

## STRATEGY MANAGING MICRO SMALL AND MEDIUM ENTERPRISES (MSMES) DURING THE COVID-19 PANDEMIC TIME

Adi NURMAHDI<sup>1\*</sup>, Nur Aktif BUDIONO<sup>2</sup>, and Wei-Loon KOE<sup>3</sup>

<sup>1,2</sup>*Universitas Mercu Buana, Jakarta, Indonesia*

<sup>3</sup>*Universiti Teknologi MARA (UiTM), Cawangan, Melaka, Malaysia*

*\*adi.nurmahdi@mercubuana.ac.id*

### ABSTRACT

The objective of this community service activity is to equip many Micro Small and Medium Enterprises (MSMEs) business owners in Jakarta with the necessary business strategies in the forms of tools and guidance especially to tame the unstable conditions during the current time of pandemic Covid-19 which is still ongoing though receding fastly. The profit motive is among the main aims of a business, nonetheless at the time of a crisis such as a pandemic turnover of sales and consequently profit can be reduced sharply, this has caused inevitable many of MSMEs find difficulties to survive in dealing with the multi-faceted crisis. Some MSMEs can survive while the majority of them are forced out of their businesses. The objects of the activity are MSMEs in Jakarta & West Java area. Important tools and guidance on how to run a business during a crisis are provided, apart from the provision of the module. Having observed and coached one of the MSMEs which offers fashion for Muslim women it was found that Covid-19 has caused the business stagnant, with production halted and employees laid off becoming inevitable. The entity has been coached for enhancing its business to take up opportunities of the new normal era. A strategy to reconnect to the market using appropriate business survival tools has been provided, it is expected that in the medium term the entity would be bounced back.

**Keywords:** business strategies, marketing management, MSMEs.

### 1. BACKGROUND

MSMEs have been main pillars in economic development of Indonesia. According to the data from the Ministry of Cooperative and MSMEs (2021), there is 64.2 million MSMEs with Gross Domestic Income contribution up to 61.07% or equivalent to 8.573,89trillion Rupiah. The ability of MSMEs toward the nation's economy including absorbing 97% of total existing manpower, as well as able to absorb 60, 4% of the total investment. Nonetheless, the high numbers of MSMEs in Indonesia also not to forget the many challenges it faces.

Covid 19 struck in end of 2019 and hit many MSMEs severely. According to survey by Kata data Insight Center (KIC) done to 206 MSMEs owners in Jabodetabek in 2020, majority of MSMEs 82,9% felt the negative impact of the pandemic, and only 5,9% have positive growth. The impact includes 63,9% got their sales turnover decreased, and only 3,8% got their sales increase. The survey also revealed that many MSMEs have made their best efforts to sustain their businesses. Efficiency measurements on going: reduced production of goods/services, cut the working hour and numbers of staff, and reduced marketing channels, though a few of them increasing their supply chain. A part from this surveys done by BPS, Bappenas, and the World Bank revealed that many MSMEs have difficulties for settling their electricity and gas bills as well as staff salaries. Many of them must lay off some staff. Other obstacles include difficulty to find sources of inputs, capital, decrease of customers, distribution and production receding.

A part from this, there has also been a change in consumer behavior apart of change of business competitive landscape which must also be anticipated by MSMEs since there has been a levy of restrictions in many activities. Consumers spend more time at their homes and optimizing the use of digital technology. Whereas the change of industry landscape and competitive map highlighted with four characteristics, which are: Hygiene, Low-Touch, Less Crowd, and Low-Mobility (CNBC Indonesia, 28 April 2021). From this condition it can be seen that MSMEs sector where the players are middle to lower class segments have more impact with the pandemic Covid-19. Successful company during the pandemic would be companies which can adopt the four characteristics above. MSMEs players need to innovate in producing products and services fulfilling the market's requirements. They can also deliver new ideas which can contribute to the solving problem of socio-economic of the society affected by the pandemic.

Data from the Ministry of Cooperatives and MSMEs and BPS in 2017 reveals that micro level units as many as over 62.106.900 million, small businesses 757.090, and middle businesses 58.627, thus total MSMEs is 62.928.077 which is 99,99% of all existing businesses that the nation has. How important is the role of MSMEs for the nation. By 2019 it contributed 62.4 million workforce, some 17.1% selling products through e-commerce, contributed 56-59% to GDP, absorbed investment to 50%, total workforce 99%, absorbed new employees as many as 97%, with 49% focused on agricultural, farming, forestry and fishery, while 29% on general trading.

The Community Service Activities that we have in this program aim to help out MSMEs with the current situation and equip MSMEs with the necessary kit/tools on how to survive their businesses during the pandemic.

Some MSMEs have persistent problems on deciding what to sell, others have their products/services but unable to sell them. Some having difficulties in dealing with human capital, where they find many of them have limited skills. Financing is also an issue, though some bailout through grants by the Government.

### **Partner's Problem**

Having described the situation analysis above, the following are related to partner's problem:

- a. What are necessary business skills in the current pandemic time needed by MSMEs to enhance their existing business or making a new business?
- b. What are the practical approaches, strategies and tactics needed in the form of a business tool with contents hand on best practices, cheap, and easy to follow guidance that can be adopted by many MSMEs in Jakarta?
- c. What are the quick win business strategies in the current era of pandemic?

### **Solutions and Outcome Target**

Based on the problems that have been described in the situation analysis above, the solution that will be carried out in this program is by giving training through webinar and coaching for implementation of program over a month period after the training to MSMEs so that they can better prepare themselves with necessary business tools while doing businesses during the pandemic era, especially dealing with management and business strategies of MSMEs. The debriefing to provide include cue card and on how to gain quick win strategy and a handful of practical examples which are cost efficient and easy to apply. In summary the solution and outcome target that will be produced in this program include the following:

- a. To provide the necessary business skills needed to MSMEs.
- b. To formulate practical approaches, strategies and tactics including insight to the fields of production, financing, marketing and social media, human resources, and the role of IT which is trending in business transactions.
- c. Provide robust quick win strategy so that it can boost up the morality of many MSMEs and their motivation to sustain their businesses during the pandemic heightened.

The training and coaching have been carried out by combined teams from UMB lecturers and partner campus Universiti Teknologi (UiTM) MARA, Cawangan, Melaka, Malaysia. New ideas and experiences obtained from the UiTM team would enhance the program, apart from looking at practical comparison. The combination of inputs from the teams of the two campuses expected to boost the program in term of internationalization and experiences of MSMEs practices.

The main outcomes would be scientific Publication in journal with ISSN and Publication on mass media, as well as Improving community values (arts and culture, social, politics, defense, peace, education, health).

### **Goals of Targets**

The following are the goals of targets of the program:

- a. The target audience in this activity would be MSMEs located in Jakarta (Jabodetabek) areas which have cooperation with UMB.
- b. The implementation method used in this activity is in the form of coaching and training.

The participants are invited through online webinar and later on to follow up:

- a. On the spot coaching follow by web coaching to monitor progression to be established within one month, so that program delivered can be implemented smoothly by MSMEs.
- b. The materials to be provided include:
  - 1) Introduction to business and new business landscape: mind set, core competence, focus, differentiation, pivoting, new normal, collaboration, networking
  - 2) Business strategies and tactics: SWOT analysis, production and innovation, access of financing, marketing and social media, human resources, production and same day delivery, and the role of IT/e-commerce in business transactions.
  - 3) Guidance on Quick win strategies
  - 4) Implementation program
  - 5) Monitoring and evaluation

### **Purpose of Activities**

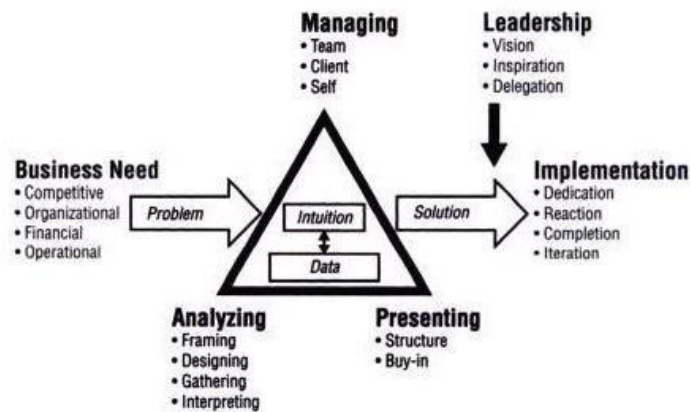
This activity aims to provide coaching and training of MSMEs so that to equip and increase their business skills and competencies in time of a pandemic era so enable to survive and/or enhance their existing business /new business development ideas during this turmoil time.

### Benefits of Activities

Having followed this activity it is expected that all participants would get benefits in terms of:

- a. Increase ability to review their current businesses using SWOT analysis.
- b. Increase ability to determine what product differentiation they would offer to the existing and new markets.
- c. Better focus on selected target markets to serve.
- d. Better ability in providing superior quality of products/services including personal touch and service excellence.
- e. Better ability in managing resources: budget allocation, optimizing human capital, productive assets.

### Framework for Troubleshooting



Source: Stavera, 2018

Figure 1. McKinsey’s Framework for Troubleshooting

Figure 1 describes McKinsey’s Framework for Troubleshooting, it starts with problem identification by reviewing business needs, then a triangle of activities: analyzing, presenting and managing through intuition and data, and providing solution through excellent leadership and implementation programs.

Much of this program would follow the framework above, in a hope that, by providing practical training, coaching and mentoring MSMEs would have ability to solve their businesses which are in trouble at the current time.

### Evaluation Design

Training participants will be given an evaluation in the form of a special test at the end of the session in the form of materials that have been given at the beginning of the session, especially in better managing their businesses.

It is important to stress that the most important part of this program is on how the objectives of the program can be realized by the MSMEs participants, thus, regular evaluation and control through follow up coaching is necessary to execute. The main aim is to close the gaps that MSMEs facing during this pandemic time.

## 2. METHOD

The following are the goals of targets of the program:

- a. The target audience in this activity would be MSMEs which have cooperation with UMB.
- b. The implementation method used in this activity is in the form of coaching and training.
- c. The participants are invited through online webinar and later on to follow up.
- d. On the spot coaching follow by web coaching to monitor progression to be established within one month, so that program delivered can be implemented smoothly by MSMEs.
- e. The materials provided include:
  - 1) Introduction to business and new business landscape: mind set, core competence, focus, differentiation, pivoting, new normal, collaboration, networking.
  - 2) Business strategies and tactics: SWOT analysis, production and innovation, access of financing, marketing and social media, human resources, production and same day delivery, and the role of IT / e-commerce in business transactions.
  - 3) Guidance on Quick Win Strategies.
  - 4) Implementation program.
  - 5) Monitoring and evaluation.

### 3. RESULTS AND DISCUSSION

#### Implementation of Program

- The program successfully held on 17<sup>th</sup> February 2022 via Zoom conference attended by 44 participants including presenters and students assistants.
- Banner of the event blasted: There are 10 speakers including one from partner campus UiTM Cawangan, Melaka Assoc. Prof. Wei Loon-Koe Ph.D.
- Intensive coaching with the MSME entity took place after the event carried out in April – July 2022.



Source: P2M KLN team, Universitas Mercu Buana, 2022

Figure 2. Banner of the Program

#### Descriptive Statistic

Respondents with total 29 all answered the questionnaires. The frequency for theme of event questionnaire with results 72.4% very good, and with good 27.6%. Preparation of the event with very good 51.7%, good 44.8% and not good 3.4% (1 person).

#### Link Run down at Youtube:

- <https://youtu.be/AdYxMbfUIE> (Opening)
- <https://youtu.be/QShkXyVzKgE> (Assoc. Prof. Wei-Loon Koe, Ph.D)
- <https://youtu.be/f4IzaLXwpyo> (Dr. Erna S.I)
- [https://youtu.be/S1\\_bimECNzw](https://youtu.be/S1_bimECNzw) (Dr. Adi Nurmahdi)

#### Discussion

- Description of Mentoring

Mentoring have taken place in the form of zoom video conference and WhatsApp video calls and texting. Most of the materials directed toward enhancement of the MSME performance, more over since the Covid-19 is receding and businesses rebound for normal growth, the opportunities must be optimally capitalized by the entity.

- Profile of the MSME

- The entity established in Bandung. The owner is active in MSME organizations, events and networking, one of the good traits for success in business.
- The objective of the business is to provide quality fashion via the market in Bandung and other areas in the country.

- 3) Started the business as a home based MSME type of business, with the owner as the entrepreneur control and take all the operational profit and risk.
- 4) The entity is registered as a CV company, focus more on fashion to its selective target markets.
- 5) Its primary products mainly moslem dresses for families, with particular for muslimah segment such as mukena, burqa, hijab, general umroh and hajj pilgrimage dresses and gifts.
- 6) It employs some tailors in its home based production and subcontract to other vendors is available as an option if demand is massive, but with the standard quality being maintained by the entity.

c. Business Performance

- 1) Since the opening until the period before Covid 19 in March 2022 the business have grown satisfactory, with orders come Hajj travel companies dominated. The items purchased include Hajj equipment for women and accessories.
- 2) Looking the current situation the business slow down significantly, awaiting for the bounce back of the economy before it can recover. The difficulties have been no demand because of the banned of travelling including Hajj pilgrimage by the government.
- 3) For the time being the entity have minimal production and some orders have been to suborder to other vendors.
- 4) Most of the current activities the entity take part in many fashion exhibitions with involvement as a freelance agent.

d. Problems Currently Being Encountered

- 1) Decline of demand by the market due to the pandemic.
- 2) Insufficient capital, need more sources of capital to return to the normal operation.
- 3) More competitors exist some sell via online application Shoppe, Tokopedia, Lazada, BliBli etc.
- 5) Price by competitors is highly competitive in the market.
- 6) Lay off of tailors and staff due to the pandemic.

#### 4. CONCLUSIONS

- a. Lifting of the travel banned by the Government of Indonesia and also in many other countries as Covid 19 thanks God is receding significantly would affect industries again, including travel and tourism and the MSMEs sector. The pilgrimage travelling has been allowed again in 2022 after two years of freezing activities by the Indonesian and the Saudi Arabia governments, also step by step returning to the normal condition hopefully similar to conditions before the pandemic happened. This means the market would be prospective again in the near future assuming the pandemic is completely over.
- b. There need be new sources of capital, which in MSME cases most of their capital originally come solely from the owner. Alternatively sources for MSME can be grants such cheap loans from the Government c.q the Ministry of Cooperative and SMEs and the state owned banks. It is also possible for the entity to find individual investors to chip in into the business, so they would enable increase in working capital for the production of its fashion apparels. To do this there need be a formal business proposal with the details of operations and income projections as well as terms such as pay back payment including calculation of the Internal Rate of Return (IRR) and Net Present Value (NPV) needed to be provided. Production plans also need to be spelt out in details including timeline, resources needed and the targeted output levels. Once production is settled the next challenge would be in the marketing issues. Many MSMEs have difficulties in marketing their products thus marketing mix formulation which involve the 4Ps components of Product, Price, Place and Promotion, as well as sales strategies and personal touch needed to be formulated.
- c. Once the entity could operate again after the halting its production due to the pandemic, the technique of modest traditional marketing activity which seemed no more reliable need be revitalised, apart from the current Instagram account other socmed accounts need be created too, most popular being TikTok and Facebook. Word Of Mouth (WOM) and direct marketing and events exhibitions need be more frequent, it needs to enter currently booming online market places such as at Tokopedia / Shopee / Lazada or the like to open its own shops. Apart from that info and teaser adverts which considered quite costly in social media also need to be more intensified including placements banner and pop up advert in TikTok as well as Facebook and Instagram.
- d. Price should be reviewed, which currently is modestly calculated. If it enters premium segments with higher price is desirable but the quality of the products must be enhanced and upgraded first, consequently if it enters the mass market the price should be more competitive i.e. lower offering or tactically offering bundling products with competitive cheaper price offerings. A set of competitive products must be settled first, thus in terms of production it should vary in models and can target for many other segments, not mainly for women apparels as currently being served.
- e. Recruitment of tailors can start once the working capital issues solved. Sub contract is recommendable and doable as long as the Quality Control Assurance (QCA) place appropriately and consistency on quality of the products can be maintained. Alternatively the entity can act as an agent, distributor or drop shipper by looking for cheap

sources of products from the market places, and by putting its own brand on the apparels, this is a viable option if reliable suppliers can be found and QCA can be persistently maintained.

## 5. SUGGESTIONS

- a. The entity should focus to the core business, including main apparel products and other spill over products such as crafts, events management.
- b. Create other businesses a part from the main business such as exhibitions and event organizer more formally and commercially, to register as a limited company (Perusahaan Terbatas) is desirable.
- c. The financial issues must be solved immediately, new sources of working capital need be raised, it can be from individual new investors or the government as well as cheap Kredit Usaha Rakyat (KUR) provided by bank BRI. A liquid current asset issue is important for MSMEs.
- d. It is suggested that once the business is revitalized the entity can enter middle up segment markets, as they are potentially growing and geographically not only in Bandung but also in many big cities in Indonesia, as well as overseas markets.
- e. Formulation and implement of proper marketing mix plan and sales activities with focus on imposing more on digital marketing activities can be immensely important to boost the business. To do this proper plan and marketing budget must be allocated.
- f. Proper production system, working capital management, human resources issues, and accounting practices implementation must be practiced and implemented properly so the money the owner has can be separated from what the business can generate, there need be two different bank accounts.
- g. Entering internationalization by exporting products abroad is doable once domestic market is flourishing. The connection that UMB such as ongoing collaboration with UiTM Melaka can be explored for finding out market opportunities in the region.

## REFERENCES

- Kotler, Philip. Keller, Kerin, Lane. (2016). *Marketing Management*. Pearson Education, London.
- Lafley, A. G. Martin, Roger L. Ganser, L. J. (2014). *Playing to Win: How Strategy Really Works*. Unabridged. Harvard Business Review Press, Massachusetts.
- [https://berkas.dpr.go.id/puslit/files/info\\_singkat/Info%20Singkat-XIII-10-II-P3DI-Mei-2021-1982.pdf](https://berkas.dpr.go.id/puslit/files/info_singkat/Info%20Singkat-XIII-10-II-P3DI-Mei-2021-1982.pdf) retrieved on 24th December 2021 at 21.00.
- <https://ekon.go.id/publikasi/detail/2969/umkm-menjadi-pilar-penting-dalam-perekonomian-indonesia> retrieved on 23rd December 2021 at 17.00.
- <https://medium.com/@IliyanaStareva/8-step-framework-to-problem-solving-from-mckinsey-506823257b48> retrieved on 24th December 2021 at 23.00