



WHAT CHANGES ARE NEEDED FOR THE DEVELOPMENT OF MSMES OF THE INDIGENOUS PEOPLES OF SOUTHWEST SUMBA, INDONESIA?

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ABSTRACT

Investment for the development of MSMEs in local communities is believed to be a strategic instrument to simultaneously preserve indigenous knowledge related to production and improve the welfare of local communities so that local communities can escape poverty. This study takes the context of the local Sumba community in Southwest Sumba Regency where there has been MSMEs investment by the government, banks and communities in the production of ikat weaving and food, but the development of MSMEs is slow. The main research question in this study is what changes are needed for the development of ikat weaving and food MSMEs in the indigenous communities of Southwest Sumba. This research uses primary data obtained through interviews and focus group discussions with MSMEs, banking, academics and local government actors in May and June 2024. Using a combined lens of competitive strategy (Porter, 1980) and institutional theory (Acemoglu and Johnson, 2012), this study found that the main root problem of the stagnation of ikat and food MSMEs in local communities is the contamination of MSMEs financial management by funeral customs. and high-cost marriages which have an impact on low levels of initial investment and low savings for re-investment for MSMEs development. As a result, the level of production of ikat and food does not approach the economic scale, product development is slow, and it cannot compete with substitute products from other business actors. Weaponizing the main strengths of MSMEs, namely innate abilities passed down from generation to generation in the local product production system, as well as funding opportunities from the government and banks, and the threat of competition from MSMEs and large companies that produce substitute goods, this study recommends sequential institutional and investment changes.

Keywords: (a) MSMEs development, (b) institutional change, (c) indigenous communities, (d) Sumba development.



1. INTRODUCTION

Investment for the development of MSMEs in local communities is believed to be a strategic instrument to simultaneously preserve indigenous knowledge related to production and improve the welfare of local communities so that local communities can escape poverty. This study takes the context of the local Sumba community in Southwest Sumba Regency where there has been MSMEs investment by the government, banks and communities in the production of ikat weaving and food, but the development of MSMEs is slow. There are around 20 thousand units of SMSEs mostly in ikat weaving and food sectors. Despite this huge number and long term government investment, the economic benefit of the on community welfare is still weak, as indicated by the persistent high levels of poverty and stunting among children under five in this region.

The main research question in this study is what changes are needed for the development of ikat weaving and food MSMEs in the indigenous communities of Southwest Sumba. This research uses primary data obtained through interviews and focus group discussions with MSMEs, banking, academics and local government actors in May and June 2024.

Strategic Management

Strategic management is the process of planning, developing, and implementing organizational strategies to achieve long-term goals. Thomas L. Wheelen and David L. Hunger: Strategic management is about determining organizational goals, developing action plans to achieve those goals, and managing organizational resources to implement those plans.

Referring to the view of strategic management is an essential tool in achieving success and competitive advantage in a dynamic business world. Strategic management involves long-term thinking, planning, and adapting to changes in the business environment. In general, the stages of strategic management consist of 3 (three) stages, namely the process of formulating or formulating strategies and the process of implementing and evaluating strategies.

Strategy can divide into three types: management strategy, investment strategy, and business strategy (Herfita et al., 2017).

a) Management Strategy

This strategy includes strategies that can apply by managers that orientation toward developing macro strategies, such as product development, pricing, acquisition, market, and financial plan.

b) Investment Strategy

This strategy is investment oriented. For example, the company continues its aggressive growth strategy or tries to penetrate the market through survival, new section, sales, and others.

a) Business strategy

The business strategy functionally directs the function of management activities such as marketing, production, operation, sales, organizational, and financial.

According to (Rufaidah, 2012) in general strategy is divided into three levels, namely the first is Corporate Strategy, which is the level of strategy formulated and implemented by the top level of management, or top management, where in the scope of MSMEs, this strategy is implemented and formulated by the owner , pioneer, or entrepreneur. In this section, the actor determines the



direction of his business in the future, whether his business will grow (Growth), remain unchanged (Delay), or be reduced (Retrenchment) (Rufaidah, 2012).

The second level is Business Strategy. which is the level of strategy that is formulated and implemented by the middle level of management or middle management, where in the scope of MSMEs, especially those on a micro scale, this strategy is still formulated and implemented by the owner or business actor and pioneer. In this section, the actors determine whether their business will carry out competitive actions (tend to attack, compete) either directly, indirectly, or openly or secretly.

The final level is Functional Strategy, which is the level of strategy formulated and implemented by the lower level of management (low management), where in the scope of MSMEs, this strategy is formulated by the upper level such as the owner and carried out by workers in the business. In this section, the business strategy is also determined in each of the 4 business functions, namely Marketing, Finance, Operations and HR functions.

Strategy Evaluation

After the strategy is implemented, a strategy evaluation is carried out. Strategy evaluation is the final stage in strategic management. In detail, strategy evaluation consists of the following stages:

- a) Reviewing the company's internal and external factors at present
The company's internal and external factors are dynamic or changing. The development of changes in the company's environment needs to be monitored routinely because it is also related to the strategy that has been set. If factors have changed, it is necessary to re-identify whether they are in accordance with the existing strategy. If it turns out that they are no longer appropriate, the strategy can be changed according to changes in these factors.
- b) Measuring performance
Performance can be measured based on several indicators. Performance is the achievement of whether or not a company or organization's goals are successful. Performance can also be interpreted as work results or work achievements. In the strategic management process, the evaluation stage also takes the form of performance measurement. This performance measurement can indicate whether or not a strategy successfully achieves the goals set.
- c) Taking the necessary corrective actions
The last stage in the evaluation is determining the actions for the correction process. This correction process is carried out to determine the next strategy better and avoid repeating mistakes that may have been in the previous strategy.

In his book *Principles of Strategic Management*, Tony Morden states that strategic management consists of four process components. Although slightly different from the stages of strategic management that we have mentioned, they are similar. These components include:

- a) Strategy Analysis and Planning
Strategy analysis is a process of understanding the company's characteristics and internal capabilities and identifying critical external factors. At the same time, the planning



process is based on four variables: time analysis, risk analysis, forecasting or estimation process analysis and description of the business planning process.

a. Strategy Formulation and Decision Making

The strategy formulation and decision-making process is carried out to develop the company's mission, goals and strategies.

b. Strategy Selection

The selection process is used to identify alternative choices. These choices are later compared to determine which are better and more profitable for the company.

c. Strategy Implementation

The implementation of the strategy depends on the resources owned by the company. The knowledge, technology, and competence of the company's resources will determine whether or not the strategy implementation process will run well. The implementation of the strategy will be successful if the resources support it.

Strategy is a combination of a company/organization's internal resources and skills with opportunities and risks created by external factors (Christiananta et al., 2011). At least the analysis technique used is strength analysis (strengths - S), weaknesses (weaknesses - W), opportunities (opportunities -O), and threats (threats-T). Based on the SWOT analysis, 4 (four) types of strategies were developed, namely (1) SO strategy, (2) WO strategy, (3) ST strategy, and (4) WT strategy. SO strategy uses the company's internal strengths to exploit external opportunities. WO's strategy is improving weaknesses by taking advantage of external opportunities. ST strategy is the company using strengths to avoid or reduce the impact of external threats. WT is a defensive tactic to reduce internal weaknesses and avoid external threats.

Empirical Study

According to government regulation Number 7 of 2021, the latest \rightarrow criteria concerning the Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises are divided according to the criteria of business capital or annual sales results. MSMEs based on business capital are divided into (1) Micro, have a maximum business capital of IDR 1 billion excluding land and buildings for business premises, and annual sales of a maximum of IDR 2 billion., (2) Small have a business capital of IDR 1 billion - IDR 5 billion excluding land and buildings for business premises, and annual sales above IDR 2 billion - IDR 15 billion., (3) Medium have a business capital of between IDR 5 billion - IDR 10 billion, and annual sales of between IDR 15 billion - IDR 50 billion (<https://infiniti.id>).

The rapid development of MSMEs in Indonesia must, of course, be accompanied by regulations that support the growth of MSMEs so that they can develop well. To create good policies, they must be based on researchers' results or scientific findings. The following are findings from several researchers.

According to Hariri's research (2003), The rapid development of information technology encourages small and medium enterprises (SMEs) to accelerate digital transformation in order to

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improve their sustainable competitiveness. However, improving entrepreneurial skills must also support technological readiness to adopt e-commerce. This study aims to analyze the effect of entrepreneurial skills and e-commerce, which mediate the factors of technological readiness, top-level management support, and competitive pressure, on MSME performance. Partial least squares structural equation modeling (PLS-SEM) was used to estimate the research model based on data from 520 respondents who actively use e-commerce in their business activities in Jakarta, Indonesia. Data were obtained by distributing questionnaires directly to MSMEs.

The results showed that entrepreneurial skills and e-commerce adoption positively affected MSMEs performance. In addition, technological readiness, top-level management support, and competitive pressure positively affected e-commerce adoption and had implications for improving MSMEs performance. This paper provides recommendations to MSMEs managers and practitioners to improve business performance. For example, they should improve their entrepreneurial skills and increase the adoption of e-commerce for operational efficiency.

Furthermore, the results show that most entrepreneurs need to be interested in the pro-growth agenda, limiting the reach of pro-entrepreneur and pro-innovation discourses. Given entrepreneurs' orientations and characteristics, the issue of individual motivation becomes decisive. Entrepreneurs with a pro-growth attitude report higher growth rates and the evolution of their companies to a higher "qualitative" level.

Thus, the values and vision of entrepreneurs can influence the growth potential of businesses and the strategic dimensions chosen. The results also show that the "training" factor is more relevant than human capital represented by academic training. Therefore, the attention given to entrepreneurship in the university context should prioritize the training component to reduce the negative impact of the "academic training" factor on the growth potential of companies.

In summary, while formal barriers do not emerge as barriers to growth, more challenging informal barriers affect growth possibilities. Companies should integrate sustainability principles into their strategy, planning and organizational culture while harnessing the benefits of digitalization and innovation. This integration should be reflected at strategic and operational levels and align with a holistic approach to maximize benefits and positive impacts.

This study contributes to the literature by confirming other results with far-reaching implications estimated at the national level. Resources and pro-growth attitudes are universally relevant drivers of innovation, digitalization and sustainable business models across the sizeable continental area studied in this study. Conceptually, it is clear that the factors of size and type of leadership are critical to explaining performance in the intermediary variables. We recommend defining critical thresholds regarding company size to improve the allocation of technical and financial resources. Practical suggestions include local governments strongly assisting relevant companies to adopt the innovation-digitalization-sustainability model based on the provision of technical support. Second, relevant scientific research and financial and regulatory instruments should be developed to ensure that the majority of companies that gather the right level of resources succeed in this three-pronged approach to sustainable growth. Solutions such as

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scientific gatekeepers and consultancy services should be made available to companies at the EU level. Finally, the study confirms the negative impact of the family business factor on a broader geographical scale.

The study provides extensive descriptive and analytical data. However, there are some areas for improvement, especially considering that the applied model is data-driven. Although it contributes to the analysis of innovation, digitalization and sustainability in the EU geographical context, the research instrument limits its results due to its nature and definitional construction. The questions included in the final draft of the questionnaire were defined based on the information needs of EU services. However, these limitations are more than offset by the advantages of the study's sample size and geographical coverage.

Furthermore, the technical and practical approach that governed the data collection procedure should be well acknowledged. The survey aimed to collect generic and empirical data for public entities, not to develop a complex construct further. However, further research could build on the significant and robust main conclusions reached in this study and consider the country-specific links that have been partially explored. Further research should explore cultural differences associated with entrepreneurial ecosystems, innovation, and sustainable cultures.

2. RESEARCH METHODS

The research employs a qualitative method using multi-actor during a structured interview and an multi-actor FGD. These actors are the SMSEs owners in the sectors of ikat weaving and food, the local bank officers who oversee credits and assistance for the SMSEs, the local government office of SMSEs, the vice regent, and academics in the fields of innovation, finance, human resources, and economic development.

The research uses a combined lens of competitive strategy (Porter, 1980) and institutional theory (Acemoglu and Johnson, 2012) to portrait the relative position of the SMSEs and the root causes of their lack of performance. The competitive strategy lens is used to pinpoint the strengths and weaknesses of the SMSEs as well as opportunities and threat faced in their environment and market. Meanwhile, the institutional lens gives weight to the root causes of the underdevelopment of the SMSEs in the region from institutional perspective.

Using Porter's four SWOT quadrants, we derive 4 types of strategies, they are (1) expansion strategy, (2) consolidation strategy, (3) focus strategy, and (4) turnaround strategy. Then, to decide the sequence of these strategies we use the root causes analysis under the institutional lens.

3. RESEARCH RESULTS & DISCUSSION

Sumba Island is one of the islands in Indonesia located in the province of Nusa, located in the south of Indonesia, in the eastern part of the Nusa Tenggara archipelago, with an area of about 11,153 km², making it one of the largest islands in Indonesia. This island has a varied landscape



with hills, savannas, and tropical forests. There are also several large rivers flowing on this island. About 750,000 people inhabit Sumba. Most of the population is ethnic Sumba with a rich and traditional culture. This island is famous for its unique customs, including traditional ceremonies and distinctive traditional houses. The primary language is Sumbanese, but Indonesian is also commonly used; most Sumba residents work as farmers and ranchers. The main crops grown include rice, corn, and sweet potatoes. Sumba horse farming is also famous on this island. tourism is a rapidly growing sector in Sumba, with the main attractions being the natural beauty, beaches, and local culture. Some famous tourist destinations are Nihiwatu Beach, Ratenggaro Village, and Wairinding Hill. Sumba also has beautiful and natural beaches like Nihiwatu Beach, Tarimbang Beach, and Walakiri Beach. Sumba Island also has megalithic traditions and traditional ceremonies such as Pasola (traditional horse fighting), which attract many tourists.

Sumba Island offers a unique combination of natural beauty, traditional culture, and the friendliness of the local people, making it an attractive destination to visit. That will undoubtedly provide great MSMEs opportunities for the community. One of the regencies in Sumba is Southwest Sumba Regency, where Southwest Sumba Regency is located in the southwest of Sumba Island, East Nusa Tenggara Province, with an area of around 1,445.32 km². Hills and grasslands, with some fertile lowland areas, dominate this area. The regency is divided into 11 sub-districts and more than 100 villages/sub-districts, with Tambolaka as the regency's capital. The majority of the population is ethnic Sumba. The local culture is very strong, with traditions and customs that are still well maintained. The population is Christian, and some communities adhere to the traditional Marapu belief. The livelihoods of most of the population work as farmers and livestock breeders. The main crops include rice, corn, and beans. Cattle and horse farming are also essential livelihoods; tourism is starting to develop, with attractions in the form of beautiful beaches, traditional culture, and megalithic sites. MSMEs in Southwest Sumba itself are growing quite rapidly. Based on data obtained from each district on Sumba Island, each district has different advantages, so the pattern of MSMEs formation in each district is also different. In Southwest Sumba itself, the number of Small and Medium Industries (IKM) consists of 10 IKM from leather, 255 IKM from wood goods, 146 IKM from precious and non-precious metal goods, 8884 IKM weaving, 78 IKM pottery or ceramics, 303 IKM woven, 462 IKM food and beverages, and 1 other IKM.

To create a policy that can encourage the growth of MSMEs in Southwest Sumba Regency, of course, we need to see how the government and private sector respond to the conditions of MSMEs and what the supporting and inhibiting factors are for the development of MSMEs. Based on the interview results with the Deputy Regent of Southwest Sumba, it is known that the government has fully supported the growth of MSMEs in Southwest Sumba. The question is whether the government provides financial assistance to MSMEs actors. However, so far, it has been seen that these MSMEs actors still need to understand how to manage and run MSMEs so

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that the businesses they are engaged in can be successful. One of the biggest obstacles is cultural factors.

The cultures in Sumba certainly require considerable costs; this is what the Sumbanese, who are MSMEs actors, have yet to understand about how to manage MSMEs finances so that they are not mixed up with their finances. Many MSMEs fail because MSMEs actors hold traditional ceremonies both for customary funeral and wedding using money that should be used to finance their MSMEs activities. That is why cultural factors are one of the most significant inhibiting factors, according to the interview with the Deputy Regent of Southwest Sumba.

However, according to the Deputy Regent, this custom should not be mixed up with UMKM affairs; if you cannot hold a traditional party (happy or sad), do not force it to show off your abilities. Suppose you are not able to do it now. In that case, this traditional party can certainly be held later according to the person's promise when he or she can hold this traditional ceremonies. The local term for the practice of postponing the ceremonies is *winno paparera kutta papamedu*, meaning waiting for the betel and areca nuts to mature. These two are the main items in welcoming guests in the traditional ceremonies. Therefore if the principle is followed, the family needs to wait for the resources to be accumulated before an expensive customary is initiated.

SWOT Analysis and Strategy of Woven and Fashion MSMEs

Based on the results of interviews with MSMEs actors and FGDs involving MSMEs actors, banking, local government, and innovation experts, it is known that the main strength of weaving and fashion MSMEs in Southwest Sumba is the ability of weavers to produce unique woven fabrics at low prices such as *lambaleko* weaving, *Kodi blue* weaving, and *Kodi ikat* woven fabrics adopted from East Sumba *ikat* weaving motifs with low production costs. With these low production costs, MSMEs can set lower selling prices than the selling prices of woven fabrics from East Sumba. These woven fabrics are priced at around IDR 500 thousand to IDR 1.5 million. Woven fabrics from Southwest Sumba are cheaper substitutes for East Sumba *ikat* woven fabrics, priced at around IDR 2 million to IDR 10 million.

The next strength is that these fabrics already have their market share. These woven fabrics have 2 types of consumers: local Sumba consumers and tourist consumers from outside Sumba. Local Sumba consumers buy or use woven fabrics for

1. There are customary transactions both in marriage ceremonies and in funeral ceremonies, in which the wife giver clan gives woven cloth and live pigs in exchange for machetes, gold jewellery, and big livestock such as horses, cows, or buffaloes from the wife taker clan.
2. Worn in traditional ceremonies, women wear sarongs, and men wear long clothes.
3. They are sewed into uniforms that employees in government and private offices must wear at least once a week.
4. Made as souvenirs or gifts for guests or acquaintances from outside Sumba who visit Sumba.

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Static product development is the main weakness of weaving and fashion MSMEs in Southwest Sumba. MSMEs only produce woven fabrics with product models inherited from generation to generation, and downstream development, such as developing woven products into school bags, office bags, laptop bags, vests, and the like, cannot be carried out. For these downstream products, entrepreneurs from Lombok, Bali, and Java buy woven fabrics, make ready-to-wear products and then send some of the results to be sold in Sumba.

Another area for improvement is that the fabric weaving process is relatively long and not ergonomic, taking about 2 weeks per unit. That is because the weaving technology used is still traditional, passed down from generation to generation, as used by the ancestors of the Sumba people one or two centuries earlier. With this traditional technology, the weaving speed is determined by the strength of the hands and arms of the weaver, who is usually a woman aged 30 to 50 years. There has yet to be any adoption of more ergonomic weaving technology, for example, technology that uses the feet while standing to step on the thread-tightening tool, as is usually done by weavers in the Middle East. Using feet in weaving produces a denser weave because the pressure on the yarn comes from the weaver's entire body weight, not just his arms. One weaver is estimated to produce 2 units of cloth per month with an average price of Rp800 thousand per cloth. If sold immediately, the sales revenue is Rp1.6 million per weaver per month. If the business profit is 20%, then the profit received by the weaver is Rp320 thousand per month. There needs to be more than this amount of money for the weaver's household needs because they are below the poverty line, as determined by the Central Statistics Agency. The selling price of ikat weaving at the weaver level is often lower because the weaver targets fast sales so that his capital is immediately returned, and his business liquidity is created again, even in small amounts.

Related to liquidity, another major weakness is the low priority of weavers in increasing their capital compared to their priority in carrying out customary "obligations." For example, weaver families in the Sumba traditional community are willing to sacrifice to fulfill customary obligations by offering 1 buffalo worth IDR 40 million in a traditional event and receiving 1 pig worth IDR 20 million in return from the host. However, investment in the weaving business could be much higher. The lack of investment in weaving MSMEs means that weaving businesses in Southwest Sumba have yet to become a tool to escape poverty.

The biggest threat faced by weaving and fashion MSMEs in Southwest Sumba is competition from weavers who produce similar weaving in the West Sumba region (Laboya Karaja weaving, Loli lambaleko weaving) and East Sumba (Umalulu pahikung weaving, Kaliuda ikat weaving, Kanatang ikat weaving, Rende ikat weaving, and Kampera ikat weaving). Weavers in West Sumba and East Sumba position their weaving as having superior quality and more beautiful weaving motifs than those from Southwest Sumba. The price is also higher than that of weaving from Southwest Sumba. Thus, consumers with more purchasing power tend to choose woven fabrics from West Sumba and East Sumba rather than those from Southwest Sumba.

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The second threat is the flood of clothing, bags, shoes, and accessories made from Sumba woven fabrics or ready-to-wear imitations produced by MSMEs or large sewing companies in Lombok, Bali, and Java. Except for clothing made from Sumba woven fabrics, bags and accessories made from Sumba woven fabrics have a lower price per unit than a whole woven fabric. Therefore, bags and accessories are an economical choice for tourists who need cheap souvenirs from Sumba.

Two significant trends can support the development of woven and fashion MSMEs in Southwest Sumba. The first trend is the momentum of Sumba tourism. Global tourism players position Sumba as the next Bali. Investments in luxury hotels with a Sumba feel are increasingly rampant on the south coast facing the Indian Ocean. Luxury hotels such as Cap Caroso in Southwest Sumba and Alamayah and Nihi in West Sumba present tourists with extreme extra power. Then, the presence of middle-class hotels and villas also brings tourists with strong purchasing power. If it has uniqueness and represents the originality of Sumba design, then ikat weaving and its downstream products produced by MSMEs in Southwest Sumba can earn significant turnover. Support for assistance, funding grants, and cheap credit from the central government, local government, national banking, and regional banking is available in many formats. It is just that the management model of MSMEs by households that are still poisoned by Sumba's "customary investment" requires a turnaround strategy.

Facing opportunities at global, national and regional levels, the strategies that can be taken by weaving and fashion MSMEs in Southwest Sumba are:

1. Expansion Strategy
 - a. Develop luxurious but typical Southwest Sumba woven designs, away from East Sumba motifs and those in demand by the tourism sector. Need a motif competition and market trials.
 - b. Adopt more ergonomic weaving technology and involve male workers in weaving to multiply production and productivity.
2. Consolidation Strategy
3. "Fasting/sasi customary investment" and divert to strengthening MSMEs investment

Facing the threats from these competitors, the strategies that women and fashion MSMEs can take in Southwest Sumba are:

 - a. Focus Strategy

Develop the downstream sector (ready-to-wear clothing, bags, shoes, and souvenirs for the tourism sector) with Southwest Sumba's distinctive designs.
 - b. Turnaround Strategy

The MSMEs management model needs to get out of the complexity of customs and switch to the MSMEs consortium model with innovations in developing young human resources following the internship and training patterns carried out by the Sumba Hospitality Foundation.

SWOT Analysis and Strategy of Health Food and Beverage MSMEs

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Unlike the woven UMKM carried out for generations, the UMKM Food and Health Drinks, especially powdered herbal medicine in Southwest Sumba, are a new breakthrough. The UMKM Food and Health Drinks are not first movers but followers. The first mover in the food and health drink processing sector is the UMKM and extensive food and herbal medicine processing companies in Java. Then, specifically for ground coffee, the first mover in East Nusa Tenggara is the UMKM on the mainland of Flores, and the momentum of Flores coffee can be maximized by the UMKM making Sumba ground coffee. However, UMKM in Southwest Sumba has excellent strength because the raw materials for producing food and health drinks or Sumba herbal medicine are available in sufficient abundance. In addition, the technology used can be quickly adopted.

However, in the context of households of UMKM actors whose customary "investment" expenditures are much more significant than investments in UMKM Food and Health Drinks, the scale of the UMKM business is still tiny. It has not reached an economic scale. Thus, compared to the production of health food and beverages produced by MSMEs and large-scale companies from Java Island, the selling price of MSMEs products in Southwest Sumba is much more expensive per unit of the same product. In addition, food safety assurance, proximate testing, and organoleptic testing have yet to be carried out strictly. Likewise, market penetration of MSMEs Health Food and Beverage products in Southwest Sumba is still weak. The main outlets are in residential homes where the MSMEs products are produced.

Similar to what is faced by weaving and fashion MSMEs, the momentum of Sumba tourism that brings tourists with solid purchasing power can benefit Sumba MSMEs if their products can reach luxury and mid-range hotels and souvenir outlets where tourists shop. Likewise, support for assistance, funding grants, and cheap credit from the central government, local governments, national banks, and regional banks are available in many formats. It is just that the management model of MSMEs by households that are still poisoned by Sumba's "customary investment" requires a turnaround strategy.

Facing opportunities at the global, national, and regional levels, the strategies that can be taken by MSMEs in Food and Health Beverages in Southwest Sumba are:

1. Expansion Strategy

- a. Product development with high health value is typical of Sumba and is demanded by the tourism sector. There is a need for product development competition and market trials. Existing products need to be developed into ready-to-eat food or drinks.
- b. Increasing the scale of the business so that it approaches or reaches an economical production level

2. Consolidation Strategy

Temporary suspension of customary ceremonies and shifting the capital to strengthening MSMEs investment



Meanwhile, there are threats of competition faced by MSMEs in Food and Health Beverages, namely: Competition with first mover products from Java and Flores that have already dominated the market with lower prices.

Facing these threats from competitors, the strategies that can be taken by MSMEs in Food and Health Beverages in Southwest Sumba are:

1. Focus Strategy

Develop diversification of MSMEs products that are typical of Southwest Sumba and ready to eat.

2. Turnaround Strategy

The MSMEs management model needs to move away from the complexity of customs and traditions and switch to the MSMEs consortium model, which is innovative in developing young human resources, following the internship and training patterns carried out by the Sumba Hospitality Foundation. Overall, the combined strategies that need to be implemented, by sequence, are: First, transfer of MSMEs management from household level that is poisoned by excessive customary investment to a modern MSMEs consortium with a pooling resources on human, capital, product development, and thus achieve economic of scale. Each MSMEs household can still carry out the production process. However, product development, design, marketing, and financial management are managed together under the auspices of the MSMEs consortium. Second, a temporary suspension of customary investment for a certain period so that the financial resources can be accumulated and transferred to MSMEs capital. Third, the MSMEs consortium manages joint outlets that allow agglomeration and intense market penetration to ride the momentum of Sumba tourism as the next Bali.

4. CONCLUSION

This study explores strategies for the development of Micro, Small, and Medium Enterprises (MSMEs) in Southwest Sumba Regency where the main actor is the indigenous people of Sumba who still maintain their indigenous way of life.

Using a combined lens of competitive strategy (Porter, 1980) and institutional theory (Acemoglu and Johnson, 2012), this study found that the main root problem of the stagnation of ikat and food MSMEs in local communities is the contamination of MSMEs financial management by funeral customs. and high-cost marriages which have an impact on low levels of initial investment and low savings for re-investment for MSMEs development. As a result, the level of production of ikat and food does not approach the economic scale, product development is slow, and it cannot compete with substitute products from other business actors.

Weaponizing the main strengths of MSMEs, namely innate abilities passed down from generation to generation in the local product production system, as well as funding opportunities from the government and banks, and the threat of competition from MSMEs and large



companies that produce substitute goods, this study recommends sequential institutional and investment changes. They are: First, transfer of MSMEs management from household level that is poisoned by excessive customary investment to a modern MSMEs consortium with a pooling resources on human, capital, product development, and thus achieve economic of scale. Each MSMEs household can still carry out the production process. However, product development, design, marketing, and financial management are managed together under the auspices of the MSMEs consortium. Second, a temporary suspension of customary investment for a certain period so that the financial resources can be accumulated and transferred to MSMEs capital. Third, the MSMEs consortium manages joint outlets that allow agglomeration and intense market penetration to ride the momentum of Sumba tourism as the next Bali.

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