

Based on these problems above, it is necessary to formulate a strategy by the regional government so that the competitiveness of MSME that are able to survive the Covid-19 pandemic and improve their business performance. Therefore, SWOT approach is one method used to Obtain the strategy of increasing the competitiveness of MSMEs in Deli Serdang when Covid-19. Therefore, this study Aimed to mapping the performance of MSME centers in Deli Serdang Regency and producing strategies to increase the competitiveness of MSME centers in Deli Serdang Regency during Covid-19. The results of this study are expected to contribute to the Regional Government of Deli Serdang Regency to make strategies in dealing with the regional economy during the Covid-19, especially the MSME sector.

2. LITERATURE REVIEW

2.1. SWOT ANALYSIS

SWOT analysis define SWOT 'as a means to systematically analyze an organization's internal management capability and its external environment" which is key for decision making.(Hai, 2001), [7].SWOT analysis is used to categorize business issues into four (4) categories, namely Strengths, Weaknesses, Opportunities, and Threats, which are the most widely used tools in determining business strategy ([8]; [9]). SWOT analysis is an effective way to collect information and classify information, describe the main problems, and generate ideas for strategic planning for the company [10]. SWOT analysis describes

the relationship between the company and the business environment, both external environmental factors and company internal environmental factors [11]. Researchers in the field of strategic management agree that SWOT analysis provides a foundation for companies to compete, by looking at the impact of external and internal variables of the company, [12], and [13], and [9] .

2.2. External Analysis

The competitive model (Five Force Model) Michel.E. Porter is used to analyze the opportunities and threats of MSME businesses, while the indicators are: potential competitors, competing power suppliers, competing power buyers, competition between companies, and substitute products [12]

2.3. Internal Analysis

In this study, the *Value Chain* Model is used to analyze the strengths and weaknesses of MSME businesses. The indicators are: raw materials, operations, finished materials and logistics, sales, services, human resources, finance, and infrastructure procurement, technology/processing machines. [12]

3. RESEARCH METHOD

The population of this research is Micro, Small and Medium Enterprises (MSMEs) in Deli Serdang Regency whose number is unknown. In this study, the researchers chose MSMEs that carried out the activities of processing raw materials, processes, finished materials, and marketing as sampling (*purposive sampling*. The determination of the sample is divided based on geographical characteristics, namely the Coastal Zone (sampling area). Furthermore, the calculation of the number of samples is carried out using the Krejcie-Morgan formula with a 90% confidence level. The formula is based on the number of respondents who will be scrutinized as much as 90 enterprises SMEs .

Data collection methods were carried out by distributing questionnaires to respondents who were carried out directly, where the surveyors met with entrepreneurs of each MSME center, where information on the location of MSME centers was obtained by sub-district officials. Respondents' answers were done using a google form.

4. DATA ANALYSIS

The data analysis used is quantitative descriptive analysis, which consists of: identifying the impact of Covid-19 on MSME performance, SWOT identification (Internal and External) and weighting scale of 1 (not good) (medium (2), good (3) , and Very Good (4) Then calculate the value of the weight and rating of this study using a formula, such as:

Futhemore, SWOT Matrix Mapping was carried out to determine the position of SME's in Deli Serdang Regency during the 19th Pandemic in Quadrant I, Quadrant II, Quadrant III and Quadrant IV. Furthermore, to create strategies and combine strategies as a recommended strategy.

5. RESEARCH FINDINGS

5.1. A. MSME Profile

Deli Serdang Regency is one of the regencies in North Sumatra Province. Deli Serdang Regency has an area of 2,497.72 Km or about 3.34 percent of the area of North Sumatra Province. Deli Serdang Regency consists of 22 districts. The locations of 22 sub-districts are classified into 3 zones, namely the mountainous zone of 10 sub- districts, the urban zone of 8 sub-districts and the coastal zone of 3 sub-districts. The dominant MSMEs are SMEs of the home- based food industry, such as: tofu, tempe, snacks, bread, cakes, meatballs , crackers, and salted fish. The beverage industry consists of SMEs selling fruit juices, traditional drinks, tea/coffee shops and restaurants. Meanwhile, handicraft SMEs consist of: rattan baskets, welding workshops, building materials, glass/mirrors, decorative flower/flower boards, tombstones, and convection (see table 1).

TABLE 1: Profile MSME's

Types of MSME's	Coastal Zone
Food	36
Drink	36
Handicrafts	18
AMOUNT	90

5.2. SWOT ANALYSIS

The score from the IFAS analysis is -1.19, Meanwhile the score from the EFAS analysis is -1.53. These results indicate that this analysis is in quadrant III, as shown below:

TABLE 2: Internal Factor Analysis Summary (IFAS)

IFAS	WEIGHT	RATING	SCORE
Strength			
Not reducing the number of employees during covid	0.11	3.59	0.39
Have a higher quality product than competing products	0.12	3.31	0.40
The price of the product sold is cheaper than competitors	0.12	2.60	0.30
Amount	**0.35**		**1.09**
Weakness			
Promotions that are carried out are less effective	0.12	3.59	0.45
Production activities carried out are still manual	0.14	3.38	0.48
The packaging design that is owned is still simple.	0.12	3.31	0.41
Businesses not yet using online marketing	0.13	3.64	0.48
Unstable raw material prices	0.13	3.52	0.46
Amount	**0.65**		**2.28**
(SW)			**-1.19**

TABLE 3: External Factor Analysis Summary (EFAS)

EFAS	WEIGHT	RATING	SCORE
Opportunity			
The use of Information Technology plays a very important role in market development	0.19	3.30	0.62
Amount	**0.19**		**0.62**
Threats			
Businesses do not have a fixed market	0.13	2.27	0.29
Consumer purchasing power decreases	0.07	1.26	0.09
Demand for products and/or services is not smooth	0.08	1.41	0.11
Consumers switch their purchases to other products	0.17	2.92	0.49
Competitors are already selling online	0.17	2.95	0.50
The government has not provided the Assistance Program	0.19	3.42	0.67
Amount	**0.81**		**2.15**
(OT)			**-1.53**

5.3. Turn Around Strategy

5.4. Diservication Strategy

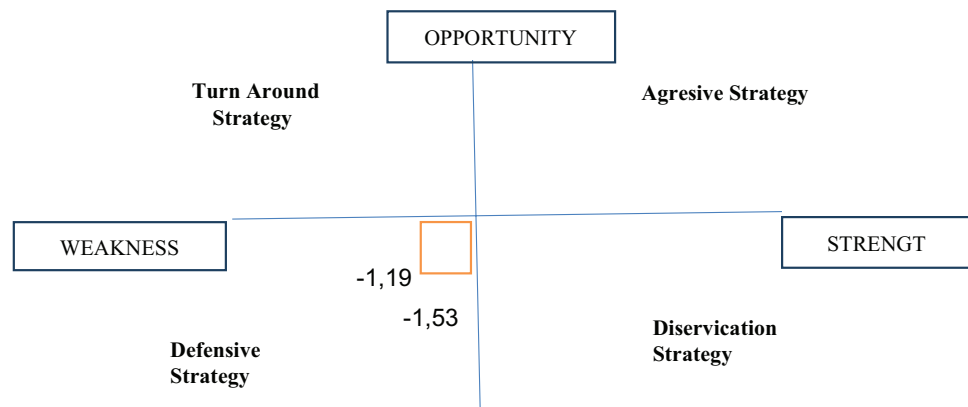From the picture above, it can be seen that IFAS and EFAS are in a **Defensive Strategy.**

Figure 1: Quadrant Results.

TABLE 4: RESULTS OF SWOT ANALYSIS

SO STRATEGIES	WO STRATEGIES
1. Increased production capacity	1. Use of E-commerce
ST STRATEGIES	**WT STRATEGIES**
Reduction of working hours/ Reduced production capacity. Reduce product size	Minimize promotions by building relationships with customers Reduced production capacity Product promotion online Purchase raw materials online Cash assistance for working capital

6. CONCLUSION

1. Based on the SWOT analysis, the selected grand strategy is in Quadrant III, namely the

Defensive Strategy

(WT).

1. The recommended strategies based on the SWOT Matrix are:

2. Minimize promotions by building relationships with customers

3. Reduced production capacity

4. Product promotion online

5. Purchase raw materials online

6. Cash assistance for working capital

7. IMPLICATION

The research implication are follows :

1. The increasing price of raw materials during Covid-19, the strategies carried out by the Regency Government are: the Department of Industry and Trade and Trade conduct market operations and the Department of Agriculture needs to consider soybean cultivation regarding the information system on the availability of soybeans as raw materials for tempe and tofu.

2. For businesses that do not have credit loans, the strategy taken by the Regency Government is: Providing Access to Capital for Bankable MSME Actors (Never Borrowed Money from a Bank).

3. Production activities carried out are still traditional/manual (food and beverage sector), the strategies carried out by the Regency Government are: Training and assistance in the production process of the food and beverage sector.

4. Businesses have not used online marketing, the strategies carried out by the Regency Government are: Facilitating the marketing of MSME products through Online Marketing.

5. During a pandemic, demand for products and/or services is not smooth, the strategies carried out are market segmentation training (STP) and product marketing strategies.

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