

Chapter 1

Introduction

1.1. Background of Research

Small and micro enterprises (SMEs) have played a major role in developed and developing economies. Contribution of SMEs represent more than 95% of all firms in many countries" (Yu-Ching, Kuo-Pin, & Yu, 2006 p.495). In Indonesia, small micro enterprises have historically become a government concern since the New Order era, as can be seen in key government documents such as the Five Year Development Plan (Repelita), the Board Outlines of Government Policy (GBHN) and others (Hill , 2001).

The role of SMEs in the economy of Indonesia is very important to support economic growth. According to the Indonesian Central Statistics Bureau (2018), Indonesia has 62.1 million SMEs, accounting for 98.7% of the total business. Indonesia's SMEs employ 116.98 million people, equivalent to 97 percent of Indonesia's total workforce. In addition, the contribution of SMEs to GDP, excluding oil and gas accounts for 60.9%. Agriculture, with 38.8 million workers (43.66 percent), trade and hotels, 22.2 million workers (24.98 percent), and services, with 9.4 million workers (10.5 percent), are the three sectors that employ most of the workforce (Ministry of Public Welfare , 2007).

With SMEs, the recession has brought an unforeseen windfall. SMEs had to find new markets and many moved to international markets with a weak local market and a higher local price with their goods (Wengel & Rodriguez, 2006).

In West Sumatra, there are many small and medium enterprises that are developing. These businesses start from house hold with high desire to become entrepreneurs by looking at existing market opportunities. The house hold attempts to develop business in order to get additional income. It would also create job opporunity for the society in surrounding area. Therefore, the role of SMEs become important to increase economic growth in a region because the income of a region is obtained from taxes and from APBD, and with the existence of a large household industry in a region can help increase the economic income of the region. There many home industries or house hold industries are developing in West Sumatra Region, for example: food processing, handicraft, weaving, etc. One of popular food processing of house hold industries produce rendang. Rendang is a typical food for the people of West Sumatra and has also become an identity region. Payakumbuh one popular region with rendang as house hold industry.

Rendang as house hold industry ecome more important to accelerate economic growth in urban area. Even though rendang has been known in various parts of the world, the rendang industry has not received much attention from the government for its development. The proof, most of the SMEs still use traditional methods, are not professional in terms of managing strategy and the SMEs are still weak. In carrying out the manufacturing process so that they cannot meet the demands of the international market which requires a large supply. It is the task for SMEs to facilitate their production houses with technology that can cover this demand. Apart from production technology, information and communication technology is also not maximally used by business actors. This is shown by manual bookkeeping by some SMEs, and they also do not understand the use of e-

commerce that has been circulating in Indonesia, as we know e-commerce is very developed in Indonesia, but many SMEs in Rendang are in West Sumatra, especially in Payakumbuh do not understand even some do not understand how to use e-commerce.

Rendang is a traditional cuisine in Minangkabau, people have been making it for years, and every house has their own recipes handed down from generation to generation. Although the different in recipes and cooking technique. Recently, rendang meat has spread widely not only in West Sumatra, but has reached all regions of the archipelago and also foreign countries. This might be happen because of characteristics of Minangkabau ethnic who like to migrate by leaving their hometown to find a new live, their parent will cook rendang as packed meal for them.

Rendang has won the world most delicious food award. Reader Kamal F Chaniago showed great foresight when he wrote, "Rendang is the best." A clear winner with a loyal following, this beefy dish can now rightfully claim the title of "World's Most Delicious Food." Beef is slowly simmered with coconut milk and a mixture of lemongrass, galangal, garlic, turmeric, ginger and chilies, then left to stew for a few hours to create this dish of tender, flavorful bovine goodness. (CNN, JULY 2017). The process of making rendang for the Minangkabau community used to take up to 6 hours starting from processing the spices to the process of maturing the meat to become tender.

Although rendang is popular food which has been widely consumed by people nationally or internationally, the rendang mostly was produced by small and

micro enterprises (SMEs). People produced it in house hold food industry in West Sumatra Province. In 2015 a community in Payolinyam began to produce a mushroom rendang by collaborating with a cooperative from Bandung. This cooperation has a contract period of 5 years, this cooperation occurs because the cooperative located in Bandung sees the high selling potential of the mushroom rendang, but in reality this contract does not run smoothly. Many obstacles occurred in the manufacture and sale of these items, causing several losses to the community.

SMEs of Rendang In Payakumbuh

Table 1.1 SMEs of Rendang in Payakumbuh

No	BUSINESS NAME	LOCATION	OWNER EDUCATION	ESHTABLISED	SALES PER YEAR (Rp)
1	RENDANG ERIKA	LAMPOSI TIGO NAGORI	JUNIOR HIGH SCHOOL	2009	2.160.000.000
2	UNI KAYO	WEST PAYAKUMBUH	BACHELOR	2020	1.056.000.000
3	RENDANG RIRY	NORTH PAYAKUMBUH	SENIOR HIGH SCHOOL	2010	6.636.000.000
4	RENDANG MALA	EASTERN PAYAKUMBUH	BACHELOR	2008	396.000.000
5	RENDANG ERINA	WEST PAYAKUMBUH	DIPLOMA	2008	2.160.000.000
6	VEGAN	NORTH PAYAKUMBUH	BACHELOR	2017	288.000.000

Source: Department of Manpower and Industry Payakumbuh (edited)

According to the table 1.1 there are SMEs of rendang that distributed around the Payakumbuh region. In addition to beef rendang, the home industry also produced another variation of rendang such as egg, cassava leaf, eel, etc. In the last three years, many SMEs have emerged whose commodity product is rendang. There are many ups and downs in running this business, as shown in table 1.1 is an example of SMEs that are involved in the commodity rendang business.

On the basis of observations and interviews with owners of SMEs about developing and existing condition of rendang industry in Payakumbuh, researcher found some strategic issues regarding the industry. According to the owners, they are also managers (Mrs Erina, Mrs Erika, Mrs Mala, Mrs Vegan, Mrs Uni Kayo, Mrs Riri). SMEs rendang in Payakumbuh seems to have weakness in terms of management system and future oriented of the business. Most SMEs were managed in traditional way. The industry shows that difficulty and hesitant in determining what strategies to use in developing rendang industry in the highly competitive market, nevertheless various types of products might still survive in competitive market. Lacks of knowledge of managerial strategies in developing the business. Therefore, it is important to do industrial analyzes of SMEs rendang in Payakumbuh.

1.2. Problem Statement

1. How is the internal analysis of the home industry of Rendang in Payakumbuh?
2. How is the external analysis of the home industry of Rendang in Payakumbuh?
3. How is the competitive strategy of the home industry of Rendang in Payakumbuh?

1.3. Research Objectives

The objective of this research are to identify the relevancy among the factors that influence the costumer to buy rendang, thus the objective of the research as follows:

1. To analyze the internal analysis of the home industry of Rendang in Payakumbuh
2. To analyze the external analysis of the home industry of Rendang in Payakumbuh
3. To analyze the competitive strategy of the home industry of Rendang in Payakumbuh

1.4. Research Contributions

With this research, the researcher expects that there will be a change that occurs in the surrounding community by realizing how to find business opportunities in a market. This research is expected to produce industry analysis regarding to competitive strategy of rendang industry in Payakumbuh

1.5. Scope of Research

Scope of this research is the people that face the problem that to sale their product especially rendang in West Sumatra is harder than selling in outside West Sumatera. And the people that buy usually buy meat rendang turn into the vegetarian rendang, and also for the people that have some medical history

1.6. Outline of Research

In order to make it easier and make moderate the forwarding of content, this research is divided into six chapters, they are:

Chapter I: Introduction

Elaborating on the background of the problem, formulation of the problem, limiting the problem, research objectives, the benefits of research, and systematic thesis.

Chapter II: Literature Review

This chapter contains a description of the theoretical variables that include the theories that support and underline the variables used in the research and framework.

Chapter III: Research Method

In this chapter, the author puts forward about the object of study, population data and data sources, data collection techniques, operational definitions of variables, data presentation techniques, and data analysis techniques.

Chapter IV: Result and Analysis

This chapter contains the characteristic of the respondent, descriptive analysis, data collection and result of the discussion.

Chapter V: Conclusion

This chapter contains the conclusion of the research result, research implementation, limitedness of research and recommendation.

