

Creating Sustainability of Small and Medium Enterprises in Surabaya and Surrounding Area

Lena Ellitan

(Department of Management, Faculty of Business, Widya Mandala Catholic University, Surabaya, Indonesia)

Abstract: *This study aims to answer the question: (1). How to evaluate the strengths, weaknesses, threats and opportunities in Surabaya and surrounding SMEs and How to manage its supply chain in an effort to build up long term competitiveness (sustainability) of SMEs in Surabaya. The result of Focus Group Discussion in this study indicate that: Micro, Small and Medium Enterprises (SMEs) constitute the largest group of economic actors in the Indonesian economy and proved to be a safety valve in times of crisis of the national economy, as well as a dynamic factor of economic growth in the post economic crisis. In addition, to be the largest business sector contribution to national development, SMEs also create a large enough employment opportunities for workers in the country, thus greatly helping to reduce unemployment. One of key to the success factor of micro, small and medium enterprises is the availability of a clear market for SME products. While the fundamental weaknesses faced by SMEs in the field of marketing is the low market orientation, weak in the hostile and a sharp competition and inadequate marketing infrastructure. Facing an increasingly open market mechanisms and competitive, market control is a prerequisite to improve competitiveness. Therefore, the role of government is needed in encouraging the success of SMEs to expand market access by providing web-based information technology facilities that can be used as a medium for global business communications.*

Keywords: *SMEs, Sustainability, Partnership,*

I. INTRODUCTION

Background of the Study

As stated in the concept of development in the discourse of autonomy, that regional economic development, especially in East Java will be constructed and or based on., Populist dimension of economic development (Ekonomi Kerakyatan). Efforts to spur economic growth is in essence has long been pioneered by Regency East Java by encouraging the growth of small industries, home industry or households that are also supported by the program at that Movement Back to the Village, (Soetrisno, 1995), by providing assistance to the small business community which has the potential to produce a superior product. Assistance can be given capital assistance, technological assistance, as well as assistance with business management gained in cooperation with other related sectors that are concerned to small business empowerment, the network / group of businessmen, state and related agencies (Cooperatives, Trade and Industry Department, agriculture, etc.). Uli (2009) argues that there are several factors that cause the weakness of the Indonesian manufacturing industry or the failure of Indonesia to become a manufacturing country, among others are: (1). Convenient Government policies are inconsistent, often less assertive, less clear masterplan and an unassigned road map is applied.

However, in general it can be stated that the effort to develop the potential of small businesses (SMEs) to become one of the pillars of the economy that can sustain economic growth in the region, to date the dynamics and existence constrained by capacity and their accessibility to be able to compete in the global era (Kartasasmita, 1996). In terms of the law, most of the activities of small businesses without a business license document is equipped with an adequate (eg: this license, TIN), and was quite simply equipped with a document issued by the village chief or sub-district. This phenomenon will obviously affect the limited scope of business transactions run and owned by low access to banking institutions, so often encountered a number of small and medium enterprises that have not or are not bankable.

The performance is relatively weak in this aspect of the strengthening of the market is then supported also by the weakness of the system and report accounting or financial management company that is usually mixed with the family finances. success companies are now struggling to survive whereas many of them have fallen due to the rapid changes on business environment. (Harreld et al., 2006). So that not a few groups of small and medium businesses that have difficulty in preparing a plan of investment operations in the framework of the development of enterprises, although it has been aided with the help of venture capital and loans that are currently being disbursed by banking institutions and financial institutions (non-bank) other (Efendi, 2005). Such conditions ultimately contribute to opening up opportunities or risk of bad debts which will greatly affect the operation and performance of the company further.

Research Problems

East Java economic growth is considering as the highest compare to the other provinces in Java. For instance DKI Jakarta economic growth only grew 6.11 percent, West Java 6.06 percent, and Central Java 5.81 percent. Even the cumulative Regional Gross Domestic Product is also higher than the national growth. The national GDP is 5.78 percent (East Java Prov, 6 February 2014 in Permana, Ellitan, Laksmana, 2017). Based on the background of the study, the problems in the activities of this business profiling study focused on two aspects, namely: (i) identification in order to mapping (mapping) the potential and characteristics of small and medium enterprises (SMEs) in Surabaya and surrounding areas in a comprehensive which covering various aspects of business, especially at the micro-scale /local, (ii) the availability of data and information that is feasible and well informed about the potential of small and medium enterprises (SMEs) that can be used as the basis or foundation for the needs of planning and policy formulation in the small business sector Surabaya and surrounding areas. We formulate the research problem as follow:

1. How to evaluate and map the strengths, weaknesses, threats and opportunities of SMEs in Surabaya and surrounding areas?
2. How do the SMEs manage its supply chain in an effort to build up competitiveness long term sustainability of SMEs in Surabaya and surrounding area?

II. LITERATURE REVIEW

Development Strategy of Small & Medium Enterprises (SMEs)

Indonesia has the strengths or potency of micro enterprises and small-medium very significant. The business potential huge numbers, the distribution is quite spacious and has a comparative advantage in labor absorption and contribution compared to large businesses. In the language of concepts, micro-enterprises and small-to-medium term synonymous with economic populist (Ekonomi Kerakyatan), namely economic business oriented around meeting the needs of subsistence, are managed by the people, and the accumulation of capital is limited, technology and management of traditional, labor-intensive and production output is intended again for the people. Ekonomi kerakyatan has a number of advantages, among others: (a) as a provider of cheap goods to the family, (b) efficiency and high operating flexibility, (c) a source of new entrepreneurs, (d) seeks a high spirit, (d) high profitability, and (e) the high loan repayment ability. The weakness lies in the low managerial capacity, traditional technology, and limited capital (Kedaulatan Rakyat, 2005)

In terms of provision of facilities and infrastructure for the development of small and medium enterprises and cooperatives, economic actors in this sector should be encouraged to not only meet the domestic needs of subsistence and or (inward looking) but 'facilitated' to thrive in an effort to penetrate the export market (outward looking). In practice, often leading products are born by small and medium enterprises constrained by many things that are not possible for these products to enter the market arena (global) with label and brand attached to their home countries (Indonesia), although the the superior product quality has a relative advantage comparative by similar products from other countries (Suyanto, 2005).

A number of cases in Indonesia provides evidence that there is a tendency of the craftsmen / local small entrepreneurs who prefer to use a label or brand that is popular (from other countries) to be able to penetrate both domestic and global markets. It thus will eventually weaken the competitiveness of the product itself, but as stated by Bela Balasa in (Arifin and Rachbini, 2001) that early -at substitution strategy impor- basically goods household goods, textiles, shoes, furniture and the like can be developed without strict protection. And that means that the products or goods have a value of excellence and quality that is typical of the country of origin and may not compete with similar imported products, even though the export market. Thereby growing of superior products that can compete in international markets - is loaded with local character it is time to be given priority for places at the same time economic development that relies on export promotion strategy aimed in order to: (i) strengthen the external position (volatility of foreign exchange and international), (ii) spur exports in finding market opportunities and (iii) strengthen and expand the export of traditional commodities into finished goods, (iv) increase the acceptance of producers and exporters, (v) business certainty because the market is not limited to, (vi) employment and, (vii) the men-substitution goods manufacturing (Arifin and Rachbini, 2001).

SMEs: Development Opportunities and Constraints

SMEs have a high ability to adapt to market demand patterns, even able to serve the tastes of the individual. In contrast to large businesses that generally produce period (standard product), SMEs' products vary so it will be easy to adjust to the desires of consumers. Besides, SMEs also have the ability to serve a very specific request which, if produced by large-scale enterprises are inefficient (unfavorable).

SMEs are the type of business that is suitable for planting project (Kuncoro, 2000). Most large businesses that there is now a small scale businesses that have developed, and to open large-scale enterprises also sometimes preceded by small-scale businesses (Kuncoro, 2008). This is intended to avoid the risk of loss is too large due to failure if large businesses are run directly, because to start a business with a large scale, of course, required a large initial capital. Gestation short period so that the quick-yielding SME although not

necessarily high yielding. The period of time since start up with production relatively faster than large companies that automatically generates faster. However, because the embedded capital is also small, the results obtained may also not great.

There are a variety of facilities and services of the government. This is evidence of government's commitment to develop small and medium enterprises. As economic actors SMEs still face structural obstacles internally-conditional, such as relatively weak capital structure and also in access to capital resources that often hit the constraint of collateral (collateral) as a condition of the acquisition of credit (bisnisukm, 2012).

Partnership in SMEs

The success of a business partnership is determined by their adherence among the partners in running the business ethics. Actors directly involved in the partnership should have the basics of business ethics are understood and adhered together as a starting point in running the partnership (ekonomi.okezone, 2010). Ethic is a critical and rational reflection on moral values and norms that define and manifest in attitudes and behavior patterns of human life, both as individuals and as a group. Thus, the success of the partnership depends on the existence of shared values, norms, attitudes, and behavior of actors who run the partnership.

In addition, there are many prerequisites of doing business partnerships between SMEs and UB, including the need for a strong commitment among the parties that partner. Business partnership requires the readiness to be partnered, especially in the SMEs that generally the level of business management and mastery of science and technology are low, to be able to contribute seabagai reliable partner. Revamping management, improving the quality of human resources, and strengthening business organization absolutely must be harmonized and aligned, so that businesses can be run partnership meets the appropriate rules.

Failure partnership is generally caused by a foundation of partnerships that are less powerful and only constituted by mercy alone or on the basis of coercion of others, rather than on the need to move forward and grow together of parties working together. If the partnership is not based on business ethics (values, morals, attitudes, and behaviors) are good, then it can lead to such partnerships cannot run properly. It can be concluded that the run of the business partnership, in this case between SMEs and UB, depending on equality of values, morals, attitudes, and behaviors of the perpetrators of the partnership. Or in other words, success depends on their business partnership equality organizational culture.

III. RESEARCH METHODS

Type of Study and Qualitative Research Design

This study is an activity which is included in the category of descriptive research which seeks to Identification and mapping (mapping) of the potential and characteristics of SMEs in Surabaya and the surrounding areas (Sidoarjo, Gresik) with the aim to obtain a picture as carefully and as detailed as possible the characteristics of the potential of small and medium enterprises which are in Surabaya and surrounding areas. Qualitative research method is a method to investigate an object that cannot be measured by numbers or other measure that is inexact. Qualitative research can also be interpreted as research is descriptive and tend to use inductive analysis approach. Qualitative research is much more subjective than quantitative research or surveys and using very different methods of collecting information, especially individuals, in using in-depth interviews and focus groups (Moleong, 1990). Qualitative data collection techniques include interview (interview), questionere (questions / questionnaire), schedules (list of questions), and observation (observation, participant observer technique), investigation of the history of life (life historical investigation), and analysis of content (content analysis).

Test Reliability and Validity Test

Examination of data validity in qualitative research includes four techniques. First, credibility (credibility) that meets the criteria for the truth value of the data and information collected. That is the research must be trusted by all readers critically and from respondents as informants. For credible research results, there are seven proposed technique, namely: extension presence researcher / observer (prolonged engagement), continuous observation (persistent observation), triangulation (triangulation), discussion peer (peer debriefing), analysis of negative cases (negative case analysis), checking the adequacy referential (referencial adequacy checks), and checking members (member checking). Second, transferability where these criteria are used to meet the criteria that the research conducted in the context of the (setting) can be transferred to certain other subjects that have the same typology. Thirdly, dependability i.e. these criteria can be used to assess whether the quality of qualitative research process or not, by checking: if the researcher has been careful enough, does make a mistake in conceptualizing the research plan, data collection and the interpretation. The best technique used is dependability audit by asking dependent and independent auditors to review the activities of researchers. Fourth, confirmability (An absence of criteria for assessing the quality of research results). If dependability is used to assess the quality of the process by the researcher, then confirmability to assess the quality of research results, the question of whether pressure data and other information as well as interpretation and supported by the material in the audit trail.

Focus Group Discussion

FGD is a research method by Salim (2006) is defined as "a process of collecting information on a very specific issue through discussion groups". In other words FGD is the process of gathering information instead of through the interview, not the individual, and not the free discussion without a specific topic. FGD method is one qualitative method in data collection procedure. As with other qualitative methods (direct observation, depth interview, etc.) FGD seeks to answer the kinds of questions how-and why, not the kinds of questions what-and-how-many typical for quantitative methods (surveys, etc.). FGD and other qualitative methods are actually more appropriate than quantitative methods for a study that aims "to generate theories and explanations".

A common assumption is wrong (myth) is that FGD is easy, inexpensive, and fast. FGD reality is not easy, requires planning, effort, and resources, as well as other research methods. Designing FGD, as said (Salim, 2006) "requires a careful thought and reflection". Another myth is that FGD requires a very professional moderator. In fact, it is possible and advantageous to obtain power mediocre (not professional) that can act as a moderator who balk. Sometimes a person with sufficient sensitivity is more effective as a moderator of the person who merely professional. The general assumption that "FGD is not appropriate to collect data of a sensitive nature" and that the FGD should be diversifying by other methods "is actually also a myth. Further explanation of the myths FGD can be checked in (Salim, 2006)

Techniques of Analysis

Analysis techniques used in this study is the SWOT analysis (Strength, Weakness, Opportunity, Threats. SWOT Analysis used to know in greater depth the strengths and weaknesses and the potential of the SME business. Furthermore, with the help of quantitative and qualitative approach, this study is expected to provide information offerings in more detail in addition to the data that is statistically about the potential and characteristics of small and medium enterprises along with a description which more comprehensively based economic development program of small businesses (SMEs) for ongoing or planned populist economic empowerment forward.

IV. DATA ANALYSIS

Participants' profile

Twenty SMEs participated in the Focus Group Discussion, everything is enterprise-scale manufacturing and services micro, small, medium, according to the criteria used for this study. Participants are chosen samples and provide a complete response to the data required profile companies participated in this research is in terms of business areas, the old company operates, assets owned, and general performance achieved during the last 3 years. These companies are engaged in different businesses according to six categories. The participants are SMEs who are already in their respective business fields for more than three years, and only three companies are relatively new (in operation for less than one year). Data about the profile of the respondents in this study are presented in Table 4.1. The majority of participants in already established businesses over three years. Most participants were from businesses retail and services, and managed by the family.

Table 4.1: Profile of Respondents

Dimensions	Category	Number of respondents	Percentage
Length of Operations	Less than a year	2	10.00
	1-3 years	6	30.00
	3-5 years	8	40.00
	5-10 years	2	10.00
	More than 10 years	2	10.00
Business Fields	Food, beverages, and tobacco.	5	25.00
	Textiles, apparel, leather.	7	35.00
	Retail and Apparel	8	40.00
Owner	Family	13	65.00
	Group	7	35.00
Cooperation	Government Agencies		
	Cooperative	5	25.00
	Banking	1	5.00
	Others	1	5.00
	No cooperation	13	65.00

Performance for the last three years.	Decrease	2	10.00
	No changes	5	25.00
	Increase	13	65.00
Licenses	Have License	13	65.00
	No License	7	35.00

SMEs' Experiences

Most SMEs are still trying to compete on price. Very little is thought to create a unique product, making messaging and marketing materials, ask the customer give the opinion about the product or service provided. However, fifty percent of businesses are already doing marketing planning. SME product development is slow due to access to capital and slow innovation. SMEs are also limited in conducting market research. Most SMEs are managed by the family and do not have the cooperation with outside entities.

Not infrequently SMEs suffered a loss of business. However, for businesses that sell goods that cannot rot does not cause significant losses (Ellitan, 2013). Here is the sharing of one entrepreneur fuel suppliers in the hotel, restaurant and large shops. These business operators attempt just feel crowded or deserted. To avoid lonely business in the long term, the entrepreneur seeks to obtain reliable customers. Another strategy is to get the customer organization established not individual customers. Never take profit is too much, always trying to create bargaining power with suppliers and customers, and provide faster service to customers is precluded from this business of losses risk.

Another experience be shared by employers Kayoon interest in the region, efforts to overcome loneliness and possible loss of business is to sell the raw material in terms of the interest that has not been assembled. Efforts to diversify flower arrangements also performed. Employers also sell at a cheaper price or competitive compared to existing competitors. Maintain customer loyalty is important, especially keeping in touch with customers agencies large. However, patience is required in terms of billing and payment waiting time of the customer. Billing customers from outside the city is felt harder, so from this experience suggest better businesses customers to make payments in advance.

For food business entrepreneur is not uncommon to face the risk of loss, especially at the beginning of the business. The main thing to do is find out what the consumer feedback on the results of food products that are sold, exploring consumer tastes, taste and purchasing power. In addition, the business location factors also need to be considered. Doing business dapam field of food necessary foresight to read the market when it was crowded and deserted, so when quiet is not doing too much production. Not infrequently the food business actors to diversify their products o that not only sell one type of food.

Some businesses start their business is driven by the conditions laid off from the workplace. They also do not love to spend, savings or loans from cooperative or banking. Mental factors for the rise are indispensable in the business slump. One informant who try field of auto parts and building tools try to seek competitive suppliers, in order to provide cheaper prices to customers with the same quality goods in the market.

For businesses retail clothing, rarely faces the risk of loss. Usually they took the goods from the factory and capital trusts them to pay when the product is marketed already sold. In this business there are only crowded or deserted. Eid or Christmas season is a very favorable moment for this effort. For retail which sells to individual usually provide payment in installments one-two months. For retailers who act as a wholesaler should ask the customer to pay in advance. Besides the ability lobby and attract customers and maintain good relations with suppliers and customers are indispensable in this effort.

Sharing continues with a solution in the face of business. Most entrepreneurs are not afraid of competition. This finding is in line with previous study done by Ellitan and Koesworo (2014). As stated by one of the informants who engaged in the business of ornamental plants in the region Bratang. He is implementing a strategy to provide competitive price and good quality crop. Do not use the services of a realtor plants could make this effort to sell at a competitive price, because in this business brokers usually sell at very high prices. In addition, it needs to maintain loyalty and build trust with suppliers and customers. Another problem faced is a rogue employee who does not work optimally when not supervised. Aspects of employee honesty also determine the success of the business.

One of entrepreneurs engaged in wholesale apparel also said it was not afraid of competition because of his effort to sell at a cheaper price with good quality. This can be done because of the supplier that delivers a competitive price and more trust given by the supplier. Make the network continuously determine the development of this business, therefore usually network development through fellow workers, church friends, friends gathering, indispensable. Trust and honesty should be upheld in doing business so much easier for us to find a distributor.

A business actor who has a business selling computers at THR Mall, businesses kilogram and boarding houses also share experience in this occasion. The point is not at all afraid of competition as long as the competition is fair competition. In addition it is advisable not afraid to owe up the debt used for capital is not for consumption. Building cooperation with banks and cooperatives are indispensable in this effort. Payment systems back in business selling computer during this gives good results, likewise for businesses boarding house.

Various strategies to get customers or find new customers also performed by SMEs. For the food industry entrepreneurs engaged attract new customers by providing the best products according flavors, always think positive and serve customers wholeheartedly, and have nerves of steel. In addition, it must continually offer the existing customers and communicate well with customers. Build a network is required by businesses. Offered at a low price and providing payment term retreat is also proven strategies for SMEs. Common problems faced by SMEs are lack of funds, business locations, do not have a guarantee for loan to the bank, business licenses and cooperative education.

SMEs' Barrier

Results of the discussion provided sufficient support for the growth of industry; trade and services, both in East Java indicate that as one of the province whose development is so rapid in the growth of SMEs. This is possible because the infrastructure of small micro-scale, medium and large. Transportation facilities by land, sea and air are a major catalyst for business development in East Java. However, since the economic crisis struck in 1997, and efforts to slow economic recovery has made a burden for SMEs. Political instability at the national level and some areas, security problems, has also posed a major problem for SMEs. However, based on observations compared with large companies, SMEs can overcome the situation despite the relative likelihood of SME state will soon also be affected from the shrinking domestic market, because SMEs supply most of their products to large companies which experienced

According to the discussion participants' perceptions of the role of SMEs is equally important to efforts to achieve economic growth and high employment expansion is the role in efforts to achieve equitable distribution of income. In order to enhance the role of SME companies in a variety of aspects of macroeconomic policies need to be implemented. By providing greater economic stimulus to this industry will have a great impact on economic growth and broad, employment and more equitable income distribution in Indonesia (Ellitan, 2017). Other efforts that can be done is by providing capital loans in the form of low-interest loans. For its implementation involves the banks, especially state-owned banks. This effort to improve accessibility for SMEs to capital is relatively limited submarine.

The management system serves to guide all parts in order to achieve what is expected the company's future (Ellitan, 2017a). Guide is what makes a basis for the implementation of the company's operations, so that the process of planning, field implementation, evaluation and reporting can be run properly. The difference between employers and workers lies in the creation of a system. Workers easily carry out their duties because it has created a good working system. While the employers duty is to create a system that can be implemented by workers. The process of creation is what makes the difference between employers and workers. Problems and barriers SMEs in East Java is done by establishing the Focus Group are tabulated in Table 4.2.

Table 4.2: SMEs' Problems and Barriers

	Problems and Barriers
1	Lack of Business Networking and Small Business Market Penetration Capabilities
2	Less strategic business location
3	Lack of infrastructures and information relating to the progress of science and technology,
4	Development of human resource management system
5	Illegal Payments Practice un official charges
6	Changing system will have implications for small and medium-sized businesses in the form of new levies imposed on SMEs.
7	Problems with supplier and customer relationships
8	Implications of Free Trade AFTA resulted SMEs are required to perform the production process with a productive and efficient,
9	Limited human resources
10	Most of the products of small industries have traits or characteristics as products and craft-craft with short durability.
11	Limited Market Access Limited access market will cause the resulting product cannot be marketed competitively
12	Limited access of Information in addition to access to finance, SMEs also encounter difficulties in terms of access to information.
13	Business competition
14	Lack of capital resulted in SMEs could not survive

15	Material price increases
16	Limited availability of raw materials
17	Intense competition with other SMEs that produce the same product and serve the same market niche.
18	Lack of information to obtain additional capital.
19	Limited marketing, do not know the strategy and cannot choose exactly

SMEs opportunities

In marketing, many SMEs who do not have access to markets because of limited human resources, capabilities in information technology, and received coaching model inaccuracies. So far, the SMEs are smarter than the market produce. To improve marketing capabilities, information on the market is the main requirement (Ellitan, 2013). This study is intended also to identify opportunities in the domestic market of the various types of SME products, with the aim to expand the marketing of products and improve the performance and role of SMEs in the economy in East Java. The conclusion shows that there are certain preferences of consumers into buying products of SMEs, especially for beverage, food, garment, handicraft, and craft. On that basis, the results of this study recommend some of the following:

For Small and Medium Business Actors: (1) For food and beverage products should be produced by the medium and small packaging size and do not forget to carry a label-label brand, mark expired, the registration of health, as well as the composition and halal certification. (2) Distribution (marketing) of products should be adjusted with typical products. (3). Distribute the products of SMEs in areas such as: Mall / Plaza, Market, Shop, and the like is indispensable given that most people know the products when visiting the store. (4). Submission of information on SME products through newspapers / magazines or leaflets and the like are very necessary to be activated, including events following the exhibition. Briefly UMKK opportunities in East Java from the results of the discussions conducted by forming the Focus Group Discussion are tabulated in Table 4.3.

Table 4.3: SME opportunities

	Opportunities of SMEs
1	The market is still open inside and outside the country
2	Broad market potential with IT
3	Public acceptance of SME products
4	Changes in people's lifestyles
5	Support from central and local governments.
6	Means of transport getting better
7	Utilization of information technology
8	Innovation opportunities
9	Training of SME development agency
10	Health awareness
11	The flurry of society, want the ease, all types of business opportunities
12	Business opportunities wide open.
13	Credit aid for SMEs
14	Modern lifestyles and demanding more convenience
15	The possibility of production efficiency.
16	SMEs often holding exhibitions provide opportunities for a product widely known.
17	Opening up opportunities for diversification.
19	SMEs organizations provide opportunities share experiences and learn from each other arena.
21	Development of human resource potential

SWOT analysis of East Java SMEs

The general view that SMEs that have the nature and spirit of entrepreneurship (entrepreneurship) is not true. There is a sub-group of SMEs that have the entrepreneurial nature but some are not showing these properties. By using the criteria of entrepreneurship, we can divide SMEs into four sections, namely: (1) Livelihood Activities SMEs in this category are generally aims to find employment for a living. The perpetrators grouped lacks entrepreneurial spirit. This group is referred to as the informal sector. In Indonesia, the number of SMEs in this category is the largest. (2) Micro enterprise SMEs is more of a "artisan" (craftsmen) and non-entrepreneurship (entrepreneurship). The number of SMEs in Indonesia is also relatively large. (3) Dynamic Small Enterprises These SMEs often have the entrepreneurial spirit and many large and medium scale entrepreneurs who had come from this category. If nurtured well then most of the SME category will go into four categories. The number of groups of SMEs is much smaller than the number of SMEs in the category one and two. SMEs group has been able to receive sub-contract jobs and exports. (4) Fast Moving Enterprises, It is a genuine SMEs that have the true entrepreneurial spirit. Of this group will then appear large and medium scale enterprises. This group also fewer in number than the SME category one and two.

There are many factors that influence the success of a small business, internal factors are derived from small businesses and from external business. One approach that is commonly used in the analysis of the planning and evaluation of a business, including small business is the SWOT (Strength, Weakness, Opportunity, Threats). By using SWOT analysis of external and internal factors of a business can be identified, as a guideline for determining the strategic planning. Before deciding to build a small business, it is worth considering a few things related to the business environment and also the internal side. With this SWOT analysis approach will be sufficient to help determine the next business step. Tips of business success by doing business with the approach SWOT analysis are sufficient to help the success of a business. This analysis has been widely used and tested in various fields of business. SWOT analysis approach to help SMEs determine their potential, strengths, weaknesses and opportunities and threats that exist around the business. That way we could do a strategic plan for the business. Conducting a SWOT analysis is one of the Business Success Tips that can be taken.

Table 4.4: SWOT SMEs

Strengths <ol style="list-style-type: none"> 1. Economic empowerment of community 2. Resilience facing monetary crisis 3. Competitive prices 4. Reliable service to potential consumers 5. The availability of market share so that the potential of products to accepted market is still high 6. Employees work ethos either through the application of the values of motivation and honesty 	Weaknesses <ol style="list-style-type: none"> 1. Lack of Business Networking and Small Business Market Penetration Capabilities 2. Limited Business Infrastructures 3. Lack of information relating to the progress of science and technology, 4. Limited Access to Information In addition to access to finance, SMEs also encounter difficulties in terms of access to information. 5. Lack of capital resulted in SMEs could not survive 6. Limited availability of raw materials. 7. Limited knowledge to obtain additional capital.
Opportunities <ul style="list-style-type: none"> • The market is still open at local and international. • Acceptance of the society towards SME products • Support from central and local governments. • Utilization of information technology • Innovation Opportunities • Get training from SME development institutions • Business opportunities wide open. • Credit Assistance for SMEs • The possibility of production efficiency. • Exhibitions of SMEs provide the opportunity for a product widely known. • Opening opportunities for diversification. • Many programs of radio or television which provide useful insights for the development of SMEs 	Threats <ul style="list-style-type: none"> • Implications of Free Trade AFTA resulted SMEs are required to carry out production processes with productive and efficient, • Most of the products of small industries have traits or characteristics as products and craft-craft with short durability. • Limited Market Access Limited access market will cause the resulting product cannot be marketed competitively • Illegal Payments Practice charges, this system will have implications for small and medium-sized businesses in the form of new levies imposed on SMEs • Intense competition with other SMEs that produce the same product and serve the same market niche.

The reasons for SMEs to survive and tend to increase in number during hard times is: 1. Most SMEs producing consumer goods and services with elasticity demand for low income, the average income level of people not much affect the demand for goods produced , Conversely increase in the level of income also has no effect on demand. 2. The majority of SMEs do not get capital from banks. The implication deterioration of the banking sector and rising interest rates, not much affect the sector. Unlike the troubled banking sector, the business activities of SMEs involved subject. While large businesses can survive periodic. In Indonesia, SMEs use their own capital of savings and access to banking is very low. 3. SMEs have limited capital and competitive markets, the impact of SMEs have strict production specialization. It allows SMBs easy to move from one business to another business, barriers and out of nothing. 4. Reform to eliminate the barriers in the market, the protection is removed upstream industry; SMEs will have more choice in procuring raw materials. As a result, production costs down and increase efficiency. But because it coincides with the economic crisis, then the effect is not too large. 5. With the prolonged economic crisis led to the formal sector, many lay off his employees. The

unemployed workers into the informal sector, business activities mostly small, consequently increasing the number of SMEs.

Build Supply Chain (Value Chain) SMEs

Various ways can be taken for the development of SMEs includes:

Subcontracting

SMEs are expected to be developed into a great company and will eventually be able to expand into global markets. SMEs should be mutually beneficial cooperation with large companies. There have been many success stories in terms of collaboration between SMEs and large companies in developed countries, including through subcontracting. Subcontracting process is actually quite simple. SMEs should not be directly involved in the production process. Many mechanisms are usually applied, for example, the provision of raw materials supply, lending funds, basic facilities and equipment Subcontracting actually do not have to be from a domestic company. It could also be the company of Foreign Affairs who provide subcontracted to companies in developing countries. However, in this case the government should make it easy for companies to conduct cooperation LN subcontracting in Indonesia including with ease regulatory / bureaucratic, rule of law, etc.

Involvement in Value Chains

Small companies or SMEs can participates in the global market by being part of a network of global suppliers. Network like this is called value chain. Value chain is defined as the activities required to bring a product or service from the start the concept, the production process, up to the delivery of goods / services to the consumer. SMEs can act as a partner of large enterprises in this chain. This relationship can be very beneficial to both parties because of the characteristics of SMEs are more flexible and low transaction costs because it is closer to the consumer and faster decisions while big companies take advantage of their large size (economies of scale).

In the global value chain, company or group of companies could only do jobs that are very limited. As well as companies subcontract, they just do, for example, product design, using materials supplied by other companies. Other companies which are intended here can be located thousands of kilometers. The companies that are involved in the value chain is SMEs-SMEs. It turns out in practice, involving SMEs are cheaper than the vertical integration of doing the same job. For example, craftsmen shoes, leather manufacturers and engine manufacturers are better prepared to cooperate compared to the company manufacturers of shoes to do

Develop Niche Market

Developing a niche market is one important strategy for SMEs. In this strategy SMEs choose to become a player in a very specific product. By implementing this strategy, SMEs can not only compete with the big companies but also can reach export markets. This niche market strategy can be classified into two groups, namely specialization (specialized market) and innovative niche.

In an industry with product differentiation, the growth of SMEs is highly dependent on the ability to create a niche market and avoid head-on competition with larger companies. SMEs can have a better competitiveness for products or services that are very specific (specialized) while the advantages of large enterprises are on the market are standardized. SMEs flexibility allows them to be specialization in the market segment where they have the advantage. Services, for example, tend to highly specialized compared to manufactured products. So, there are great opportunities for SMEs in the services sector. By using the strategy of niche market, many small companies, in fact a major player in their niche market. They have a dominant market position and are able to beat their rivals in terms of resources and capabilities.

Networking

Networking is the link, both formal and informal. In an era of global, inter-company network can help SMEs to compete on equal footing with larger companies. Network also can accelerate the learning process. They can facilitate configuration of supplier relationships that enable companies to innovate and improve efficiency with collaborative activities. Network can be formed on the basis of ethnicity, industry and social organizations. Facts prove that the community relations play an important role in the business network. The similarity of cultural background, beliefs and behavior make it easier for members of ethnic groups predict and understand the behavior and needs of other members.

Based social network provides a way for companies to seek business partners, including trade and industry associations that can provide benefits that cannot be obtained SMEs individually. Collaboration of SMEs in a network can facilitate the opportunity, for example, for participation in the exhibition, made contact with the producer or consumer, technology upgrades, new product development, improvement of product standards and to fend off the threat of global market.

There are many obstacles in the development of SMEs, particularly if it is expected to be able to participate in global markets. These barriers include related financial access, lack of skills, knowledge, information and technology. It is this which hamper SMEs access to opportunities in the global market, although the chances of actually wide open. SMEs in developed countries have responded to this opportunity by focusing on innovation, IT, niche market, networking and clustering to enhance competitive advantage.

For the development of SMEs in Indonesia, in addition to the global economic situation was deteriorating, the barriers SMEs development is also in the form of a lack of knowledge of business, entrepreneurship, bureaucratic regulations are not conducive, corruption, and lack of government support. Therefore, it required an intensive treatment to save SMEs. Subcontracting strategies, value chain, market niche and networking is the most appropriate strategy applied in Indonesia.

The Government will play very important role in the deteriorating economic situation in the rescue and develop SMEs. The rules are very bureaucratic and corruption needs to be dealt with immediately. The Government and its staff will be needed more as a facilitator role. The increasing role of SMEs in the global economy is very important and in this case, government policies should be indicated on the improvement of skills and technology, provide information on market opportunities; facilitating access to funding, and facilitate networking among SMEs. A lot of obstacles that must be faced by SMEs in the current economic situation, but globalization require increasing the competitiveness and quality products if they want to survive especially if you want to be able to participate and take advantage of globalization (Ellitan, 2017b).

V. CONCLUSION

The Small and Medium Enterprises (SMEs) hold an important role in the economy of the country. SMEs are able to increase regional GDP as well as national one (Permana, et. al., 2017). SMEs often suffered a loss of business. However, for businesses that sell goods that cannot rot does not cause significant losses. To overcome loneliness effort and possible loss of business is selling raw materials. Efforts to diversify flower arrangements also performed. Employers also sell at a cheaper price or competitive compared to existing competitors. Maintain customer loyalty is important, especially keeping in touch with customers agencies large. For food business operators is not uncommon to face the risk of loss, especially at the beginning of the business. The main thing to do is find out what the consumer feedback on the results of food products that are sold, exploring consumer tastes, taste and purchasing power. In addition, the business location factors also need to be considered. Doing business dapam field of food necessary foresight to read the market when it was crowded and deserted, so when quiet is not doing too much production. Some businesses start their business is driven by the conditions laid off from the workplace. They also do not love to spend, savings or loans from cooperative or banking. Mental factors for the rise are indispensable in the business slump. For businesses retail clothing, rarely faces the risk of loss. Usually they took the goods from the factory and capital trusts them to pay when the product is marketed already sold. In this business there are only crowded or deserted. Eid or Christmas season is a very favorable moment for this effort. For retail which sells to individual usually provide payment in installments one-two months. For retailers who act as a wholesaler should ask the customer to pay in advance. Besides the ability lobby and attract customers and maintain good relations with suppliers and customers are indispensable in this effort.

FGD results of this study indicate that the Micro, Small and Medium Enterprises (SMEs) constitute the largest group of economic actors in the Indonesian economy and proved to be a safety valve in times of crisis the national economy, as well as a dynamic factor of economic growth after the economic crisis. In addition to being the largest business sector contribution to national development, SMEs also create a large enough employment opportunities for workers in the country, thus greatly helping to reduce unemployment. One of key to the success of micro, small and medium enterprises is the availability of a clear market for SME products. While the fundamental weaknesses faced by SMEs in the field of marketing is the low market orientation, weak in the complex and a sharp competition and inadequate marketing infrastructure. Facing an increasingly open market mechanisms and competitive, market control is a prerequisite to improve competitiveness. Therefore, the role of government is needed in encouraging the success of SMEs to expand market access by providing web-based information technology facilities that can be used as a medium for global business communications (ukm.bisnis, 2012).

Results indicated that the discussion of East Java as one of the province whose development is so rapid in the growth of SMEs. This is possible because the infrastructure provided sufficient support for the growth of industry, trade and services, both on a micro, small, medium and large. In addition, the phenomenon of underdevelopment of SMEs in East Java in general cannot be separated from the problems stemming from internal factors and external business environment, so consequently revamping the SME sector is becoming increasingly complex and requires us all to manage this complexity together. Problems and barriers SMEs in East Java is done by establishing the Focus Group, among others: Lack of Business Networking Capabilities Market Penetration and small businesses, limited Infrastructures Enterprises Lack of information relating to the progress of science and technology, Illegal Payments Practice illegal charges, Changes This system will have implications for small and medium-sized businesses in the form of new levies imposed on SMEs. Implications of Free Trade AFTA resulted SMEs are required to perform the production process with a productive and efficient, most of the products of small industries have traits or characteristics as products and craft-craft with short durability, limited market access limited market access would cause the resulting products are not can be marketed competitively, Limited Access Information In addition to access to finance, SMEs also encounter

difficulties in terms of access to information, lack of capital resulted in SMEs could not survive, limited availability of raw materials, Intense competition with other SMEs that produce similar products and serves a niche market Similarly, limited knowledge to obtain additional capital.

VI. REFERENCES

- [1] Arifin, B & Rachbini, DJ, (2001), *Ekonomi Politik & Kebijakan Publik*, PT. Grasindo, Jakarta.
- [2] Effendi, I. 2005. Artikel : Peranan Informasi Bagi Kemajuan UKM. *Kedaulatan Rakyat*. Yogyakarta
- [3] Ellitan, L. 2013. Pengelolaan sumberdaya, strategi bisnis, analisis lingkungan dan evaluasi keunggulan kompetitif perusahaan manufaktur Jawa Timur: Pendekatan studi kasus, Makalah dipresentasikan di Sidang Pleno ISEI Jambi 19 September 2013.
- [4] Ellitan, L. dan Koesworo. Y. 2014. Upaya peningkatan sustainability dan kemitraan jangka panjang usaha kecil menengah di Surabaya dan sekitarnya: Sebuah studi eksploratori, *International Conference Business and Social Science*, Den Pasar Bali 25-26 Juni 2014.
- [5] Ellitan, L. 2017 (a). *Resource Management and Evaluation of Competitive Advantage: A Case Study of East Java Manufacturing Companies*, *Academic Research International* Vol. 8(2) June, pp. 133-141.
- [6] Ellitan, L. 2017 (b). *The Role of business environmental and strategy alignment in the optimization of business performance of Small Scale Manufacturing Companies in Indonesia*, *World Journal of Research and Review (WJRR)*, Volume-5, Issue-2, July 2017 Pages 57-63
- [7] Harreld, Bruce J. & O'Reilly III. & Charles A. & Tushman, Michael L. (2006). *Dynamic Capabilities at IBM: Driving Strategy into Action*. *California management Review*. 49 (4), p. 21-43.
- [8] Moleong, Levy J, (1990), *Metodologi Penelitian Kualitatif*, PT Remaja Rosdakarya, Bandung.
- [9] Kartasasmita, G, (1996), *Pembangunan Untuk Rakyat*. • Memadukan Pertumbuhan dan Pemerataan, CIDES, Jakarta.
- [10] *Kedaulatan Rakyat*. 22 Desember 2005
- [11] Kuncoro, M. 2008. *Harian Indonesia*, 21 Oktober 2008
- [12] Kuncoro, M, (2000), *Ekonomi Pembangunan : Teori, Masalah & Kebijakan*, UPP AMP YKPN, Yogyakarta.
- [13] Permana, A., Laksmiana, A., Ellitan, L. 2017. *The Effect of Environmental Dynamism, Dynamic Managerial Capabilities, and Deliberate Organizational Learning on the SMEs Performance with Dynamic Capabilities as Moderator Variable: A Case Study on Small SMEs in Surabaya*, *International Journal of Advances. Research*, 5(7), 540-551.
- [14] Suyanto. 2005. Artikel : Aplikasi IT untuk UKM Menghadapi Persaingan Global. *Kedaulatan Rakyat*. Yogyakarta.
- [15] Soetrisno, L, (1995), *Membangun Ekonomi Rakyat Melalui Kemitraan: Suatu Tinjauan Sosiologis*, Makalah dalam Diskusi Ekonomi Kerkayatan, Hotel Radisson, Yogyakarta, 5 Agustus, 1995.
- [16] Uli, S. 2009. *Kegagalan Industri Manufaktur Indonesia*, sof...@creavisindo.com, 19 Januari 2009
- [17] www.bisnisukm.com. (2012). Kunci Sukses Meraih Keberhasilan Bisnis, 4 Juli 2012
- [18] www.ekonomi.okezone.com 23 April 2010