

Identification and Analysis of Strengths and Weaknesses as Internal Factors for Coconut Furniture SMEs in Tomohon City, North Celebes, Indonesia

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Abstract—North Sulawesi, one of the provinces in northern part of Indonesia has an abundant coconut plantation which covers the area of more than 2.5 hundred thousand hectares. In this region, the coconut timber has a hard and high density and people opine that it is the best among its kind throughout Indonesia. The coconut lumber is known as a material for building construction and furniture. The small and medium enterprises in Tomohon have been attracted to produce high quality coconut furniture's. The technology emphasizes the industry ability to compete in the domestic market. The research methods employ a combination of observation, interview and questionnaire, documentation and analysis using the finding shows that internal strength factor consists of 7 variables, while the weakness factor consists of 6 variables. Each factor has its own rating.

Keywords—small and medium enterprise, coconut furniture, internal factor, external factor

I. INTRODUCTION

The Kaaten Village, is renowned as a SMEs pioneer which concentrates in production of coconut timber based furniture for domestic and foreign markets. Since 1987, they have been producing several kinds of home furniture's, for example, buffets, chairs, doors, tables, and other interior furniture's. It enjoyed a profitable growth and increased market share in between 1980s and 1990s. In 2014, it reaches areas outside Sulawesi Island such as Kalimantan and Java. The coconut furniture has a huge contribution in improving local economy by providing employment, income and productions which is critical to the growth of Tomohon City. From supply perspective, coconut furniture has been abundantly surrounded with high quality coconut timber which is easily accessible for production. The furniture industry in North Sulawesi has grown to 7.26 % in 2013 from 5.56 in 2012 and this cannot be separated from coconut furniture contribution to the whole economy [1]. Seen from the development of SMEs, coconut furniture is forced to increase competition in generating innovation, developing product differentiation and enhancing entrepreneurship. The competitors' products that is made of synthetic rattan, carved wood furniture from Java Island and synthetic wooden furniture such as plywood are considered better in some aspects. All things considered, the current trend

in furniture industry has slowed down the sales growth of coconut furniture products and this needs to be seriously addressed to prevent more decline in the production and sales.

A. Research Objective

The research objective is to identify and analyse strengths and weaknesses as internal factors for coconut furniture SMEs in Tomohon City, North Celebes, Indonesia.

II. RESEARCH METHODS

A. Data Collection

This research employs a qualitative approach to the respondents in their natural environment condition [2]. The research was conducted in one year in through 2018 in the village of Kaaten where the centre for furniture is developed. Data were collected with observation, interview, questionnaires and documentation. By the scope of the problems, 39 respondents were interviewed in order to gain a whole insight of the research.

B. Data Analysis

The following analytical tools are employed in this research. 1) Qualitative analysis. This analysis is used to identify and analyse the problems faced by coconut Furniture. 2) IFE and EFE matrix where the former identifies and analyse internal factors of strengths and weaknesses and the latter identifies and analyses the external factors of opportunities and threats faced by coconut furniture.

III. RESULTS

A. Internal and External Factor Analysis

Based on the SWOT analysis, we found some internal and external factors consisting several variables with specific rating on each variable, explained as follows:

1) *Internal strength factor. This consists of 7 variables, such as:*

- Product quality 3.50
- Good design 3.47

- Raw material quality 3.43
 - Mastery of production technology 3.36
 - Simple ordering process 3.31
 - Strategic location 3.35
 - Human capital 3.44
- 2) *Weakness factor, consists of 6 variables, such as:*
- Foundation owned capital -2.69
 - Expensive products -2.6
 - High labour costs -2.55
 - Monotonous promotion - 2.80,
 - Monotonicity of the products -2.69
 - Market expansion -2.64.
- 3) *Opportunity factor, consists of 6 variables, such as:*
- Available bank loans 2,29
 - Availability of adequate raw materials 1.77
 - Business strategy 3.03
 - Development of information technology 2.55
 - Availability of markets in the ASEAN region 2.45
 - Community lifestyles of 2.70
- 4) *Threat factor, consists of 5 variables, such as:*
- Low public buying power -3.63
 - The availability of competitive products -3.17
 - The presence of copycat competitors -3.33
 - Competitors dominate and control SMEs markets -3.22
 - Increase in production cost by -3.21.

B. SWOT Analysis and Strategy Implementation

Based on the analysis of internal and external factors, eight alternative strategies with their corresponding programs are designed for coconut furniture:

1) *Market expansion:* Orienting on government's interest, the companies is expected to synergize with government's effort to compete the prevailing markets by penetrating the potential markets.

2) *Taking proactive measure and continuous improvemen:* The company is encouraged to have a major involvement in understanding its own markets and other potential markets by gathering information and continuously following the market trends to allow itself develop needed products. Instead of taking a passive stance, it is expected to aggressively create demands on its products.

3) *Strategy to raise capital:* The company needs to raise its capital by lending from traditional lenders such as banks that offers small business loans with surprisingly great terms and favorable interest rates.

4) *Strategy to increase promotional efforts:* In order to ease the promotional efforts expenditure, an active collaboration with government must be held. The government has plenty of programs covering and providing chances for local products to grow. Coconut furniture SMEs could centralize the effort on this opportunity by aggressively involving its own products.

5) *Strategy to sustain products quality:* Customer's perception on quality is majorly influenced in the combination of subjective and objective assessment, and in some cases might extremely different from company's own perception. The company needs to broaden its scope beyond manufacturing and product based quality to meet the quality requirement from the customers by understanding customer's preferences in selecting the raw materials, production, delivery and maintenance of after sales relations.

6) *Strategy for product innovation:* The company needs to have a reformation on the traditional an monotonous design to tune up with the changing market trends.

7) *Strategy for cost control:* The company needs to endeavor a common process of investigative, diagnostic, corrective procedure to assess and improve its financial management in order to optimize profit. Continuous control during the production is critical to minimize unnecessary expenditure. As the labor cost can be demanding, it needs to be addressed seriously.

8) *Strategy for marketing:* Coconut Furniture needs to create a close forward linkages with relevant companies and organizations such as furniture retailers, restaurants, hotels, government offices to be recognized by customers. It should venture beyond its passive promotion way to help improve its market.

IV. CONCLUSION

Internal strength factor consists of 7 variables, while the weakness factor consists of 6 variables. It needs to adopt the following strategy not only for survival but also to increase margin of profits. Those are expanding the markets, improving business strategies, increasing business capital, increasing promotion and product width and depth, maintaining quality [3], price control and improving marketing techniques.

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