

Digitalization Strategy of Small and Medium Enterprises (SMEs) of Agribusiness Sector at North Sulawesi

Ivonne Helena Putong

Accounting Department, Manado State Polytechnic, Manado, 95252, North Sulawesi, Indonesia
Email: ivonnehelen@yahoo.com

To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v13-i5/16917> DOI:10.6007/IJARBSS/v13-i5/16917

Published Date: 09 May 2023

Abstract

The Area Lockdown that is implemented by the government to prevent the spreading of Coronavirus has affected the society's behavior on purchasing. The digitalization of shopping has reduced direct contact which also contributed to prevent the spread of Covid-19. In order to survive this era, small business and medium business owners needs to adapt with the situation and condition. This is a difficult task that is needed to increase the awareness of the benefits from digitalizing business and incubating them to ensure their readiness to compete. North Sulawesi is an agrarian area that needs the attention of the government to ensure the agriculture field are strong and formidable, which is one of the sectors that contribute to the province's economy growth. This research aims to identify and recommend digitalization strategy for the small business and medium business owners in North Sulawesi. The analysis result that agribusiness SMEs are in the quadrant 1 (one). The main weakness of SMEs digitalization is that the digital literacy is still limited, internet access that is still limited, the production process that still use manual equipment, and the uncertified products. To develop the digitalization of agribusiness SMEs there is several things that could be done by the North Sulawesi government with the help of several services.

Keywords: Digitalization, Agribusiness SMEs, North Sulawesi, SWOT Analysis, Post Pandemic

Introduction

Large-Scale Social Restrictions (PSBB) imposed by the government to prevent the spread of the corona virus have an impact on changing people's behavior in shopping. The existence of online shopping is a necessity that is the safest choice when physical interaction is limited due to the corona virus. Digitalization minimizes direct contact which means it also plays a role in minimizing the risk of spreading the COVID-19 virus. Therefore, one of the tough challenges that needs to be done is to increase literacy on the benefits of SMEs entering the digital ecosystem and incubation to explore the readiness of SMEs.

This fairly good performance of SMEs was seen during the crisis that hit Indonesia by contributing to Gross Domestic Product (GDP) and employment (Widyastuti et al., 2016). This is what underlies

the increasing capacity of SMEs, especially in facing the industrial era 4.0. The movement of the industrial revolution 4.0 which has echoed in recent years has an impact on changes in the way of working in various fields, especially in the business field. Digitization is the key word in this era. All human activities will be influenced by digital things.

People in business are starting to use information technology and telecommunications to run and support their business activities. The movement and changes in the way of doing business that are increasingly fast towards digitalization are forcing people in business to adapt to follow these changes. For large companies, changes in business patterns that lead to the digitalization process are not too constrained due to the characteristics of large companies that have good enough resources. However, for SMEs this digitization process will require a lot of preparation.

In order to encourage digitalization and make it easier for SMEs to deal with changes that occur, the government has increased the ease of access and transfers technology to SMEs in order to be able to survive in business competition (Slamet et al., 2016). The ability to master digital devices and the internet is an absolute thing that must be mastered by SMEs if they want to survive in the competition (Purwana et al., 2017).

The Indonesian People of business sector are increasingly aware of the power of the internet and digital devices in improving their business performance (Deloitte, 2015). Websites, social media, and mobile messaging applications are very important media for SMEs in interacting with consumers (Deloitte, 2015). As many as 38% of business owners and managers stated that the website is very important for them to interact with consumers, while 32% and 23% choose social media and mobile messaging applications in interacting with consumers. Furthermore, Deloitte conveyed the results of his research on 437 SMEs spread across the cities of Medan, Jakarta, Bandung, Semarang, Surabaya and Makassar which showed several advantages of using digital technology for SMEs in Indonesia, namely: an increase in income of up to 80%, one and a half times more likely to increase employment opportunities, 17 times more likely to be more innovative and SMEs more internationally competitive (Deloitte, 2015)

Indonesia is a country that has the most SME industry players, this is due to the high productive age in Indonesia which is not directly proportional to the availability of jobs, encouraging Indonesians to compete to create breakthroughs to increase competitiveness in order to advance their respective economies. It is not surprising that more and more business actors from the Small and Medium Enterprises sector have emerged. Empowerment of small and medium enterprises (SMEs) in various regions will be a surefire solution to overcome the sluggishness that is currently engulfing the national economic condition. This shows that SMEs have a great influence on the Indonesian economy. In the policy draft of the Master Plan for the Acceleration and Expansion of Indonesia's Economic Development (MP3EI), the Government of Indonesia is committed to transforming Indonesia into a middle-income country by 2025. To achieve this, Indonesia needs at least 7% economic growth per year, 2% above the average economic growth so far.

North Sulawesi is an agricultural area which has consequences for the need for government attention to a strong and resilient agricultural sector, therefore one of the sectors that supports economic growth is the agricultural sector. Indonesia is an agricultural country, which means that agriculture plays a very important role in the overall national economy, this can be shown from the large population or workforce in the agricultural sector. Agriculture is the basis of the Indonesian economy. The role of the agricultural sector in addition to being a large source of foreign exchange for the country, is also a source of life for the majority of the Indonesian population, and when viewed from the number of people working, the agricultural sector absorbs the most labor. The purpose of this study is to identify a strategy for digitizing Small and Medium Enterprises (MSMEs) in the Agribusiness Sector in North Sulawesi Province.

Research Design and Method

The research location was determined purposively with the criteria that the owner/manager of the SME Agribusiness Sector in North Sulawesi Province. Therefore, this research was conducted in South Minahasa Regency, Sangihe Regency and Kotamobagu City as representatives of 15 urban districts in North Sulawesi Province. The research period is one month

The research method used is a qualitative method. The primary data collection process is carried out by conducting in-depth interviews with sources of information or informants, namely industry players and direct observation to the location. The question posed refers to Porter's theory, namely the four determinants of National Competitive Advantage. Then continued with a discussion at the forum with stakeholders of agribusiness SMEs. Secondary data is sourced from the Cooperatives and MSMEs Office, the Provincial and Regency/City Industry and Trade Offices which are the samples of the study and other related institutions. The research method used is a qualitative method. The primary data collection process is carried out by conducting in-depth interviews with sources of information or informants, namely industry players and direct observation to the location. The question posed refers to Porter's theory, namely the four determinants of National Competitive Advantage. Then continued with a discussion at the forum with stakeholders of agribusiness SMEs. Secondary data is sourced from the Cooperatives and MSMEs Office, the Provincial and Regency/City Industry and Trade Offices which are the samples of the study and other related institutions.

Then to formulate alternative strategies for increasing industrial competitiveness using SWOT analysis. The analysis stage in SWOT is to utilize all data and information in quantitative models of strategy formulation (Rangkuti, 2015). After the SWOT indicators are determined, the first step is to determine the weight, rating, and score.

To create an External or Internal Factor Analysis Summary (EFAS or IFAS) table, use the following steps:

1. Weight each factor from 1.0 (very important) to 0.0 (not important) in column 2 based on the factors likely to have an impact on the strategic position of the creative industry. Total weight must be 1.00
2. Rate each factor from 5.0 (very good) to 1.0 (poor) in column 3 based on the creative industry's response to that factor. Strengths and Weaknesses rating values are always opposite, as well as opportunities and threats.
3. Multiply the weight in column 2 by the rating in column 3 to obtain a weighted score in column 4
4. Add the weighted score of each factor to produce a weighted total score for the company in column 4. This shows the creative industry's response to factors in the external environment for EFAS, and the strengths and weaknesses of the creative industry for IFAS (Wheelen and Hunger, 2012).

After determining the IFAS and EFAS factors, the next step is to formulate alternative strategies in the form of determining coordinates in a SWOT analysis diagram.

Results and Discussion

A. Development of SWOT Results of Agribusiness SMEs in Kotamobagu

In the results of data analysis through the IFAS and EFAS matrices obtained, it shows that Agribusiness SMEs in Kotamobagu City have a good weight in the internal environment which is in a position of Strength and good value weight in its external environment, which is in the position of Opportunity. Therefore, it can be seen in Graph 5.1 that the position of the SWOT diagram for Agribusiness SMEs in Kotamobagu City is in quadrant 1 (one), namely the SO strategy,

which shows that this business has an environment and many strengths that encourage the use of these opportunities. This situation is oriented to aggressive growth (Growth Oriented Strategy). This strategy signifies the state of SMEs that are strong and able to continue to grow by taking advantage of digitalization opportunities to increase sales.

SWOT Matrix

Agribusiness SMEs in Kotamobagu

<p>Internal Factor</p> <p>External Factor</p>	<p>Strength (S)</p> <ol style="list-style-type: none"> 1. Able to adapt and have high resilience in the competitive market 2. Being in an urban area that has smooth internet access 3. The use of digital technology makes SMEs more competitive 4. Many facilities are provided related to digitization 5. Government program Making Indonesia 4.0 6. SME products have proven to be well received by the local market. 	<p>Weakness (W)</p> <ol style="list-style-type: none"> 1. Limitations of digital literacy 2. Empowerment of SMEs is still done partially 3. The production process uses manual equipment. 4. Products sold have not followed the standard/not yet certified.
<p>Opportunity (O)</p> <ol style="list-style-type: none"> 1. The development of digital technology increases access to new customers both domestically and abroad 2. Increased income when using digital technology 3. Ease of accessing the digital market 4. Consumers prefer online transactions 5. In the era of the free market (MEA), SMEs can expand the regional market 	<p>SO Strategy</p> <ol style="list-style-type: none"> 1. Increase market share both at home and abroad 2. Adding production units and improving product quality 3. Improve the online marketing process 	<p>WO Strategy</p> <ol style="list-style-type: none"> 1. Improve digital literacy skills and online marketing of SME managers 2. Improve overall SME management skills 3. Assist in access and assistance in exporting agribusiness SME products 4. Use of technology in the production process and information 5. Perform product standardization and certification
<p>Threat (T)</p>	<p>ST strategy</p>	<p>WT Strategy</p>

<ol style="list-style-type: none"> 1. In online marketing, there is free competition 2. Consumers easily switch to competitors 3. There are still consumers who consider the security of online transactions. 	<ol style="list-style-type: none"> 1. Improve and maintain product quality, and create competitive prices 2. Innovate to increase the value propositions of SME products, in order to be able to compete in domestic and foreign markets 3. Improve skills in the field of technology, especially in the field of digital marketing 	<ol style="list-style-type: none"> 1. Improving the knowledge of SME human resources in the fields of production, marketing, administration 2. Motivating SMEs to continue to develop their business 3. Be transparent in transactions
--	--	---

B. Development of SWOT Results of Agribusiness SMEs in Sangihe Regency and South Minahasa Regency

In the results of data analysis through the IFAS and EFAS matrices obtained, it shows that Agribusiness SMEs in Sangihe Regency and South Minahasa Regency have good weights in the internal environment which are in a position of Strength and good value weights in their external environment, which is in the position of Opportunity. Therefore, it can be concluded that the position of the SWOT diagram on the digitization of Agribusiness SMEs in Sangihe Regency and South Minahasa Regency is in quadrant 1 (one) position, namely the SO strategy, which shows that this business has an environment and many strengths that encourage the use of these opportunities. This situation is oriented to aggressive growth (Growth Oriented Strategy). This strategy indicates the condition of SMEs that are able to continue to grow by taking opportunities or opportunities for digitization to increase sales, although not as big as agribusiness SMEs in Kotamobagu City.

The results section is where the findings of a study based on the methodology are reported. The results section should state the findings of the research arranged in a logical sequence without bias or interpretation. A part describing results is particularly necessary if the paper includes data generated from the current study.

SWOT Matrix

Agribusiness SMEs in Sangihe Regency and South Minahasa Regency

	<p>Strength (S)</p> <ol style="list-style-type: none"> 1. Able to adapt and have high resilience in the competitive market 2. Government program Making Indonesia 4.0 3. The use of digital technology makes SMEs more competitive 4. SME products have proven to be well 	<p>Weakness (W)</p> <ol style="list-style-type: none"> 1. Limited internet access 2. Limitations of digital literacy 3. Empowerment of SMEs is still done partially 4. The production process uses manual equipment.
---	---	--

	received by the local market.	5. Products sold have not followed the standard/not yet certified.
<p>Opportunity (O)</p> <ol style="list-style-type: none"> 1. The development of digital technology increases access to new customers both domestically and abroad 2. Increased income when using digital technology 3. Ease of accessing the digital market 4. Consumers prefer online transactions 5. In the era of the free market (MEA), SMEs can expand the regional market 	<p>SO Strategy</p> <ol style="list-style-type: none"> 1. Increase market share both at home and abroad 2. Adding production units and improving product quality 3. Improve the online marketing process 	<p>WO Strategy</p> <ol style="list-style-type: none"> 1. Facilitate internet access to unreached areas. 2. Improve digital literacy skills and online marketing of SME managers 3. Improve overall SME management skills 4. Helping access and assisting the export of agribusiness SME products 5. Use of technology in production and information processes 6. Perform product standardization and certification
<p>Threat (T)</p> <ol style="list-style-type: none"> 1. In online marketing, there is free competition 2. Consumers easily switch to competitors 3. There are still consumers who consider the security of online transactions. 	<p>ST strategy</p> <ol style="list-style-type: none"> 1. Improve and maintain product quality, and create competitive prices 2. Innovate to increase the value propositions of SME products, in order to compete in domestic and foreign markets 3. Improve skills in the field of technology, especially in the field of digital marketing 	<p>WT Strategy</p> <ol style="list-style-type: none"> 1. Improving the knowledge of SME human resources in the fields of production, marketing, administration 2. Motivating SMEs to continue to develop their business 3. Be transparent in transactions

C. Agribusiness SME Digitization Strategy in North Sulawesi

The Large-Scale Social Restrictions (PSBB) imposed by the government to prevent the spread of the Corona virus have an impact on changing people's behavior in shopping. The existence of online shopping is the safest choice when physical interaction is limited due to the corona virus. Digitalization minimizes direct contact, which means playing a role in minimizing the risk of spreading the Covid-19 virus. Therefore, one of the tough challenges that needs to be done is to

increase the literacy of the benefits of Agribusiness SMEs entering the digital ecosystem and incubation to explore the readiness of Agribusiness SMEs.

The role of the government is certainly important, especially to deliver the digitization of Agribusiness SMEs so that they are able to compete with other SME players. Some efforts that need to be made by the government for Agribusiness SMEs in Kotamobagu City are

1. Improve digital literacy training and online marketing

Many Agribusiness SMEs in the Kotamobagu City area have marketed their products online. Moreover, in Kotamobagu City, an online buying and selling application has been made specifically for Kotamobagu residents. It remains only to add knowledge of online marketing strategies to make it more attractive and increase consumers.

2. Improving the knowledge and skills of SME human resources in management both in the fields of production, marketing, administration by using information technology.

With digitalization, it is hoped that SMEs can be more efficient in their production so that they are able to sell high quality products at competitive prices.

3. Encouraging agribusiness SMEs to always innovate to increase value propositions.

The company must make a difference from other competitors in the same industry.

4. Encourage and assist SMEs in implementing product standardization and certification

To be able to compete in the free market and online sales, Agribusiness products need to follow the existing standardization and register for certification according to the type of product offered. This is important to gain the trust of buyers who have not seen the product in person.

5. Encourage the provision of Corporate Social Responsibility (CSR) for Agribusiness SMEs.

The government can encourage large companies to provide assistance in the form of promotions, training in the procurement of machines and equipment needed to online marketing assistance to Agribusiness SMEs in North Sulawesi.

6. Collaborating with online sales platforms to create a special space in the application for North Sulawesi Agribusiness SME products.

There have been many collaborations made by the Industry and Trade Office of North Sulawesi Province with online sales platforms. Agribusiness SME products can carry local wisdom as a characteristic and are sold as souvenirs from North Sulawesi.

Some efforts that need to be made by the government for Agribusiness SMEs in Sangihe Regency and South Minahasa Regency are:

1. Facilitate internet network in areas that have not been reached, especially areas.

2. Provide digital literacy and online marketing training

One of the factors causing the lack of digitization rate is the lack of digital literacy skills and technological stuttering. This is due to the unbalanced distribution of infrastructure (internet and gadgets) so that progress is only seen in central areas. In addition, gaptek is also caused by the age range of SMEs. On average, SMEs still come from generation X (1965-1980).

3. Improving the knowledge and skills of SME human resources in management both in the fields of production, marketing, administration by using information technology.

The application of digitization occurs in various lines, especially operations and marketing. Digital marketing systems help SMEs reach more people through websites and social media. SMEs can get many customers with affordable funds. Everything can be managed by one centralized system so that everything is more practical, efficient and cost-effective. In the end, it is hoped that SMEs can sell high quality products at competitive prices.

4. Encouraging agribusiness SMEs to always innovate to increase value propositions.

The value proposition is the value that the company promises to deliver to customers if they buy its products. This can be shown through a statement that invites potential customers to use the product or service. So, the company must make a value proposition in a way that is very convincing so that potential customers do not hesitate to use their products. The value proposition must be able to differentiate from other competitors in the same industry.

5. Motivating SMEs to continue to develop their business

The Agribusiness SMEs interviewed have started their businesses with a span of 5 – 38 years. They can continue to exist because they already have regular customers and sales areas in certain zones. This situation makes them comfortable with the existing way of selling so it is difficult to switch to online sales. Need to be given motivation, understanding and training to develop a business through digitalization.

6. Encourage and assist SMEs in implementing product standardization and certification

To be able to compete in the free market and online sales, Agribusiness products need to follow the existing standardization and register for certification according to the type of product offered. This is important to gain the trust of buyers who have not seen the product in person.

7. Encourage the provision of Corporate Social Responsibility (CSR) for Agribusiness SMEs.

The government can encourage large companies to provide assistance in the form of promotions, training in the procurement of machines and equipment needed to online marketing assistance to Agribusiness SMEs in North Sulawesi.

8. Collaborating with online sales platforms to create a special space in the application for North Sulawesi Agribusiness SME products.

There have been many collaborations made by the Industry and Trade Office of North Sulawesi Province with online sales platforms. Agribusiness SME products can carry local wisdom as a characteristic and are sold as souvenirs from North Sulawesi.

Conclusions

Based on the calculation and analysis of the IFAS and EFAS matrices, the digitalization readiness of Agribusiness SMEs is in quadrant I. Being in this quadrant means implementing the SO strategy. The existence of digitalization is a threat as well as an opportunity that must be exploited.

1. Resource factor conditions: digital literacy skills and online marketing are different between agribusiness SMEs in urban and rural areas. In the City, there are already many SME players who run online marketing, all they have to do is increase their knowledge of online marketing strategies. In villages with limited internet networks, there are still very few who run online marketing. The machine technology used in the production process is still old technology. It needs updating and upgrading according to the latest technology.
2. From the Company's Structure, Competition and Strategy, Agribusiness SMEs already have a comparative advantage in terms of raw materials. It is the competitive advantage that must be created/improved to be able to compete in the free market of online sales. Therefore there must be innovation to create other differentiating factors.
3. Related and Supporting Industries

The existence of digitalization is an opportunity for Agribusiness SMEs to be able to communicate with supporting industries outside the region. For example, to buy packaging with guaranteed quality and affordable prices.

4. Demand Conditions: Agribusiness SME products in North Sulawesi have been accepted by the local market. The existence of digitalization to introduce agribusiness SME products and expand domestic and foreign markets.

For the development of the digitalization of Agribusiness SMEs, there are several things that can be carried out by the North Sulawesi Provincial government through the relevant agencies, namely:

1. Facilitate internet network infrastructure in areas not yet reached by the internet.
2. Increase digital literacy training and online marketing, especially in rural areas.
3. Improving the knowledge and skills of SME human resources in management both in the fields of production, marketing, administration by using information technology.
4. Involve the private sector to help Agribusiness SMEs through Corporate Social Responsibility.
5. Cooperating with universities in North Sulawesi to provide assistance, training and mentoring for Agribusiness SMEs.

Acknowledgments

This research is fully funded by Research and Development Agency of North Sulawesi Province

References

- Delloitte Access Economics. (2015). UKM Pemicu Kemajuan Indonesia Instrumen Pertumbuhan Nusantara.
- Noe, Raymond, A., Hollenbeck, J. R., Gerhart, B. W., & Mullen, P. (2000). Human Resource Management Gaining in Competitif Advantage Third Edition. International Edition. United State of America: McGraw-Hill Companies, Inc
- Porter, M. E. (2008). The five competitive forces that shape strategy. Harvard business review, 86(1), 25-40.
- Rustono. (2013). Pemanfaatan Teknologi Informasi Dan Pengaruhnya Terhadap Kinerja Usaha Kelompok Bisnis Entrepreneur [Online]. Tersedia pada:
<http://admisibisnis.blogspot.com/2013/12/pemanfaatan-teknologi-informasi-dan.html>
- Richard, L. D. (2010). Era Baru Manajemen. Jakarta: PT.Salemba Empat
- Slamet, R., Nainggolan, B., Roessobiyatno, Ramdani, H., Hendriyanto, A., & Lu'ul, I. L. (2016). Strategi Pengembangan UKM Digital Dalam Menghadapi Era Pasar Bebas. Jurnal Manajemen Indonesia 16(2): 136 – 147