

## Business Sustainable Model for MSME in Indonesia

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**Abstract:** A lot of Indonesia homemade industry are taken in the form of Micro Small and Medium Enterprise (MSME), the low budget industrial which is usually located in concentrated district. The live of MSME is being threaten by many aspect superior enterprise as competitor, global economic and political environment. This research will focus on how to suggest Robust Model for controlling sustainable aspect in MSME. The result is sustainable business model for MSME with two major factor, the inhibitor which should be controlled and the enabler that supported the sustainable power in MSME.

**Key words:** MSME, sustainable, business model, Indonesia, inhibitor

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### INTRODUCTION

Indonesia as the developing country still implements protection for small industrial. Micro, Small and Medium Enterprise (MSME) become the backbone of economy. Government has tried hard to improve and maintain the MSME as local industrial. The local government categories MSMEs into some sector such as home industry, trade, agriculture, food, fishing, handicraft (Faizal *et al.*, 2014). The sector usually located in business cluster area which area is about 2 until 4 district with similar business type for instance there are 31 districts in bandung regency. Somehow it is impossible for small industry to challenge the big well-fund budget enterprise but Indonesia government has some policy to minimize confrontation competition in unfair trade. Protection in some local product and doing plasma system in agriculture industry are some example for this.

For the reason of equal distribution of prosperity, reduce unemployed, government has focused and seriously managed the MSME. Statistically in west java in 2012 there were 7.894 MSMEs and in the 2013 the counting become 8.432 MSMEs. From Minister of Cooperation's data in 2012 each MSME could absorb 3 until 5 people. With the growing of MSMEs in Bandung regency the unemployment problem will decrease from 6.8% into 5%.

**Literature review:** According to MSME Regulation in Indonesia, the MSMEs can be classified into Micro Enterprise, Small Enterprise and Medium Enterprise. MSMEs defined as independent enterprise which owned

by personal or independent company which not branch from big company. The classification also be determined by two criteria, i.e., asset and earnings. Usually MSME are done in traditional way, they use conventional promotion way and growing naturally without scrutiny observation in marketing and resource planning (Das and Das, 2012; Kurniawati and MeilianaIntani, 2016; Kongmanus, 2016; Musa, 2016). The adoption of IT in MSMEs can be very useful in leveraging the business process specially in deal with competitiveness and promotion channel (Bellefleur *et al.*, 2012). Many MSMEs in Indonesia has commonly represents the change of traditional into semi modern company, however the problem is the same annually like the lack of man with good skill no training or coaching process no updateable database in local government which can be used to analyzes the problem. Although, the increasing in size, number and earning of MSMEs can be obtained in local government data. By analyzed the data, government can be done some planning in reducing poverty and decreasing unemployment rate (Duncombe and Heeks, 2005). There are also same research done by Faizal *et al.* (2014), Bhullar and Singh (2016), Khuja and Mohamed (2016) in bogor district which make conclusion that government was the key factor to support the continuity of MSMEs.

### MATERIALS AND METHODS

The problem in this research are to find robust and reliable sustainable model which has two function, the first function is to strengthen the competency for dealing

with the environment change and the second is to improve consistency in performance of process production.

**Quality improvement:** There are some proposed model for quality improvement for enterprise based on Continues Quality Improvement (CQI) using lean management, six sigma and baldrige criteria. CQI is look familiar in public service quality improvement but it is should be considered more to implemented in MSME. Some consideration should be taken is the behavior of process and the relation with stakeholder. MSME's have some common process with public service, they doing the customer order have some satisfaction level but MSME's are more produce good than service. The MSME product cycle become one of key to maintain the quality. The end to en line process should be controlled from choosing the good material, the process until the end product followed by distribution process.

Another model is continual quality improvement from quality management which is issued by ISO 9000 family the key of continual quality improvement are the sequence and interaction control of line production and monitoring the process to find the strategy to make improvement. The problem is can the quality model be implemented to MSME. From survey being done on 2001-4 until 2015, MSME in Indonesia has less control procedure which related to quality. They event doing in tradition way without have written standard of procedure, doing years by years from father to son, without focused on improving. Although the innovation and diversification has been done but he goal are not to quality issue only to pursue the market demand. This is the problem that we have find they try hard to follow the market demand stream with large variation, many of MSME has concentrated in narrow business. For example there are traditional saber called "Kujang" which is run the for niche market for years, they has good quality control inheritably.

### **Problem in improving quality**

#### **Problem:**

- MSME was done in traditional way so there is less standard of quality control. They doing years by years without concern for improving quality, they concern only to fulfill the market demand and follow the market stream which is has more dynamic than MSME
- The quality metric are not standardized or only in local standard

- The process manufacture good in MSME and somehow also in services are increasing so they have to make quality function deployment by divided quality in some category. They call good quality, KW-1, KW-2 for degradation quality

**Sustainable approach:** Enterprise can be sustained according to internal and external competition factor. MSME has to look the future, forecast the business behavioral in future to know the competition direction. It impossible to compete with superior enterprise in the same track, MSME should make different track to be exist. Superior enterprise as big well-done budget enterprise has different risk appetite than small industry, the asset and the cash flow is also different so the sustainable factor for MSME and superior enterprise is also different. To have sustainable model with robust and reliable process we should know first about the business or IT enable, the risk management, the value creation and the susceptibilities factor to be still exist in the future. MSME has common problem to be exist, i.e., the financial problem and knowledge management problem. Event the risk and the margin is small then superior enterprise, MSME in Indonesia has to deal with the sky rocket material cost.

The monetary issue influence the cost of production and human cost. So, the only way to being exist again for MSME is being in the different track with superior enterprise, by coming to standing out the uniqueness of product, well done knowledge management, the good will from government to control the price rate of material.

Phenomena in Indonesia is, when near Idul Fitri festive the price of good is increasing which is subsequently increase the price of material and service. Although the price rate of primary need is different with material price rate, however there is significant relation between them.

**IT capability for business sustainable:** To being sustain there are some factor support from technology. Sustainable is not being in unchanged state but it is dynamically follow the change and have adaptation ability to deal with change. To make this happened, MSME's should improve their capability to adapt and pursuing the change stream for this reason IT can be the good helper. Some of MSME in Indonesia has some bad experience in using technology especially Information Technology, they often deal with two major problem in technology, first is they using technology that can not be upgrade and have low capability to follow the market demand, the secondly especially for information technology, they feel

the IT is weighing them with updating information. They should updating the content of promotion, the price of material from internet, the news about economic and political issue. The MSME become boring, the demand the automatic IT which have self ability to update, publish, alert and make some report. We can briefly say as accessibility and updatability problem has happened in Indonesia MSME and some other country in Asia (Das and Das, 2012).

The competitive advantage can be support by IT capability when MSME in Indonesia focused not on regular process but try to focus on innovative and competitive product. However, when MSME focus on competitive product they should not reduce the uniqueness and their market. Indonesia somehow implemented “padat karya” system which is applying the big low skill human power than technology power with reason to reduce the unemployed. This problem seemly has more impact to superior enterprise than MSME. Most of the MSME are managed by family so the employee-employer relationship become functional and personal. However human power still become the problem in MSME like young people prefer to be employer than continue her family MSME; the knowledge are not transfer to young people; the prestige are valuing by salary; gender and education can be the major issue in sustaining the MSME.

**RESULTS AND DISCUSSION**

**Business sustainable model:** According to study about quality, sustainable approach and IT capability

we can propose suitable model business which appropriate for MSME by consideration some factor:

- Have the special business track different from superior enterprise
- The government support still need to control the critical life of MSME such as material price, protection
- IT can be the tool to increase the capability which influence the sustainable function along the accessibility and updatability of information technology are not become rigorously problem

We can determine two major factor, i.e., the inhibitor to be controlled and the enabler as supported factor (Fig. 1). The influence of two major factor create the sustainable power, it mean when the control are done to inhibitor and enabler is taken with IT as support so the sustaining MSME can be established. To make different track to superior enterprise, it need political will, regulation and roadmap from government.

Without good quality control, the demand from the customer will be missed. Perhaps the customer domain be the most changes factor than the others. Beside to pursue the satisfaction of customer, the MSME should be creative and smart with best sustainable strategy so the customer not be boring with the product. The boring customer will become vanished customer if MSME not undertaken the appropriate control. What should MSME do to avoid the vanishing customer is by making market

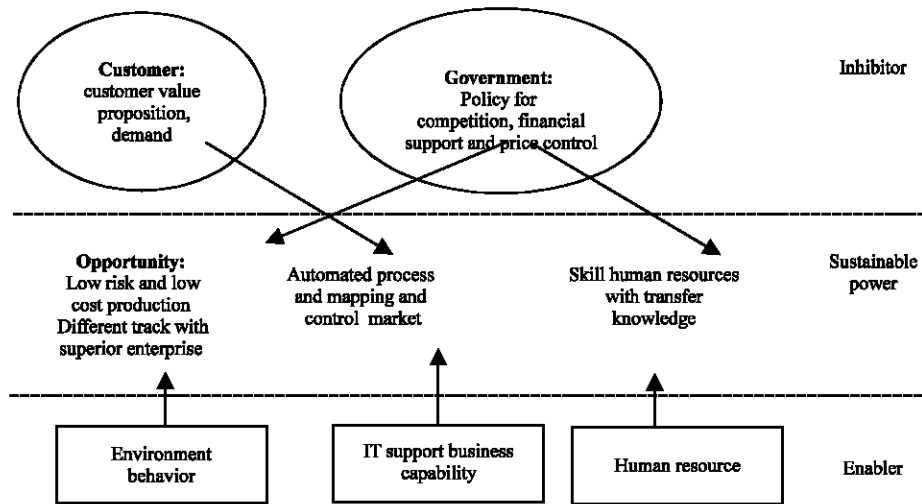


Fig. 1: Sustainable business model for MSME

research for demand behavior and new born of substitution product which both can be support by IT capability without exhausted the human resources.

### **CONCLUSION**

There is a representative sustainable business model for MSME in Indonesia. Although, not already test in other country. At least it was consideration some important factor which was commonly same for developing country in Asia. The Model has consider the aspect of quality, problem in local industry, the accessibility problem of IT.

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