

MSME Empowerment Strategy: A Literature Review

Titin Dunggio¹, Abjul Basri²

^{1,2}Universitas Bina Mandiri Gorontalo

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ABSTRACT

By creating jobs and improving people's welfare, micro, small and medium enterprises (MSMEs) play a significant role in economic development. Limited capital, lack of innovation, traditional marketing, inefficient financial management, poor branding, and lack of utilization of online marketing due to not understanding technology are some challenges MSMEs often face. This study aims to help small and medium enterprises (MSMEs) compete in the market. This study used literature research. In this situation, an aggressive growth-oriented strategy is suggested. One relevant alternative method combines digital marketing elements such as content marketing, blogs, search engine optimization (SEO), social media marketing, and branding with community empowerment through training, demonstrations, and mentoring.

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Corresponding Author:

Name: Titin Dunggio

Institution: Universitas Bina Mandiri Gorontalo

e-mail: titin.dunggio@ubmg.ac.id

1. INTRODUCTION

Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises (MSMEs) supports the concept of substantial small and medium enterprises (SMEs) in the Indonesian economic sector. Micro, small, and medium-sized businesses can be defined through specific assessments. The focus on the ability of MSMEs to significantly contribute to the local economy and its positive effects on more developed countries shows international support for MSMEs and efforts in the context of developing country development, with particular attention to the development of the MSME sector.

The concept of empowering MSMEs that must be done is to create a system that empowers MSME actors, and we can see how much MSME itself contributes. Several steps can be taken to attract the community: 1.

Seeing potential, 2. Observing needs, 3. Planning, and 4. Implementing. Seeing the possibility of knowing the nature of human resources (Ravik Karsidi and Heru Irianto, in [1]).

The limited ability of MSMEs to do marketing is one of the problems that makes their competitiveness still low (Susanto et al., in [2]). In addition, MSMEs face many other problems, such as lack of capital and limited access to banking capital sources, limited supply of raw materials, limited energy sources, management capabilities, infrastructure availability, and the impact of inflation (Kasih & Aprilia, in [2]). Generally, MSMEs face three main problems. First, they failed to acquire market opportunities and increase their market share. Second, they have issues with capital structure and cannot obtain adequate sources of capital. Lastly,

they face problems in organization and human resource management. Fourth, marketing information systems are limited to small business cooperation networks. Fifth, mutually lethal competition leads to an unfavorable business environment. The community does not trust Sixth, small businesses, and the coaching that has been done is less integrated. Kuncoro; Ahmad in [3].

The right marketing strategy must be applied in MSMEs. Market share and the number of markets can be maintained using the right marketing strategy. Given the increasing competition, MSMEs must do this. According to Wibowo and Sunarti [4], one method to gain a sustainable competitive advantage is the marketing strategy. Small and medium businesses (MSMEs) can develop by implementing marketing strategies. Increasing the competitiveness of MSME products is essential to the right marketing strategy (Sulistiyani et al. in [4]. When creating a marketing strategy, complete information about the market, customers, and products.

2. LITERATURE REVIEW

2.1 Strategy

Strategy comes from the Greek word "strategos," which means "general art." This term refers to issues of primary concern to the top managers of an organization. In particular, the strategy involves defining the company's mission, considering both external and internal aspects and factoring in internal considerations, formulating organizational goals, developing specific policies and procedures to achieve those goals, and ensuring their effective implementation to achieve the expected results and set goals Shafi'i Antonio in [5].

Strategy is an integrated approach that involves developing, planning, and implementing a series of activities over time. In an effective strategy, there is good coordination among work team members, themes that identify supporting factors based on sound principles, efficient use of financial

resources, and strategies to achieve goals effectively.

Strategy is a general outline that shows how an organization wants to achieve its goals. This is a crucial management plan. Every well-managed organization has a strategy, even if it is sometimes unclear. Some definitions of strategy are as follows: 1) Alfred Chandler defined strategy as the identification of objectives, necessary actions, and the allocation of resources to achieve those goals; 2) Kenneth Andrew defines strategy as the objectives, intents, or models of policies and programs to achieve those goals. Achieve these goals [5].

Buzzel and Gale define strategy as the rules and critical decisions made by management that significantly impact a company's financial performance. These decisions and policies usually involve essential resources that are difficult to replace (Agustinus Sri Wahyudi). Konichi Ohinea considers business strategy as an attempt to change the company's strength so that it can compete on an equal footing with its competitors. Therefore, the goal of the company's strategy is to maintain a competitive advantage in the hope of gaining a position that can be held in the face of competitors [5].

2.2 Empowerment Strategy

Soehardi & Sable, in [5] Explain marketing strategies that can be used to increase the income of micro, small, and medium enterprises as follows:

- a) Support air, sea, and land transportation accessibility with policy assistance from central and local governments, including infrastructure such as international airports and sea ports.
- b) Making tourist destinations more attractive to attract domestic and foreign tourists, which in turn will increase MSME products, services, and income.
- c) Utilizing social media networks to promote products and services offered by MSMEs.
- d) Increase effectiveness and efficiency in marketing MSME products and services by utilizing smartphones.

- e) Establish an integrated task group for MSMEs, the Integrated Tourism and MSME (Micro, Small and Medium Enterprises) Task Force, to coordinate the planning, implementation, organization, monitoring, and evaluation of MSME businesses.
- f) Support from integrated software programs that keep pace with rapid information and communication technology developments is required. This program will help facilitate payment transactions for products and services offered by MSME businesses.
- g) It is essential to improve the quality and quantity of human resources involved in MSMEs, both business owners and employees so that they have certification capabilities recognized at national and international levels.
- h) Ensure the availability of easily accessible services in places related to Financial Technology (Fintech), thus facilitating access to financial services.

2.3 Types of strategies

- a) Market Penetration Strategy is when a company seeks to increase the number of customers in an existing market by activating promotion and distribution. This is usually used in markets that are not growing too fast.
- b) Product Development Strategy is the company's effort to attract new consumers by creating innovative products. To achieve this goal, creativity and innovation play an essential role in the product manufacturing process. The company continuously strives to bring new products or product refreshes to market, constantly monitoring market needs and striving to meet them.
- c) To overcome saturated market conditions and fierce competition in capturing a larger market share, management can develop its products for new markets by opening new branches or collaborating with other parties to attract new customers.
- d) Integration Strategy: Typically, companies adopt an integration strategy

when facing significant financial challenges. This strategy tends to involve horizontal diversification by combining different companies.

- e) Diversification Strategy: In diversification strategies, there are two commonly used approaches: concentration and conglomerate. In diversifying concentrations, companies focus on a particular market segment and offer different types of products in it. While diversifying conglomerates, companies provide various products to conglomerate groups (corporations) [5].

2.4 MSME Empowerment Strategy

Micro, small and medium enterprises (MSMEs) are significant for the Indonesian economy. MSMEs encourage economic growth in rural areas and big cities [6]. "According to Sedyastuti (2018), empowering MSMEs has excellent significance and plays a vital role in facing economic challenges, especially in strengthening the national financial framework.

Article 1 Paragraph 8 of Law Number 20 of 2008 of the Republic of Indonesia states that the empowerment of small and medium enterprises (MSMEs) is the result of collaboration between the government, local governments, the business world, and the community in creating synergies to create an environment that supports the development of MSMEs. This empowerment aims for MSMEs to grow and become strong and independent business entities. For MSMEs to compete in the era of globalization and fierce competition, they must face various global challenges, such as increasing innovation in products and services, developing the quality of human resources and technology, and expanding marketing reach. This aims to increase the added value of MSME products and services. This importance is because MSMEs are the economic sector that absorbs the most labor in Indonesia and has the potential to compete with products from other countries.

Here are some strategies that MSME actors can use to maintain their business continuity [8]. These include:

- 1) E-commerce: Move all your sales operations to an e-commerce platform. This will help you reach a broader range of customers and maintain the necessary social distancing. Overcoming Barriers to Sales Reach through E-commerce: Ensure you remove barriers in selling products through e-commerce. Ensure your website or platform is accessible, responsive, and offers a variety of payment options.
- 2) Digital Marketing: Use digital marketing to promote your products or services. Learn how to use social media, online advertising, and other digital marketing tools to reach a larger audience.
- 3) Education and Training: Learn technology and digital tools relevant to your business. Training and education will help you use technology more effectively in marketing.
- 4) Product and Service Quality Improvement: Focus on improving the quality of your products and services. This will help you retain and increase customer loyalty. In situations of intense competition, quality can be a significant differentiator. In addition to improving product quality, MSME players must improve consumer services. This can be achieved by providing online purchasing and shipping services. This will increase customer satisfaction and build loyalty. A brand that successfully builds customer loyalty can create loyal customers and can offer long-term benefits to the company [9]
- 5) Customer Relationship Marketing (CRM). Customer Relationship Marketing (CRM) focuses on consumer interaction and relationships and is essential for building consumer loyalty. Consumer loyalty is formed when consumers and MSME players are satisfied. When a person has an interest in buying a product or service, he tends to take further actions, such as seeking more information, comparing options, and finally deciding to make a purchase [10].

3. METHODS

Data collection is done through a systematic review process by analyzing research papers found through Google Scholar registered in national and international databases within the last five years. The purpose of this analysis is to summarize diverse research results to answer research questions Siswanto, in [11].

4. RESULTS AND DISCUSSION

The empowerment of MSMEs in Indonesia aims to create a balanced, developing, and equitable national economic structure; grow and develop micro, small, and medium enterprises into resilient and independent enterprises; and increase their role in regional development, job creation, income equality, economic growth, and poverty alleviation. Strategic steps or solutions are needed to deal with the problems MSME actors face.

MSME players can maintain their business continuity through E-commerce [12], Digital Marketing [13], [14], [3], [4], [15], Education and Training and Quality Improvement of Products and Services [8]. Types of empowerment strategies that MSMEs can do include Market penetration strategy, product development strategy, Integration strategy, diversification strategy [5].

For MSMEs to prepare for the current challenges of globalization, especially in the ASEAN market, they are expected to realize how necessary social capital, innovation, and collaboration are [16]. Elements that include MSME development include capital, production, technology, marketing, human resources, bureaucracy, facilities, infrastructure, and social and economic aspects. In addition, one of the effective strategies in developing MSMEs is the SO (Growth) Strategy, where companies utilize their strengths to increase their competitive advantage [6]. Human resources need to be trained and improve their capabilities so that they can understand their tasks so that the

organization can operate well and efficiently [17].

The product concept indicates that customers want products with high quality and superior performance. Meanwhile, in the marketing concept, the main focus is to satisfy customer needs and desires as a critical element to achieving company goals. Conversely, in the idea of integration, which deals with creating market needs, companies seek to find and retain customers to maintain customer satisfaction with the company's products [18].

Programs that can support MSMEs in the digitalization process include (1) the establishment of a social community platform for MSMEs, (2) the implementation of a Digital Economy Clinic aimed at developing human resource technology capabilities, (3) implementing the Smart Village Model as a technology transformation solution in rural areas to reduce the digital divide, (4) collaborating with Village-Owned Enterprises to advance MSMEs in the digital world, and (5) utilizing digital economy hero figures [11].

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