

## THE DEVELOPMENT STRATEGIES OF CASHEW INDUSTRY IN KENDARI CITY, SOUTHEAST SULAWESI

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### ABSTRACT

*The economic development of a region should refer to the agroindustry approach. An industry is not well developed due to the constraints of internal and external factors. This research aimed to identify the internal and external factors which could affect the development of cashew industry and determine the most effective alternative strategies applied in developing the cashew industry in Kendari Southeast Sulawesi Province. The data analysis technique used Strength, Weakness, Opportunity and Threat (SWOT) methods. The results showed that the internal factors that most influenced the development of the cashew industry were availability of adequate labor and limited capital investment funds while the external factors that influence the development included the government support and limited access to markets. The alternative strategies of the cashew industry development in Kendari Southeast Sulawesi Province include improving the marketing, maintaining the product quality and increasing the working capital.*

*Keyword: development, strategy, cashew industry, SWOT*

### ABSTRAK

*Pembangunan ekonomi suatu daerah seharusnya mengacu pada pendekatan industri pertanian (agroindustri). Suatu industri tidak berkembang dengan baik disebabkan oleh adanya hambatan faktor dari dalam maupun faktor dari luar. Penelitian ini bertujuan untuk mengidentifikasi faktor internal dan eksternal yang dapat mempengaruhi pengembangan industri mete serta menentukan alternatif strategi yang paling efektif diterapkan dalam mengembangkan industri mete di Kota Kendari Provinsi Sulawesi Tenggara. Teknik analisis data yang digunakan adalah metode analisis Strength, Weaknesses, Opportunities and Threats (SWOT). Hasil penelitian menunjukkan bahwa faktor internal yang paling mempengaruhi pengembangan industri mete adalah tersedianya tenaga kerja yang memadai dan dana investasi modal yang terbatas, sedangkan faktor eksternal yang mempengaruhi adalah dukungan pemerintah dan terbatasnya akses pasar. Adapun alternatif strategi pengembangan industri mete di Kota Kendari Provinsi Sulawesi Tenggara adalah meningkatkan pemasaran, menjaga kualitas produk dan menambah modal kerja.*

*Kata kunci: strategi pengembangan, industri mete, SWOT*

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### INTRODUCTION

The direction of economic policy going to be implanted by the government is developing industrial policies, trade and investment in order to improve global competitiveness by opening equal access to employment opportunities for all of the people and the entire region through the primacy of natural and human resources by eliminating all forms of discrimination and barriers (Soekartawi, 2005).

The emphasis of agricultural development should shift from the agricultural sector to the manufacturing sector i.e. from the primary agricultural products into processed products (agro-industry) which may increase the value added, provide employment, expand the market of agricultural products (Herdhiansyah, 2012). Agro-industry is a business activity that increases the efficiency of agricultural production factors and maximizes the potential of agricultural products to be extremely productive activities through the process of agricultural modernization (Saragih, 2004). The

characteristics of an agro-based industry is recourse-based industry; the direction of its development strategy is based on a regional approach on the concept of potential resource approach which is still based on the comparative advantage (Sham and Maarif, 2004). Currently, one of the agriculture-based industries which is being developed and promoted by the government is the cashew industry. The cashew industry development is conducted by improving the quality of cashew, diversifying the cashew processed products, as well as developing the products of byproducts/waste nuts that have a high economic value (Indarwanto, 2008). Cashew industries in Kendari Southeast Sulawesi Province have been established since a long time ago; however, they are not well developed. Based on the previous research conducted, the number of industries cashew has, in fact, decreased, due to the number of obstacles encountered i.e. the internal constraints faced by the company such as capital, production, marketing and technology as well as the external constraints such as the social, economic and governmental policies (Asriani, 2010).

SWOT analysis is merely an analysis attempted to identify various factors with a systematic basis for formulating the company's strategy. This analysis is based on the logic that maximizes strengths and opportunities, but simultaneously can minimize the weaknesses and threats. Strategic decision making process is always associated with the development of the mission, goals, strategies, and company policies. Thus, the strategic planners should analyze the company's strategic factors (strengths, weaknesses, opportunities, and threats) in its current condition.

The formulation of the strategy is based on a thorough analysis of the influence of internal and external environmental factors of the company (Rangkuti, 2001). Internal factors are all activities within the control of the company that is the strengths and weaknesses. Therefore, there are strengths and weaknesses in the management activities of marketing, production, research and development, and information system management at a company. External factors are beyond the company's control i.e. in the form of opportunities and threats, namely, the strengths of the economy, social, culture, demography, environment, government, legality, technology, and competition (David, 2004). Through the formulation of the strategy, it is expected that the cashew industry in Kendari City, Southeast Sulawesi Province can be further developed.

Based on the background, the formulation of the problem in this research was what strategy had to be done in the framework of the development of the cashew industry in Kendari Southeast Sulawesi Province. The purpose of this study was to identify internal and external factors which could affect the development of the cashew industry and formulate alternative developmental strategies of cashew industry in Kendari Southeast Sulawesi Province.

This research is important to be implemented because it is useful in developing the strategies related to policy aspects of the potential of the region in order to develop the cashew industry. It is expected that the local governments can provide facilities such as intensive coaching i.e. entrepreneurship training and encourage partnerships between the small and medium-scale entrepreneurs with the large-scale ones, especially in product marketing and quality coaching in order to increase the added value of cashew production.

A number of research on the development strategy by using SWOT method has been conducted by several researchers, such as Aji et al. (2014); Priharjanto et al. (2012); Falahati A, Veisi E. (2013); Mirzakhani M, Parsaamal E, Golzar A. (2014); Chan X. (2011); Shojaee M. (2013); Herdhiansyah D. (2012). However, research on the commodities of cashew industry has never been carried, and the search for the research literature was a problem; therefore, this research becomes extremely important as a reference for the researchers in the future.

## METHODS

The selection of the research location was carried out purposively, and it was conducted in the cashew industry and related offices in the city of Kendari. The samples must be traced to the widest and deepest way in accordance with existing variables. The selection of respondents was also done purposively with the criteria that they understood the cashew industry, were experienced, and know in details regarding this type of business and ambient conditions of the cashew industry. The selected respondents in this study included the owners of the cashew industry and relevant government institutions.

The collection of data which included quantitative and qualitative data in the form of primary and secondary data was obtained through observations. By using this data collection technique in which the researcher conducted direct observation of the symptoms of the objects under the study, a clear picture of the objects under the study and research sites could be obtained. Interviewing is a data collection technique conducted by asking direct questions to the respondents by the interviewer, and a recording is a data collection technique by recording the data available from various sources or institutions associated with this research.

The first stage of data analysis was an evaluation of internal factors and external factors. Internal factors analyzed included the market conditions, adequate labor, raw materials, product innovation, education level, and capital, and external factors analyzed included the government support, high demand, population growth, product competitions, and quality of cashew, market access, and development of local government. To identify the strengths and weaknesses of the internal factors as well as the opportunities and threats from the external factors in developing the cashew industry in Kendari Southeast Sulawesi Province, a SWOT analysis was conducted.

SWOT analysis is to identify the various factors systematically to formulate development strategies of cashew industry in Kendari Southeast Sulawesi Province. This analysis was based on the logic that maximizes strengths and opportunities, but can simultaneously minimize the weaknesses and threats. In the next stage of analysis of the Internal-External Matrix (IE), the purpose of using this model was to acquire corporate development strategy at a more detailed level, and this IE matrix is also useful to position the company into a matrix consisting of 9 cells. IE consists of a two-dimensional matrix that is the total score of the IFE Matrix (internal factor evaluation) on the X axis and the total score of EFE matrix (external factor evaluation) on the Y-axis, X-axis and Y In regard to the score, there are three scores i.e. from 1,0 to 1,99 of the weak position, from 2,0 to 2,99 of the average position and from 3,0 to 4,0 of the strong position. According to Rangkuti, F. (1997), the diagram can identify 9 cell company strategies; however, in principle, the cells can be grouped into three main strategies, namely: (1) Growth Strategy which is the growth of the company's own cells of 1, 2 and 5 or efforts to diversify the cells

of 7 and 8; (2) Stability Strategy is a strategy that is implemented without changing the strategic direction that has been set; (3) Retrenchment Strategy cells of 3, 6, and 9 were efforts to minimize or reduce the efforts of the company.

In order to achieve the vision and missions of the development of the agricultural industry, innovation to enhance the economic value added is required. Southeast Sulawesi is one of the central areas of cashew production in Indonesia, with abundant raw materials that can support the potential development of the cashew processing industry, thus sustaining the local economy. Based on the previous research conducted, the number of cashew industries has decreased due to the internal constraints such as capital, production, marketing and technology and the external constraints such as the social, economy and government policy. The data of the research framework can be seen in Figure 1.

## RESULTS

### Matrix Evaluation of Internal and External Factors

Based on the identification of the results of the Internal Factors Evaluation (IFE) and External Factor Evaluation (EFE), the cashew industry in Kendari in Southeast Sulawesi province has the following factors:

#### 1. Strengths

Internal factors, a force for the development of the cashew industry in Kendari Southeast Sulawesi Province, include the cashew production that has become the community tradition, greater market share for all ranges of the society, availability of adequate manpower, availability of raw materials, and maintained product quality.

#### 2. Weaknesses

Internal factors are the drawbacks for the development of the cashew industry in Kendari Southeast Sulawesi Province because they are less creative in terms of product innovation, the production technology is still simple, formal education level of labor is low, employers as the human resources are generally less professional, and limited capital investment funds.

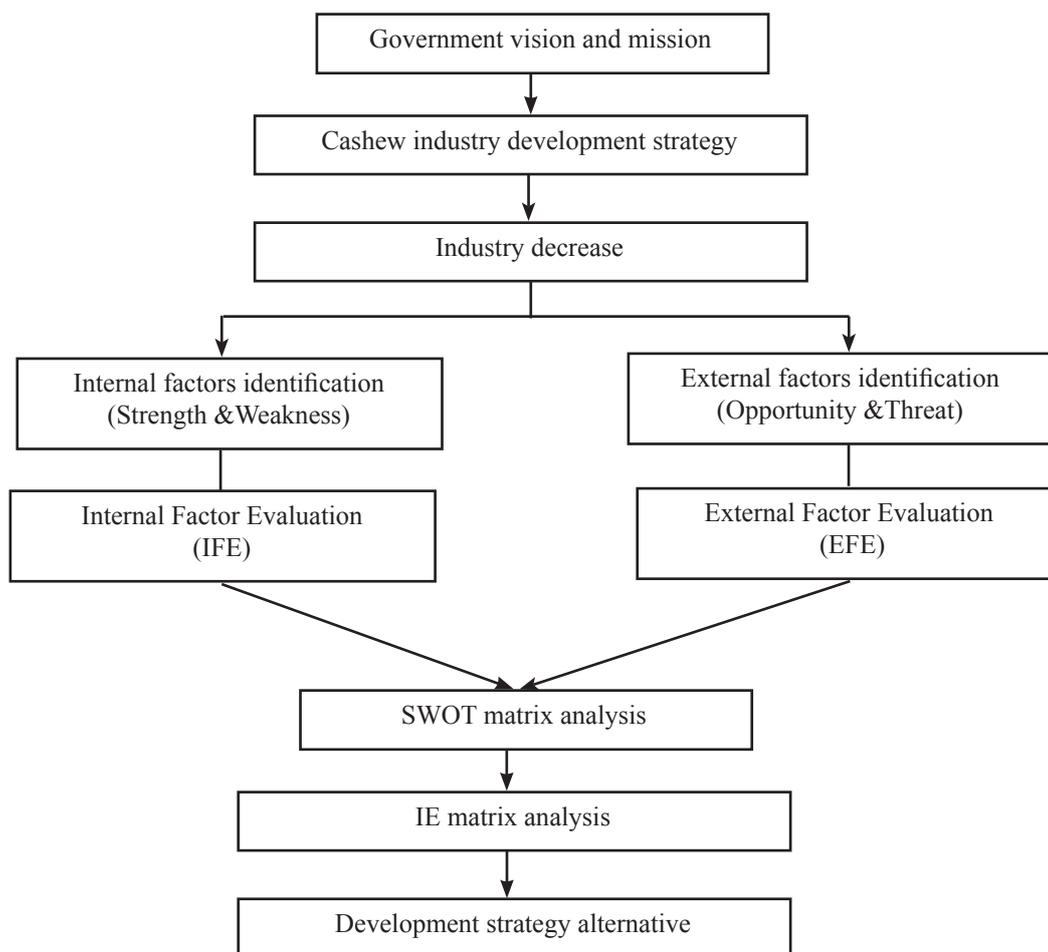


Figure 1. Research framework

### 3. Opportunities

The factors that can be used as a strategic factor as opportunities in the development of cashew industries in Kendari Southeast Sulawesi Province include the support and attention of the government, specialty food of cashew favored by the society, high and wide demand for cashew, high population growth and centers close to the industrial market.

### 4. Threats

The factors which are as a threat that can be used as a strategic factor in the development of cashew industry in Kendari Southeast Sulawesi Province include the limited government fund for the development, product competitors from other areas, inconsistency of taste quality, limited market access, and unconducive business climate. The IFE and EFE evaluation results are presented in Tables 1 and 2.

Based on the analysis of the assessment of the internal factors in Table 1 above, it can be seen that the highest

level of the strength for the development of the cashew industry in Kendari Southeast Sulawesi province is the availability of adequate manpower while the highest level of weakness experienced by the cashew industry in this province is the limited capital investment fund. After the assessment of the internal conditions of the cashew industry, a total strength factor of 1,375 was obtained, and this is smaller than the value factor of weakness with a score of 1,60, indicating that the cashew industry development strategy should be more focused on overcoming the weaknesses.

Based on the analysis of the assessment of the external factors in Table 2 above, it can be seen that the highest levels of opportunities for the development of the cashew industry in Kendari Southeast Sulawesi Province include the support and attention of the government as well as the high population growth. Meanwhile the highest levels of threats experienced by the cashew industry in Kendari Southeast Sulawesi Province include the limited access to markets and limited government funds for its development. After the assessment of the external conditions of the cashew

industry, a total opportunity factor of 1,35 was obtained, and this is smaller than the value of the threat factors with a score of 1,89, which means that the cashew industry development strategy should be more focused on overcoming the existing threats.

### Strategy Formulation

An alternative strategy is based upon the interactions between the internal and external factors obtained based on the analysis that has been conducted. A company in running its operations needs to figure out the right strategy for its business profits and proper development.

Therefore, an analysis to formulate strategy is required. The analysis used in this research is the analysis of SWOT matrix that can be seen in Figure 2. The strategy of the cashew industry in Kendari Southeast Sulawesi Province by the SWOT matrix analysis is as follows:

### Internal External Matrix (IE)

The Internal External Matrix is used parameters including those of the company's internal strength and external influences encountered. This model was used to obtain business strategies at the corporate level in more detail.

Table 1. Results of Internal Factor Evaluation (IFE)

Strengths	Weight	Score	Weighted Score
1. The cashew production has become the community traditions	0,125	3	0,375
2. Greater market share for all range of society	0,125	2	0,25
3. Adequate manpower	0,15	3	0,45
4. Availability of raw materials and maintained product quality	0,10	3	0,30
Total			1,375
<b>Weakness</b>			
1. Less creative product innovation	0,10	2	0,20
2. Simple production technology	0,10	3	0,30
3. Low formal education level of labor	0,05	3	0,15
4. Less professional human resources as employees	0,05	3	0,15
5. Limited capital investment funds	0,20	4	0,80
Total			1,60
Weighted Score			

Table 2. Result of External Factor Evaluation (EFE)

Opportunities	Weight	Score	Weighted Score
1. Support and attention from the government	0,20	2	0,4
2. Specialty food of cashew favored by the society	0,10	2	0,2
3. High demand	0,05	4	0,2
4. High population growth	0,10	4	0,4
5. Centers close to the industrial market	0,05	3	0,15
Total			1,35
<b>Threats</b>			
1. Limited funds from the government	0,15	4	0,6
2. Product competitors from other areas	0,05	4	0,24
3. Inconsistency of taste quality	0,10	3	0,30
4. Limited market access	0,15	4	0,6
5. Unconducive business climate	0,05	3	0,15
Total			1,89
Weighted			

Internal Factor	(STRENGTHS - S)	(WEAKNESS - W)
Eksternal Factor	<ol style="list-style-type: none"> <li>1. Community Tradition</li> <li>2. Big market share</li> <li>3. Sufficient manpower</li> <li>4. Sufficient raw material supply</li> </ol>	<ol style="list-style-type: none"> <li>1. less creative of product innovation</li> <li>2. simple technology</li> <li>3. low level of education</li> <li>4. unprofessional management</li> <li>5. limited capital</li> </ol>
(OPPORTUNITIES – O)	STRATEGY S – O	STRATEGY W – O
<ol style="list-style-type: none"> <li>1. government support</li> <li>2. specialty food</li> <li>3. high demand</li> <li>4. population growth</li> <li>5. industry centre recreation places</li> </ol>	<ol style="list-style-type: none"> <li>1. Maintain the tradition as specialty food</li> <li>2. improve the marketing</li> </ol>	<ol style="list-style-type: none"> <li>1. Use the appropriate technology in the processing of cashew</li> </ol>
(THREATS – T)	STRATEGY S – T	STRATEGY W – T
<ol style="list-style-type: none"> <li>1. Limited Development Fund</li> <li>2. Competitor products</li> <li>3. Low quality of raw material</li> <li>4. Limited market access</li> <li>5. Unconducive business climate</li> </ol>	<ol style="list-style-type: none"> <li>1. Cooperation with the government in conducting training development</li> <li>2. Competition with competitors to improve the quality of products</li> </ol>	<ol style="list-style-type: none"> <li>1. Maintaining product quality</li> <li>2. Increasing capital</li> </ol>

Figure 2. SWOT Matrix

Based on the results of analysis of the assessment in the internal and external factors on the development of the cashew industries in Kendari Southeast Sulawesi Province, it is currently at cell 2 which is indicated by IE matrix (2,97; 3,24) (Tabel 3), thus positioning the cashew industries in Kendari Southeast Sulawesi Province in the growth position with the concentration through the horizontal integration. The strategy of growth through horizontal integration is an activity to expand the company by developing it in another location and increase the variety of products and services. If the company is a highly attractive industry (cell 2), the aim is to increase sales and profits, by utilizing the advantages of the economics of scale both in production and marketing (Rangkuti, 2005). In this position, the cashew industry in Kendari Southeast Sulawesi province is in a state that shows its medium and strong internal and external positions. The IE matrix position is shown in Figure 3.

Table 3. Result of Internal External Matrix

	Matrix	Score	Total
Internal	Strengths	1,375	2,975
	Weaknesses	1,60	
External	Opportunities	1,35	3,24
	Threats	1,89	

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

Based on the results of this study, it can be concluded that the internal factors that most influence the development of the cashew industry include the availability of adequate labor and limited capital investment funds, while the external factors include the support and attention of the government and limited access to markets. The alternative developmental strategies of the cashew industry in Kendari Southeast Sulawesi Province are improving marketing, maintaining product quality and increasing working capital. Meanwhile, based on the analysis, the external internal matrix is at the position of Cell II, thus positioning the cashew industry in Kendari Southeast Sulawesi province at the attractive growth position with the concentration through the horizontal integration. The strategy of growth through horizontal integration is an activity to expand the company by developing it in another location and increase its variety of products and services through increased sales and profits by utilizing the advantages of the economics of scale both in production and marketing.

		IFE Total Value weighted		
		Strong 3,0–4,0	Medium 2,0–2,99	Weak 1,0–1,99
EFE total weighted value	High 3,0–4,0	I Growth	II Growth	III Contraction
	Medium 2,0–2,99	IV Stability	V Growth	VI Contraction
	Low 1,0–1,99	VII Growth	VII Growth	IX Luquidation

Figure 3. Internal and External Matrix (IE) of cashew industry

### Recommendations

Based on the results of the analysis, the recommendations for this study include (1) training and coaching of the existing labor are required to maintain the quality of cashew; (2) marketing strategy needs to be improved through promotions to expand the market; (3) the government should improve its roles through policies that are able raise capital for the development of the cashew industry in Kendari Southeast Sulawesi Province.

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