

Analysis of Business Strategy of MSMEs in Medan City in the New Normal

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ABSTRACT

MSMEs are sectors that have an important role for regional economic growth. MSMEs also contribute to the employment of labours and the distribution of development results. During the Covid19 pandemic crisis, MSME businesses are heavily affected. In the current New Normal, MSME business people must have a surefire strategy for their business to survive and to maintain their business continuity through various innovations. This research aims to develop a business strategy of MSMEs in the New Normal Period to survive and maintain their business continuity. Data collection is done by identifying MSME problems by conducting surveys by distributing questionnaires, literature studies, and FGD with Medan City MSME observers. In the final stage, the strategy taken and done by MSMEs to maintain the survival of MSMEs in Medan city in the New Normal period is formulated.

Keywords: *business strategy, MSMEs, new normal period*

1. INTRODUCTION

MSME business was one of the sectors heavily affected by the Corona virus (Covid-19) outbreak in 2020. A number of Micro and Small businesses have had to close their businesses or stop producing for a while or change the type of production [1]. Indonesia, which is dominated by the presence of Micro, Indonesia, which is dominated by the presence of Micro, Small and Medium Enterprises (MSMEs) as the backbone of the national economy are also seriously affected not only in terms of total production and trade value but also on the number of workers who have lost their jobs due to this pandemic. [2]. Likewise, small businesses are among the hardest hit by the Covid-19 crisis, many are closing businesses temporarily, and further facing cash flow constraints [3]. Such as [4] which found that the pandemic had already caused massive dislocation among small businesses just several weeks after its onset and prior to the availability of government aid through the Corona Virus Aid, Relief, and Economic Security (CARES) Act.

The systematic development of SMEs toward superior performance depends upon the quality of existing resources. In general, SMEs must face fierce competition with limited access to market information and the need to cope with resource constraints. SMEs

face many constraints due to lack of resources and poor innovative capabilities. For sustaining their competitiveness, they must benchmark their assets, process, and performance with respect to the best in industry [5].

Various strategies must be designed and executed by MSMEs to survive. For example, the Marketing Collaboration strategy between MSMEs and large companies is one effective way to grow the business because both parties can increase their profits [6] (Widjajanti, 2015). Both practitioners and academic researchers recognize that SMEs operate and do business in a different way from large organizations [7] [8]. According to [9] clustering offers many benefits to SMEs in the effort to develop cooperation.

Responsive digital marketing has been proved as helpful to SMEs in maintaining their sale performance during covid-19 pandemic [10]. Besides this result, other finding has shown that main key to maintain customers and sale performance in sustainable manner during covid-19 pandemic is by improving customer satisfaction and building long term relationship with customers. Other finding has indicated that aggressive working capital management will facilitate SMEs to maintain their performance during covid-19 pandemic.

The New Normal was originally jargon in economics and business. The term refers to world policy makers that industrial economies will return to the "latest way" after being hit by the financial crisis in 2007-2008. The new normal will be characterized by new patterns of production and consumption. What is the most appropriate strategy for MSME business people to do in a new normal situation?

2. STUDY OF THE THEORY

Small and Medium Enterprises (MSMEs) are stand-alone productive business units, conducted by individuals or business entities in all sectors of the economy [11]. MSMEs in the Indonesian economy is one of the business groups that have the largest number and proved resistant to various kinds of economic crisis shocks. The criteria of Small and Medium Micro Enterprises have been regulated in the legal system. According to [12] the definitions of small firms/SMEs can be categorized in mainly quantitative and mainly qualitative definitions. The most common criteria for measuring size in the applied definitions are "number of employees" and "annual sales".

Business strategy is crucial in conducting business activities to gain profits and to compete with segmentation and expected market share. Strategies provide answers on how to achieve business goals. The challenge for MSMEs is not only the Covid19 outbreak, but also the increasingly massive digital economy demands information MSMEs owners be more technology literate to reach wider markets outside the region and to compete with other large businesses that already have a marketplace and get customers easily thanks to unlimited internet services and which enable them to go international [13]. MSMEs must have strategic agility. Strategic agility is therefore a type of dynamic capability, enabling firms to reconfigure their resources and capabilities to address rapidly changing environments [14] [15].

3. RESEARCH METHODS

This type of research is qualitative research with descriptive analysis. The data sources in this study are primary and secondary data. The data was collected through FGD and by distributing questionnaires to MSME owners in Medan City. Then the data are presented in the analysis of the frequency distribution

4. RESULTS AND DISCUSSIONS

There were 107 MSMEs, 74 respondents (69%) of which were female, and 33 respondents (31%) were male. While the type of business is presented in Figure 1.

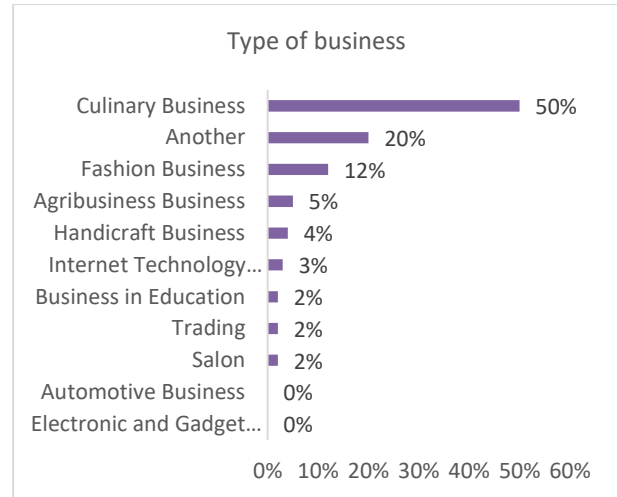


Figure 1 Type of Business

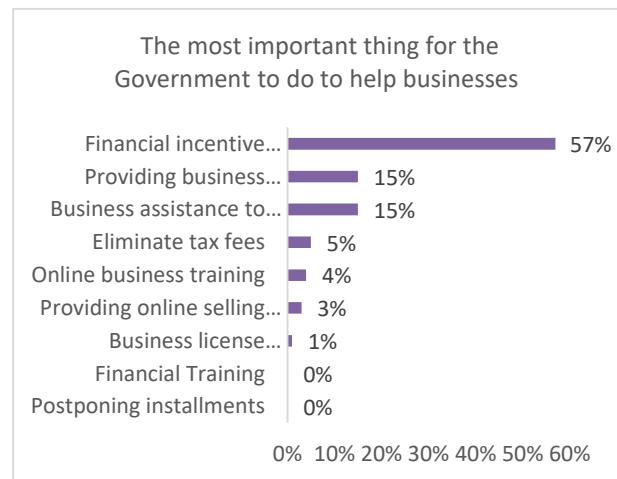


Figure 2 The most important efforts for the Government to make

Figure 2 shows that financial incentive assistance is the most important thing to do by the government to help MSMEs. 16 respondents (15%) answered providing business facilities assistance and business assistance to be more advanced are two most important efforts to be done by the government to help businesses.

In addition to providing business assistance, MSME owners also hope that the government will continue to provide non-financial assistance, business permit assistance, training, and delaying installment payments. MSMEs hope the government plays a bigger role in helping to get through this time of crisis.

The respondents were then asked several questions presented in Table 1.

Table 1 Respondent Answer Distribution

No	Question	Information					
		Climb		Stable		Decline	
1	Current Business Turnover	f	%	F		f	%
		1	1	9		97	91
2	Implementation of Health Protocols in Business	Always applied		Sometimes applied		Not applied	
		f	%	F	%	f	%
		94	88	13	12	0	0
3	Needing a Business Development Companion	Necessary		Sometimes		No need	
				F		f	
		57	53	32	30	18	17
4	Funding assistance from the government	There is and is very helpful.		There is but it doesn't help		Not getting help	
		f	%	f	%	f	%
		20	19	44	41	43	40
5	Reducing the number of employees	Yes		Not			
		f		f			
6	Reducing employee salaries	Yes		Not			
		f	%	f	%		
		38	36	69	4		
7	Making online sales	Already		Not yet			
		f	%	f	%		
		86	80	21	20		
8	Recording Business Finances	Already		Not yet			
		f	%	F	%		
		73	68	34	32		

1. Business Turnover

A total of 97 respondents (91%) answered that their business turnover fell during the Covid-19 pandemic restriction. MSME business was one of the sectors heavily affected by the Corona virus (Covid-19) outbreak. SMEs do a number of efforts to maintain business conditions. They do a number of efficiency measures such as: reduce production, reduce working hours and amount employees and sales channels/marketing. There are also MSMEs taking steps on the other hand, adding channels marketing as part of the strategy survive [16].

2. Application of Health Protocols to Business.

94 respondents (88%) MSMEs who always apply health protocols to businesses as regulated by the government, as many as 13 respondents (12%) answer "sometimes" and none answers "not apply". MSMEs realize the importance of the implementation of health protocols as an effort to prevent the transmission of Covid-19. Compliance and synergy of MSMEs with consumers in implementing health protocols plays an important role in the national economy. Good discipline in implementing health protocols will convince consumers to buy goods and move the economy. MSMEs owners have also implemented the regulations contained in the Letter of

the Minister of Cooperatives and SMEs Number 03/SE/M.KUMKM/IX/2020 [17] on health protocols for MSMEs owners throughout Indonesia.

3. The Need for Assistance to Develop Business

Most respondents need assistance to develop the business, especially in critical conditions such as pandemic times. Mentoring is a strategy where the relationship between the mentor and the mentee is a dialogical relationship (mutual understanding) between two subjects [18] Mentoring should help MSMEs to get a lot of input to maintain their business. During the Covid-19 pandemic, mentoring for MSMEs can be done in compliance with the new normal order, where participants participate online through conversation applications on smart phones as well as one-on-one mentoring and coaching.

4. Government Funding Assistance

Based on the diagram, out of 107 respondents, 44 respondents (41%) answered funding assistance from the current Government is not enough to help the business, 43 respondents (40%) answered that they did not get funding assistance from the government, and 20 respondents (19%) answered funding assistance from the current Government is enough to help the business.

5. Reduce the Number of Employees

67 respondents (63%) who made employee reductions and 40 respondents (37%) did not make employee reductions. The reduction of employees was done by MSMEs to cope with routine expenses due to falling turnover during the pandemic. Consumer behavior has changed in terms of a decline in the number of buyers and the frequency of public spending. Shoppers continue to shop for a normal amount or less. But the frequency of shopping is becoming more frequent. Most customers buy more products than usual. However, reducing the frequency of shopping is less frequent than before the pandemic. The 2020 BPPS survey in [19] found more large employers were taking steps to reduce the number of employees (46.64%) more than MSMEs.

6. Make Employee Salary Reductions

69 respondents (64%) answered not to make a reduction in employee salaries, while 38 respondents (36%) answered to make a reduction in employee salaries. Despite the employee reductions, more MSMEs try not to reduce the salaries of their employees.

7. Making Online Sales

There are 86 respondents (80%) have made online sales, while 21 respondents (20%) have not. Digitalization of MSMEs is an inevitability today. This will not only answer economic issues, but also health issues by reducing physical interaction between sellers and buyers. MSMEs must use online transactions so that the economy continues to grow. As stated by [20], the use of internet marketing can increase sales even in very remote locations. This is because the digital marketing system provides an online buying and selling platform to

facilitate the ordering and buying process so that buyers can interact with MSME owners to make transactions directly. [21] also stated that digital marketing enables MSMEs to provide information and interact directly with consumers, expand market share, increase awareness and increase sales for SMEs.

8. Recording Business

68% of respondents have done simple business recording and there are 34 respondents (32%) who do not record business. This shows that MSMEs sense the importance of recording finances. It also shows that MSMEs have become more professional. Making financial statements in the MSME sector is very important to control business operating costs and know receivable debts to possibly take tax into account. In addition, MSEs can also use their financial statements to find out the financial position of each period and make it a basis for business decision making.

5. CONCLUSION

1. The Covid-19 pandemic affected the activities of MSMEs in Medan City.
2. Business actors are encouraged to adjust as strategic steps to survive.

6. SUGGESTION

1. Continuous socialization by involving the organization of traders to succeed the movement of Covid-free traders.
2. Activating merchant associations more
3. Collaboration with large traders. The government should be more active in building coordination between interested parties for marketing collaboration.
4. Strengthening the capacity of MSMEs through the development of smart MSMEs through limited training and mentoring on online marketing, business management, finance, and product innovation for MSMEs

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