



Analysis of Strategic Planning for the Development of MSMEs in Border Areas

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Abstract. Small and medium-sized enterprises (SMEs) have demonstrated their ability to survive economic crises and can bolster the lower middle-class economy by providing employment opportunities. On the other hand, there are still limited roles of MSMEs in supporting national economic growth due to low production capacity, low quality of human resources, limited cost marketing, limited access to capital, unavailability of technological, information and managerial carrying capacity. In particular, the crucial problems of MSMEs in border areas are not yet equipped with adequate planning, the limited output of which causes the socio-economic interaction of many people depends on neighboring countries. Thus MSMEs deserve the attention of the government to empower them. The strategic planning aspect plays an important role in advancing MSMEs. In Taranakan City, East Kalimantan, which borders Malaysia, there are several MSMEs where after analysis, the local government has developed a strategic plan. This study aims to analyze strategic planning prepared by local governments and related parties by analyzing three aspects of planning, namely the desire of external constituents, internal parties' wishes, and databases. This research employs statistical data analysis tools and descriptive analysis methods with the aim of presenting an objective overview of responses from participants regarding research variables. This study employs statistical data analysis tools and descriptive analysis methods with the aim of presenting an objective overview of responses from participants regarding research variables. Descriptive data analysis is used to present a clear and concise description of the collected data. To achieve this goal, each respondent's indicator is classified into five alternative answers, and an assessment of each indicator is given a score ranging from 1 (one) to 5 (five). 2) Descriptive statistics were utilized to present the respondents' answers through frequency distributions, which were displayed in tabular form. Additionally, category assessment criteria were employed to describe the variables/dimensions of this study, which included classifications of very high, high, sufficient, low, and very low. The analysis results indicate that MSMEs in border regions have not fully addressed their strategic planning concerning the desires of external stakeholders, company insiders, and data. The formal preparation of strategic planning is lacking, impeding comprehension of implementation and leading to weakened conditions for MSMEs.

Keywords: Strategic Planning, Small and Medium Enterprises, Border Area.

1 Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a significant role in the development of the national economy and may serve as a crucial factor for economic revival. This is because MSMEs are able to survive and grow in the crisis since 1998 [1]. According to data released by the Ministry of Cooperatives and Small Business Enterprises (Kemenkop and UKM) between 2005 and 2012, MSMEs contributed to 99.90 percent of the total quantity of business units. On the side of employment, it reached 97.15 to 97, 30 percent [2]. But contributing to the growth of MSMEs only accounted for a third of the total contribution of the business units in stimulating national economic growth. The causes of the low contribution of economic growth from the MSME sector include; 1) production capacity is still low; 2) the quality of human resources is not yet qualified; 3) high marketing costs; 4) limited access to capital, natural resources, information, technology and managerial knowledge.

MSME empowerment is crucial because it directly impacts the livelihoods of most Indonesians (pro-poor). Moreover, their potential and strategic role have been demonstrated to be a cornerstone of national economic strength and growth (pro-growth). The presence of robust MSMEs as key economic players can be a critical topic in development, particularly when it comes to expanding business prospects for new entrepreneurs, absorbing the workforce, and simultaneously mitigating pro-jobs.

Characteristics of Tarakan City North Kalimantan Province as a border city with neighboring Malaysia, known as a city of agriculture and trade, the development of micro-enterprises engaged in the processing sector will move the upstream sector, namely agriculture and the downstream sector, namely trade services. However, the problems faced by local MSMEs in the form of stagnant institutional capacity, namely the lack of competitiveness and depreciation of capital and assets as serious problems, need to be solved. To help awaken the power of MSMEs in carrying out their business, the government, in this case the Ministry of Cooperatives and SMEs, Regional Governments, and the National Border Management Agency (BNPP) need to develop strategic planning designs in a synergistic and cross- institutional manner. MSME strategic planning is a road map that helps achieve organizational goals at the desired level for the short, medium and long term.

There are at least 3 (three) dimensions that will be studied in this research which are related to the analysis of MSME strategic planning in the border areas. Namely: 1) analyzing the extent of the community's immunity to the development of MSMEs; 2) analysis of the extent of the wishes of internal MSMEs in developing their organizations; 3) analysis of MSME database related to past, present, and future performance.

2 Literature Review

Based on Allison and Kaye's [3] definition, strategic planning is a methodical procedure that a company agrees on and establishes engagement among key stakeholders. The objective is to prioritize the mission of the company while maintaining operational flexibility. Strategic planning can specifically optimize an organization's focus to ensure

that all resources are efficiently utilized in fulfilling the mission. Through strategic planning, the organization can also maintain responsiveness to an ever-changing and unpredictable environment.

The strategic planning process consists of three primary components: formulation, implementation, and control. Formulation entails the development of a mission, the identification of major objectives, the evaluation of the internal and external environment, and the assessment and selection of alternative courses of action [4]. According to Orpen [5], strategic planning aids small firms in identifying new strategies that can augment sales and enhance their position in the market. Mature strategic planning is thought to be beneficial for small firms operating in dynamic and rapidly evolving industries, according to Bracket et al. [6].

Managers in small and medium-sized companies generally conduct corporate planning, as indicated by the research findings of Rue and Ibrahim [7] and Shrader et al. [4]. Both small and large firms require strategic planning in various business settings. The presence of strategic management serves as a means of communicating company objectives and identifying alternative approaches to accomplish them.

Strategic planning typically spans one to five years [7]. This suggests that strategic planning serves as a vital tool for guiding organizations in their response to dynamic and unpredictable environments. By prioritizing careful decision-making, strategic planning enables organizations to more effectively adapt to environmental shifts. To enhance their competitive edge, organizations should delve deeper into the variables that affect strategic planning and its efficacy in generating this advantage.

There exist two bases for corporate strategic planning: the first is anticipatory intuitive planning, which draws on a manager's experience, instincts, considerations, and reflections. Based on past experience, reflective thinking, and ways of thinking, anticipatory intuitive strategic planning is a form of planning. One is the informal or informal plan and the other is the formal long-term plan. The latter entails procedures, research, and involves many individuals, resulting in a series of written plans. Consequently, such planning is considered formal or written strategic planning [8].

Strategic planning comprises distinct components. The strategic planning model, proposed by Steiner [9], delineates these components as external stakeholder expectations, databases, internal employee expectations, and the identification of opportunities, strengths, and weaknesses (SWOT). For small and medium-sized enterprises, Steiner's strategic planning model proves particularly applicable. However, this study excludes the SWOT identification element in strategic planning since every company is presumed to always integrate SWOT analysis into its strategic planning process. Thus, involving internal and external stakeholder expectations along with company data is the crucial factor.

When identifying SMEs as the focal point of this study, it is important to note the various definitions of SMEs. The definition of small and medium enterprises (SMEs) varies from country to country. However, Indonesia (under Law No. 20 of 2008) classifies SMEs into two categories: small businesses with a net worth of more than IDR 50,000,000.00 (fifty million rupiah) up to a maximum of IDR 500,000,000.00 (five hundred million rupiah) and an annual turnover of more than IDR 500,000,000.00 (five hundred million rupiah). Rp. 500,000,000.00 (five hundred million Rupiah) excluding

land and buildings and having an annual turnover exceeding Rp. 300,000,000.00 (three hundred million Rupiah) and up to a maximum of Rp. 2,500,000,000.00 (two billion five hundred million Rupiah). Mid-sized companies are companies with a net worth exceeding Rp. 500,000,000.00 (five hundred million rupiah) and up to a maximum of Rp. 10,000,000,000.00 (ten billion rupiah) excluding land and buildings of business offices and with an annual turnover exceeding Rp. 2,500,000,000.00 (two billion five hundred million rupiah) and up to a maximum of Rp. 50,000,000,000.00 (fifty billion rupiah).

3 Methods

The present study employs descriptive analysis, utilizing quantitative data and statistical analysis tools to illustrate research variables. The present study employs descriptive analysis, utilizing quantitative data and statistical analysis tools to illustrate research variables. This methodology aids in providing an overview of respondent feedback and their corresponding responses.

This descriptive analysis is performed in the following steps:

- Each respondent classifies indicators into five alternative answers and assesses each one using a score between 1 and 5.
- Descriptive statistics, in the form of frequency distribution, are utilized to depict the responses of the participants, presented in tabular format.
- Categorical criteria ranging from very high to very low were used to describe the variables and dimensions of this study.

With the provisions and calculations as follows:

- “Minimum score (%) = $1/5 \times 100 = 20\%$ ”
- “Maximum score (%) = $5/5 \times 100 = 100\%$ ”
- “Range (%) = $100\% - 20\% = 80\%$ ”
- “Interval (%) = $80\% : 5 = 16\%$ ”

So the calculation of the interval class is obtained as follows (Tables 1 and 2):

Table 1. Respondents' answer score categorization.

No	Rating Scoring Total Interval	Rating Scoring Total Interval
1	20% - 35.99% Very Low	20% - 35.99% Very Low
2	36% - 51.99% Low	36% - 51.99% Low
3	52% - 67.99% Enough	52% - 67.99% Enough
4	68% - 83.99% Height	68% - 83.99% Height
5	84% - 100% Very High	84% - 100% Very High

Table 2. Operationalization of research objectives for strategic planning.

Object	Indicator	Dimensions
Strategic Planning	The Desire of Outside Constituents	1. Society
		2. Community (certain)
		3. Capital owners
		4. Customer
		5. Supplier
		6. Creditors
	The Desire of Company Insiders	1. Top Manager
		2. Lower Level Manager
		3. Production Process Worker
Company Data Base	4. Employee Administrative	
	1. Past Performance	
	2. Current Situation	
		3. Future Forecasters

4 Discussion

Strategic planning is essential for both large and small-medium sized companies, both formally and informally. The former are thought to need careful planning to build a solid foundation for growth, while the latter may already have systems in place that allow them to grow without additional planning. This is because a small or medium-sized business must engage in careful strategic planning to successfully transition into the large-scale category and ensure the success of its operations. For large companies, strategic planning is typically a crucial component of ongoing success due to their established track records.

To enable an impartial evaluation of small and medium enterprise strategic planning in Tarakan City, a thorough analysis was performed across the following dimensions. These dimensions include: the desires of outside constituents, the desires of company insiders, and the company database.

4.1 Dimensions of the Desire of the External Constituents

Regarding the dimensions of the desires of external constituents, 6 (six) questions were asked about the following matters: strategic planning preparation taking into account the desires of the community, strategic planning preparation considering the desires of the relevant community, preparing strategic planning taking into account the interests of investors / investors, planning strategic planning customers, strategic planning preparation takes into account suppliers 'wishes, and strategic planning preparation takes into account creditors / injectors' wishes. And to discover the respondent's answers to the specific items, please refer to the table 3 below:

Table 3. Respondents' response to dimensions the desire of outside constituents.

Item	Alternative Answers										Total Scores	
	5		4		3		2		1		Score	%
	F	%	F	%	F	%	F	%	F	%		
1	66	56.41	50	42.74	1	0.65	0	0.00	0	0.00	533	91.11
2	55	47.01	55	47.01	5	4.27	1	0.85	1	0.85	513	87.69
3	64	54.70	51	43.59	1	0.85	1	0.85	0	0.00	529	90.43
4	44	37.61	0	59.83	3	2.56	0	0.00	0	0.00	509	87.01
5	40	34.19	69	58.97	3	2.56	3	2.56	2	1.7	493	84.27
6	42	35.90	63	53.85	9	7.69	2	1.71	1	0.85	494	84.44
To- tal	311	44.30	358	51.00	22	3.13	7	1.00	4	0.57	3071	87.49

By examining the percentage of the total score shown in the previously mentioned table and referencing the accompanying assessment categorizations, it is evident that the cumulative score for the External Constituent desires dimension is 87.49%, placing it within the "very high" classification.

4.2 Dimensions of the Desire of People in the Company

Regarding the dimensions of the desire of people in the company, 4 (four) questions were asked about the following matters: the process of strategic planning takes into account the preferences of the company's top brass, the section head's preferences, the needs of production linked to workers and the preferences of administrative employees. The table 4 below presents the responses of the participants to the questions asked:

Table 4. Respondents' response to dimensions the desire of company insiders.

Item	Alternative Answers										Total Scores	
	5		4		3		2		1		Score	%
	F	%	F	%	F	%	F	%	F	%		
1	50	42.74	60	51.28	5	4.27	2	1.71	0	0.00	509	87.01
2	42	35.90	67	57.26	7	3.98	1	0.85	0	0.00	501	85.64
3	47	40.17	66	56.41	2	1.71	2	1.71	0	0.00	509	87.01
4	40	34.19	67	57.26	9	7.69	1	0.85	0	0.00	497	84.96
Total	179	38.25	260	55.36	23	4.91	6	1.28	0	0.00	2018	86.15

Using the percentages of the total score in the previous table and the associated scoring categories, the total score of 86.15 percent indicates that the organization has a strong desire dimension.

4.3 Dimensions of Company Data Base

Three questions related to the corporate database dimension were asked: making strategic plans based on past performance, making strategic plans based on current conditions, and making strategic plans based on estimates of future conditions. The respondents' answers to these questions can be found in the table 5 below:

Table 5. Respondents' response regarding the dimensions of company data base.

Item	Alternative Answers										Total Scores	
	5		4		3		2		1		Score	%
	F	%	F	%	F	%	F	%	F	%		
1	59	50.43	54	46.15	3	2.56	1	0.85	0	0.00	522	89.23
2	42	35.90	64	54.70	9	7.69	2	1.71	0	0.00	497	84.96
3	45	38.46	68	58.12	4	3.42	0	0.00	0	0.00	509	87.01
Total	146	41.60	186	52.99	16	4.56	3	0.85	0	0.00	1528	87.07

Based on the table above and the assessment categorization criteria mentioned previously, the cumulative score of 87.07% places the Company's Data Base dimension within the "very high" category.

To understand the respondents' responses to all dimensions of strategic planning, they are presented in the table 6 below:

Table 6. Respondents' response regarding strategic planning.

Item	Alternative Answers										Total Scores	
	5		4		3		2		1		Score	%
	F	%	F	%	F	%	F	%	F	%		
X1	311	44.30	358	51.00	22	3.13	7	1.0	4	0.57	3071	87.4
X2	179	38.25	260	55.56	23	4.91	6	1.2	0	0.00	2018	86.1
X3	146	41.60	186	52.99	16	4.56	3	0.8	0	0.00	1528	87.0
Total	636	41.81	804	52.86	61	4.01	1	1.0	4	0.26	6615	86.9
							6	5				0

The overall score of 86.90% categorizes Strategic Planning as "very high". Nevertheless, improvement is required in specific areas, such as the desire of the stakeholders for the company, to enhance the performance of SMEs in the future.

Based on the table above, small and medium-sized enterprises (SMEs) have integrated all three components in their strategic planning, namely the desires of the external constituents, the desires of the company, and the company database. Nevertheless, the execution of their strategic planning is not ideal. SMEs' strategic plans are typically informally drafted and not specifically documented, resulting in imperfect implementation.

5 Conclusion

The study results show that UKM Strategic Planning can be effectively measured through three dimensions: External Constituents' Desires, Desires of People in the Company, and Company Database. Failure to address these dimensions in strategic planning development can negatively impact SME performance. If a single dimension is omitted from strategic planning, it would lead to imperfect planning, hindering SMEs from attaining their optimal performance. Comprehensive strategic planning involves the integration of three facets: the Desire of External Constituents, the Desire of Company Insiders, and the Company Database. In general, the weakness of the Tarakan MSMEs in the formulation of strategic planning does not include the dimensions of people's aspirations and lack of data carrying capacity, so that MSMEs on the border are weak.

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