IRMM
INTERNATIONAL REVIEW OF MANAGEMENT AND MARKETING
EJ EconJournals
ISSN: 2146-4405

International Review of Management and Marketing

ISSN: 2146-4405

available at http: www.econjournals.com

International Review of Management and Marketing, 2017, 7(4), 171-179.

EJ EconJournals

Development Model and Small Medium Industry Strategy in Gerbang Kertosusilo Indonesia

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ABSTRACT

Small medium industry in Gerbangkertosusilo specifically in Surabaya, Gresik, Mojokerto and Sidoarjo based on development acceleration importance until 2025 in those areas are food and beverage industry developing. Strategic analysis required in identify small and medium enterprises industry cited to resulting in relevant strategy model. Analysis had done by using strength, weakness, opportunities, threats analysis with identify external and interal factors included production management, human resource management, financial management and marketing management. Data identified qualitatively and quantitively to drawing conclusion about relevant model and strategy.

Keywords: Small and Medium Enterprises, Production, Human Resources, Marketing Management
JEL Classifications: M11, M31, O15

1. INTRODUCTION

Indonesia natural resource are abundant and priceless however the distribution is unevenly and emerging regional economy development gap, among them the limitation of material raw and energy supply; high cost material raw import and auxiliary material; semi-finished goods product and component; standardization implementation; production capacity is unoptimum yet; domestic market dominance; high smuggling; limited of local brand development.

The Government established National Industry Policy in President Regulation of Republic Indonesia Number 28 of 2008, limited in the policies scope of Processing Industry/Non-Oil and Gas Manufacture, along with Industry Service sector that very close-related. This National Industry Policy hoped can be creating Industry Rise that will reached in 2025 as Figure 1.

In 2008, production value of food and beverage industry reached USD 20 bilion and average growth 16% each year, and taken in big workforce among other manufactures industry. In 2010, this industry able to pervade as many as 3,6 million people (increase 3.28% than 2009). The export value of food and beverage industry during January-August 2010 up to 16% and the Government arranged Masterplan of Indonesia Economic Developmenet Acceleration and Expansion (MP3EI), which mandating Java Economy Corridor under theme "Industry and National Service Driver" with industry development strategy which sustain water and environment capacity support preservation (Committee of Indonesia Economic Developmenet Acceleration and Expansion, 2012) and already determined 8 Investation Consideration Zones (KPI) in East Java, that are: Malang, Pasuruan, Lamongan, MOjokerto, Gresik, Kediri, Sidoarjo, and Surabaya along with 8 KPI in East Java, all of them putting on food and beverage as principal industry sector, except Lamongan Figure 2.

The performance of big manufactures industry in whole East Java during Second Quarter of 2012 rise up significant enough as 4.56% with the biggest contribution from the increase of Food and Beverage in East Java reached to 14.37%. This attainment at the side triggered by the demand at Fasting Month and Idul Fitri Holiday also caused the better of economic condition of East Java and national, performance increased ny 24.80% compared to last year in the same period.

Figure 1: Scope of national industrial policy in indonesia until 2025

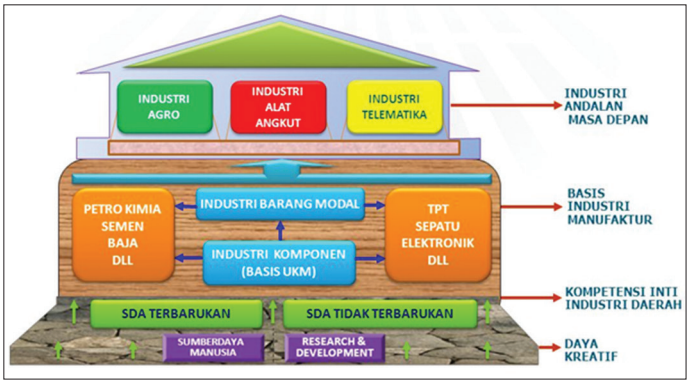
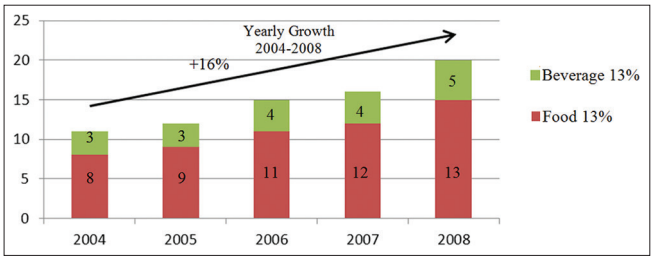


Figure 2: Sales value of beverage industry in East Java from 2004 to 2008



Small business development should be focused sub-sector is a mainstay, as well as having the competitive advantage capability featured. Based on the study on an analysis of the constraints faced by small businesses and business development efforts, there are still many obstacles faced by small and medium enterprises (SMEs) include traditional marketing approach, limited capital, insufficient human resources, the recording is still simple, the raw material used local materials, the average labor education are low, production tools are very simple, and the design of the product tends to be static (Soejoto, 2015).

State University of Surabaya (Unesa) as one of the national innovation pillars has showing their identity by developing its partnership network to improve the SMEs competitiveness in the region both nationally and internationally. Unesa has conducted various studies and community service in the food and beverage processing industry as well as engaged partnerships including through various support from the Agency of Trade and Industry (Disperindag) Pasuruan, Agency of Agriculture and Food Security (Dispertan) Pasuruan, Agency of SMEs and Cooperative for Regional Science and Technology Institution (IPTEKDA) program through LIPI's grant since 2010 until today (Rahmadyanti et al., 2010; Witjaksono et al., 2011; Rahmadyanti et al., 2012). In addition, Subroto (2015) says, the National Priorities Research grants (Penprinas) in Pasuruan, from the analysis result shows that the Purwodadi District has a top priority in the food and beverage processing industry, especially vegetable/fruit chips, in Pasuruan. Followed by consecutive are respectively Prigen districts, Pandaan, Purwosari, and Grati (Witjaksono et al., 2012).

Backdrop of the previous description, this study is an attempt (1) to determine the characteristics of the Small and Medium Industries processed foods beverages in East Java. (2) To determine the development model of processed foods and beverages industry in East Java. (3) Determining the best strategy for the development of processed food and beverages industry in East Java in improving competitiveness at the national and export level. According Soejoto (2015), this work is done by implementing scientific competence, especially in the economic sphere to realize the expansion and acceleration of economic development in Indonesia, especially in East Java in the food and beverage industry, because until now they have no their development models and strategies yet for small and medium industries in East Java.

2. LITERATURE REVIEW

2.1. Definition of Small and Medium Industry

According to Undang-Undang No. 20 of 2008, the Small and Medium Industry classified into SMEs restrictions, so that Small and Medium Industry limitation are defined by various opinions. According to Komite Percepatan (2012) Law No. 20 of 2008 stated that the medium-sized business is the business that have criteria: Net assets (excluding land and buildings) of more than IDR 500 million to a maximum of IDR 10 billion. And annual sales revenue (turnover/year) of more than IDR 2.5 billion to a maximum of IDR 50 billion. While small businesses are businesses that have a net worth (excluding land and buildings) of more than IDR 500 million to a maximum of IDR 500 million. And annual sales revenue (turnover/year) of more than IDR 300 million to a maximum of IDR 2.5 billion.

2.2. Concept Strategy

Strategy is the mission placement, goal-setting organization in the light of external and internal strength, formulation of policies and strategies to achieve the goals and ensure proper implementation, so that the organization's goals and objectives will be achieved (Steiner and Miner, 1997). A strategy have a basis for achieving the intended target (Umar, 2003), which can be grouped into two different perspectives, that are (1) the perspective of what an organization wants to do (intends to do), where the strategy as a program to determine and achieve the goal of allocating resource, is expanding operations or diversify, whether to enter the international market, whether to merge or form joint ventures and how to avoid the takeover of a competing company (2) the perspective of what the organization is finally done (eventually does), where the strategy as a template response organization's response to environment overtime (Stoner et al. in Tjiptono, 2001).

Strategy implementation defined process of mobilizing employees and managers to transform strategy into action through a set annual objectives, policies, motivate karyawaan and allocate resources, so that the strategies formulated can be run.

2.3. Strategies Management

The process of strategic management is the art and science of formulating, implementing and evaluating cross-functional in determining ways and means which can be taken by the Strategic planners in decide the objectives, policies and decision-making activities of the company (David, 2004; Hunger and Wheelen, 2003; Jauch and Glueck, 1996). Strategic management involves the related concept of strategic planning and strategic thinking. Strategic planning is analytical in nature and refers to the formal

procedure to generate data and analysis used as input for strategic thinking, synthesizing data generated in the strategy (Abosede et al., 2016).

Formulation of strategies including developing business vision and mission, identify opportunities and external threats, determine internal strengths and weaknesses of the company, establish long-term objectives, generating alternative strategies and choose specific strategies to be implemented. Further evaluation is needed in which the strategy is the final step in management strategies. Three kinds of fundamental activities to evaluate strategies are: (1) Review the external factors and internal is the basis of the current strategy, (2) measure achievement and (3) take corrective action.

Formula strategy is to determine activities associated with the objectives achievement. Strategy formulation stages comprised of (1) a statement of vision, mission and goals; (2) external environment analysis; (3) internal environment analysis; (4) define alternative strategies.

A vision statement is a statement that is clear and concise about goals in the future or far-outlook of the company, about what is desired and carried out by the entire personnel of the company, ranging from top to bottom level to achieve the organization's goals and vision should owned by the organization before compiled plan for how to achieve it (Umar, 2003; Susanto, 2008).

According to the Hunger and Wheelen (2003), the mission of the organization is the purpose or reason why the organization living, defined narrowly or broadly, and has made it clear the main business organization, the activities range of the company related to the product or service being offered, technology that used and market that is serviced. The mission statement broadly illustrate the direction of an organization in the future (David, 2004), and identifies the operations scope of the company in terms of products and services, as well as mission is a written elaboration about the vision in order to make the vision be easily understood or apparent to the entire staff of the company (Umar, 2003), a good mission statement has three characteristics, namely (1) focus on a limited number of purposes, (2) emphasize the policies and main values of the company, (3) the mission statement defines scope of the main competitive sphere of operation (Kotler, 2007).

The objectives is defined as a particular result which is trying to be achieved by an organization as the ultimate outcome planning activities contain formulas what was accomplished and when it will be resolved (David, 2004; Hunger and Wheelen, 2003). The aim represent central point of all activities of the company which can be used a tool for assessment achievement, control, coordination and also for strategy decisions.

2.4. External Environment Analysis

Analysis of the external environment consists of a variable (opportunities and threats) outside the organization and not specifically in the short-term control of top management. (Hunger and Wheelen, 2003). External environment analysis emphasizes on the introduction and evaluate the tendency of events beyond company's control, and reveals key opportunities and threats facing an organization, so that managers can formulate strategies to exploit opportunities and mitigate threats impact to be avoided. Companies must be able to answer, either by attacking or defensive with formulating strategies that take advantage of external opportunities or minimize potential impact threat (David, 2004). As said by David (2004), an external force is divided into five major categories, namely: (1) Economic strength, (2) socio-cultural and demographic strengths, (3) political power, government and legal (4) the power of technology (5) the power of competitors.

Direction, policy and political stability of the government is an important factor for entrepreneurs to strive. Some of the main things that need to be considered so that the business can grow well, is as follows: (1) Laws on the environment and labor; (2) regulations on foreign trade; (3) government stability; (4) regulations on labor safety and healthy; (5) tax system.

Advances in technology can create a competitive advantage, because it can affect the products, services, markets, suppliers, distributors, competitors, customers, manufacturing processes, marketing practices and competitive position. Advances in technology can create new markets (market share, new product), change the position of the relative cost of competing in an industry. Technology changes can reduce or eliminate the cost barriers between business, creating a series of shorter production, creating a shortage of technical skills and produce changes in the values and expectations of employees, managers and customers.

Porter's five forces model of competitive analysis is an approach to developing company's strategy. According to Porter (1997), competitive nature of the industry could be seen as a combination of top five strengths. (a) The newcomers can reduce the profitability of an industry. The higher entry barriers, it is more difficult to enter by newcomers, and vice versa. (b) Industry will compete with replacement products industry perform the same function or have a tendency to have better price or performance, where this substitution can seize the market that will limit potential earnings of the industry. (c) Buying is the ultimate goal of an industrial product, where buyers compete with the industry by forcing down prices, bargaining for higher quality and better service, and all will affect the industry profitability. (d) suppliers can use to bargain for the industry by threatening to raise prices or reduce quality of industrial products purchased. Strong suppliers can squeeze profitability of the industry. (e) Competition among kinds of business. Industry and competitors form a rivalry to get the competitive position, through price competition, advertising war, introduction of products, enhanced customer service, guarantee aftersales to customers, and so on, thereby encouraging resistance to counter the movement, meaning that the pattern of action and reaction will form interdependence one and another.

2.5. Internal Analysis

Internal environment analysis consists of variables (strengths and weaknesses) that exist within the organization, but usually not in the short term control of top management. These variables form the atmosphere in which the work is performed (Hunger and Wheelen, 2003). The internal environment consists of components

or environment variables within the company, so the company has more value bargain for compromise on components inside the internal environment (Dirgantoro, 2004). According Subroto (2015), all organizations have strengths and weaknesses in different functional areas of business. The strength of a company that difficult to be matched or imitated by competitors called competence differentiator (David, 2004), so it takes a functional approach to analyze the internal environment (David, 2004), either: (1) Management, as the level of organizational arrangements which include a system of marketing, production, processing of financial and human resources, with management functions include planning, organizing, motivating, controlling and staff appointments. (2) Marketing, is a social process where individuals and groups obtain what they need and want by creating, offering and freely exchanging products of value with others Kotler (2007) through the process of defining, anticipating, creating and meeting customer needs and desires for the product and services (David, 2004). The aim of marketing is to know and understand the customers' best, so that the product or service appropriate to customer desires. (3) Financial, financial condition is often regarded as the best single measure of a company's competitive position and overall attractiveness to investors consists of all activities that transform inputs into goods and services. Production management/operations consist of five functions or decision areas, they are process, capacity, inventories, employment, and quality. And the weakness strength in five production function that can mean success or failure of the effort. (4) Human resources can add to a company's ability to accomplish goals and dealing with the reception, screening, assessment of motivation, maintaining the number and types of workers required.

3. RESEARCH METHODS

This study was a qualitative research by using exploration and observation on the small and medium industries in food and beverage field at in Sidoarjo, Gresik, Mojokerto and Surabaya areas. SMI sample selected is already capable of exporting, large enterprises subcontractors, and had sales are likely to increase.

The data collection is done by using multiple sources of evidence, namely interviews, archival study and direct observation. Interview was used as the main data source. The stakeholders who responded to the data research acquisition is representative of the Agency of Trade and Industry of Surabaya City, owners, managers, and employees of SMEs Figure 3.

Analysis was conducted on the external and internal aspects through strength, weakness, opportunities, threats (SWOT) analysis is based on the available secondary data and internal aspects carried out to identify aspects of production management, human resources management, financial management and marketing management in order to obtain appropriate strategies formulation to develop and foster the competitiveness of SMEs.

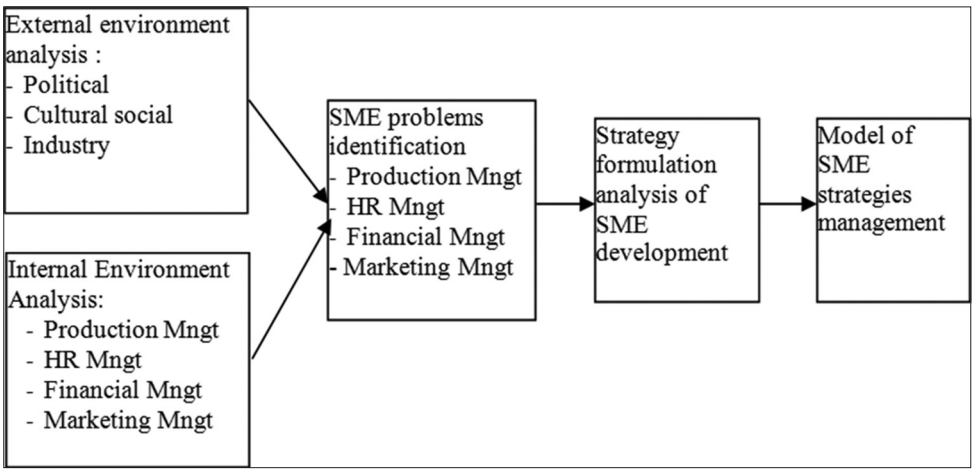
Locations of research are in Sidoarjo, Gresik, Mojokerto and Surabaya. Data collecting system based on the research needs conducted through literature and field surveys. Field surveys are more focused on expert opinion (expert survey) with in-depth interviews, questionnaires and field observations. Data collected intentionally from some other system actors among the staff and leaders of the Agency of Industry and Trade District/Municipality, Agency of Cooperatives and SMEs, academics, and practitioners of related industries. The type of data in this research is the primary data in the form of expert opinion regarding the selection of cluster development strategy and knowledge management strategy selection and secondary data.

The data collected will be classified based on specific categories and then tabulated based classification. The result is double-checked with data relating to ensure the accuracy and logical of presentation. Data then be processed and presented in the form of a frequency distribution, cross tabulation, based on similar characteristics or compared to understanding the phenomenon of contrast, or treated to make it easier to use for processing descriptive statistical analysis and statistical inferences. The approach used to formulate SME development strategy are location quotient, diamond cluster models, and a SWOT analysis.

3.1. Location Quotient (LQ)

LQ method is used to identify the main commodities in the region, and to understand the activities sector that are growth promoters (Miller and Wright, 1991; Isserman, 1997; and Hood, 1998), through a relative comparison between the ability of a sector in

Figure 3: Design of small and medium industry development model in East Java



the region investigated with the same capabilities on a wider area, and expressed in units of measure the amount of labor, products, or other units that can be used as a criterion. According Ghozali (2006) LQ formula on the consideration basis of the gross domestic product (GDP) values is as follows:

Where:

V×R = total GDP in × sector in the R region

VR = total GDP of all sectors in R region

V×N = total GDP in × sector in the N region reference

VN = total GDP of all sectors in the N region reference

If LQ >1, means that the commodity is a basis sector. If LQ <1, has meaning that commodity production were did not fulfil the consumption needs in the region concerned and must be imported from other regions. If LQ = 1, has meaning of commodity production is concerned just enough for local needs.

3.2. Diamond Cluster Model

Porter (1990) suggested that the cluster is defined as "geographic concentrations of firms, suppliers, related industries, and that occure in a particular field in a nation, state or city." Another definition of the clusters are "geographical concentration of industries that gain performance advantages through co-location." Clusters shows the relationship between the company that also provides complementary services, including consultancy services, education and training providers, financial institutions, professional associations and government institutions. Based Diamond Cluster Model, can be identified there are 4 components, namely: (1) Input factor in the industry clusters involving human resources, capital, physical infrastructure, information infrastructure, science and technology infrastructure, administration infrastructure, and natural resources. (2) Demand condition is related to sophisticated and demanding local customers, (3) related and supporting industries for efficiency and synergy in clusters, (4) the company's strategy and its competitors (context for firm, strategy, and rivalry).

3.3. SWOT Analysis

SWOT analysis is a method for retrieving information from environmental analysis and separate it into internal issues (strengths and weaknesses) and external issues (opportunities and threats). Once this is completed, SWOT analysis determines what can help the company achieve its goals, and what obstacles must be overcome or minimized to achieve the desired result (Singh, 2010). By combining factors of strengths, weaknesses, opportunities, and threats. SWOT matrix can be described as follows in Table 1.

3.4. SWOT Matrix

1. Divide the group into four core team consists of: First group: Identify and analyze the internal and external aspects related to production management issues in SMEs studied. Second group: Identify and analyze the internal and external aspects related to human resource management issues in SMEs studied. Third group: To identify and analyze the internal and external aspects related to financial management issues in SMEs studied. Fourth group: To identify and analyze the internal and external aspects related to marketing management issues in SMEs studied.
2. The identification results then created evaluation matrix of internal factor evaluation (IFE) and external factor evaluation (EFE) by giving the weighting of each variables and indicators on these variables. First, based on EFE and IFE matrixs then made position to determine what strategies are most relevant to the pre-existing conditions. Second, formulate strategies outlined in the SWOT matrix. Third, develop a plan to implementing the strategy through policies and objectives arranging to determine short-term and long-term achievement.

3.5. Identification Enverement Threats Opportunity Profile (ETOP) and Strategic Advantages Profile (SAP)

Analysis and selection of alternative strategies intended to determine the best action and appropriate for application in the organization, particularly achieving its mission and objectives. The present strategic, goals and mission are equipped with internal and external audit information, will be the basis in formulating and evaluating alternative strategies are feasible Figure 4.

Figure Comprehensive Strategic Management Model Source: David, 2005, Strategic Management of: Concept and Cases, International Edition, Tenth Edition, Person Education International, Upper Saddle River, New Jersey. (p. 162).

Stage 1: The input stage				
ETOP	Competitive profile matrix		Strategic A profile	
Stage 2: The matching stage				
SWOT matrix	Strategic position amd action evaluation (SPACE) matrix	Boston consulting group (BCG) matrix	Internal-eksternal (IE) matrix	Grand strategic matrix
Stage 3: The decision stage				
Quantitative strategic planning matrix (QSPM)				

Sumber: David (2004. p. 201). ETOP: Enverement threats opportunity profile

Table 1: SWOT matrix

IFAS EFAS	S (strength) determine internal strength factors	W (weakness) determine internal weakness factors
O (opportunity) determine external opportunity factors	SO strategy: Created strategy using strength to utilize opportunity	WO strategy: Created strategy that minimize weakness to utilize opportunity
T (threat) determine external threat factors	ST strategy: Created strategy using strength to overcome threats	WT strategy: Created strategy that minimize weakness and avoid threats

Figure 4: Comprehensive strategic management Of david model

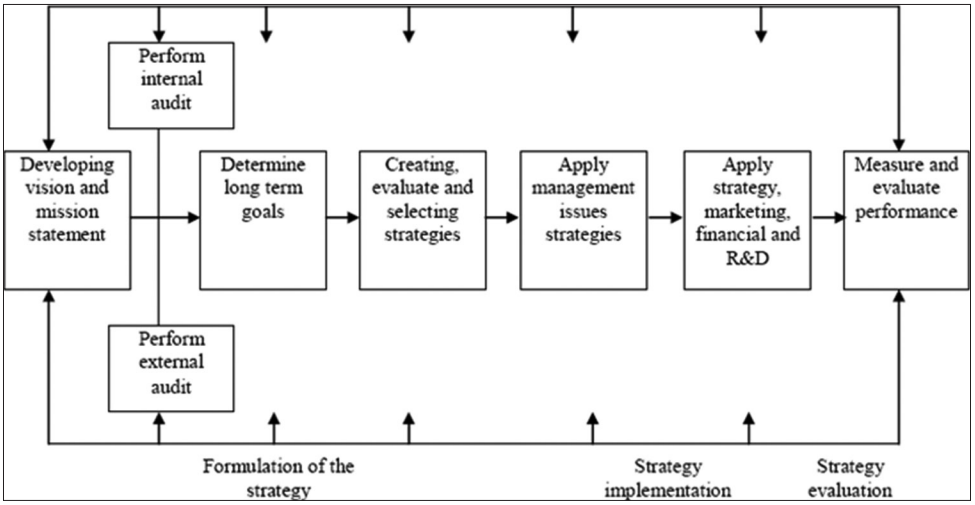
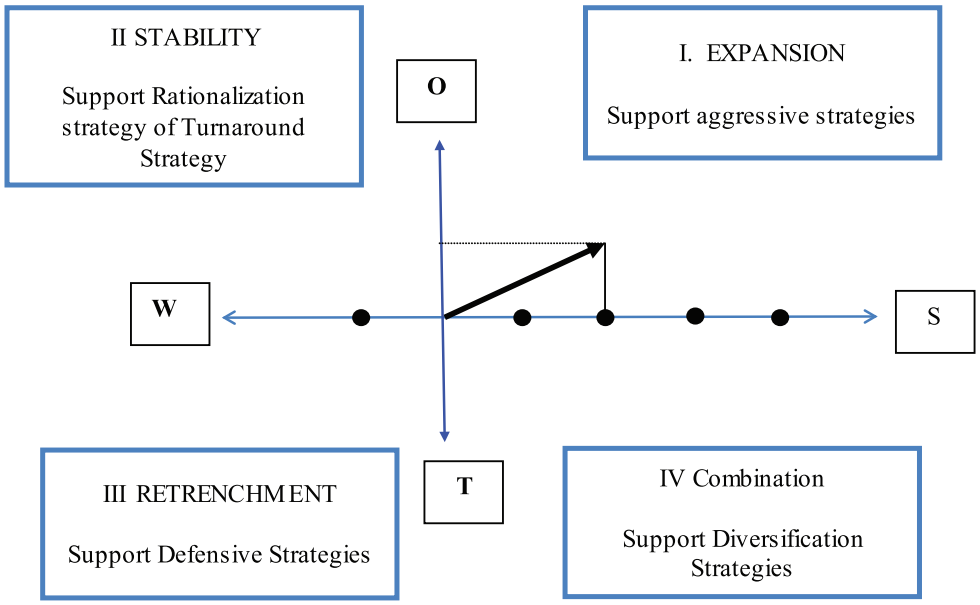


Figure 5: SWOT analysis of food and beverage industry at Kertosusilo Gate



David (2004) suggests a reference framework that is used to perform a comprehensive strategy formulation. This reference framework done through three phases: Input, matching and decision-making. The input stage is the stage where researchers conducted an audit of the external and internal environment. External environmental audit conducted by identifying external information factors that can affect an organization are analyzed. External information in the form of opportunities and threats. The aim in conducting external audit is to make a list that be able to used by companies to find out any opportunities that can be utilized and avoid the threat from the external environment. But the list is not built solely to register all external factors that occur, but has emphasized identification of the key factors that are likely able to provide a response or action to the company.

Here are conveyed formulation framework:

External key factors are generally divided into five groups: (1) Economic aspects; (2) social, cultural, demographic, environmental aspects; (3) political, governmental and legal aspects (4) technological aspect and; (5) environmental competition aspect. The audit results of the external environment which includes opportunity and threat can be expressed as follows.

Opportunity gives the following results: (a) Demand for products is rise up, (b) supply of labor is sufficient if the company will increase its capacity, (c) the employee is able to minimize the external conflict, (d) government policy on the ease of obtaining micro loans provide an opportunity to build its business, (e) production equipment assistance from the government, (f) training and socialization by Disperindag, dinkop and SMEs in order to empower SME, (g) Disperindag facilitate BPOM permission. While Threat give results: (a) Consumer tastes likely to be changed, (b) increase the regional minimum wage

rate (UMR) policies, (c) government regulations prohibit the use of additional materials in the production process, (d) the price of raw material is unstable, (e) the presence of strong brand competitors, (f) not all SMEs have licensing standards for food and beverage.

Internal environmental audit/SAP prepared by using information from the internal form of strength and weakness. The entire organization must have strengths and weaknesses within the scope of its business. External opportunities and threats coupled with the internal strengths and weaknesses then combined with mission and vision statement, obviously will be the basis to achieving the goal that determining strategy.

For the next presented to internal environmental audit results of the strength as follows: (1) The taste and product quality is assured; (2) it has its own brand; (3) some SMEs have had promotion budgets but small; (4) variations in the products distribution; (5) knowing the consumers desires; (6) employees have motivation to work; (7) employees have controlled levels of stress at work; (8) established a good working culture, conducive and supportive of the company's progress; (9) Employee commitment is good; (10) total inventories of raw materials according to the needs of production; (11) location of their business (close to labor and raw materials); (12) It's been doing routine financial transactions recording, but still modest; (13) documentation of transactions book is properly; (14) the owner supervise the process of financial records; (15) asset operational has been eficient; (16) liquidity is pretty good.

As for weakness after execution of data collection obtained the following information: (1) Less innovate on product designs and packaging; (2) regional sales are still local level; (3) not able to formulate a proper product pricing; (4) lack of programmed human resources training; (5) the wage rate is not in accordance with the regional minimum wage; (6) selection and recruitment has not conducted objectively and professionally; (7) not all SMEs have a production machine and able to utilize technology; (8) the production process depends on the weather; (9) food and beverage produced does not have a certificate of quality; (10) cost of raw materials put on largest share in the cost structure due to the raw materials still import (flour, soybeans, sugar); (11) financial recording is still modest; (12) the capital largely from owners and debt; (13) keep in inventory management.

3.6. SWOT Analysis

SWOT analysis was used to evaluate opportunities and challenges in the business environment and the internal environment of the company (Kuncoro, 2005). SWOT analysis is done by utilizing the internal and external environmenta audit results. A SWOT analysis can help them gain insights into the past and thinking of a solution, where this instrument is expected to provide a simple way to estimate what best strategies to be chosen by an organization. In addition, this instrument can help planners to estimate what can be achieved and what are the things that need to be considered by them.

The results of SWOT analysis includes strength and opportunity, can be expressed as follows. For strength can provide the following information: (1) The taste and product quality is assured; (2) it has its own brand; (3) some SMEs have had promotion budgets but small; (4) variations in the products distribution; (5) knowing the consumers desires; (6) employees have motivation to work; (7) employees have controlled levels of stress at work; (8) established a good working culture, conducive and supportive of the company's progress; (9) employee commitment is good; (10) total inventories of raw materials according to the needs of production; (11) location of their business (close to labor and raw materials); (12) It's been doing routine financial transactions recording, but still modest; (13) documentation of transactions book is properly; (14) the owner supervise the process of financial records; (15) asset operational has been eficient; (16) liquidity is pretty good.

Next is Weakness provide following information results: (1) Less innovate on product designs and packaging; (2) regional sales are still local level; (3) not able to formulate a proper product pricing; (4) lack of programmed human resources training; (5) the wage rate is not in accordance with the regional minimum wage; (6) selection and recruitment has not conducted objectively and professionally; (7) not all SMEs have a production machine and able to utilize technology; (8) the production process depends on the weather; (9) food and beverage produced does not have a certificate of quality; (10) cost of raw materials put on largest share in the cost structure due to the raw materials still import (flour,); (11) financial recording is still modest; (12) the capital largely from owners and debt; (13) keep in inventory management. Thus, the total strength are (+) 16, while the total weakness are (−) 14, and thus SAP = (+) 2.

Furthermore, for the opportunity can be presented as follows: (1) Demand for products is rise up, (2) supply of labor is sufficient if the company will increase its capacity, (3) the employee is able to minimize the external conflict, (4) government policy on the ease of obtaining micro loans provide an opportunity to build its business, (5) production equipment assistance from the government, (6) training and socialization by Disperindag, dinkop and SMEs in order to empower SME, (7) Disperindag facilitate BPOM permission.

Next to the Threat give following results: (1) Consumer tastes likely to be changed, (2) increase the regional minimum wage rate (UMR) policies, (3) government regulations prohibit the use of additional materials in the production process, (4) the price of raw material is unstable, (5) the presence of strong brand competitors, (6) not all SMEs have licensing standards for food and beverage. Thus Opportunity (+7), while the total threat (−6), total ETOP (+1).

Based on the calculation of ETOP and SAP, then resulting information that SMEs of food and beverages have opportunity more than 1 point to threat and strengths more than 2 points to weakness. If described in SWOT matrix, the result will be as follows Figure 5.

The meaning of the figure above are the result of internal and external environmental audits conducted for the food and beverage SMEs in the Gerbangkertosusila area show that food and beverage SMEs are in quadrant I, which supports SO strategy. SO strategy means that the food and beverage SMEs may use force to take advantage of existing opportunities.

Quadrant I illustrates that the food and beverage SMEs in the Gerbangkertosusila area is at a level to expand and support the aggressive strategy. An organization is said to be able to expand if the company has a good position to use internal power to (1) take advantage of existing opportunities, (2) to overcome all its weaknesses and (3) avoid all external obstacles. Therefore, a strategy that can be used in the first quadrant are:

Strategy	Definition
Integration strategy	
Forward integration	Performed to obtain ownership or improve control over the distributor/retailer;
Backward integration	Performed to seek ownership or improve control over the supplier;
Horizontal integration	Performed to seek ownership or improve control over its competitors;
Intensivestrategy	
Market penetration	Performed to make market share of existing products in existing markets;
Market development	Performed to introduce existing products into new geographic areas;
Product development	Performed to improve existing products or develop new products
Diversification strategy	
Concentric diversification	Add new products but still related to the old product;
Conglomerate disersification	Add a new product but not related to existing products;
Horizontal disersification	Add a new product but not related to existing products, for the exist customers today

4. CONCLUSIONS AND RECOMMENDATIONS

The conclusions are:

1. The problem faced by food and beverage SME in Gerbangkertosusila especially Surabaya, Gresik, Mojokerto and Sidoarjo based on SWOT analysis is food and beverage SME in Gerbangkertosusila facing the limited access to distribution and product innovation, production equipment, there is no quality certification, and financial statements recording is very simple.
2. The strategy which was formulated based on the results of SWOT analysis, is (a) forward integrations, (b) product development, and (c) concentric diversification.
3. Development model selected for foods and beverages SME that are (a) marketing aspects include, (1) training and design development of product and packaging in Surabaya and Gresik, (2) market expansion and marketing training in Gresik and Mojokerto. (b) Production Aspect include (1) training quality assurance and certification in all districts,(2) the importance of the innovation of the production tools are new, especially to anticipate weather in Sidoarjo and Gresik, (3) training in inventory management in Surabaya. (c) Financial aspects include (1) training process on financial records standard, easy and effective, (2) help ease access to capital in Mojokerto and Surabaya.

Suggestions:

a. Training in product pricing using simple software such as Excel tool for cost analysis and SPSS for external competitive analysis.
b. Web design training, blogs, and other social media.
c. Training on process of financial records standard, easily, and effectively using simple software.

5. ACKNOWLEDGMENT

The author would like to thank for Dean Faculty of Economics from Universitas Negeri Surabaya for support funding in this research. The authors also thank to my Student and Collega's for data's collection of this research. The author also wish to thank the anonymous reviewers whose suggestions helped improve the manuscript.

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