

Formulating Business Strategies and Operating Strategies in E-Embroidery SMEs

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ABSTRACT

This research aims to obtain a business strategy and operating strategy that can be applied by SMEs after the outbreak of the Covid-19 virus. The author conducted literature research and interviews with company owners. Analysis techniques in strategy formulation were carried out through three stages: the input stage, the initial stage, and the decision stage. The input stage used an external factors evaluation matrix, an internal factor evaluation matrix, and a competitive profiles matrix. Based on the EFE matrix analysis, the company's external factor that threatens is the unstable economic condition due to the Covid19 outbreak. Meanwhile, the existing opportunity is that the market share is still quite wide, so E-embroidery makes the best possible use of these opportunities by doing online marketing to introduce their business. Based on the CPM matrix, E-embroidery has the lowest position compared to the other two examples of embroidery companies, although there is a slight difference between E-embroidery and Cimahi embroidery companies. The matching stages use the IE matrix, the grand theory matrix, and the SWOT matrix. Based on the IE matrix, it can be seen that the value of the company's external factors and internal factors is in quadrant I or high. E-embroidery is in growth and development. Based on the grand strategy matrix, it can be concluded that E-embroidery is in quadrant I. Companies that are in quadrant I have a strategic position. The decision stage uses the QSPM matrix. Based on the QSPM matrix, it can be concluded that the value of the product development strategy has a total attractiveness value of 6.128. This value is higher than the market penetration strategy, with a total attractiveness value of 6,083. The product development in question is an effort to increase the product's added value by utilizing fabric waste. This cloth waste can be utilized by using the remaining cloth that becomes waste into an additional layer of embroidered cloth media to maximize embroidery results.

Keywords: Strategic Management, Business Strategy, Operating Strategy, SMEs

1. INTRODUCTION

Various parties have discussed small and Medium Enterprises; even SMEs are considered the saviors of the Indonesian economy in times of crisis. In 1998, Indonesia survived the crisis because of assistance from SMEs. Large industries fell, but SMEs experienced a 350 percent increase in exports. However, in 2020, SMEs in Indonesia were not entirely able to survive during the Covid-19 pandemic. Even so, SMEs still have the opportunity to survive and compete. SMEs can replace imported products to meet the Indonesian market with a market share of more than 250 million people [1].

According to [2], there are 334,781 MSME business actors registered with the Ministry of Cooperatives and

Small and Medium Enterprises of the Republic of Indonesia in Bandung City and 53,362 MSME business actors registered with the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia in Cimahi City [2].

If you look at the line chart in Figure 1 according to [3], there are fluctuations in the development of small and medium enterprises every year. In the city of Bandung, there are 265 businesses registered as embroidery industry businessmen at the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia. Meanwhile, in Cimahi City itself, there are 55 business people registered as business players in the embroidery industry at the Ministry of Cooperatives and

Small and Medium Enterprises of the Republic of Indonesia.

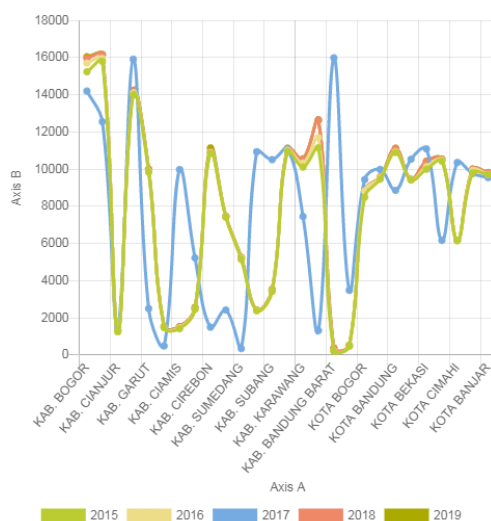


Figure 1. Fluctuations in the Number of Businesses in West Java.

Therefore, a business strategy and operating strategy for SMEs are needed when viewed from the number of competitors in the embroidery industry. To compete with other embroidery industries and raise the company's need for an organization that can direct and develop efforts to achieve organizational goals [4]. Therefore, a business strategy is needed to determine the ability of SMEs to analyze the external and internal environment of SMEs, formulate strategies, implement plans designed to achieve SME goals, and conduct evaluations to get feedback in formulating future strategies [5]. In addition, the embroidery industry also requires an operating strategy because the company's operating strategy is usually formulated based on the competitive advantages of the SMEs. An effective operating strategy must maintain and enhance a competitive advantage based on the capabilities of the company's operating resources [6].

In the current situation, namely COVID-19, all business people are trying to maintain and fight for their business so that there is no drastic decline in sales. Therefore, business strategies and operations strategies are needed so that entrepreneurs know their business's internal and external factors and then formulate their advantages to compete with their competitors. This research aims to obtain a business strategy and operating strategy that can be applied by SMEs after the outbreak of the Covid-19 virus.

2. METHODS

This research was an exploratory, descriptive qualitative research or research whose main characteristics are to provide objective explanations, comparisons, and evaluations as decision-making materials for the authorities [7]. The purpose of descriptive research is to find an explanation of a fact or

event that is currently happening, for example, existing conditions or relationships, opinions that are developing, consequences or effects that occur, or ongoing trends. In this study, the focus of research is more directed to an explanation of the company's internal and external conditions and the existing operating system in the company to formulate alternative strategies that are feasible and suitable for the company. Data Collection

The data collection techniques carried out are as follows:

1. Questionnaire

A questionnaire is needed to determine the rating and weighting values given to related parties from the E-embroidery, namely the owner, marketing department, and company operations section.

2. Observation

Observation or direct observation of the research object, namely directly seeing the embroidery production process. This process starts from the initial stage of the entry of orders to the company until the delivery of finished products back into the hands of consumers.

3. Interview

Conducting interviews by holding questions and answers to the speakers. Sources of information from this research are company owners and company employees.

4. Literature Study

Literature study, namely secondary data collection obtained by reading literature related to the object under study.

Analysis techniques in business strategy formulation can be done through three stages, namely the input stage (EFE, IFE, and CPM), the matching stage (IE, Grand Strategy, and TOWS Matrix), and the decision stage (QSPM) [8].

3. RESULTS AND DISCUSSION

E-embroidery is an embroidery home industry that was founded in 2005. Over time E-embroidery grows, machine assets increase, workforce increases. However, poor management increased debt and receivables, thus requiring the sale of assets owned.

In 2016 E-embroidery restarted its business and grew well, but in 2020, the covid19 outbreak struck, which required its operations to stop again. Currently, E-embroidery is starting to operate again by adjusting to new normal conditions.

Based on the results of an interview with Mr. Marsudi as the owner of E-Embroidery on February 22, 2021, information was obtained that E-Embroidery's vision is

"to become a trusted embroidery provider company". While the missions of E-Embroidery are:

1. Use of social media for marketing
2. Fast response and friendly service
3. After-sales service
4. Good quality embroidery
5. Price flexibility

One of the tools that can be used to analyze competition in entering the industry is Porter's Five Forces (Five Forces of Porter). Porter's Five Strengths are tools for understanding the competitiveness of the business environment and for identifying the potential advantages of business strategy. Here are the five forces of Porter in the E-Embroidery company:

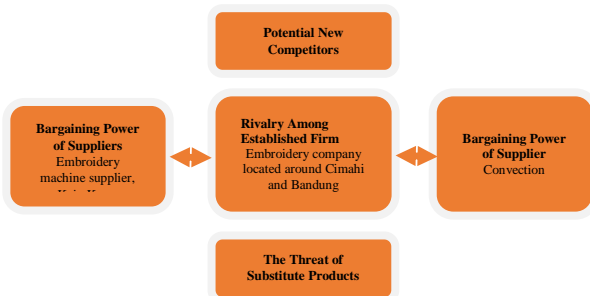


Figure 2 Five Forces Porter E-Embroidery Company

1. Potential New Competitors

Opportunities for new competitors can arise because it is now easy to start an embroidery company even though the assets required are pretty expensive. The strength of competitors, especially at competitive prices, makes E-Embroidery must be able to compete. Similar businesspeople dare to take risks by providing more affordable prices but still not balanced with good product quality. Thus, E-Embroidery has the opportunity to provide superior product quality to anticipate the strengths of new competitors.

2. Bargaining Power of Suppliers

The main component to being able to run an embroidery company is an embroidery machine. It is crucial for business actors to choose a quality embroidery machine supplier because later, it will affect the embroidery results from the machine. Then, a quality supplier will also affect the post-sales service of machines, such as machine maintenance, replacement of machine spare parts, etc.

In addition to machine suppliers, other suppliers needed are gauze and yarn. For these two types of raw materials, E-Embroidery has permanent suppliers who can be said to have good quality because the variety of products sold can be said to be complete. Thus, E-embroidery does not experience problems with raw materials, both in terms of supply and quality of the required raw materials.

3. Bargaining power of the buyer

In the embroidery industry, bargaining prices with consumers is a common thing. This is due to the limited budget for embroidery costs set by consumers so that consumers want as much as possible at a low price with good quality. However, the results of E-embroidery products can adjust the quality to the price desired by consumers so that in the end, there will be an agreement between the price and the appropriate quality.

4. Substitute Products

The substitute products for embroidery are screen printing and weaving. However, embroidery enthusiasts cannot be underestimated either because embroidery has its advantages, its durability. Screen printing and woven do have the advantage of being more detailed for small-size products, but they can be said to lack durability. In addition, the treatment of screen printing and woven is also more complicated when compared to embroidery. Screen printing and woven cannot withstand high temperatures, so they cannot be ironed directly.

5. Rivalry among the established firm

The similarity of the target market makes other embroidery businesses around Cimahi, Bandung, and West Bandung the most formidable competitors. The embroidery business is still difficult to sell online because the products produced are orders from consumers, usually in uniforms so the uniform cloth media will be directly applied to embroidery. Nevertheless, even so, it is possible to make online sales. There are several types of embroidery, such as patches or emblems, that have the opportunity to be sold online. What has been done by embroidery business actors is online marketing, where business actors introduce their embroidery business through online media.

3.1. Analysis

Analysis techniques in business strategy formulation can be done through three stages, namely the input stage (EFE, IFE, and CPM), the matching stage (IE, Grand Strategy, and TOWS Matrix), and the decision stage (QSPM). below is the input stage, which consists of the EFE and IFE matrix [8]:

1. Input Stage

EFE Matrix

Table 1. EFE Matrix

No	External Factors	Weight	Rating	Weight Value
	Opportunity			
1	The emergence of similar businesses so that can work together	0,115	4	0,460
2	Software that makes the design setting process easier	0,053	3	0,159
3	Fairly wide market share	0,112	3	0,336
4	Consumer demand for designs that are always new	0,089	4	0,356
5	Growing design creativity	0,091	3	0,273

	Threat			
1	The price given by competitors is cheaper	0,130	3	0,390
2	Unstable economic conditions due to Covid19	0,075	4	0,300
3	Rising raw material prices	0,125	4	0,500
4	Increasing competitors in the industry	0,110	4	0,440
5	Consumer easily switch to competitors	0,100	3	0,300
Total		1,000		3,514

From the table above, it can be concluded that E-embroidery can respond to opportunities and threats in the industry very well. Thus, the company has taken advantage of opportunities and minimized the negative impact of external threats in the embroidery industry.

IFE Matrix

Table 2. IFE Matrix

NO	Internal Factors	Weight	Rating	Weight Value
Strength				
1	Flexible product price	0,147	4	0,588
2	Using the latest software	0,055	3	0,165
3	Loyal workforce	0,089	3	0,267
4	Good quality of raw materials	0,060	3	0,180
5	Details of the results of good design settings	0,160	4	0,640
Weakness				
1	Lack of HR	0,075	3	0,225
2	Machines that often break down	0,137	3	0,411
3	Difficult work scheduling	0,159	3	0,477
4	Design setting competencies that still need to be developed	0,063	2	0,126
5	Color error still occurs	0,055	1	0,055
Total		1,000		3,134

The table above shows that the internal position of the E-embroidery company is in a reasonably strong position with a score of 3.134. This shows that E-embroidery must increase its internal strengths to reduce its company's internal weaknesses. This is necessary so that E-embroidery can compete and survive in the embroidery industry

CPM Matrix

Table 3. CPM Matrix

Key Success Factors	Weight	E-embroidery		Home Industry Bordir Cimahi		Home Industry Bordir Bandung	
		Rating	Value	Rating	Value	Rating	Value
Design quality	0,100	4	0,400	3	0,300	4	0,400
Completion time	0,130	3	0,390	4	0,520	4	0,520
Yarn color match	0,090	4	0,360	3	0,270	4	0,360
Embroidery quality	0,150	4	0,600	3	0,450	4	0,600
Service quality	0,075	4	0,300	4	0,300	4	0,300
Competitive price	0,135	3	0,405	4	0,540	4	0,540
Customer loyalty	0,085	4	0,340	3	0,255	4	0,340
Marketing activities	0,060	3	0,180	4	0,240	3	0,180
After sales service	0,050	4	0,200	4	0,200	4	0,200
Employee competence	0,125	2	0,250	3	0,375	4	0,500
Total	1,000		3,425		3,450		3,940

Based on the CPM matrix above, it can be seen that E-embroidery has the lowest position when compared to the other two examples of embroidery companies, although there is a slight difference between E-embroidery and Cimahi embroidery companies. Of the three companies, the one with the highest score is the

embroidery company in Bandung. This is because the Bandung embroidery company has been established since the 1980s, while E-embroidery has been established since 2005. Thus, the competencies possessed by employees are more qualified, the customers they have are more loyal considering the company's age is more mature.

However, E-embroidery still has good capabilities because it can compete in the embroidery industry. With these conditions, improvements are needed so that E-embroidery can survive.

3.2. Matching Stage

IE Matrix

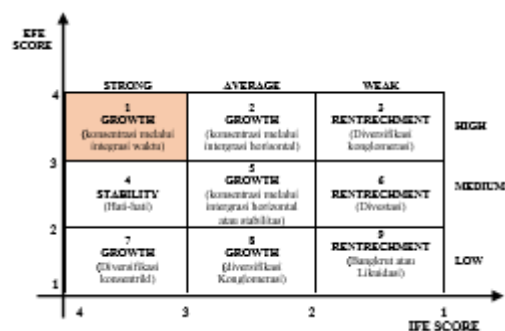


Figure 3. IE Matrix

Based on the IE matrix, it can be seen that the value of the company's external factors and internal factors is in quadrant I or high. E-embroidery is in growth and builds [8]. Intensive strategy (market penetration strategy, market development, and product development) or integrative strategy (backward integration strategy, forward integration, and horizontal strategy) can be a possible alternative strategy that is right for companies in these conditions.

Grand Strategy Matrix

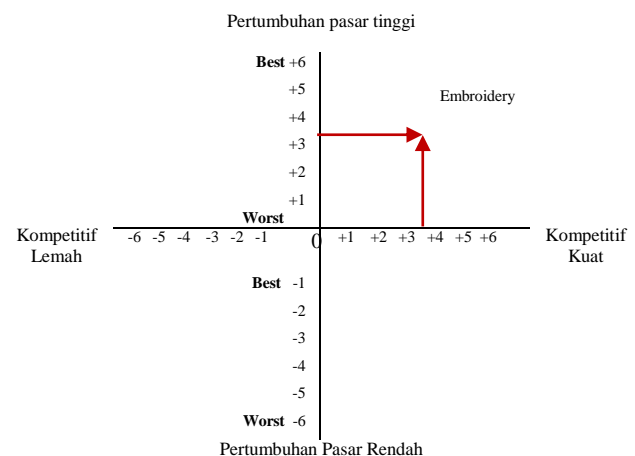


Figure 4. Grand Strategy Matrix

Based on the grand strategy matrix above, it can be concluded that E-embroidery is in quadrant I. Companies in quadrant I have a strategic position [8]. Concentration

on the current market (market penetration and market development) and products (product development) is a suitable strategy. If the company has excess resources, then a backward integration strategy, forward integration, or horizontal strategy can be effective.

TOWS Matrix

Table 4. TOWS Matrix

TOWS	Strength	Weakness
	1. Flexible product price	1. Lack of human resources
	2. Using the latest software	2. Machines that often experience damage
	3. Loyal workforce	3. The difficulty of scheduling work
	4. Good quality of raw materials	4. Design setting competencies that still need to be developed
	5. Details of the results of good design settings	5. Still color error occurs
Opportunity	SO Strategy	WO Strategy
1. The emergence of similar businesses so that they can work together	- Conduct more aggressive marketing activities (S1, S4, S5, O1, O3, O4, O5)	- Perform operating system repairs (W1, W2, W3, W4, W5, O1, O5)
2. Software that makes the design setting process easier	- Conducting product development (S2, S3, O2)	- Cooperating (W1, W2, W3, O1, O2, O3, O4, O5)
3. A fairly broad market share		- Conduct competency development (W4, O2, O4, O5)
4. Consumers' demand for new designs		
5. Developing design creativity		
Threats	ST Strategy	WT Strategy
1. The price given by competitors is cheaper	- Conduct market penetration (S1, S2, S4, S5, T1, T2, T4, T5)	- Perform operating system repairs (W1, W2, W3, W5, T1, T2, T3, T4, T5)
2. Unstable economic conditions due to Covid19	- Improve operational performance (S3, T3)	
3. Increased raw material prices		
4. Increasing competitors in the industry		
5. Consumers easily switch to competitors		

Following the IE Matrix, the TOWS Matrix finds two alternative strategies that suit the current conditions of E-embroidery, namely market penetration and product development.

3.3. Decision Stage

QSPM Matrix

Table 5. QSPM Matrix

Key Factors	Weight	Market Penetration		Product Development	
		AS	TAS	AS	TAS
Opportunity					
1. The emergence of similar businesses so that they can work together	0,115	4	0,460	4	0,460

2. Software that makes the design setting process easier	0,053	2	0,106	4	0,212
3. A fairly broad market share	0,112	4	0,448	2	0,224
4. Consumers demand for new designs	0,089	4	0,356	4	0,356
5. Developing design creativity	0,091	4	0,364	4	0,364
Threats					
1. The price given by competitors is cheaper	0,130	4	0,520	2	0,260
2. Unstable economic conditions due to Covid19	0,075	3	0,225	3	0,225
3. Increased raw material prices	0,125	2	0,250	3	0,375
4. Increasing competitors in the industry	0,110	3	0,330	3	0,330
5. Consumers easily switch to competitors	0,100	3	0,300	2	0,200
Strength					
1. Flexible product price	0,147	4	0,588	3	0,441
2. Using the latest software	0,055	3	0,165	4	0,220
3. Loyal workforce	0,089	1	0,089	2	0,178
4. Good quality of raw materials	0,060	3	0,180	4	0,240
5. Details of the results of good design settings	0,160	4	0,640	3	0,480
Weakness					
1. Lack of human resources	0,075	1	0,075	3	0,225
2. Machines that often experience damage	0,137	2	0,274	4	0,548
3. The difficulty of scheduling work	0,159	3	0,477	2	0,318
4. Design setting competencies that still need to be developed	0,063	2	0,126	4	0,252
5. Still color error occurs	0,055	2	0,110	4	0,220
Total			6,083		6,128

Based on the QSPM matrix above, it can be concluded that the value of the product development strategy has a total attractiveness value of 6.128. This value is higher than the market penetration strategy, with a total attractiveness value of 6,083. The product development in question is an effort to increase the product's added value by utilizing fabric waste. This cloth waste can be utilized by using the remaining cloth that becomes waste into an additional layer of embroidery cloth media to maximize embroidery results

3.4. Operating Strategy

Based on the EFE matrix analysis, the company's external threatening factor is the unstable economic condition due to the Covid19 outbreak, which can be responded to by E-embroidery. Meanwhile, the existing opportunity is that the market share is still quite wide, so E-embroidery makes the best possible use of these opportunities by doing online marketing to introduce their business. With the outbreak of Covid-19, business actors are also required to be able to take advantage of existing media to convey information and introduce their business. Although online marketing is still at the stage of introducing the company, it has not yet reached the stage of online transactions. However, this online marketing can be felt by business actors.

Based on the IFE matrix analysis, the company's internal factor that is the company's weakness is the

difficulty of work schedule. This is due to the frequent occurrence of orders that enter the company incidentally. The company tries to overcome this by collaborating with similar companies if it feels the company cannot handle the order. On the other hand, the company's greatest strength is the result of good design settings. Thus, the company copes with the work schedule with good setting results. The results of a good design setting will reduce product failure, reduce customer complaints, and shorten production time. As already mentioned, E-embroidery responds well to the opportunities and threats in its industry.

3.5. Alternative Operating Strategy

Based on the results of the business strategy mentioned above, namely product development, including product innovation, the appropriate alternative strategy for E-embroidery based on Roger G Schroeder's Operations Management book is the second strategy, namely the product innovator strategy. Alternative operating strategies that E-embroidery can carry out are as follows:

1. Mission

Every operation must own the mission because the mission can link with business strategy and be approved by another functional strategy. The missions of E-embroidery are:

- a. Online marketing, Intense competition in the embroidery industry requires E-embroidery to follow the rhythm of the industry. Online marketing demands must be able to follow, considering that in the current era, it will be more difficult to develop if you do not use online marketing, even though online marketing in the embroidery industry is still minimal.
- b. Fast response and friendly service, E-embroidery provides friendly and responsive service. This is because business consumers of embroidery companies usually have more than one embroidery company working together, so they can quickly transfer their orders to competitors if E-embroidery does not implement a fast response.
- c. After-sales service, In addition to services, embroidery companies must also have post-sales services. This is needed in case of damaged or defective products and the possibility of additional materials.
- d. Good quality embroidery. Quality must be considered by E-embroidery because quality is the key to customer loyalty. Although not all embroidery customers focus on quality, no customer is not happy if given a good quality product. Sometimes because of the excellent

quality of embroidery, consumers do not mind adding to the budget for the cost of embroidery but with the appropriate quality. This is what makes E-embroidery focus on quality.

- e. Price flexibility, E-embroidery can still adjust prices to the budgets of its consumers, although it focuses on quality. This is done so that consumers can be more loyal, considering the competition in the embroidery industry is very tight, and it is possible for consumers to be able to move and break cooperation.

2. Distinctive Capability

The quality of good embroidery results is not only determined by labor and machines. The primary key to the quality of a good embroidery is the result of a good design setting. The results of the design settings that are said to be good are following the embroidery media. For example, the settings for drill cloth media or cloth materials for shirts with laccos cloth to discuss collared shirts cannot be equated for standard design settings. If you force this, there will be damage to the fabric media, and the embroidery results will not be optimal.

The process of cloth media embroidery is also not just cloth media, but there need to be auxiliary materials or commonly called hard cloth. The function of this hard cloth is as a layer cloth so that damage due to machine speed can be minimized during the embroidery process. The thicker the layer of cloth used, the better. However, it will interfere with the production process due to broken needles if it is too thick. This is where the advantage of E-embroidery is that by using a layer of cloth with the appropriate thickness. The embroidery results will be maximized.

3. Objective

The costs provided by E-embroidery to consumers are still acceptable to consumers, although according to some consumers, E-embroidery is indeed higher. Nevertheless, the higher price offered by E-embroidery is very much in line with the quality produced. Based on consumer information of E-embroidery, the quality of embroidery produced by E-embroidery can be said to be superior compared to its competitors. In addition to the quality of E-embroidery, it is also flexible in its work schedule due to frequent incidental orders. Then the flexibility of the schedule can complete the incidental order. However, in terms of delivery or timeliness of completion of E-embroidery orders, it is still lacking because it often deviates from the schedule that has been set at the beginning. Due to prioritizing flexibility, it becomes more difficult to complete orders according to plan. Nevertheless, that does not mean that consumer orders are late and consumers complain. Based on E-embroidery consumer information, sometimes schedule adjustments occur within a tolerable grace period to complete final customer orders on time.

4. Policy

Centralization of the production process, such as making the order design settings, the embroidery process, until the finishing process is carried out in the same place. This is done to make the control process easier. The proposed operation for E-embroidery is not only producing products for business consumers but also producing products for end consumers so that E-embroidery has other sources of income apart from its business consumers.

3.6. Interpretation of Research Results

Based on the QSPM matrix data, which is the decision stage, it can be seen that the product development strategy has a higher value than the market penetration strategy. This strategy is appropriate to use because of the intense competition in the embroidery industry. Therefore, E-embroidery can take advantage of this strategy as a means to develop and improve the company's operations and improve the quality of the products it produces.

Furthermore, seen from the alternative operating strategy, E-embroidery is more focused on the product innovator strategy. In this case, the use of waste as an additional layer of embroidery media to produce a higher quality product.

4. CONCLUSIONS

Based on the input stage, the company's external factors that threaten are economic conditions, the opportunities that exist are the market share is still quite wide. Based on the stage of matching the IE matrix, it can be seen that the value of the company's external factors and internal factors is in quadrant I or high. Based on the decision stage of the QSPM matrix, it can be concluded

that the value of the product development strategy has a total attractiveness value of 6.128.

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