Strategy Model for Dealing with Business Crisis During the Pandemic for the Local Culture-Based Micro, Small and Medium Enterprises (A Case Study on Tafeba Tabua MSME Group)

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Abstract—The purpose of this study is to implement the method of survival formula strategy for MSMEs in facing business crisis as a result of the integration of two methods, namely the OODA Loop Approach which is a strategy formulation cycle in dealing with crisis by using a predictive analysis of business continuity and the Altman Z Score calculation. The rationale for this study is by seeing how bad the impact of the Covid-19 Pandemic has faced on the sustainability of MSME business in general and local culture-based MSMEs specifically. The type of this study is field observation research combine with case study research with the aim to find methods as solutions to the problems encountered. The nature of this study is descriptive analysis, which provides an initial description of the object of research in formulating strategy and predicting how capable the business can survive. The research data comes from secondary data in the form of financial reports which is going be analyzed using the quantitative technique of Altman Z Score calculation and will integrated with primary data from interviews with the MSME actors to explore the strategy formulation process using the OODA Loop approach. From the z score calculation, it can be seen that there are 4 MSMEs that are in the green area, meaning that these MSMEs are in good health. However, there are 2 MSMEs that are included in the grey area, they are in an alarming condition because they have the potential to go bankrupt in the near future. 2 MSMEs that need serious attention, namely Rumah Mentari and Sanggar Rebung Cendani. After calculating, to formulate the strategy then the researcher uses OODA Loops which resulted that the steps that need to be taken by MSME actors are to evaluate and exploit ideas to create new products, new services or new marketing strategies to survive. The real action is to change the form of sales from offline to online by utilizing social media, websites and other applications and platforms to market products.

Keywords: MSME Strategy, Business Crisis, OODA Loop, Altman Z Score

I. INTRODUCTION

Economic growth is needed in every country, because this shows the welfare of the people which is reflected on the increasing of citizen purchasing power. One example of a stimulus that contributes to advancing economic growth is Micro, Small and Medium Enterprises (MSMEs). [1] According to the Law number 20 of 2008, MSMEs are business activities that play a role in expanding employment opportunities, providing economic services, participating in increasing people income, and encouraging economic growth. [2] However, according to the survey held by Indonesian Business Development Service Association with 6,000 MSMEs surveyed, it shows that 26.6% of them are having a decline in business activity by 60% and even 36.7% were unable to carry out their activities due to being affected by the pandemic. One of the negative impacts due to the pandemic is being able to inhibit the growth of the MSME business where the movement of MSME businesses that require showrooms or promotions has hindered by physical distancing. The COVID-19 pandemic has in fact greatly affected the economic sector, especially MSMEs actor. However, despite being hit by a pandemic, MSME actors must survive and rise from adversity. In Indonesia, there is no independent agency specifically tasked dealing with business crisis, such as the US Federal Reserve Board in America or the Monetary Authority of Singapore in Singapore, which are tasked to formulate the strategic steps to become a guideline for national business actors in terms of dealing with business crisis. This causes MSME actors to be able to rise and survive on their own. One way to survive in a business crisis is choosing the right strategy for themselves.

In this study, the researcher wants to implement an innovative strategy model that is the result of the integration of the OODA Loop and

Altman Z Score. [3] The OODA Loop (Orientation, Observe, Decide, Act) was originally a strategy developed by the United States Air Force military which has now been adopted by business people in term of overcoming the impacts during a crisis. The crisis mentioned are example the natural disasters, humanitarian disasters such as war, and health disasters such as global pandemics. Unfortunately, OODA Loop is not able to predict how long the activity of a business can last during the crisis. It motivates researcher to integrate it with the Altman Z Score measurement which is well known as a measuring tool with a relatively reliable level of accuracy in predicting the bankruptcy of a business.

This integration model is expected to assist MSME actors in formulating a complete strategy, both from the formulation process until predicting the effectiveness of the strategy implementation. The local culture-based MSMEs are the objects in this study because these types of MSMEs are the most affected by the pandemic. The marketing of local culture-based MSME products is mostly depend on art exhibitions that are held face-to-face which obviously cannot be carried out anymore when a pandemic occurs. The research will be carried out in the Tafeba Tabua group, which consists of 6 Local culture-based MSMEs, for example, MSME for weaving tie, MSME for traditional food and MSME for handicrafts. Initially, Tafeba Tabua consisted of 13 MSMEs but has been reduced to 6 MSMEs due to unable to survive in the business crisis caused by the prolonged pandemic.
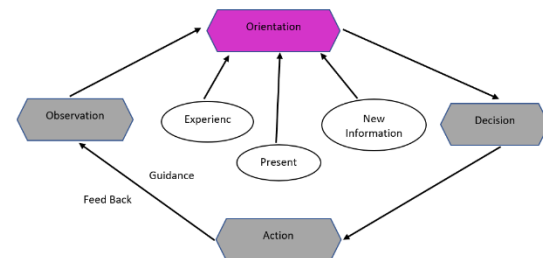
II.   LITERATURE REVIEW

[4] According to Griffin, et al. that strategy is a comprehensive plan to achieve organizational goals. Not only achieving, but the strategy is also intended to maintain the sustainability of the organization in the environment in which the organization carries out its activities. For business organizations, the strategy is intended to maintain business continuity compared to its competitors in meeting consumer needs. In general, a strategy has components that are always considered in determining the strategy to be implemented. The components are different competencies, scope, and distribution of resources. The strategy is divided into two types based on the level, the first is the corporate level strategy and the second, the business level strategy. The strategy at the corporate level is carried out by the company in connection with the competition of subsidiaries in the overall business sector. Strategy at the business level is an alternative strategy carried out by the company in connection with business competition carried out on several types of traded businesses.

The concept of Small and Medium Enterprises (SMEs) and Micro Small and Medium Enterprises (MSMEs) refers to Law number 20 of 2008 concerning Micro Enterprises Small and Medium. MSME is an individual-owned business or

individual business entity that is productive and meets the criteria, namely having a maximum asset of Rp. 50,000,000 and a maximum turnover of Rp. 300,000,000. In the Indonesian economy, MSMEs are the business group that has the largest number. Quoted from the Ministry of Cooperatives and SMEs that the number of MSMEs as a whole had growth every time. For example, in 2010 the number of MSME units was 52.7 million and increased to 63 million in 2017. In percentage terms, the number of MSMEs in Indonesia even reaches 99% of the total business units in Indonesia.

The concept of OODA Loop is an iterative analysis concept in determining a decision on a problem. OODA stands for Observe, Orient, Decide and Act. While the term loop or circle because this concept is a process that is repeated until the decisions taken are effective and able to have a significant impact in dealing with problems. This theory can be described as follows:

[5] The picture above can be explained as follows:
1) Observation
The first step in dealing with a business crisis based on the OODA Loop is analyze the problem that occurs. In this study, MSME actors need to collect as much information as possible regarding consumer behaviour in the new normal. MSME actors also need to identify the constraints and problems experienced by the internal business they are engaged in, for example in asset losses that are devalued and workflows that may change due to social restrictions.

2) Orientation
Orientation is the stage where MSME actors should understand the situation after making observations. Orientation must refer to the most recent information obtained at the time of observation and is an enjoyable experience happened before. This orientation will be a reference for business actors when making decisions. At this stage, MSME actors must understand what parts need to be optimized, improved or even eliminated. In addition, they need to prepare a strategic plan to change their business model and management.

3) Decision
After identifying the problem, it is necessary to formulate various policies that will be taken when experiencing a business crisis. The policies made must be strategic and can have an impact because the allegations as the initial plan will later become a

reference when MSME actors must take action to overcome business crises.

4) Action

After determining the hypothesis, it is time for business actors to apply critical steps that refer to assumptions or plans that have been determined or decisions that have been made. Through action, you will get feedback which will then come back to be observed, for that reason makes OODA a method that is constantly related. Each action will be reviewed whether it is effective and capable of being a solution in handling the crisis. Actually, there are many methods or tools used to survive the business crisis during a pandemic, but the OODA Loop is believed to be a modern and effective method because of its cyclical nature so that each phase of action can be evaluated even though it is weak in making business predictions during a business crisis. [6] Rudianto (2013: 254) states that the Z Score analysis is a model used to predict the bankruptcy of a company by combining several common financial ratios and assigning different weights to one another. Edward I Altman was the first to propose the Altman Z Score analysis as a result of his research in 1968. Altman conducted several studies with company objects that had different conditions. Therefore, Altman produced several different formulas for use in different companies under different conditions. [7] Altman then reformulated for private companies as follows:

$$Z=0,717X1+0,874X2+3,107X3+0,420X4+0,998X5$$

Where:
X1: *Working Capital to Total Assets*
X2: *Retained Earnings to Total Assets*
X3: *Earnings Before Interest and Taxes to Total Assets*
X4: *Book Value of equity to Book Value of Total Liabilities*
X5: *Sales to Total Asset*

In this model, companies that have a Z score> 2.90 are categorized as very healthy companies, while companies that have a Z score < 1.20 are classified as potentially bankrupt companies. Furthermore, a score between 1.20 to 2.90 is classified as a company in the grey area. [8] Sawir (2001:25) states that the analysis of the Altman Z Score model has advantages and disadvantages. The advantage is that it can combine various ratios into a meaningful model. This analysis is a multivariate analysis that can see the relationship of certain ratios that can affect the company's financial performance. [5] Meanwhile, Hanafi (2015: 278) argues that Altman Z Score also has a weakness, namely there is no definite time span when bankruptcy will occur after the results of the Z Score are known.

III.   METHOD

This research is a type of field research with the aim of objectively examining what is happening at the research site and helping find methods as solutions to problems encountered. The nature of this research is descriptive analysis, which provides an initial description of the object of research in formulating strategies and predicting how well the business can survive. The research data comes from secondary data in the form of financial reports which will be analyzed by using quantitative techniques for calculating Altman Z Score and combined with primary data from interviews with researchers and MSME actors to explore the strategy formulation process using the OODA Loop approach.

IV.   RESULT AND DISSCUSSION
1.   Z Score Calculation

Z SCORE CALCULATION OF TAFEBA TABUA MSME GROUP (2021)

NO	MSME	Z SCORE					
		0.717X1	0.874X2	3.107X3	0.420X4	0.998X5	TOTAL
1	NATAIS COLLECTION	0,165	0,334	1,508	0,382	0,886	3,275
2	AMA TENUN	0,352	0,270	1,219	0,559	0,717	3,116
3	RUMAH MENTARI	0,338	0,206	0,930	0,403	0,547	2,425
4	SANGGAR SANDALWOOD	0,401	0,483	2,181	1,270	1,282	5,618
5	KUPANG BATANAM	0,421	0,469	2,117	1,383	1,245	5,634
6	SANGGAR REBUNG CENDANI	0,152	0,291	1,315	0,324	0,773	2,856

From the table above, it can be seen that there are 4 MSMEs that are in the green area, meaning that these MSMEs are in good health and have no potential to go bankrupt in the near term. However, there are 2 MSMEs that are included in the grey area, they are in an alarming condition because they have the potential to go bankrupt in the near future. 2 MSMEs that need serious attention, namely Rumah Mentari and Sanggar Rebung Cendani, MSME actors must pay attention to the management and funding side of the two MSMEs because if they are not taken care of, it will threaten the sustainability of financial business going forward.

2.   OODA Loop Analysis

[9] OODA Loop is an iterative analysis concept used to determine problem decisions. OODA stands for "Observe", "Orient", "Decide" and "Act". The term "loop", because in this concept all processes are repeated until the decisions taken are valid and can have a significant impact in dealing with problems (Soetjipto, 2020). Based on the research results, the OODA Loop analysis can be described in detail as follows:

a. Observe

MSME actors are required to make observations, namely always trying to find opportunities and strengthen strengths and cover all weaknesses. Likewise in unexpected situations, such as the arrival of a pandemic that forcibly suppresses almost every sector of the economy and attempts to withdraw and circumstances that force market conditions to change course due to a threatening situation. The following are the results of observations on consumer behaviour during the

Pandemic according to the opinion of Tafeba Tabua MSME actors

No	Consumer Behavior during pandemic	n	%
1	Shop opening hours change	4	67%
2	Transportation line protection	2	33%
3	Police patrols and bans	3	50%
4	Khawatir tertular Virus	5	83%
5	Not used to shopping online	1	17%

The table above shows that the factors that most influence consumer behaviour are fears of contracting the virus, changes in store opening hours and the prohibition of security patrols. Furthermore, the following are the results of observations related to consumer decisions in terms of purchasing during the pandemic

No	Buying Decision	n	%
1	Customers are more satisfied with direct interaction	2	33
2	Customers choose to shop online	5	83
3	Customer do not dare to make a purchase	3	50

The table above shows the responses of MSME actors who assess consumer attitudes during the pandemic, namely 83% assessing that customers choose to shop online, followed by other customers (50%) who do not dare to do purchasing activities at all.

b. **Orient**

At this stage, MSME actors are required to understand which parts need to be optimized or improved. The following are the orientations that are most suitable for MSME actors:

1) Taking innovation initiatives or finding new business models or product development
2) Build enthusiasm and motivate yourself to survive in the midst of a crisis due to the pandemic
3) Evaluate and exploit ideas to create new products, new services or new marketing strategies to survive.
4) Understanding changing conditions and trying to seize opportunities or benefits from changing situations.

c. **Decide**

At this stage, MSME actors determine priority assessments as a first step for further decisions on the next targeted results. MSMEs must immediately decide which steps will be taken to maintain their business. The speed of decision making must be done right, but if it is too late, business actors may not be able to succeed in situations like this as shown below

No	Orientation Form	Priority assesment
1	Taking innovation initiatives or finding new business models or product development	2
2	Build enthusiasm and motivate yourself to survive in the midst of a crisis due to the pandemic	3
3	Evaluate and exploit ideas to create new products, new services or new marketing strategies to survive	1
4	Undertanding changing conditions and trying to seize opportunities or benefits from changing situations	4

d. **Act**

At this stage, this step has the most influence, because the decisions that have been made will have an impact on what will happen. Usually there are different conditions between expectations and reality, therefore MSME actors need to reposition the situation and facts so that they can immediately re-evaluate, make decisions and take repeated actions. From the results of the research in the table in the previous stage, the steps that need to be taken by MSME actors are to evaluate and exploit ideas to create new products, new services or new marketing strategies to survive. The real action is to change the form of sales from offline to online by utilizing social media, websites and other applications and platforms to market products.

V.   CONCLUSIONS

As the results of the research and discussion that have been described, it can be concluded as follows:

1. 2021 will be the toughest year in the world of MSMEs based on local culture, where conditions force MSMEs to turn their strategy around.

2. The study took the object of research on 6 MSMEs based on local culture in the Tafeba Tabua group and it was found that there were 2 MSMEs that needed immediate attention and special handling, namely Rumah Mentari and Sanggar Rebung Cendani.

3. Almost all MSME actors view that the biggest factor causing changes in consumer behaviour is the fear of contracting the virus (83%) which causes the majority of customers to choose to shop online (83%). So that, there are 4 orientation behaviours of MSME actors and after being discussed the priority for real action that has to be done is to change the form of sales from offline to online by utilizing social media, websites and other applications and platforms to market products.

VI.   SUGGESTIONS

Based on the results and discussion and conclusions that have been drawn, the recommendations are:
1. For MSME Actors

The OODA Loop concept is an iterative analysis concept, so it is recommended that MSME actors always implement and evaluate the OODA Loop stages on a regular basis and continue to monitor MSME capabilities through Z Score calculations.

2. For the Government

It is suggested that the government can provide real assistance in the form of relaxation of MSME loans and assistance in terms of product distribution and MSME marketing.

3. For further research

It is recommended that in future research, reference studies related to the effectiveness of actions taken after conducting OODA LOOP analysis and Z Score calculations can be carried out.

VII.   REFERENCES

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