

# Internal and External Strategic Management Model Approach to the Increase of SMEs Competitiveness: Case Study on New Village and Dusun Tuntungan 1 District Deli Serdang Sumatera Utara

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**Abstract:** As a trigger and buffer of the national economy , Micro Small and Medium Enterprises (SMEs) become a very important part that needs to be developed. This situation is supported by SMEs activities that cover all most of business . Based on research in several regions in North Sumatra , the SMESs are faced by complex problems in similarity. The results indicated the problems as follow the lack of human resources skills in developing the business, limited business capital, business competition , poor motivation of workers, lack of standards that guarantees the quality of SMESs, limited access of marketing, readiness to face the challenges in external environment, innovation and utilization of information technology that has not been maximized . This situation becomes more complicated because the quality of financial reports presented by SMEs is still limited to only revenues and expenditures . This research uses a literature study to describe and identify solutions through evaluating the company's internal and external strategy factors. T his strategic management approach, models are expected to provide strategic formulation to increase of the competitiveness of SMEs in order facing the global market. The other purpose is to determine the problems of SMEs while the preparation of entity-based financial reports without the existence of public accountability ( ETAP).

## 1 INTRODUCTION

The existence of SMEs (Micro, Small and Medium Enterprises) provides a breath of fresh air for the growth of the Indonesian economy because it helps the community's economic growth and as its output is an increase in people's welfare. Not a few people are employed in SMEs businesses and this has a positive impact on reducing unemployment. For this reason, SMEs businesses must move up the class and make it the basis of the people's economy so as to create economic stability and independence. Various problems faced by SMEs actors, including management, production, marketing, financial and legal issues (M. Azrul Tanjung, 2017) which resulted in the difficulty of SMEs in accessing various economic sources. SMEs productivity and innovation must be improved all the time so that it has a competitive advantage. SMEs are required to have high competitiveness where this can be realized through the study of the application of internal and external strategic factors both financial and non

financial effectively and efficiently. The expected result is an increase in SMES human resources (HR) that are reliable and have high mastery of knowledge.

Referring to some research results in the field of SMES, it shows that the problems faced by SMES actors are very complex. As presented in the following table

Table 1. The Problem of SMEs

No	Business fields	Location	Problem
1	Tapioca flour	Kediri	The lack of HR skills, limited business capital, dependence on middlemen , has not yet formed a business group
2	Skin crackers	Tanah Datar, West Sumatra	There are no brands / labels in the packaging, no marketing channels

3	Shoes	Field	Lack of use of technology
4	Bread and cake	Jabodetabek	Marketing functions are not optimal, limited capital, lack of HR skills
5	Karawo Crafts	Gorontalo.	Limited capital, low skills and knowledge of HR
6	Copper handicrafts	Tumang Village - Boyolali Regency	Limited capital, distribution channels

### 1.1 Problem Identification

Here are some of the problems that can be identified:

1. Factor marketing function that is not optimal
2. Factors of limited business capital
3. The less strategic location of production access factors
4. Product factors require special treatment in the field of production
5. Factors do not increase company HR skills .
6. Recording Accounting / financial statements

## 2 LITERATURE REVIEW

### 2.1 SMEs Business Profile

Micro, Small and Medium Enterprises (SMEs) have an important role in the economy in Indonesia. SMEs have a proportion of 99.99% of the total business operators in Indonesia or as many as 56.54 million units. Micro, Small and Medium Enterprises have been able to prove their existence in the economy in Indonesia. When the storm of the monetary crisis hit Indonesia in 1998 small and medium scale businesses were relatively able to survive compared to large companies. Because the majority of small-scale businesses are not too dependent on large capital or external loans in foreign currencies. Thus, when there is fluctuation in exchange rates, large-scale companies that generally always deal with foreign currencies are the most potentially subject to crisis impact.

### 2.2 Micro, Small and Medium Enterprises (SMEs)

According to Law Number 20 Year 2008, the definition of SMEs is as follows:

1. Micro business is productive business owned by individuals and / or individual business entities that meet the criteria for micro business.
2. Small businesses are productive economic businesses that are independent, carried out by individuals or business entities that are not subsidiaries or branch companies that are owned, controlled, or become a direct or indirect part of a medium-sized business or large business.
3. A medium-scale business is a productive economic business that stands alone, carried out by an individual or business entity that is not a subsidiary or branch of a company that is owned, controlled, or becomes a direct or indirect part of a small business or large business with a net worth or the proceeds yearly as provided for in Law.

### 2.3 SMEs Criteria

Criteria for SMEs can be grouped based on the number of assets and turnover owned by business entities as stipulated in Law Number 20 of 2008 concerning SMESs.

Table 2.

No	DESCRIPTION	ASSET	OMZET
1	Micro business	Maximum IDR 50 million	Maximum IDR 300 million
2	Small business	> IDR 50 million - 500 million	> IDR 300 million - 2.5 billion
3	Medium Business	> IDR 500 million - <1 billion	> Rp 2.5 billion - 50 billion

Source : Law Number 20 Year 2008

In a business perspective, SMEs are classified into four groups, namely:

1. Informal sector SMEs, for example street vendors.
2. Micro SMEs are the SMEs with the ability of nature peng e diligently but lack the entrepreneurial spirit to develop their business.
3. Dynamic Small Business is a group of SMEs that are capable of entrepreneurship by establishing cooperation (accepting sub-contract work) and exports.

4. Fast Moving Enterprise is a SMEs that has capable entrepreneurship and is ready to transform into a big business.

## 2.4 Characteristics and Characteristics of SMEs

SMESs are not only different from aspects, turnover, and number of workers. According to Saifuddin Sarief as quoted by Ismet Abdullah (2004), the characteristics of SMEs are explained as follows.

Micro business with characteristics as follows:

1. Has not done financial management / recording, even if it is simple, or there are still very few who are able to make a business balance sheet.
2. Entrepreneurs or human resources have very low average education, generally at elementary school level, and do not yet have an adequate entrepreneurial spirit.
3. In general, you don't / don't know banking, but you are more familiar with loan sharks or middlemen
4. Generally, do not have a business license or other legality requirements, including NPWP.
5. Workers or employees generally have less than 4 (four) people. Members of a particular cooperative are usually micro-scale.
6. Business turnover ( turnover ) is generally fast. M ampu absorb funds relati f large. In an economic crisis situation, business activities continue to run even able to develop because the management costs are relatively low.
7. In general, micro business operators are persistent, simple, and can receive guidance (provided that it is done with the right approach).

Small businesses with the following characteristics:

1. In general, the bookkeeping / financial management has been carried out. Although it is still simple, the company's financials have begun to be separated from family finances and have made a business balance sheet.
2. The HR is more advanced with an average high school education and has business experience.
3. In general, already have a business license and other legality requirements, including NPWP.
4. Most of them are already related to banking, but have not been able to make business planning, feasibility studies, and credit

proposals to banks, so they still need the services of consultants / advisors.

5. Workers or employees owned between 5 and 19 people.

Medium-sized businesses have the following characteristics:

1. Generally, has coined the management and organization of a better, more organized, even more modern, with a clear division of tasks between finance, marketing and production.
2. Financial management has done with m enerapkan premises accounting system n order to facilitate auditing and assessment or inspection, including those carried out by the bank.
3. Has made arrangements or management and become a member of a labor organization. There is a Social Security and health maintenance program.
4. Already have all the legality requirements, including interruption permit (HO), business permit, location permit, NPWP, environmental management efforts, and others.
5. Already often partnered and take advantage of funding in the bank
6. The quality of HR increases with the use of arjana as. manager.

## 2.5 Strategy and Competitiveness

According to the dictionary, the strategy is defined as the science and art of using all the resources of the nation to implement a certain wisdom in war and peace. While some other notions of competitiveness, namely:

1. According to the Council of Competitiveness , Washington DC, in 2006, competitiveness is the capacity of a nation to face the challenges of international market competition and still maintain or increase its real income.
2. According to the European Commission in 1999, competitiveness is defined as the ability to produce goods and services that meet international testing, while at the same time maintaining high and sustainable income levels, or the ability of regions to generate high levels of income and employment opportunities with remain open to external competition.

## 2.6 Strategy for Improving SME Competitiveness

The problems of small and medium enterprises (SMEs) in Indonesia are generally the same. However, the determination of strategies to improve competitiveness, still must examine SMEs in detail and continuously in order to create a solution in winning the existing competition.

In strategy management, environmental analysis is an important element in the strategy management process needed to assess and maintain the future of an organization or company. Environmental analysis provides an overview of the strengths and weaknesses as well as opportunities and threats facing the company both now and in the future. Broadly speaking, the company's environmental analysis consists of an analysis of the external and internal environment.

Analysis of the external environment is an identification of factors that are expected to influence company control, both opportunities that may be exploited or will be faced by the company. Yang included in the external environment are political factors, economic factors, social and cultural factors, and technological factors. Economic factors relating to the circumstances of the economic system temp at a company operates is often a consideration in decision-making by the management efforts on company missal of per capita income and economic policy of the government.

Political factors can be said as an important root in the environment. Political conditions can affect security and economic stability.

## 2.7 Application of ETAP-based Accounting

The Indonesian Institute of Accountants has issued Financial Accounting Standards for Entities without Public Accountability (SAK-ETAP) which can be applied to the preparation of financial statements beginning on or after January 1, 2010. Some matters of SAK ETAP provide a lot of convenience for companies compared to PSAK with the provisions of the reporting more complex. The visible difference can be seen from the thickness of SAK-ETAP which is only about one hundred pages and presents 30 chapters.

In accordance with the scope of SAK-ETAP, this Standard is intended to be used by entities without public accountability. Entities without public accountability in question are entities that do not have significant public accountability and issue financial

statements for general purposes (general purpose financial statements) for external users. Examples of external users are owners who are not directly involved in business management, creditors, and credit rating agencies. The background to the preparation and issuance of SAK-ETAP is to provide convenience for small and medium scale entities. That IFRS-based SAK (General SAK) is intended for entities that have significant public responsibility and entities that carry out cross-border activities. These general SAKs are complicated to understand and apply to most business entities in Indonesia that are small and medium scale. SAK ETAP provides many conveniences for an entity compared to General SAK with more complex reporting provisions.

## 2.8 Financial Statements

PSAK No. 1 (2012) states that the purpose of financial statements for general purposes is to provide information about the company's financial position, performance, and cash flow which is beneficial for most users of the report in making economic decisions and showing management accountability (stewardship) for management users of the resources entrusted to them. The financial statements are made as a means of management accountability to the owner of the company presenting financial statements according to PSAK No.1 (2012), namely 1) financial position reports, 2) Comprehensive Income Statements, 3) Equity Change Reports, 4) Cash Flow Reports, 5) Notes n Top Financial Statements.

Quality characteristics are a measure to assess whether or not a financial statement. IAI (2012) states that the quality of financial statements must have aspects that can be understood, relevant, reliability, and comparable.

## 2.9 Conceptual Framework

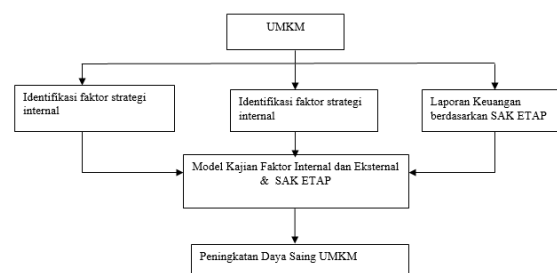


Figure 1.

### 3 LITERATURE REVIEW

#### 3.1 Research Design and Data Source

The stage of research:

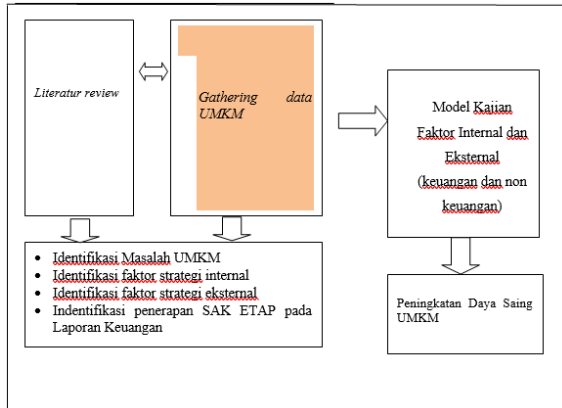


Figure 2.

### 4 DISCUSSION

#### 4.1 SMEs Business Opportunities

The important role of SMEs is not only significant for growth in big cities but also for economic growth in rural areas. Here are some of the important roles of SMEs:

1. SMEs play a role in providing broad economic services to the community, the process of equity and increasing community income, encouraging economic growth, and realizing national stability. The monetary crisis of 1998 -> 2008-2009 crisis 9 -> 96% of SMEs still survived the crisis shock.
2. SMEs greatly assist the state / government in terms of creating new jobs and through SMEs there are also many new work units created that use new workers that can support household income.
3. SMEs have high flexibility when compared to businesses with larger capacities, so SMEs need special attention supported by accurate information, so that targeted business links occur between small and medium business actors with business competitiveness elements, namely the market network.
4. SMEs in Indonesia are often associated with domestic economic and social problems such as high levels of poverty, unequal distribution of income, uneven development processes

between urban and rural areas, and problems of urbanization.

5. The development of SMEs is expected to be able to make a significant positive contribution to efforts to overcome the problems mentioned above. In addition, a number of positive SMEs contributions that cannot be underestimated are:

- The backbone of the national economy because it is the dominant population of business actors (99.9%);
- Produce GDP of 59.08% ( Rp4,899.57 Trillion), with a growth rate of 6.4% per year;
- Contributing to the export volume reached 14.06% (Rp166.63 trillion) of the total national exports;
- National Gross Fixed Capital Formation (PMTB) of 52.33% (Rp830.9 trillion);
- Geographically spread throughout the country, in all sectors. Providing basic services that are needed by the community. The multiplier effect is high. It is an instrument of income distribution and reduces inequality in people's welfare;
- A container for the creation of new entrepreneurs;
- Minimal dependence on imported components. Utilizing raw materials and local resources that are easily found and available in the vicinity thus saving foreign exchange

This study aims to understand the problems faced by SMEs through literature studies with the aim of preparing concrete steps to resolve the issue. Including the formation of business groups, the strengthening of cooperation with a network of business groups, improved knowledge and skills of human resources, training, accounting, strengthening distribution channels and strengthen the venture capital through the s tem savings and loan. Kuncoro (2008) in Bisnis Indonesia Daily, stated that there are 4 advantages of SMEs so that they can withstand economic crises and still exist, namely:

1. This business does not use foreign debt, unlike large corporations in general.
2. Do not have too much debt to the bank, because it is considered unbankable.
3. Almost all inputs used in the process use Indonesian local products.
4. The base of export orientation is quite good and promising.

Strength is an internal strategic factor that must be utilized for the development of SMEs in order to be



able to compete against competitors. The intended internal factors are:

1. Factor owner's strong commitment to the company in the development of SMEs
2. Factor of the product possessed a specific and k onsisten maintaining product quality.
3. HR competency factors because HR competencies have a role in the development of SMEs
4. Factor increase Kualitas and competitiveness of SMEs through brand and packaging attractive products.
5. Factor level of employee loyalty to the company.
6. Accounting / financial recording system

#### 4.2 Strategic Environmental Aspects

Table 3.

Political Aspects	Economic aspects	Social aspects
The rapid economic cooperation between countries, especially in the context of ASEAN and APEC which will create new opportunities for SMEs	SMEs contribution to GDP formation The development of SMEs only requires a lower level of investment SMEs contribution in non oil and gas exports	The SMEs sector has guaranteed labor market stability The emphasis of unemployment becomes a vehicle for the rise of new entrepreneurs

Source: Strategic Plan of the Ministry of Cooperatives and SMEs 2012

Thus, the SMEs business has a strategic role in the Indonesian economy, because: Its position as a major player in economic activities in various sectors; The largest provider of employment; An important player in the development of local economic activities and community empowerment; Creator of new markets and sources of innovation; Its contribution in maintaining the balance of payments through export activities .

#### 4.3 SMEs Business Management through Strengthening Internal and External Factors to Increase Competitiveness

SMEs are generally based on local economic resources and are not dependent on imports, and the results are capable of being exported. Thus, the

development of SMEs is expected to increase macroeconomic stability, because it uses local raw materials and has export potential, so that it will help stabilize the rupiah exchange rate and inflation rate. The development of SMEs will drive the real sector, because SMEs generally have quite high industrial links. Because of its uniqueness, the development of SMEs is believed to strengthen the foundations of the national economy. Indonesia will have strong fundamentals if SMEs have become the main actors who are productive and competitive in the national economy. For this reason, the development of cooperatives and SMEs must be a top priority for national economic development in the long run.

Business management is the process of managing existing resources to achieve goals, usually including planning, organizing, taking action and monitoring activities. Furthermore, the managed objects are as follows:

1. Market and marketing. Current companies can meet the needs and desires of customers.
2. Production. Produce good products , which are easier and cheaper.
3. Human Resources. Every person involved (internal or external) can provide benefits to the organization.
4. Finance. The company knows its profit or loss, and its wealth.
5. Creativity. Thinking something new ( thinking new things ).
6. Innovation. By doing something new ( doing new things ).
7. Mobilize resources and dynamize processes, so that they become more efficient, more effective, more productive and more profitable, as well as providing more business success.

Thus, to be able to develop SMEs business activities, efforts need to be made such as:

1. Easy access to capital.
2. Help infrastructure.
3. Business scale development.
4. Business network development , marketing and partnerships.
5. Human Resource Development.
6. Improved technology access.
7. Creating a more conducive business climate

## 5 CONCLUSIONS

The factors that make up the IFE matrix are internal factors consisting of strengths and weaknesses. The

strength factor in competitive SMEs in Desa Baru and Dusun Tuntung, Deli Serdang Regency, consists of:

1. Diversity of food SMEs products
2. Strategic Location

The location of the place to sell the mpek is decisive in increasing competitiveness for the development of food SMEs in the Desa Baru and Dusun Tuntung, Deli Serdang Regency, because the main condition in a location is accessibility, namely the level of ease in reaching and heading for a location that is in terms of surrounding locations (Tarigan, 2006).

3. Quality Raw Materials

Raw materials with good quality are one of the requirements to produce good, and vice versa if the quality of raw materials is poor will produce poor products (Holidin 2011).

The weakness :

1. Not having its own packaging or label and the lack of product promotion activities.
2. HR knowledge is still low

According to Munandar (2008), the process of forming organizational behavior starts from the formation of individual behavior, then individual behavior forms group behavior that describes organizational behavior.

3. There is no contract with the supplier
4. The technology used is still simple
5. Access to banking is still low

According to Ervia et al. (2015) SMEs have several challenges such as limited access to capital, raw materials, information technology and human resources

6. The absence of a good financial accounting file.

The absence / absence of financial reports at the SMEs of Desa Baru and Dusun Tuntung Deli Serdang Regency, have not been able to compile financial reports based on accounting standards applicable to SMEs. This is seen from the evidence of recording that is done, namely only recording the entry and exit of cash, and does not record all assets owned. Such a situation results in SMEs not being able to know all kinds of activities that can affect the reduced and increasing value of an asset owned, the amount of liabilities to be paid and the total capital owned.

## 6 SUGGESTION

1. It is expected that SMEs in Baru Village and Tuntung Village, Deli Serdang Regency, North Sumatra will prepare financial reports based on applicable regulations, namely using SAK ETAP. It is intended that SMEs in Baru Village and Tuntung Village, Deli Serdang Regency, North Sumatra are able to find out complete information about all assets owned. In addition, by compiling financial statements based on SAK ETAP in the future.
2. SMEs in the New Village and Hamlet Tuntungan Deli Serdang North Sumatra should archive all evidence of transactions and recording routine, it aims to facilitate the turtle sunan reports finances.
3. It is necessary to recruit competent human resources in the field of accounting to help prepare financial reports and include regular bookkeeping training.

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