

# Strategy Design and Business Model Improvement in a MSME Located in District Cileungsi Bogor

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**Abstract.** BPS data notes that the agribusiness sector and the processed industry sector are the two largest industrial sectors in Indonesia that contributed to GDP in 2016, Ironically, in 2017 until now there were a slowdown growth in the agricultural sector. One of the processed agribusiness products is tempeh and tofu. The lebak kongsi region of Cileungsi had experienced the era of the glorious growth of micro small medium enterprise (MSME) in the 80-90 era. But nowadays, the scale of the industry and the number of entrepreneurs is decreasing. On the other hand Lembang Bandung is an anomaly from the above, with a broad range market share area. This study aims to formulate a design for developing a new business model strategy that is expected to improve the competitiveness of the tofu MSME in cileungsi. The methodology being used is benchmarking on both MSME industries area region & formulate improvements in the process and product lines, which are made in a new strategy map and business model, finally validated by the AVAC method. Findings from primary data through interviews and observations in the field in the two regions revealed that there was a perception gap and process gap between the two producers regarding the business model being run vs the customer expectation /perception related to the quality of products, and the process factors including the quality of the water used and how they handling of their waste. Other finding on AHP analysis results of a purposive sampling quisoner on 20 consumers in Cileungsi, related to quality aspects shows that the weight factor of taste, product dimension, and freshness of the product are the main factors compared to the labcertified and price of the product.

## 1. Introduction

BPS data notes that the agribusiness sector and the processed industry sector are the two largest industrial sectors in Indonesia, that contributed to GDP in 2016, Ironically, in 2017 until now, there were a slowdown growth in the agricultural sector. The lebak kongsi region of Cileungsi had experienced the era of the glorious growth of micro small medium enterprise (MSME) in the 80-90 era. But nowadays, the scale of the industry and the number of entrepreneurs is decreasing. On the other hand Lembang Bandung is an anomaly from the above, with a broad range market share area. One of the processed agribusiness products is Tempe and Tahu. In terms of investment, this industry is relatively easy and inexpensive so that the majority of producers who produce tempeh and tofu are generally on the MSME industry scale. This study aims to formulate a design for developing a new business model strategy that is expected to improve the competitiveness of the MSME tahu industry in cileungsi. The methodology



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## 2. Literature Review

### 2.1 Previous research study

Based on the literature review traced according to the year of research, there are several studies that have been carried out previously by several researchers in Indonesia since, several aspects and issues reviewed varied such as, feasibility and strategic development tofu industry by Nunung, Musa, Sapta, (2012) [1] tofu challenges depelovement on small family businesscTandian, P Maria (2013) [2], analysis of soybean stock planning. Nirwan (2015) [3]. Other issue and studies also being carried on related to analysis business development analysis through the competitive analysis method, B P Ridandi, K Rizky. M R Brahmana MR. (2015) [4], analysis of soybean inventories as tofu raw material. Minartin, U Rianse, S Aida, A Taridala (2018) [5]. From literature review, we see that there are unexplored gaps related to how to design business model competitiveness strategies that can improve product competitiveness, based on benchmarking methods to a sample group of MSME that are considered more advanced and successfully implement their strategies.

### 2.2 Benchmarking as strategic decision, linked to the strategic business model

Based on some journal literature, Larisa & Denisa (2009) [6] said that benchmarking helps decision makers in determining how much improvement needs to be done to get superior performance decision. The definition and concept of strategy is based on several sources cited in the book Strategic Innovation compiled by Affuah [7], Glueck (1980) stated that strategy is an integrated, comprehensive plan and designed to ensure that the company's basic objectives can be achieved. Using strategy, companies are able to apply their core competencies, to achieve profits above the industry average. Business models became an important factor in strategy implementation to see and decide on how the company run its business, related to the selected strategy. Now several method is available such as business canvas model (BCM), a business model developed by Alexander Osterwalder and Yves Pigneur has succeeded in turning a complicated business concept into a simple one. With the canvas approach, the business model is displayed on a single sheet of canvas containing nine elements / boxes. We can say BMC is a template that is used to describe what kind of business we want to build or what business we are running now as a whole and from various aspects of PPM (2012) [8]. Other business model also introduce by Massanel CR, Ricart JE (2010) [9] that give us another perspective and constraint of actual strategy and tactics in a real world. Russell & taylow (2011) [10] in their book "Operations management" chapter 2 describe the definition of quality according to some experts, namely, Juran (1962) quality is conformity with the goals and benefits, Crosby (1979) quality is conformity to the needs which include availability, reliability, maintainability, and cost affectiveness, Deming (1982) quality must aim to meet customer needs now and in the future, Taguchi (1980) losses received by the community since the product was shipped, and Garvin (1984) further defines the five views into eight dimensions of quality that include: Performance, Features, Reliability, Conformance, Durability, Serviceability, Perception.

### 2.3 AHP for multi criteria decision making & AVAC for Validation

We used AHP to find a weight / ranking from 5 quality criteria, from the book written by Saaty and Vargas 2012:1 [11] explain....."The Analytic Hierarchy Process (AHP) is a basic approach to decision making. It is designed to cope with both the rational and the intuitive to select the best from a number of alteratives evaluated with respect to several criteria". Further more they explained that in this process, the decision maker carries out simple pairwise comparison judgments which are then used to develop overall priorities for ranking the alternatives. The AHP both allows for inconsistency in the judgments and provides a means to improve consistency. A validation and risk assessment is needed when a company makes a new strategy in NPD so that it is expected to minimize the potential risks for the company (Keizer, Vos & Halman, 2004). Affuah (2009) [7] states that using AVAC, this is necessary in order to see the extent to which the strategy can provide a competitive advantage for the company

which is a function of the company's activities in creating and capturing value. AVAC consist of, Activites, Value, Appropriability and Change.

### 3. Research Methodology

The methodology being used is competitive benchmarking on both MSME industries area region, between cileungsi bogor area vs lembang bandung area, the primary data collected using interview on each owner of the business. The team that being dispatched is collecting data related to the several aspects such as historical of the business, how much products varian, how they see the quality of product based on garvin 8 dimension, and how they maintain and manage process production and man power, financials and marketing strategy market area coverage. The secondary data collected using several resources such as KOPTI, other related precious research and data. AHP analysis is being conduct to compare gap quality between two MSME area vs customer, this process involved purposive sampling quisoner of 20 consumer in cileungsi, from direct buyer in local market, local restourant owner (*warteg*), and local customer in rural area. Primary and secondary analysis data obtained are then formulated & concluded into strategic business choices in the form of a strategy map and new business model development validated by the AVAC method and simplified into a business canvas model for MSMEs in order to develop and increase competitiveness of its products.

### 4. Result Analysis & Findings

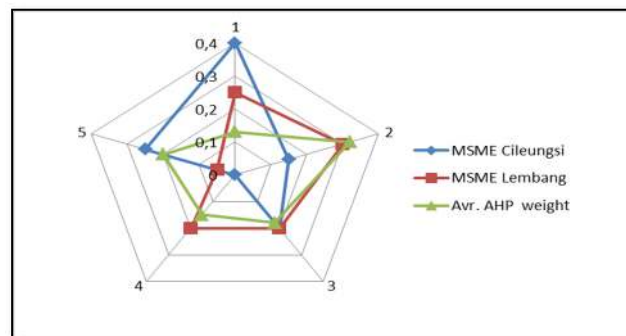
#### 4.1 Findings on collected benchmarking data

Based on primary data collecting, on the two MSME regional area, we conclude some interesting initial findings:

- 1) Lembang MSME has a wide range market area consist of 8 region surrounding with a good relationship with agent distributor & buyer. If we compared to a narrow market MSMEs consist only cileungsi and citereup.
- 2) MSME cileungsi does'nt have a bargaining power to the buyer / distributor agent.
- 3) MSME lembang mainly focus only 2 product varian only, on other way MSME cileungsi at least having 3 – 4 varian products.
- 4) Based on interview, only lembang MSMEs that partipate in KOPTI,
- 5) Other findings related to value added, MSME Lembang successfully combines nature tourism and culinary products, which boosted their sales.

#### 4.2 QualityPerspective & Quality Gap between two MSME region vs Customer (AHP analysis)

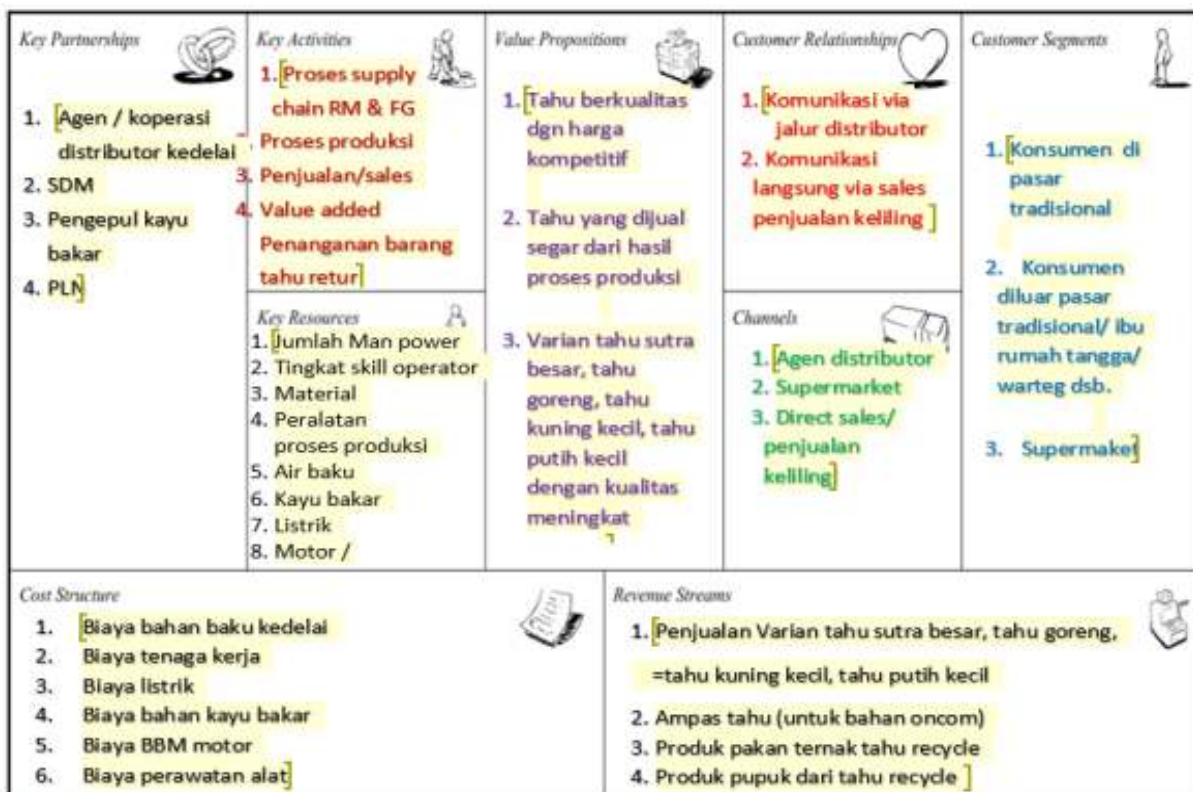
We then analyzed 8 garvin quality dimension, and conclude that there are threee quality dimension that improtant to the product, consist of performance (Taste & Price range) , Features ( Product size), Conformance (BPOM lab certified), Aesthetic (Freshness). Other Interesting fact, that these two MSME region is having a different perspective, related to the 5 criteria quality. We ask their judgement to give a weight to each criteria, as described in the fig 1 below. Tofu is a family product, due to the similarity process between tofu product, And the purposes in this AHP Analysis, is to find the weight / ranking quality criteria, based on customer perspective. This quisionare using purposive sampling quisoner of 20 consumer in cileungsi, from direct buyer in local market, local restourant owner (*warteg*), and local customer in rural area. Using super decision software 2.10.0, the analysis n equal 5 with target random index from table is 1.12, and accepted CR consitency ratio  $\leq 0.01$ . The quisionare is inputed into the pair wise comparison, as we can see in fig 1. Below.



**Figure 1.** AHP result compared to 2 MSME region

#### 4.3 Strategy formulation & New business model & strategy map

Several strategy formulation needed to improve competitiveness consist of Improve process production aspects, improve methods aspect, improve material aspect, improved marketing aspects, creating new revenue through new product variants. The five strategy is added and modified as a new business canvas model and new strategy map as shown on fig. 2&3 below.



**Figure 2.** MSME New improved Business canvas model

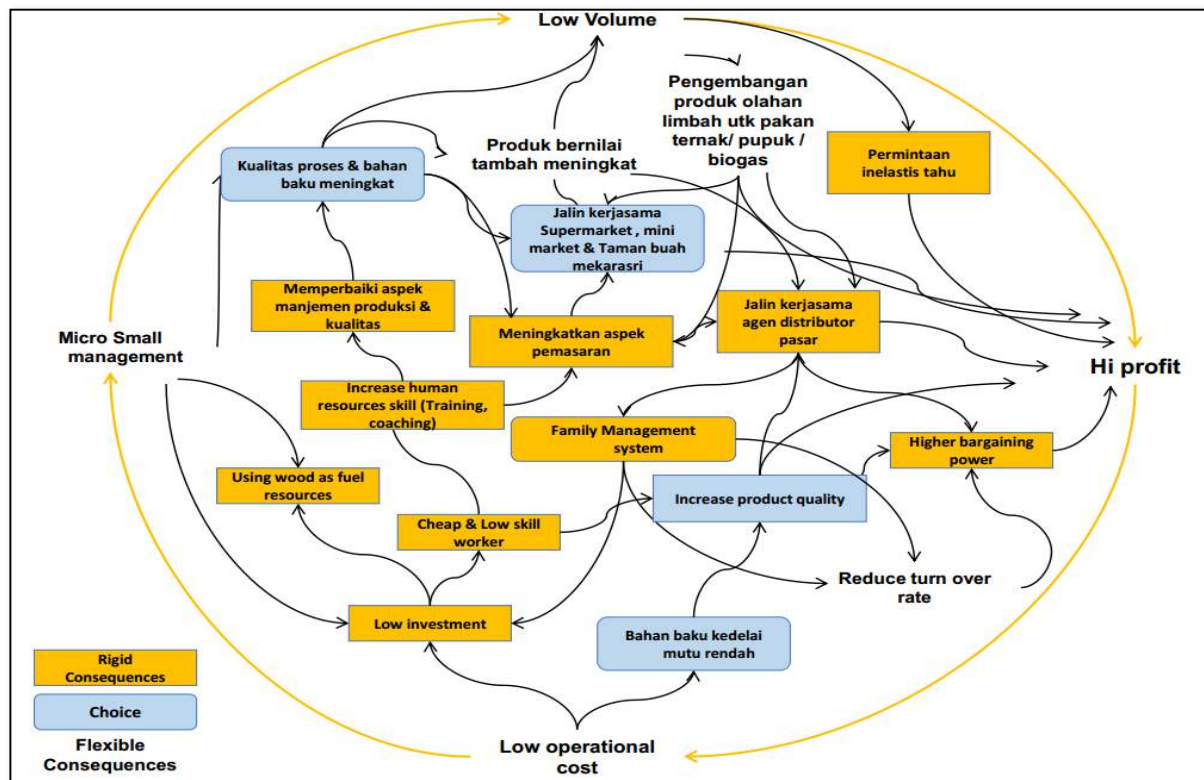


Figure 3. MSME New Strategy map

#### 4.4 AVAC Validation

Table 1. AVAC Validation table

First-mover advantage	Activities: Is the firm performing the right activities? Does it have what it takes (resources and capabilities) to perform the activities	Value: Is the value created by the strategy unique, as perceived by customers, compared to that from competitors?	Appropriability: Does the firm make money from the value created?	Change: Does the strategy take advantage of change (present or future) to create unique value and/or position itself to appropriate the value?	Competitive consequence
Strategy 1 :	Yes	No	Yes	Yes	Temporary competitive advantage
Strategy 2 :	Yes	No	Yes	Yes	Temporary competitive advantage
Strategy 3 :	Yes	No	Yes	Yes	Temporary competitive advantage
Strategy 4 :	Yes	Yes	Yes	Yes	Sustainable competitive advantage
Strategy 5:	Yes	Yes	Yes	Yes	Sustainable competitive advantage

## 5. Conclusion

From the results of the data collection and analysis, it appears that there was a perception and process gap between the two producers regarding the business model being run vs the customer expectation

/perception related to the quality of products. From analysis we know that Cileungsi MSMEs lags far behind aspects of production, quality and marketing, so that a new breakthrough strategy is needed to increase it's competitiveness. Thus formulated / describe on strategy map & business models consisted of products quality improvements, a better and standardized process and improved marketing aspect by utilizing tourism potentials around the cileungsi area.

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