The OVOP Approach to Improve SMEs Business Performance: Indonesia's Experience

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Abstract—Small and Medium Scale Enterprises [SMEs] have proven to be one industrial group that is most sustaining during economic crises. From the year 1997 through 2000, the contribution of the SME sector has reached more than 46% of the Indonesia's GNP and as such it is vital to further stimulate its growth. This Paper discusses the One Village One Product (OVOP) approach to develop the business performance of SMEs. The study was carried out at nineteen SMEs producing processed-food. The study runs through a few excerpts from literature connected with SMEs and their role in the macro economic growth while identifying the factors that had a role in their growth. An overview of the OVOP approach is presented followed by an analysis and discussion of data gathered. Finally, concluding comments on the implementation model of the OVOP approach is presented.

Keywords- SME; OVOP; Government policy; Small scale industry.

I. Introduction

In the last decade, the world's economy experienced a lot of negative developments. A few countries even experienced recession as a result of various factors. By the end of 1990, a lot of developing countries were already in recession, including Indonesia. Based on the data from the Indonesian Centre Council for Statistics, in 1998 the Indonesian growth is at its lowest, -13.3%, and the growth of the industrial sector is -13,10%. This is after a positive growth from the previous year, which was 4.7% and an industrial growth of 6,11%. For the years following 1998, the economic growth of Indonesia improved and by 2007 reached 6,32% with the industrial sector (excluding oil and gas) reaching 5,15%. The Indonesian economic growth yet again experienced some problems in the year 2008 as a result of the financial crisis in the United States. This financial crisis decreased the economy of several countries including Indonesia.

Based on the data from the Ministry of Cooperatives and Small and Medium Scale Trade, the role of the small and medium scale enterprises (SME) reached more than 46%. From this sector, the biggest contributions were from the processing industries, and according to the data in 2006 from the Department of Industry the SME's portion is 38% from the national economy. Therefore the focus on the growth of the SME should be emphasized. Not to mention the role of the SME in the absorption of the labor force and being the source of income for the community.

This paper will discuss the OVOP approach to develop the business performance of the Small and Medium Scale Industries. The aim of the research was to indentify the characteristic of SME and to design the strategic plan on the

application of the OVOP approach on the development of SME. The study was carried out at nineteen small scale industries in producing processed-food.

II. SMALL AND MEDIUM ENTERPRISES

It is most certain that the characteristics of the small and medium scale industry are different from the large scale industry. Based on the current regulations, the category of small industries is stated as businesses that conduct their production processing activities by utilising not more than 20 employees. From the capital point of view, SME is categorized by activities with investments of not more than Rp. 500 million, not including the land and building of business.

Generally, small industries are born from micro scale home industries that further developed together with the growth of that industry. With a small production scale, it is hoped that their rate of flexibility are better and will ultimately be more sustainable during a crisis compared to the larger industry. The role of SME in the development of a countries' economy has been acknowledge widely. The role of SME has not only assisted the developing countries but also developed countries as well, such as in Europe [1], [2], [3]. Data has shown that in the United States, SME has a portion of 99.7% compared to the non-SME industries. The Australian Bureau of Statistics in the year 1999 revealed that 96% of the non-agricultural industries are categorized as SME. Meanwhile in Europe there is only 1% of the corporate world that has more than 50 employees [4]. When the economic crises hit the world, and many employees were laid off, but the SME sector became the savior of the economy. Among others, the SME were able to create employment. This is understandable since unemployment will have the impact to establish new SME's created by employees that were made redundant.

Specifically for Indonesia, the role of SME is broader that what is stated above. Several things that made the SME become one of the most strategic industries are:

- Utilization of various natural resources from all over Indonesia, including agricultural, husbandry, forestry and fishery commodities.
- Increasing the community's income which ultimately increases the income of the region in the city or province.

Therefore, it is not wrong to say that products produced by the SME can become a reliable product to export [5]. This is reasonable because generally the SME relies on local materials. That is why when the rupiahs value weakens, products of the SME are more capable to compete in both the domestic and international market. There were even several types of SME

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products that were exported during the crisis that happened at the end of 1990 [6]. This was also supported by the weakening rupiah exchange rate that improved the competitiveness of the Indonesia product in the International market.

III. ONE VILLAGE ONE PRODUCT

A. OVOP: the overview

One Village One Product (OVOP) is one of the SME development concept designed by Morihiko Hiramatsu, while serving as governor of Oita Prefecture. Oita Prefecture is a prefecture located in the northeastern part of Kyushu Island, Japan. OVOP is basically a concept or a program to produce one type of product or commodity which is in a particular area. The area, it could include an area of the region with a specific area such as the sub-districts.

Originally, OVOP developed with 2 (two) target, namely:

- Increase the income of local residents so that they can live in a prosperous life.
- Towards the development of the city to be proud of by locals as the ultimate goal of regional development.

Therefore, OVOP movement is to create products is a mainstay of the local area by utilizing the resources and energy are still not developed. Selection of a potential product requires a commitment and involvement of central and local governments in providing excellent products to meet domestic and global markets.

- B. Principles and Key Success Factors of OVOP Movement
 OVOP movement consists of 3 (three) principles which include.
- Local but global. By exploring and honing products and resources distinctively Indonesia or present only in Indonesia, then it becomes a commodity that can be relied upon in the international market.
- Self-supporting, independent, and originality / integrity. In principle, OVOP is a community-initiated self-help movement. Local communities determine their own commodities or products from OVOP, without intervention from the government. The government only provides support in technical, marketing, and financial aspects.
- 3. Human resource development. This is an important objective of OVOP Movement. Most important in OVOP movement is a foster and develop human resources to face new challenges in areas such as agriculture, trade, and tourism. Establish vocational schools or special courses that correspond to the selected product or the potential to be developed into a major and superior product.

C. OVOP movement in Asia and Indonesia

In the 1980s, China started One Hamlet One Product Movement which aims to encourage industrial development in the surrounding countryside. While in Southeast Asia, the Philippines started the project One Barangay One Product (OBOP) and Malaysia developed *Satu Kampung Satu Produk* project (which has the same meaning as One Village One Product).

Each country develops its own models to suit the economic conditions relating to the development of SMEs in their respective countries. Apart from the models that were developed by taking into account the condition of human resources, availability of raw materials and technology readiness.

OVOP Movement in Indonesia began in 2008 with the aim that SMEs are able to grow the business and its products are able to go to a broader market segment. SME business development through OVOP program, applied for SME companies must have the potential product for being improved its product quality and access to national and global markets. Selected products of SMEs to be developed through OVOP program must meet the following criteria:

- 1. flagship product in the area, and or the products of the industry's core competencies are available in the area;
- 2. cultural uniqueness and authenticity product;
- 3. good quality and attractive appearance;
- 4. potential for domestic and export markets; and
- raw material availability and continuous supply from the local area.

Ministry of Industry has mapped on some SMEs development centers in 80 districts that have a more ready infrastructure such as in Java, Bali, North Nusa Tenggara, North Sumatra and West Sumatra. Also, to support the development of OVOP program, the Ministry of Industry has disbursed funds worth 58.2 billion Indonesian Rupiah (valued at almost six and a half million USD) for tools, equipment and training program.

IV. THE STUDY

A. The Methodology

This study focused on the SMEs on a strawberry processing food industry, through OVOP approach at one of the village at Bandung county, West Java, Indonesia. The aim of the study was to examine the successful implementation of OVOP to the development of SMEs.

The research method used is the type of comparative research and research analysis. The data were collected directly from the strawberry processed food SMEs and from the local and central government. Data were collected through interview and discussion with the SME business owner and their management team. Based on the data, certain analysis was carried out.

The study was conducted on strawberries in the village center Alamendah, District Rancabali, Bandung regency. Also the study examined some of the policies that applied for SMEs and OVOP programs at the Directorate General of Small and Medium Enterprises, Ministry of Industry Republic of Indonesia.

B. The Data

Strawberry fruit processing industry, which is the object of the study, is located in Bandung regency, mainly located in the Village Alamendah, District Rancabali. The area is a center of strawberry plantation. Strawberry processing industry in the area is categorized as a small scale home industry. The industry currently processing into refined products such as strawberry syrup, juice, lunkhead, ketchup, sauce and strawberry jam. Raw materials used about 10 percent of the total harvest of around 300 kg per day. Strawberries that are used as raw materials is a class C strawberries which is small in size, and the remaining pieces from the large strawberries that are sold as fresh fruits.

There are nineteen (19) small scale industries in Strawberry processed food were selected as the object of research. The

production process at the strawberry industries are mostly using simple and household equipment such as blender or juicer to smooth strawberries, and gas stoves used for cooking. Only some of the companies use freezers, refrigerators and plastic containers as tools to preserve the strawberries.

Most of the industries get strawberries, as a main raw material, from the local village. There is only one company that gets raw materials from the local district, in this case outside the Alamendah village but still within the Rancabali district. The 19 industries that consume as many strawberries as raw materials 15.970 kg per month with a value of over 94 million Indonesian Rupiah or more than ten thousand USD. Average production cost of each strawberry processing company is around one thousand eight hundred USD per month with average sales more than two thousand five hundred USD per month. Thus, the average gross profit is nearly seven hundred USD per company per month. The type of processed products that provide the greatest profit per month is strawberry syrup and lunkhead, amounting over seven hundred USD and five hundred USD per month per company, respectively. Percentage return on total cost is at 36.66 percent for lunkhead strawberries and strawberry syrup at 33.60 percent.

In general, strawberry processing industry (9 of 19 firms) use any form of bottles to pack their products. In terms of labeling and packaging design, almost all companies use stickers as labels on product packaging. There are five companies that make packaging labeling by using printing.

So far, the strawberries produced from the village of Alamendah, marketed only in the surrounding villages (61% supplied to the stores, kiosks, or shop in the village), a small portion is sold to other areas in West Java province and only 2 percent is intended for export markets. Way of marketing is still very traditional, most (57 percent) of processed strawberry products are sold directly by producers, then 19 percent is taken directly by the buyer, 18 percent delivered to the buyer (canvassing), while the rest are sold through suppliers of raw materials and also sold through a distributor.

Payment methods for the products mostly are in cash (11 of 19 firms). The number of labor involved in those 19 firms as much as 106 people. Most of these workers have a relatively low level of education, junior and primary schools respectively 38 percent and 36 percent. This is because most of the workforce is employed in the last stages of production process and is done manually, so it has not been required of workers with higher education levels.

The value of investments in strawberry processing industry is around the amount of one millions Indonesian Rupiah (around one hundred and ten USD) to forty millions Indonesian Rupiah (almost four thousand five hundred USD). Investment funds are generally used for the purchase of machinery and equipment used in the production process.

Small enterprise producers of strawberries processed food have not received any assistance from other institutions, both public and private. Some only ever get a coaching or training assistance. There is only one company that had been received a donation of machines and equipment from local governments. While none of which have been getting any financial support from the Bank.

There are six main products produced by the processing industries that include lunkhead strawberries, strawberry jam, candied strawberries, strawberry syrup, processed strawberries and frozen strawberry. Of the 6 (six) main product, the

majority (37 percent) industries producing lunkhead strawberry as the main product and 21 percent produce strawberry jam, and another 21 percent industries produce candied strawberries as the main product. Another thing that needs to be developed in the development of small industries in strawberries processed foods is the flagship company, that needs to be established.

In order to develop the business, almost all companies will experience a wide range of problems or obstacles. These obstacles include issues related to the need for machinery and equipment to increase production capacity or productivity of strawberry processing industry, financing or capitalization issues, marketing issues, problems place of business or place of production, as well as the lack of training, coaching and counseling. Most of the problems being faced by almost all the strawberry processing industry (11 of 16 companies that provide the answer) is the need for machinery and equipment that can support the production capacity or productivity of their businesses, and 9 of the 16 companies experienced problems in terms of capitalization, 6 of 16 companies have problems to market their products, while five of 16 companies have problems in terms of place of business or place of production.

C. The Data Analysis

Strawberry crop area in Bandung County in 2008 reached 168 hectares, with production amounting to more than one thousand six hundred tons. In addition to the strengths, the strawberry is a fruit that is preferred by the public, either a fresh-fruit or processed food. This is also supported by the strawberry fruit processing technology that is not difficult and can be done by the SMEs. However, although it has some advantages, strawberries also have a number of disadvantages. For example, in the form of fresh food, strawberries could not be stored for long periods of time, if not properly handled or processed further. Meanwhile, the diversification of products and packaging of processed products made from raw strawberries are still very poorly developed, and the processing performed by the SMEs processing strawberries is still very simple.

With a large land area and a suitable climate, strawberries become one of the options for development of agrocommodities in the district of Bandung. In addition, strawberries have high economic valued, market opportunity is still wide open because the demand for commodities continues to increased. In relation thereto, a development strategy should be formulated taking into account the weaknesses and threats that are impediments to doing the development, in addition to strength and the opportunities they have.

TABLE I. STRATEGY ANALYSIS

C O CTD ATECY (a compacina)	W O Street con (directifical)
S-O STRATEGY (aggressive)	W-O Strategy (diversified)
 Optimization of fertile land to 	 Improvement of post harvest
increase production through	handling of fresh strawberries
organic farming	Provide guidance to SMEs in
2. Modernize machinery and	order to improve the production
equipment, as well as the	systems, production processes
production process, in order to	and management systems
increase productivity and	Organizes regular training on
variety of processed food	modern processing technology
products	to improve efficiency and
3. Setting up a partnership	create new products of
between farmers, SMEs, local	strawberries processed food.
government, state enterprises,	
financial institutions to develop	
a funding program.	
S-T Strategy (consolidative)	W-T Strategy (defensive)
1. Establishing rules to regulate	1. Improve the processing of fresh

- the mobility of labor between business attraction owner with strawberry processing company.
- Giving priority to local products as the main product to be marketed in tourist destination shopping arcade.
- strawberries to be processed efficiently
- Promote the continuous use of strawberry fruit to produce various types of food distinctively local
- Increasing the concern of the local strawberry products by giving priority to be promoted and marketed

Strategy to increase the utilization of strawberries for a variety of refined products can be described by analyzing a number of strengths and opportunities that faced with the weaknesses and threats. The interactions between these factors become the basis of formulating the agenda and SME development program in the future processing of strawberries. Medium-term development program (5 years) and long-term (15 years) may be derived in the form of implementation is operationally supported by accurate data and information, as well as with operational measures applicable in the field. In the Table 1 SWOT matrix is shown to be the basis for the preparation of medium-term development plans and long term development of SMEs processing strawberries in Bandung County. The results of this analysis can also be used as a basis for preparing the program and budget development activities, as well as moving the local industry and the business community in Bandung County.

Target of development of small industries on strawberry processed foods at the Alamendah village, Rancabali district, Bandung County, is becoming a leading processed food products. Processed strawberries is expected to be the identity of the Alamendah village and widely known throughout Indonesia. The industry is expected to grow and develop, both in numbers and capabilities, so it can become a small industry that:

- 1. self-sufficient in term of its business activities;
- 2. produce a more variety of products that made from strawberry;
- 3. packaged in an attractive manner;
- 4. marketed to various regions in Indonesia and exported; and
- 5. produced in ways that meet the requirements of hygiene and food safety

V. DISCUSSION

SME development program on strawberry processing industry using OVOP approach needs to get a major concern, because it involves the commitment of community groups as agents of development and commitment of the government as a motivator, facilitator and regulator. Both of these are the most dominant factor in determining the successful implementation of OVOP movement.

Commitment and awareness of community groups in the development of SMEs strawberry processing industry through the OVOP approach becomes even more important because this activity does not only involve the village communities living at Alamendah as a locus OVOP application, but also involves the strawberry farmers in three districts around Bandung county. Those three districts are the agropolitan areas which depend on each other. The similarity between the products of this region is one of the technical constraints in

Indonesia OVOP application that requires a synergy between the businesses in the local community.

To build commitment and awareness of community groups, government's role becomes very important, both in function as a motivator, facilitator and regulator. As a motivator, to trigger a community initiative, the government should continue to take the socialization of the purpose, principles and forms of processing strawberries SME development activities through OVOP approach. In addition, the government should actively involved in the local community at all stages of development, ranging from socialization stage, formulation and problem solving, decision making, to planning, and implementation stage.

As a regulator, the government must play a role in creating a conducive business climate through a variety of policies in favor of local farmers and processed strawberries producers to give priority in efforts to improve the promotion and marketing. Governments should also encourage mutually beneficial partnership and mutual trust between the business actors along the value chain, as well as provide support in the form of incentives, information, ease of permitting, and the allotment of places of business. As a facilitator, the central government and local governments are required to facilitate the development of SMEs in the field of processing strawberries production and processing, marketing, human resources, design and technology. Facilitation provided by the central government and local governments are needed to develop and improve the functioning of the incubator, the agency business development services, financial consulting bank partners, and other similar professional bodies as institutions supporting SME development. As a facilitator, the government also required to promote synergy among the business communities in a sustainable manner, especially regarding the similarity of products or commodities between villages and districts, as in the case of application of the locus OVOP Alamendah village, which included strawberry farmers in the area Agropolitan Ciwidey covers three districts: Rancabali, Ciwidey and Pasirjambu districts.

A. Developmet Plan

Based on the formulation of development strategies obtained from the matrix of a SWOT analysis as well as a description of the operational constraints of the program, that we discussed previously. We then need to set out the operational steps in the implementation of the strategy and plan the development of SMEs, through OVOP approach. The planning is both for the medium and long term planning, as presented in Table II below:

TABLE II. SME DEVELOPMENT PLAN MATRIX FOR STRAWBERRIES PROCESSED FOOD, BASED-ON OVOP APPROACH

	OBJECTIVES	
	MEDIUM TERM	LONG TERM
1. RAW MATERIAL	a. Increased productivity	a. Development of
ASPECTS	and quality of	organic cultivation
Increase agricultural	strawberry cultivation	of strawberries
cultivation and post	b. Increasing the number	b. Increased assurance
harvest handling of fresh	and quality of raw	of continuity of
strawberries in order to	material supply of fresh	supply of raw
ensure continuity of	strawberries for	materials for
supply of raw materials	strawberry processing.	strawberry
for processing		processing
strawberries.		- -

OBJECTIVES		
	MEDIUM TERM	LONG TERM
2. PRODUCT	a. The availability of	Into products with
ASPECTS	processed strawberry	high quality in
Develops products through product	products with high quality and a guarantee	accordance with the tastes of international
diversification (in terms	of food safety, at least	customers, as well as
of product variety,	have the halal	meets food safety
packaging design and	certification and	standards and holds
flavors).	expiration date	an international certification, so it can
	b. Increasing the quality of product packaging	be exported and
	or product packaging	accepted in the
		international markets
3. TECHNOLOGICAL	A 1.1.114	Increased efficiency
ASPECTS Increasing the use of	Availability of machinery and equipment for	and productivity of strawberry processing
modern technology to	strawberry based food and	SMEs with the
achieve higher levels of	beverage processing	support of modern
efficiency and		technology
productivity 4. HUMAN	a. Implementation of	a. Availability of a
RESOURCES	technical assistance,	competent and
ASPECTS	training regularly,	qualified human
Improve the competence	supported by	resources or labor,
of human resources through regular training	comprehensive module, as well as the	both in engineering and management,
and technical assistance	apprenticeship system	for the SMEs
in the field of technology	b. Knowledge of	processing
and manufacturing	strawberry-based food	strawberries
processes, as well as	processing techniques	b. Increased
management and entrepreneurship	to be part of a local secondary school	knowledge of entrepreneurship in
chirepreneurship	curriculum	the SME owners
5. MARKET	a. Increased sales to the	
ASPECTS	domestic market,	Growth in sales to
Improve access to markets through	supported by promotional	export markets, supported by
promotion, market	activities.	promotional activities
development and quality	b. Increased support of	and internet-based
of marketing tools.	relevant agencies and	marketing
	the private sector to improve market	
	access for SMEs.	
6. CAPITAL	a. The increasing role of	The increased
ASPECTS	banks, non bank	capacity and access to
Improve access to capital, both with	financial institutions to strengthening the	capital for SMEs strawberry
financial support from	venture capital of SMEs	processing,
banks and non bank	b. Setting-up a special	particularly for export
	financial scheme, for	financing
7. PARTNERSHIP	financing the SMEs a. Increased support for	Increasing the
ASPECTS	SMEs strawberry	competitiveness and
Enhance partnerships	processing from large	performance of SMEs
between SMEs	companies and state	through the
processing strawberries and large companies,	enterprises for the development of SME	processing of strawberries in order
state owned company	business	to enter international
and other supporting	b. Increased cooperation	market (export)
institutions	among economic	
	sectors, especially the tourism sector	
8. INSTITUTIONAL	a. Establishment of local	a. Increased
ASPECTS	community institutions	communication and
Institutional	b. Establishment a	coordination
strengthening through the establishment of local	roadmap for the development program	between SMEs and stakeholders
community agencies	through OVOP	b. Increasing
	approach	independence and
		community
9 RUSINESS	a Issuing government	participation
9. BUSINESS CLIMATE	a. Issuing government policies in special	
CLIMATE ASPECTS	policies in special incentive (fiscal or non-	participation Increasing the competitiveness and performance of
CLIMATE ASPECTS Increased support from	policies in special incentive (fiscal or non- fiscal)	participation Increasing the competitiveness and performance of strawberries
CLIMATE ASPECTS Increased support from relevant agencies and the	policies in special incentive (fiscal or non- fiscal) b. Increasing the quality of	participation Increasing the competitiveness and performance of strawberries processing SMEs to
CLIMATE ASPECTS Increased support from	policies in special incentive (fiscal or non- fiscal)	participation Increasing the competitiveness and performance of strawberries
CLIMATE ASPECTS Increased support from relevant agencies and the creation of a conducive	policies in special incentive (fiscal or non- fiscal) b. Increasing the quality of infrastructure in the	participation Increasing the competitiveness and performance of strawberries processing SMEs to be able to penetrate

B. Government Facilties

Facilitation and assistance can be provided by the government, both at central and regional levels, include:

Technical Support. In the aspect of technology development, the government is expected in providing machine and strawberry-based food processing equipment, both automatic and semi automatic, to be able to increase production capacity or productivity of strawberry processing. In the aspect of financial, the SMEs need to increase their access to capital. In this case the government may set the form of facilitation and coordination of partnerships with the banks, the private sector, state enterprises, or others to support in strengthening the investment capital. The third support that can be given by the government is to improved market access for SMEs, through the promotion: exhibitions and meeting business, market development, quality improvement of marketing facilities, and internet-based marketing (website) by a partnership involving state and private parties.

The three aspects above, become priority in providing facilitation and assistance from the government. To ensure that the facilitation and assistance are appropriate, meet the targets and benefits for strawberries processing SMEs, then it needs to be supported by improving the competence of human resources and improving the product and raw materials quality. HR competencies improvement needed, in both technical and management aspects. Secondly, the SMEs need to increase their product quality itself. This is important, since to increase the marketing aspects of the product, it requires a variety of processed strawberries products and a high quality packaging products that are safe and attractive, as well as more safety for consumption by consumers, for both domestic and international markets. This requires an increase in aspects of the product through product development, design and packaging technology, in order to test the quality of the products certification qualifications, and application of halal certification, expire date, GMP, HACCP and ISO. Thirdly, in improving efficiency and productivity of SMEs strawberry processing food industries, it needs to ensure continuity of supply of high quality fresh strawberries as raw materials.

Non-Technical Support. Improving the aspect of partnership is a part of efforts to overcome the limitations of government budget constraints, involving the support and cooperation of large companies, State Own Enterprise and other supporting agencies. Secondly, strengthening institutional aspects as part of efforts to overcome the lack of coordination and synergy among relevant agencies and the lack of local role in supporting the development of SMEs through OVOP approach; strengthening the institutional aspect of this is done primarily to encourage self-reliance, independence and integrity of local communities as a manifestation of one OVOP as a principle of movement. Third, creation of a conducive business climate is in order to improve government policy support for SMEs strawberry processing, so that in the long run could increase the competitiveness and performance of SMEs processing strawberries.

These three aspects (partnerships, institutions and business climate) mentioned above is non-technical forms of support that can be done by the government to facilitate the development of SMEs through the strawberry processing OVOP approach. In line with the principles of decentralization and regional autonomy, the strengthening of institutional

aspects and the creation of a conducive business climate for SME development is the responsibility of processing strawberries local government as a facilitator by involving all stakeholders.

VI. CONCLUSION

From the study it was found that the implementation of OVOP for SMEs industry in Indonesia is very appropriate to be applied. This is because Indonesia has a lot of small villages, each village has a special local product than can be developed and marketed to the domestic market and even in international markets. However, it was found from the study that most of the SMEs in the village are come from house-hold industries. They need special help and assistance, from other parties, both private companies and government (central and local).

The study was conducted on the 19 SMEs on strawberries processed food. It was indicated that in certain conditions, they are facing some major constraints to develop its businesses. Therefore, based on data analysis, it can be concluded that the SMEs need assistance and support in terms of improving the production process, market penetration and in financial matters. In this case, the role of local and central government becomes very important. With OVOP approach, it can be designed the SMEs development plan for medium and long term. The special scheme set-up by the government is expected to provide support and assistance to SMEs in three aspects. First, the improvement of production process through the rejuvenation of machinery and equipment, and training of human resources. Secondly, by facilitating SMEs in obtaining capital support from financial institutions or providing special incentive scheme for SMEs, so the SMEs are able to produce an excellent product quality. The third is to establish a marketing program for SMEs products for entering the broader domestic market or even the international market.

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