

# CHAPTER I

## INTRODUCTION

### 1.1 Background

Micro, Small and Medium Enterprises (MSME's) are one of the economic sectors that are classified as independent and able to continue to grow in the national economy. MSME's can also create productive jobs for the community. Although MSME's are labor-intensive, starting a business requires creativity, innovation, and courage.

In Indonesia, MSME's contribute 28% to GDP SMEs have always been described as a sector that plays an important role in Indonesia's economic development. This is because the majority of the population has a low level of education and lives on small and medium enterprises, both in the traditional and modern sectors.

All SMEs in Indonesia, especially in Bukittinggi, must have a strategy to develop and support their business so that they can continue to operate. The competition faced by SMEs in Bukittinggi City is competing with other SMEs and also competing with large companies that have already appeared on the market and have their own trust in society. Very high competitive forces force every company and MSME'S to prepare competitive strategies in business life.

The main goal of business is not only to seek profit or gain, but also to create value and provide added value to consumers or customers. The strategies created by each company or MSME'S enable companies to compete more effectively to increase their respective markets.

The success of a company is determined by the leadership's ability to determine the right strategy in managing the company using the environment, namely. selecting the right internal resources. The accuracy of the strategy determined by the leader is based on strategic thinking and learning experiences in constantly changing environmental situations. Business actors must have clearly articulated goals and objectives that can be used to guide the alternatives being considered.

The advantages and differences in company performance are closely related to company resources and how well the company can manage them. Company resources are the foundation and pillar of strategy. Without large resources, companies have many problems competing in the market. Unique resources that competitors do not have create a sustainable competitive advantage. Therefore, companies must be able to identify and utilize resources as best as possible to create higher added value for customers while generating profits for the company. The core concept of strategic management is competitive advantage, which involves achieving and maintaining it. Competitive strategies comes from having something your competitors don't. Competitive strategies can also be defined as a competitive strategy designed to be used by an organization. Because competitive strategy are easily destroyed due to competitor activities, the competitor's environment must be understood as an arena for seeking competitive strategy. The competitive strategy of a company's organization must utilize the competitive advantages of the organization that it has developed itself. Without a competitive advantage developed from resources, special characteristics, or core characteristics, it is difficult for a company to compete successfully in a given situation.

Porter also notes that a company's competitive advantage in the industry can be found in its level of competition, i.e. the breadth of a company's business units/target market.



**Figure 1. 1 Logo MSME's ID Cake and Bakery**  
*Source: ID Cake and Bakery (2023)*

The internal and external environments play an important role in influencing a company's performance and strategy. The internal environment involves factors

within the company, such as management structure, management processes, production processes and human resources. Meanwhile, the external environment includes factors outside the company, such as influences from the economic and social fields, culture and environment as well as from technological influences.

Companies that are able to manage these two environments well can optimize opportunities and overcome challenges. A healthy internal environment can create productive and innovative employees, while a good understanding of the external environment helps companies adapt to market changes and create relevant strategies. Effective integration between these two environments supports a company's long-term success.

MSME's ID Cake and Bakery can survive and develop their products into something unique. Because many SMEs started producing cakes but did not last long. This can happen because of the competitive strategy that is strictly implemented by MSME's ID Cake and Bakery. However, some of the literature obtained does not reveal anything and explains what strategies MSME's ID Cake and Bakery use in their business and competing in the market.

Based on the background of the problem described above, the author is interested in studying and investigating in more detail the business competition strategies implemented by cake production, with the research title being Competitive Strategies Analysis at MSME's ID Cake and Bakery Bukittinggi .

## **1.2 Formulation of the Problem**

Based on the discussion in the background, the following problems can be formulated:

1. How to analyze the internal environment at MSME's ID Cake and Bakery?
2. How to analyze the external environment at MSME's ID Cake and Bakery?
3. What is the competitive strategy at MSME's ID Cake and Bakery?

## **1.3 Purpose of the Study**

Based on the formulation of the problem above, the researcher has the following objectives:

1. To find out the internal environment analysis at MSME's ID Cake and Bakery.
2. To find out the external environment analysis at MSME's ID Cake and Bakery.
3. To find out the competitive strategy of the cake production at MSME's ID Cake and Bakery.

#### **1.4 Significance of the Study**

The usefulness of this research is expected to provide some benefits as follows:

1. For Authors

As a means to increase knowledge and insight in application of theories that have been obtained in college in particular in the application of management science and business.

2. For Practitioners

As a reference material so that MSME's ID Cake and Bakery can develop more and better in implementing its competitive strategy.

3. For Academics

Research results can be used as a reference for science development efforts business and also useful as a reference for students who conduct studies on business problems especially in a company's competitive strategy.

#### **1.5 Scope and Limitation of the Problem**

This research were conducted at MSME's ID Cake and Bakery. This research aims to determine the company's competitive strategy and for research it focuses on the analysis of the company's internal and external environment as well as analysis of the company's competitive strategy.

## **1.6 Writing System**

The writing system for this study would typically follow the conventions of academic writing. The research paper would typically consist of the following section

### **CHAPTER 1: INTRODUCTION**

This chapter will contain the background, problem formulation, research objectives, the benefits of research, the scope and limitations of the problem, and the systematics of writing reports.

### **CHAPTER 2 : LITERATURE REVIEW**

This chapter will contain the theoretical foundations used as a guide and references in problem solving

### **CHAPTER 3 : RESEARCH METHODOLOGY**

This chapter contains the steps taken to solve the problem.

### **CHAPTER 4 : RESULT AND DISCUSSION**

This chapter consists of a description of the research results analysis, and results and discussion of the research carried out.

### **CHAPTER 5 : CONCLUSIONS AND SUGGESTIONS**

This chapter consists of conclusions and suggestions of the research that has been carried out.