

## DEVELOPMENT STRATEGY FOR QUALITY CHARACTER THROUGH STANDARDIZATION OF SMEs (CASE STUDY IN CULINARY SMEs)

Rediawan Miharja

Universitas Singaperbangsa Karawang, Karawang, Indonesia

Corresponding author: rediawan.miharja@fe.unsika.ac.id

### **Abstract**

*The importance of the role of SMEs in the regional, national, and global economy as well as the industrial era 4.0, which requires business actors to continue to be able to innovate, It needs encouragement from various groups, including academics, on how to make conceptualizations that can be used as material for policies or decisions for business actors or stakeholders. Along with the growing awareness of SMEs about competitiveness because they are facing the millennial era, this is an opportunity for researchers to present conceptual strategies so that they can be useful for SMEs. The problems in this study are that there is no concept that describes internal and external conditions, and the quality of SME products is inconsistent for markets that enjoy them. The purpose of this research is to build a concept of character development strategy for product quality that is always maintained so that it can become competitive in the business. The method in this study employs a qualitative approach, with tools such as Internal Factor Evaluation, External Factor Evaluation, SWOT Analysis, and problem solving using one of the standardization tools used. The results of this study show that clear work steps will make it easier for SMEs players to provide consistency in the taste that characterizes the products being marketed.*

**Keywords:** Flowchart, Quality, SME, SWOT

### **Introduction**

Small and medium enterprises (SMEs) have begun to play a critical role in international small and medium enterprises (SMEs) are a significant contributor to the national economy (Knight, 2001). According to (Tanjung et al., 2022), the increase in sales will increase the income of MSME actors so that it will contribute to the national economic recovery. Small and medium enterprises (SMEs) play an important role in the growth and stabilization of the Indonesian economy (Thamrin et al., 2017). SMEs for developing countries, especially in Indonesia, usually have a direct influence on the domestic economic and social.

According to (Lee et al., 2010) claim SMEs have the capacity for innovation, lack of technology competencies for new product development, cost-effectiveness, operational efficiency, emerging market niches and process innovation are often seen to affect SME ability to innovate. Several studies have also been conducted to encourage the progress of SMEs considering the 4.0 era using SWOT such as in Indonesia, India, Ukraine, or European countries and others (Antoniuk et al., 2017; Khan & Sagar, 2015; Slamet et al., 2016; Thamrin et al., 2017). Research on SMEs is still very possible to be developed according to (Moazzam et al., 2018) many researchers and practitioners have long recognized the significance of measuring performance.

### **Literature Review**

#### **Strategic Management**

Strategic management is a set of managerial decisions and actions that help determine the long-term performance of an organization (Wheelen et al., 2017). A strategy is a plan of action that explains the allocation of resources and various activities to deal with the environment, gain a competitive advantage, and achieve company goals (Slamet et al., 2016). Strategy implementation is a process by which strategies and policies are put into action through the development of programs, budgets, and procedures (Wheelen et al., 2017). According to the results of previous research (Arasa & Obonyo, 2012; Natasha, 2013), strategic planning is a systematic and formal effort by a company to determine company goals, rules, and strategies that involve making detailed plans to implement rules and strategies to achieve the company's main objectives. According to (Terziovski, 2010), formal structure strategy has a significant impact on performance, including product quality.

#### **SWOT Analysis**

SWOT, being a useful tool for scanning business environment, has its limitation for helping decision makers in taking objective decisions (Khatri & Metri, 2016). Strength, weakness, opportunities and threats analysis is one of the most popular tools applied by strategic planners in business and industries to ensure that all the factors related to projects are identified and addressed (Agarwal et al., 2012). This analysis is based on considering several dimensions of the internal and external sides of the company, namely strengths and opportunities, but can simultaneously minimize weaknesses and threats. Based on an analysis of current condition factors, it was poured into a SWOT matrix as decision-making material (Slamet et al., 2016; Wheelen et al., 2017).

## Quality Control

Managing quality is determines the customer's quality expectations and establishes policies and procedures to identify and achieve that quality (Heizer et al., 2017). According to (Goetsch & Davis, 2014), quality is a dynamic state associated with products, services, people, processes, and the environment that meet or exceed expectations and help generate superior value. "Quality" or "quality performance" is a controversial construct for a variety of conceptual and empirical reasons (Soares et al., 2017). Quality performance has an interrelated definition and is almost the same as operational performance, including quality control. This quality control method can be done with tools such as a check sheet/checklist, a flowchart, a graph, a matrix diagram, a table, a Diagram, or a two-dimensional chart (McComb, 2008).

## SMEs

SMEs are a heterogeneous group by size, and overall, it is difficult to clearly define what an SME is, because countries adopt different criteria (e.g. employment, sales, turnover) for definition purposes (Klewitz & Hansen, 2014). SMEs can be distinguished from large firms by their constrained resources and different managerial capabilities and practices (Cohen & Kaimenakis, 2007). SME can be measured using business transition, management principle change, change in turnover, change in market demand, goals and objectives, performance compared to the competitor, firm performance satisfaction, and growth orientation (Sumiati et al., 2017).

According to (Rahmawati et al., 2016), entrepreneurship science is a discipline that studies the values, abilities, and behavior of a person in facing the challenges of his life. An entrepreneur is a person who organizes, operates, and takes risks for a profit-making venture (Nitisusastro, 2017). Whereas in the book (Alma, 2016), the term "entrepreneur" comes from "entrepreneur" (French), which is translated into English with the meaning of "between taker" or "go-between."

## Methods

This research applies a qualitative approach with an in-depth interview method to obtain primary data (Malhotra et al., 2017). There are several stages of research carried out in this study. The first step is external scanning and internal scanning, namely determining external and internal factors through several interviews. The sample collection method uses purposive sampling, a sampling technique with certain considerations in (Sugiyono, 2016). Data collection is carried out with the concept of triangulation, namely, the first expert comes from the association (KADIN), then the second business owner and the third is the researcher himself. Then the sorting of factors into typical SWOT criteria, i.e., the analysis for an institution, can proceed in eight steps. The steps combine quantitative and qualitative approaches (Rangkuti, 2014; Thamrin et al., 2017). The next step in this research is to standardize the strategy by incorporating it into a technical activity process using a flowchart.

## Result and Discusssion

### External Scanning and Scoring

From the results of interviews with several related parties, researchers concluded several external factors for quality character in SMEs, namely:

**Tabel 1.** External Factors

No	External Factors	Weight	Rating	Weighted Score
<b>Opportunities</b>				
1	Increased market demand due to digital awareness (online sales) and awareness about SME products	0.3	3.33	1.00
2	Broad information about SME products	0.3	2.33	0.70
3	Consumers who are dominant in terms of consumption	0.1	4	0.40
4	District and provincial government support	0.1	3.33	0.33
5	Increased number of local tourism visits	0.1	3.33	0.33
6	Connect and collaborate with related institutions to promote local SME products	0.1	3.33	0.33
		1.00		3.10
<b>Threats</b>				
1	Competitors' product quality competition	0.3	3.33	1.00
2	Number of substitute products other than SME products	0.2	3.67	0.73
3	Quality of raw materials in the supply chain (suppliers)	0.2	2.67	0.53
4	Review the content on the quality of SME products	0.1	4	0.40
5	Consumer purchasing power is affected by the economic situation	0.1	4	0.40
6	Product and taste saturation with existing trends	0.1	3.67	0.37
		1.00		3.43

Source: Data Processed 2022

In the external factor table as a whole, opportunities have a score of 3.10, slightly above average. The biggest value in opportunities is "increased market demand due to digital awareness (online sales) and awareness about SME products" with score of 1.00. This increase is an opportunity for companies to be able to provide the best product quality in order to continue to survive in market conditions that are full of uncertainty.

The external factors table also shows that overall threats have a value of 3.43. The biggest threat for this business is "competitors' product quality competition," with a score of 0.73.

### Internal Scanning and Scoring

From the preliminary study results, the researcher concluded several internal factors for the development of quality character in SMEs, namely:

**Table 2.** Internal Factors

No	Internal Factors	Weight	Rating	Weighted Score
	<b>Strength</b>			
1	Concern and desire for consistent quality in SME products	0.3	4.67	1.40
2	Branding of SME products that can become superior products and characteristics	0.2	4.67	0.93
3	Continuity	0.2	4	0.80
4	The entrepreneurial mentality	0.1	4.33	0.43
5	Potential for business development	0.1	4	0.40
6	Business performance focus	0.1	3.33	0.33
		1		4.30
	<b>Weakness</b>			
1	Understanding and skill in quality governance	0.2	3.33	0.67
2	Appropriate technology facilities and infrastructure	0.2	3	0.60
3	Product innovation and process innovation	0.15	3.33	0.50
4	Uncomprehensive strategy setting without research and development	0.15	3.33	0.50
5	Non-standardized operations/production governance process	0.1	3.33	0.33
6	Capital limitation	0.1	3.33	0.33
7	Coordination between employees and owner	0.05	3.33	0.17
8	Production capacity	0.05	3	0.15
		1		3.25

Source: Data Processed 2022

In the Internal Factors table, specifically in Strength, it can be seen that "concern and desire for consistent quality in SME products" has the highest value with a score of 1.40, followed by the factor "branding of SME products that can become superior products and characteristics" with a score of 0.93. The internal factors table also shows weaknesses, with the highest weakness factor being "understanding and skill in quality governance," with a score of 0.67, and the factor "appropriate technology facilities and infrastructure," with a score of 0.60.

### Matrix SWOT Analysis

To explain the consideration of internal factors and external factors and SWOT, a matrix analysis is carried out in the following table:

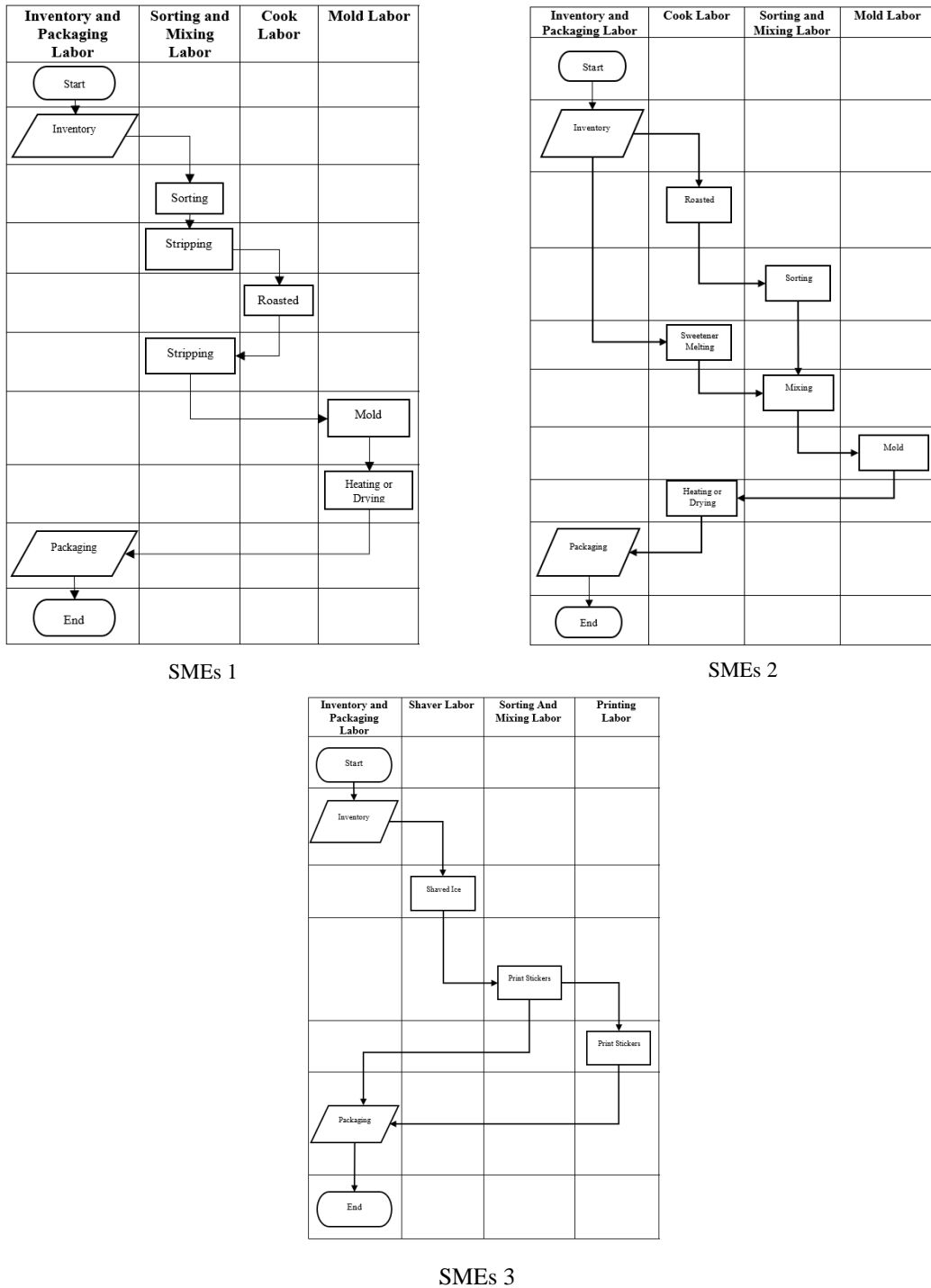
**Table 3.** Matrix SWOT Analysis

<p><b>Internal Factors</b></p> <p><b>External Factors</b></p>	<p><b>Strength – S</b></p> <ol style="list-style-type: none"> <li>1. Concern and desire for consistent quality in SME products</li> <li>2. Branding of SME products that can become superior products and characteristics</li> <li>3. Continuity</li> <li>4. The entrepreneurial mentality</li> <li>5. Potential for business development</li> <li>6. Business performance focus</li> </ol>	<p><b>Weakness – W</b></p> <ol style="list-style-type: none"> <li>1. Understanding and skill in quality governance</li> <li>2. Appropriate technology facilities and infrastructure</li> <li>3. Product innovation and process innovation</li> <li>4. Uncomprehensive strategy setting without research and development</li> <li>5. Non-standardized operations/production governance process</li> <li>6. Capital limitation</li> <li>7. Coordination between employees and owner</li> <li>8. Production capacity</li> </ol>
<p><b>Opportunities – O</b></p> <ol style="list-style-type: none"> <li>1. Increased market demand due to digital awareness (online sales) and awareness about SME products</li> <li>2. Broad information about SME products</li> <li>3. Consumers who are dominant in terms of consumption</li> <li>4. District and provincial government support</li> <li>5. Increased number of local tourism visits</li> <li>6. Connect and collaborate with related institutions to promote local SME products</li> </ol>	<p><b>Strategy of S–O</b></p> <ol style="list-style-type: none"> <li>1. Strengthen marketing strategies with branding according to superior character.</li> <li>2. Maintain cooperation with related institutions for business development and sustainability.</li> </ol>	<p><b>Strategy of W–O</b></p> <ol style="list-style-type: none"> <li>1. Improved understanding and skills through training in business governance, business standardization, and appropriate technology.</li> <li>2. Start implementing the development of process innovation and product innovation, accompanied by the use of appropriate technological facilities and infrastructure.</li> </ol>
<p><b>Threats - T</b></p> <ol style="list-style-type: none"> <li>1. Competitors' product quality competition</li> <li>2. Number of substitute products other than SME products</li> <li>3. Quality of raw materials in the supply chain (suppliers)</li> <li>4. Review the content on the quality of SME products</li> <li>5. Consumer purchasing power is affected by the economic situation</li> <li>6. Product and taste saturation with existing trends</li> </ol>	<p><b>Strategy of S–T</b></p> <ol style="list-style-type: none"> <li>1. Strengthen product quality characteristics by establishing effective and efficient standardization.</li> </ol>	<p><b>Strategy of W–T</b></p> <ol style="list-style-type: none"> <li>1. Efficient use of business capital is character with the gradual implementation of quality control innovations.</li> </ol>

Source: Data Processed 2022

Table 3 produces several strategies for considering internal and external factors. The strategies contained in the table are a benchmark so that the quality characteristics possessed by SMEs can develop. If we look at Table 3, it can be seen that the strategy can be implemented by controlling quality efficiently and effectively as an element of business governance innovation in SMEs. As stated in the literature review, according to (McComb, 2008), one of these quality control methods can be done with a tool, namely a flowchart. In this study, researchers randomly took 3 SMEs samples and interviewed the business processes in each one. At the beginning of the interview, it was found that although SMEs have been running their businesses for a long time, they all do not have clear process flow documents regarding the procedures for making their products.

Lack of understanding of quality control is an obstacle for SMEs. Apart from that, the interview also tried to find a solution to the formation of a process flow document that could be useful for SMEs, so the following flowchart emerged:



Source: Data Processed 2022

**Figure 1.** SMEs Culinary Sample Flowchart

**Conclusion**

Based on the results of an analysis of external and internal factors with SWOT, strategic suggestions were obtained for strengths and opportunities, namely strengthen marketing strategies with branding according to superior character and then maintain cooperation with related institutions for business development and sustainability. Furthermore, for consideration of the Weaknesses and Opportunities strategy, namely the first improved understanding and skills through training in business governance, business standardization, and appropriate technology, then the second step of start implementing the development of process innovation and product innovation, accompanied by the use of appropriate technological facilities and infrastructure, in the Strengths and Threats strategy, can be done with "strengthen product quality characteristics by

establishing effective and efficient standardization. Then, for the factors of weakness and threat, strategy can be done with efficient use of business capital is character with the gradual implementation of quality control innovations". In theory, to get strategic performance results, it can be done by mapping using SWOT, and technical strategies can be done with one of the quality control tools, namely flowcharts. The quality control stages that can be applied at this time can be done by improving governance and standardization using flowcharts in accordance with the samples contained in the results and discussions. This quality control tool is the easiest to understand and apply, especially with illustrations in the form of flowcharts. By applying a good quality control method, it is hoped that SME players can always maintain their products and be able to reduce losses that may be caused by errors or production defects. And with clear steps, it will be easier for SME players to provide consistency in the taste that characterizes the products being marketed.

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