The Implications of Government Policy for the Development of Agro-industry Sago with SWOT Analysis

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ABSTRACT: *Sago is the most important food commodities and the potential for development*. The economic development of a region should refer to the agro-industry approach. An industry is not well developed due to the constraints of internal and external factors. This research aimed to identify the Strength, Weakness, Opportuny and Threat which could affect the development of Agro-industry Sago and determine the most effective alternative strategies applied in developing the sago in Kendari Southeast Sulawesi Province. The method used is the matrix of internal and external. The results showed that the internal factors that most influenced the development of the agro-industry sago were *the agro-industry sago include* availability of raw materials as a strengths *and* unprofessional manajement as a *weakness, while the external factors include* specialty food of sago favored by the society as a opportunities *and* limited funds from the government as a threats. *Based on the results of the analysis, the implications of government policy for this study include support of capital, marketing strategy needs to be improved through promotions and m*aintain the tradition as sago specialty food .
Keywords: Development, agro- industry , sago, SWOT

I. INTRODUCTION

Sago is the most important food commodities and the potential for development. 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-industry based 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 agro-industry sago.

Sago is a staple food that is quite popular for some community sulawesi the southeast, especially living in which is Kendari region Southeast Sulawesi Province. Food needs principal Southeast Sulawesi community form kerbohidrat almost 30 percent more sourced from sago flour (Muhidin, S. Leomo*at all* 2012)

Strengths, weaknesses, opportunities and threats (SWOT) analysis is a device that helps business managers to evaluate the strengths, weaknesses, opportunities and threats involved in any business enterprise, including farms and ranches. A SWOT analysis can help them gain insights into the past and think of possible solutions to existing or potential problems, either for an existing business or for a new venture(Reza at all, 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).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.

SWOT analysis is to identify the various factors systematically to formulate development strategies. 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 cell 4was 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.

II.   RESEARCH METHODS

The selection of the research location was carried out purposively, and it was conducted in the home industry sago 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 agro-industry sago, were experienced, and know in details regarding this type of business and ambient conditions of the agro-industry. The selected respondents in this study included the owners of the home industry sago and relevant government institutions.

The first stage of data analysis was an evaluation of internal factors and external factors. Internal factors analyzed included the The sago has become menu food traditions, greater market share for all range of society, adequate manpower, availability of raw materials, less creative product innovation, simple production technology, low formal education level of labor, unprofessional manajement, limited capital investment fundsand external factors analyzed included the support and attention from the government, specialty food of sago favored by the society, high demand, place of business is strategiesand place of business is strategies. To identify the strengths and weaknesses of the internal factors as well as the opportunities and threats from the external factors in developing the agro-industry sago in Kendari Southeast Sulawesi Province, a SWOT analysis was conducted.

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 sago production in Indonesia, with abundant raw materials that can support the potential development of the home industry sago, thus sustaining the local economy. Based on the previous research conducted, the number of home industry sago 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.
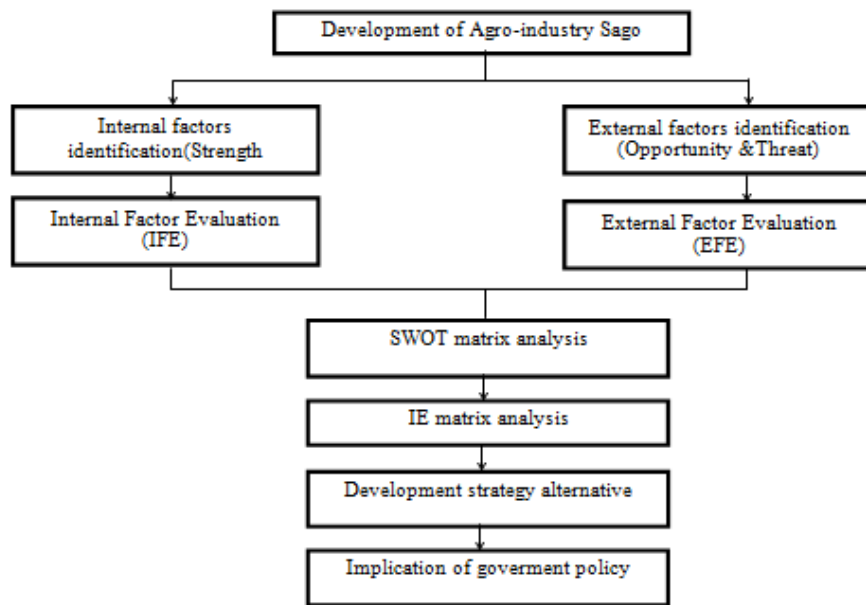
Figure 1. Research framework

III. RESULTS AND DISCUSSION

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 agro-industry in Kendari in Southeast Sulawesi province has the following factors:

1. Strengths
Internal factors, a force for the development of the agro-industry sago in Kendari Southeast Sulawesi Province, include the sago has become menu food traditions, greater market share for all range of society, adequate manpower, availability of raw materials.

2. Weaknesses
Internal factors are the drawbacks for the development of the agro-industry sago in Kendari Southeast Sulawesi Province because they are less creative product innovation, simple production technology, low formal education level of labor, unprofessional manajement, limited capital investment funds.

3. Opportunities
The factors that can be used as a strategic factor as opportunities in the development of agro-industry sago in Kendari Southeast Sulawesi Province include the support and attention from the government, specialty food of sago favored by the society, high demand and place of business is strategies.

4. Threats
The factors which are as a threat that can be used as a strategic factor in the development of agro-industry sago in Kendari Southeast Sulawesi Province include the Limited funds from the government, Product competitors from other areas, Inconsistency of taste quality and, limited market access, and Limited market acces. The IFE and EFE evaluation results are presented in Tables 1 and 2.

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 agro- industry sago in Kendari Southeast Sulawesi Province by the SWOT matrix analysis.

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 Scor
1. The sago has become menu food traditions	0.30	3	0.9
2. Greater market share for all range of society	0.20	3	0.60
3. Adequate manpower	0.20	3	0.60
4. Availability of raw materials	0.30	4	1.20
Total Weighted Score			**3.30**
Weakness			
1. Less creative product innovation	0.25	2	0.5
2. Simple production technology	0.20	3	0.6
3. Low formal education level of labor	0.15	2	0.3
4. Unprofessional manajement	0.25	4	1
5. Limited capital investment funds	0.15	3	0.45
Total Weighted Score			**2.85**

Table 2. Result of External Factor Evaluation (EFE)

Opportunities	Weight	Score	Weighted Scor
1. Support and attention from the government	0.25	2	0.50
2. Specialty food of sago favored by the society	0.35	4	1.40
3. High demand	0.20	2	0.40
4. Place of business is strategies	0.10	3	0.30
Total Weighted Score			**2.60**
Threats			
1. Limited funds from the government	0.30	4	1.2
2. Product competitors from other areas	0.35	3	1.05
3. Inconsistency of taste quality	0.10	2	0.2
4. Limited market acces	0.25	3	0.75
Total *Weighted Score*			**3.20**

Table 3. Result of Internal External Matrix

Matrix		Score	Total
Internal	Strengths	3.30	3.075
	Weaknesses	2.85	
External	Opportunities	2.60	
	Threats	3.20	2.90

Table 4. SWOT Matrix

Internal Factor / External Factor	(STRENGTHS - S) *1.* The sago has become menu food traditions big market share 2. Greater market share for all range of society sufficient raw material supply 3. Adequate manpower 4. Availability of raw materials	(WEAKNESS - W) *1.* Less creative of product innovation *2.* Simple technology *3.* Low level of education of labor *4.* Unprofessional management *5.* Limited capital investment funds
(OPPORTUNITIES – O) *1.* Government support *2.* Specialty food of sago *3.* High demand *4.* Place of business is strategies	SO STRATEGIES 1. Maintain the tradition as specialty food 2. improve the marketing	WO STRATEGIES *1.* Use the appropriate technology in the processing of sago *2.* Capital support from government
(THREATS – T) *1.* Limited development fund	WT STRATEGIES *1.* Cooperation with the	ST STRATEGIES *1.* Maintaining product

2. Competitor products 3. Inconsistency of taste quality 4. Limited market access	goverment in conducting training development 2. Competition with competitors to improve the quality of products	quality 2. Increasing capital

Based on the results of analysis of the assessment in the internal and external factors on the development of the home industry sago in Kendari Southeast Sulawesi Province, it is currently at cell 4 which is indicated by IE matrix (3.075; 2.90) (Tabel 3), thus positioning the agro-industry sago in Kendari Southeast Sulawesi Province in the stability position with the without changing the direction of the strategy that has been applied. In this position, the agro-industry sago 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.
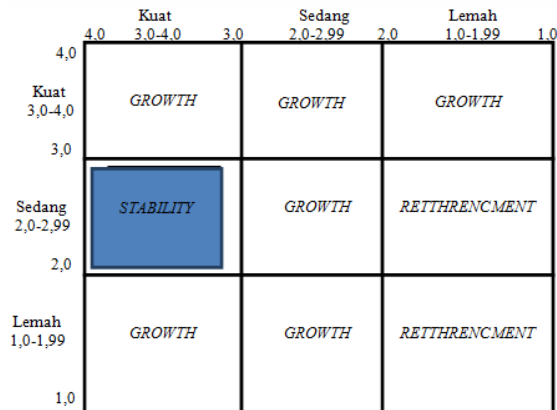

Figure3. MatrikIntemal.Ekstemal (lE)

IV. CONCLUSION AND IMPLICATIONS

Conclusion

Based on the results of this study, it can be concluded that the internal factors that most influence the development of the home industry sago include availability of raw materials as a strengths and unprofessional manajement as a weakness, while the external factors include specialty food of sago favored by the society as a opportunities and limited funds from the government as athreats. The alternative developmental strategies of the home industry sago in Kendari Southeast Sulawesi Province are maintain the tradition as specialty food, improve the marketing, use the appropriate technology in the processing of sago, capital support from government, cooperation with the government in conducting training development, competition with competitors to improve the quality of products, maintaining product quality and increasing capital.The external internal matrix is at the position of Cell 4 in the stability position with the without changing the direction of the strategy that has been applied.

Implications

Based on the results of the analysis, the implications of government policy for this study include (1) support of capital (2) marketing strategy needs to be improved through promotions (3) Maintain the tradition as sago specialty food

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