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Title contains
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[THE IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE PRINCIPLES ON CORPORATE SOCIAL RESPONSIBILITY PROGRAMS OF TOURISM INDUSTRY AT MALANG RAYA](#)

Christiana Sahertian

[GROWTH APPROACH IN ALLIANCE THE ANIMATION COMMUNITY OF MALANG CITY](#)

Dodot Sapto Adi

[REGIONAL COMPETITIVENESS: THE AGGLOMERATION OF MULTIDIMENSIONAL MODEL IN THE SLEMAN REGENCY OF YOGYAKARTA SPECIAL REGION](#)

Harmono Harmono, Anwar Sanusi

[SUSTAINABLE ENERGY HOMES](#)

Herry Suntoro, Sriptono Sriptono, Nurhamdoko Bonifacius

[IMPLEMENTATION OF "SANGA MANDALA" CONCEPT IN PATIRTAN WATUGEDE - SINGOSARI](#)

Junianto Junianto

[MEDIA USED FEMALE SEX WORKER IN SEXUAL HEALTH MANAGEMENT](#)

Lian Agustina Setyaningsih, Sri Widayati, Maulid Agung Triono

[DEVELOPMENT OF CORPORATE SOCIAL RESPONSIBILITY \(CSR\) MODEL OF PRODUCTIVE INDEPENDENT BUSINESS ESTABLISHMENT OF MARINE RESOURCES MANAGEMENT \(CASE STUDY OF PT. INDONESIA POWER UP SEMARANG\)](#)

Darmawan Hendro, Agus Naryoso

[SYMBOLIZATION OF WALIKAN LANGUAGES IN TV NEWS PROGRAMS](#)

Priyo Dari Molyo, Irma Mufita Yulistiowati

[WOMAN PRENEURSHIP APPROACH IN TRADITIONAL MARKET CULTURE](#)

Saudah Saudah, Sri Hartini Djatmikowati

[REPRESENTATION OF MADURA WOMEN IN THE HOUSEHOLD](#)

Zainur Rozikin, Rio Kurniawan

[IMPACT OF INTERNAL FACTORS TO ENTREPRENEURSHIP INTENTIONS](#)

Aris Siswati, Agung Suryo Prakoso

[ETHICAL COMPLIANCE OF LOCAL TELEVISION JOURNALISTS](#)

Aryo Prakoso Wibowo

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<i>Deny Yudiantoro, Widji Astuti, Harianto Respati</i>	
<u>THE EFFECT OF PROMOTION, PRICE, AND SERVICE QUALITY ON PURCHASE DECISION OF HIGHER EDUCATION SERVICE (CASE STUDY ANALYSIS AT "X" UNIVERSITY IN MALANG CITY)</u>	PDF
<i>Eric Asprilla Santo, Aang Fajar Passa Putra, Dani Yuniawan</i>	
<u>EFFECT OF CORPORATE GOVERNANCE ON RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND FIRM SIZES WITH EARNINGS MANAGEMENT</u>	PDF
<i>Gemi Ruwanti, Grahita Chandrarin, Prihat Assih</i>	
<u>STRATEGY FOR IMPROVING THE COMPETITIVENESS OF SMES TOWARDS KOTALAMA BECOMING THE CENTER OF MALANG FRIED ONION INDUSTRY</u>	PDF
<i>Ike Kusdyah Rachmawati, Yunus Handoko, Agus Rachman, Syarif Hidayatullah</i>	
<u>THE EFFECT OF BUSINESS ETHICS, ENTREPRENEURSHIP BEHAVIOR, AND ORGANIZATIONAL CLIMATE ON LEGAL MICRO, SMALL AND MEDIUM ENTERPRISES PERFORMANCE THROUGH PROFESSIONAL COMMITMENTS IN PASURUAN CITY</u>	PDF
<i>Joese Dwiharto, Nazief Nirwanto, Abdul Manan</i>	
<u>CONFIRMATORY FACTOR ANALYSIS JOB RELEVANT INFORMATION, BUDGET PARTICIPATION AND PERFORMANCE OF APPARATUS</u>	PDF
<i>M. Taufiq Noor Rokhman</i>	
<u>HANDICRAFT PRODUCT DESIGN FOR MICRO AND SMALL ENTERPRISES IN MALANG TOURISM</u>	PDF
<i>Mochammad Rofieq, Sudjito suparman, Sugiono Sugiono, Sri Herminingrum</i>	
<u>ANALYSIS OF FACTORS FOR PRODUCT ATTRIBUTES, SATISFACTION AND LOYALTY OF HYPERMARKET CUSTOMERS IN MALANG CITY</u>	PDF
<i>Wulan Murni Sulianti, Mahmud Mahmud</i>	
<u>AIR INFLATED STAGE ROOF STRUCTURE WITH INDEPENDENT ENERGY FOR SMES EXHIBITION</u>	PDF
<i>Hery Budiyanto, M. Ikhsan Setiawan, Erna Winansih, Aries Budi Setiawan, Herry Suntoro</i>	
<u>THE EFFECT OF IMPLEMENTATION QUALITY ASSURANCE AND BUSINESS INCUBATORS ON ENTREPRENEUR QUALITY AND ITS IMPACT ON SMES PERFORMANCE IN EAST JAVA</u>	PDF
<i>Syaiful Arifin, Rudy Wahyono, Tri Wahyuni</i>	
<u>THE ACHIEVEMENT OF SUSTAINABILITY DEVELOPMENT GOALS (SDG'S) IN COMMUNITY EMPOWERMENT WITH PARTICIPATORY RURAL APPRAISAL APPROACH</u>	PDF
<i>Boge Triatmanto, Mokhamad Natsir, Eny Rachyuningsih</i>	
<u>LABORATORY TEST EFFECT OF THE SLOPE ANGLE AND THE LOADING WITH PILE AS AN ALTERNATIVE TO SLIDING</u>	PDF
<i>Eko Indah Susanti, Nanang Mudjito, Rizky Prasetya</i>	
<u>THE IMPLEMENTATION OF PERFORMANCE ASSESSMENT MODEL ON PENSION FUND BY MODIFIED BALDRIGE ASSESSMENT AS AN ATTEMPT TOWARDS GOOD PENSION FUND GOVERNANCE</u>	PDF
<i>Gagak Apriyanto, Achmad Firdiansjah</i>	
<u>BUSINESS INCUBATOR IN HIGHER EDUCATION FOR STUDENTS BUSINESS OWNER</u>	PDF
<i>Hery Budiyanto, Agus Suprpto, Mochammad Rofieq, Dina Poerwoningsih</i>	
<u>ANALYSIS THE INFLUENCE OF REGIONAL FINANCIAL MANAGEMENT ELEMENTS ON PERFORMANCE OF DISTRICT / CITY SKPD AND ITS IMPLICATIONS ON PUBLIC SERVICES IN PROVINCE OF NORTH MALUKU</u>	PDF
<i>Maxion Sumtaky, Grahita Chandrarin, Anwar Sanusi</i>	
<u>DETERMINANT FACTOR AND DEVELOPMENT OF STRATEGY MODEL OF TURNOVER INTENTION ON BANKING IN BENGKULU CITY</u>	PDF
<i>Meilaty Finthariasari</i>	

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Ratnawati Ratnawati

TOURISM DEVELOPMENT MODEL THROUGH A BIOREGION APPROACH CASE STUDY OF MBAH DJOE RESORT TOURISM [PDF](#)

Samsul Bahri, Respati Wikantiyoso, A. Tutut Subadyo

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Umu Khourah, Fatima Abdullah, Krisnawuri Handayani

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Parawiyati Parawiyati, YK. Dewa Putera Dian Sawara, Eni Lisetyati, Prihat Assih



STRATEGY FOR IMPROVING THE COMPETITIVENESS OF SMES TOWARDS KOTALAMA BECOMING THE CENTER OF MALANG FRIED ONION INDUSTRY

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ABSTRACT

The business of fried onions in Kotalama Village has been around for decades, making the surrounding community familiar with the ins and outs of processing fried onions. In its development Small and Medium Enterprises (SMEs) fried onions in Kotalama Village have problems to maintain and develop business. The problems faced are almost the same as other Small and Medium Enterprises (SMEs), namely the problem of Marketing, capital, production and human resources. To improve existing businesses and overcome more specific problems in the business of fried onions in Kotalama Village, Malang City, it is necessary to know the strategies that are suitable and appropriate to the conditions of the region by taking into account the existing internal and external factors. Data collection techniques used in this qualitative research are in-depth interviews by face to face with the informant, by getting a complete picture of the topics studied. The informants in this study were 12 people consisting of: Onion business group, Malang City Cooperative and SMEs Office, Academics, Onion Entrepreneurs and the local community. Based on the weighting of Internal Factor Analysis System (IFAS) and External Factor Analysis System (EFAS) from the results of questionnaires and interviews, the priority of the strategy is based on a combination of strategies that have the highest to the lowest value. The most appropriate strategy to increase the business competitiveness of fried onions Kotalama Malang City is Weakness-Opportunity (WO) with the highest weight of 3.23. suitable strategies for this are: Always participate in SME product exhibition activities to inform the existence of SMEs Kotalama fried onions, Maintain security and harmony conditions among business actors so that togetherness in advancing fried onion business arises, Maintaining product quality quality to maintain market and increase market reach, Improving facilities or infrastructure in the environment including business land, making media information / promotional media such as leaflets, brochures, or other media in collaboration with the government including the SMEs and industry offices to introduce fried onion Kotalama products and assist capital with the provision or manufacture of microfinance institutions community-based in the fried onion business area.

Keywords: Small Micro and Medium Enterprises, Fried Onions, Strategy

1. INTRODUCTION

The household business sector that continues to grow rapidly in the city of Malang makes the City Government of Malang keep turning its brains to

strengthen this city as a center of various industries for the realization of the City of Malang as an Industrial City. The government's attention to the development of contemporary or modern industrial businesses that are now quite developed has begun to be reduced and diverted to the development of the concept of home industry. This is in line with the main target of the Malang City government that wants all household businesses to be made great by the establishment of thematic business communities. However, to develop the concept of these industrial centers, the City Government of Malang is still faced with the various obstacles, including the limited allocation of funds to help the development of industrial centers that have already been formed or which are still being pioneered, including how to increase the role and contribution of information and strategies for more effective development. in helping the needs of the community for the growth and development of industrial business activities in the Kota Lama of Malang City and at the same time expanding access to iconic information on fried onions to be more widely known by investors as well as being able to attract tourists to come to visit.

The development of small and medium enterprises (SMEs) has great potential in improving people's living standards, besides that SMEs are a strong business in supporting the economy (Kalpande, Gupta, & Dandekar, 2015). SMEs play an important role in accelerating economic growth. In addition, SMEs are also productive and dynamic contributors to the national economy. Fried Onion Products produced by SMEs in the area of Kota Lama have an important role especially for the economy of the surrounding community. The existence of Fried Onion business is done in almost every house in Kota Lama and the products produced on average are distributed or sold directly in the Pasar Besar Malang. The business of fried onions in Kota Lama has been around for decades, making the surrounding community familiar with the details of processing fried onions. In its development, fried onion SMEs in Kota Lama have problems in maintaining and developing businesses. the problems faced are almost the same as other Small and Medium Enterprises (SMEs), namely the problem of Marketing, capital, production and human resources. To improve existing businesses and overcome more specific problems in the business of fried onions in Kotalama, Malang City, it is necessary to know the strategies that are suitable and appropriate to the conditions of the region by taking into account the existing internal and external factors. Therefore, based on the description above, this study takes the title "Strategy for Improving the Competitiveness of SMEs Fried Onion Kotalama Malang City." Based on the description above, this research has formulated the problem: 1) What are the internal and external factors of MSME fried onion Kotalama city Malang? and 2). How is the strategy to increase the competitiveness of SMEs onion fried kotalama in Malang?

2. LITERATURE REVIEW

2.1. Competitive Strategy

Developing a competitive strategy is the same as developing a general formula about how businesses will compete, what should be the goal, and what policies are needed to achieve these goals. Identification and exploitation of new opportunities is the essence of effort. The essence of strategic management is how opportunities are transformed into competitive advantages (Machmud, 2014 : Zahra dan Dess, 2001; Venkataraman dan Sarasvathy, 2001; Kuratko et al, 2005; Kraus dkk, 2011). Methods that can be used in identifying business strategies can be text, multivariate, or typological (Hambrick, 1980; Croteau, et al., 1999).

Porter (1998) *Stated that the competitive strategy is a combination of the end (goal) achieved by the tool (policy) where the company gets there. The aim of competing strategies for a business unit in an industry is not an event of failure or bad luck, but competition in an industry is rooted in the underlying structure and runs beyond the existing competitor behavior.*

- a. Competition among existing companies
- b. The threat of newcomers
- c. Pressure from substitute products
- d. The Bargaining Power of the Buyer
- e. The Bargaining Power of Suppliers

2.2. Generic Competitive Version of the Porter Strategy

To deal with the power of competition (Porter, 1998) *Explained the need for a strategy known as generic names which is a fundamental way for companies to achieve profitability above the average company by having sustainable competitive advantage.* Generic strategies consist of three types that will be potentially successfully overcome other companies in an industry, namely a strategy of overall cost advantages, differentiation and focus.

a. Overall Cost Advantages Strategy

An overall cost advantages strategy is a strategy used to achieve overall cost advantages in a company / industry through a set of functional policies shown in the main target. Cost advantages require aggressive construction of efficient scale facilities, continuous efforts to achieve cost reduction due to experience, tight control of costs and overhead (other costs), avoidance of marginal customers, and minimizing costs in areas such as R & D, services, fleets sales, advertising and others.

b. Differentiation Strategy

The generic strategy is to differentiate the products or services offered by the company, namely creating something new that is felt by the industry as a whole as a unique thing. The company will use this strategy if it wants to compete with its competitors in terms of the unique products and services offered. This uniqueness can be seen from product characteristics that offer the values sought by consumers, so that they become unique and different products in the eyes of consumers.

c. Focus Strategy

This strategy is based on the idea that the company will thus be able to serve its narrow strategic targets more effectively and efficiently than competitors

who compete more widely. Companies that choose a focus strategy can potentially generate earnings above average for their income. This strategy can mean that the industry has a low cost position with its strategic targets. Focus strategies can also be used to choose the best target to compete more widely. Companies that choose a focus strategy can potentially generate earnings above average for their income. This strategy can mean that the industry has a low cost position with its strategic targets. Focusing strategies can also be used to choose the target that is best not vulnerable to not susceptible to substitute products or where competitors are lower.

3. RESEARCH METHODS

This research is a combination of qualitative research by combining the exploration, descriptive, experimental and applied research that is carried out in a comprehensive manner in stages to find out the Strategy of Increasing the Competitiveness of SMEs in Kotalama Fried Onions in Malang City. The focus of this qualitative research study was taken from the concept of Porter 5's strength model consisting of 1) Competitiveness of competitors in the same industry, 2) Threats to enter the market for newcomers, 3) Threat of substitute goods, 4) bargaining power of buyers and 5) bargaining power of competitors. The location of this study was in Kotalama, Malang City, with data sources obtained from interviews with key figures such as: Malang City Cooperative and SME Service, Industry Groups, Academics, Onion Entrepreneurs and the surrounding community with 12 key respondents.

Data collection techniques used in this qualitative research are in-depth interviews by face to face with the informant, by getting a complete picture of the topics studied. The informants in this study were 12 people consisting of: Onion business group, Malang City Cooperative and MSME Office, Academics, Onion Entrepreneurs and the local community. In-depth interviews are conducted with interview guidelines as a data collection tool. Interview guidelines are intended so that the questions submitted by the interview are more focused. Data analysis techniques are used with two methods of analysis, namely (1) Model 5 Strength from Porter (*Five Force Low Porter*) and SWOT Analysis.

4. RESEARCH RESULT

4.1. Preparation of the SWOT Questionnaire

Based on the results of the formulation of the indicators of internal and external factors, the SWOT questionnaire was then compiled. After the questionnaire is completed, then input from the resource person is asked to eliminate unnecessary questions, add important questions that have not been included or sharpen the questions that have been compiled. There are several additional factors both in the internal and external aspects of the area based on the results obtained from the resource persons as contained in Table 1 and Table 2 below.

Tabel 1 : Formulation of Internal Factor Identification

No Internal Factors of fried onion business in Kotalama

1	Ease in obtaining raw materials.
2	Human Resources Capacity (labor)
3	Competitive, because there is no business monopoly
4	Cooperation and good relations between business leaders
5	Business Location
6	Fried Onion Packaging
7	Fried Onion Promotion
8	Business Management Structure
Additional	
1	Product retention (expired)
2	Business Capital fried onions

Source: Authors' research results, processed (2018)

Tabel 2 : Formulation of identification of external factors

No	External Factors of fried onion business in Kotalama
1	Wide market availability
2	Guaranteed environmental security conditions in managing a business
3	Competition and competition are conducive
4	Government Support
5	High interest in the need for fried onions
6	Fried onion products from outside Malang
7	Less than optimal role of business associations
8	Type of fried onion raw material
9	Consumer Purchasing Power Decreases
Additional	
1	The absence of appropriate technology assistance

Source: Authors' research results, processed (2018)

4.2. Internal and external factor analysis

Based on the results of the respondents' assessment, there are several internal factors that become strengths, the weakness of the fried onion business in Kotalama, Malang City as shown in the following Table 3

Tabel 3 Strength and Weaknesses of fried onion business in Kotalama, Malang City

INTERNAL FACTORS	
Strength	Weakness
Ease of Raw Materials	Less strategic location
Labor	Packaging
Product Save Power	Promotion that has not been effective
There is no business monopoly	Capital
Cooperation and good relations	Business Management Structure

between business leaders

Source: Authors' research results, processed (2018)

Whereas for external factors that become opportunities and threats for the business of fried onions in Kotalama, Malang City can be seen in Table 4 below.

Tabel 4 : Opportunity Factors and Threats of Fried Onion Business in Kotalama, Malang City

EXTERNAL FACTORS	
Opportunity	Threat
Market Available	Onion products from outside Malang
Guaranteed security conditions	Less than optimal role of business associations
Competition and conducive conditions	Type of fried onion raw material
Government Support	Consumer Purchasing Power Decreases
High interest in the need for fried onions	The absence of appropriate technology assistance

Source: Authors' research results, processed (2018)

4.3. Giving Weight of Internal Factor Analysis System (IFAS) and External Factor Analysis System (EFAS)

After determining the strengths and weaknesses of internal factors as well as opportunities and threats to external factors, then the weighting of the SWOT element IFAS-EFAS can be seen in the following tables 5 and 6.

Tabel 5 : IFAS Fried Onion Business

No	Internal Strategy Factor	Weight (B)	Rating (R)	B x R
Strength				
1	Ease of Raw Materials	0,08	3	0,24
2	Labor	0,07	3	0,21
3	Product Save Power	0,08	2	0,16
4	There is no business monopoly	0,07	2	0,14
5	Cooperation and good relations between business leaders	0,06	3	0,18
Sub Total (I)				0,93
Weakness				
6	Less strategic location	0,04	4	0,16
7	Packaging	0,03	2	0,06
8	Promotion that has not been effective	0,04	3	0,12
9	Capital	0,05	3	0,15

No	Internal Strategy Factor	Weight (B)	Rating (R)	B x R
10	Business Management Structure	0,06	2	0,18
Sub Total (II)				0,61
Total (I+II)				1,54

Source: Authors' research results, processed (2018)

Based on the IFAS matrix above, it is seen that it is easy to obtain raw materials, and the product's storability is the greatest strength for the business of fried onions in Kotalama Malang City, with a weight of 0.08. While the high level of attractiveness is found in the ease of raw materials (0.24) and labor availability (0.21). So that based on the results of the IFAS matrix is 1.54. Thus, the business of fried onions in Kotalama Malang City actually has an attraction that is large enough to be developed, but there still needs to be an effort to improve the weaknesses in the region.

Tabel 6 : EFAS Fried Onion

No	External Strategy Factors	Weight (B)	Rating (R)	B x R
Opportunity				
1	Market Available	0,13	3	0,39
2	Guaranteed security conditions	0,12	3	0,36
3	Competition and conducive conditions	0,14	2	0,28
4	Government Support	0,12	2	0,24
5	Animo needs high fried onions	0,14	3	0,42
Sub Total (I)				1,69
Threat				
6	Onion products from outside Malang	0,06	4	0,24
7	Less than optimal role of business associations	0,07	2	0,14
8	Type of fried onion raw material	0,06	3	0,18
9	Consumer Purchasing Power Decreases	0,05	3	0,15
10	The absence of appropriate technology assistance	0,06	2	0,12
Sub Total (II)				0,83
Total (I+II)				2,52

Source: Researcher's results, 2018

On external factors, the greatest weight is given to conditions that are conducive and have high interest in the need for fried onions with a weight of 0.14. Based on these calculations, the EFAS value is 2.52. This means that changes in external factors have a high level of attractiveness to the business development of fried onions in Kotalama, Malang City. When compared with the IFAS value, where the EFAS value is smaller than the IFAS value, it indicates that the business

of fried onions in Kotalama, Malang City has a strong ability to deal with external changes.

4.4. Strategy Formulation

To find out the priorities and the interrelationships between strategies based on the SWOT weighting, the interaction between the external internal strategies is carried out, which can be explained as follows:

The formulation of SO, ST, WO and WT strategies is arranged based on internal factors S and W; and external O and T factors into the IFAS-EFAS SWOT interaction matrix as in Tables 5 and 6. Then based on the SWOT interaction matrix an assessment is weighted to determine the priority scale. The composition of alternative strategies based on the order of priorities can be seen in Table 7.

Tabel 7 : Fried Onion Business Development SWOT Matrix

<i>Strenghts (S)</i>	<i>Weight</i>	<i>Weaknesses (W)</i>	<i>Weight</i>
S1 Ease of Raw Materials	0,93	W1 Less Strategic Location	1,54
S2 Workforce		W2 Packaging	
S3 Power Save Products		W3 has not been effective in promotion	
S4 There is no business monopoly		W4 Capital	
S5 Good relationship between business leaders		W5 Business Management Structure	
<i>Opportunities (O)</i>	<i>Weight</i>	<i>Treaths (T)</i>	<i>Weight</i>
O1 Market availability	1,69	T1 Onion Products from outside Malang	0,83
O2 Guaranteed security conditions		T2 The role of business associations is less than the maximum	
O3 Competition and conducive conditions		T3 Type of raw material for fried onions	
O4 Government Support		T4 Consumer Purchasing Declines	
O5 Animo Onion requirement		T5 The absence of appropriate technology assistance	
<i>Strenghts - Opportunities (SO)</i>			<i>Weight</i>
SO1 Build and improve the source network of production raw materials from upstream to downstream starting from suppliers of raw materials to marketing finished products;			2,62
SO2 Continue to establish good relationships with existing business leaders so that it will lead to mutual assistance in order fulfillment and fulfillment of market needs.			
SO3 Build synergy with the government by requesting assistance to increase human resource capacity and market.			
<i>Weaknesses - Opportunities (WO)</i>			<i>Weight</i>
WO1 Always attend SME product exhibition activities to inform the			3,23

existence of SMEs Kotalama fried onions.

WO2 Maintain conditions of security and harmony between business leaders so that togetherness in promoting fried onion business arises

WO3 Maintaining product quality to maintain market and increase market reach;

WO4 Improve facilities or infrastructure in the area including business land.

WO5 Make media information / promotional media such as leaflets, brochures, or other media through cooperation with the government including the MSME and industry offices to introduce Kotalama fried onion products;

WO6 Helps capital by providing or manufacturing community-based microfinance institutions in the business area of fried onions

<i>Strenghts - Treaths (ST)</i>	<i>Weight</i>
ST1 Improve the quality and durability of products to counteract the entry of onion products from outside the poor and increase the purchasing power of consumers.	1.76
ST2 Increase cooperation and coordination with the association of fried onions through business commitments between business leaders in Kotalama;	
ST3 Increase cooperation with higher education institutions and universities to obtain and obtain input and assistance on appropriate technology for onion processing.	
<i>Weaknesses - Treaths (WT)</i>	<i>Weight</i>
WT1 Provision of appropriate and affordable technology to help improve production techniques such as onion peeler, onion slicer, heat sensor smelling and oil slicer;	2,37
WT2 Provides training assistance in making product labels, attractive packaging and effective market information in order to increase the marketing period.	
WT3 Make an information board or product workshop on the side of a big road by utilizing RW or other strategic places.	

Source: Processed Research Data: 2018

Based on the weighting of the questionnaire results, the strategy priority is based on a combination of strategies that have the highest value to the lowest, as shown in the following table 8.

Tabel 8 : Alternative Order of SWOT Strategy

PRIORITY	STRATEGY	WEIGHT
I	<i>Weakness – Opportunity (WO)</i>	3,23
II	<i>Strength – Opportunity (SO)</i>	2,62
III	<i>Weakness – Threat (WT)</i>	2,37
IV	<i>Strength – Threat (ST)</i>	1,76

Source: Processed Research Data: 2018

An alternative strategy sequence for IFAS-EFAS interactions in table 8 shows that the one that produces the alternative strategy with the highest weight is the Weakness-Opportunity (WO) strategy, translated as a strategy that minimizes the weaknesses of fried onion SMEs to take advantage of the opportunities. This condition shows that the local government, managers and entrepreneurs of fried onions in Kotalama, Malang City have a fairly heavy task, namely improving environmental facilities and infrastructure, providing information media and how to strive for development with conditions that favor the weakest conditions but are utilized to capture opportunities. The Weakness-Opportunity (WO) strategy based on the IFAS and EFOT SWOT interaction matrix in table 8 has the following policy strategies:

1. Always attend SME product exhibition activities to inform the existence of SMEs Kotalama fried onions.
2. Maintaining the security and harmony conditions among business leaders so that togetherness can arise in advancing the business of fried onions
3. Maintaining quality product quality to maintain market and increase market reach;
4. Improve facilities or infrastructure in the environment including business land.
5. Making media information / promotional media such as leaflets, brochures, or other media through collaboration with the government including the MSME and industry offices to introduce Kotalama fried onion products;
6. Assisting capital by providing or making community-based microfinance institutions in the business area of fried onions.

The results of this study support research conducted by (Kalpade et al, 2010) where for the existence of businesses, SMEs need to face new challenges by adopting the right strategies. Strengths, Opportunities, Weaknesses, and Threats analysis is one technique for carrying out more structural analysis to formulate the best strategy. The same thing was conveyed in the results of research conducted by (Prava Das, 2017) who said SWOT Analysis is very important to make SMEs understand their weaknesses in a better way and make them use their power to survive in the market and make it a normal profit. Another opinion expressed by (Kraja, 2013) although SMEs must understand and have more strategies because this will help understand the current and future situations and clearly know what strategies they should do.

5. CONCLUSIONS AND SUGGESTIONS

5.1. Conclusion

Based on the weighting of Internal Factor Analysis System (IFAS) and External Factor Analysis System (EFAS) from the results of questionnaires and interviews, the priority of the strategy is based on a combination of strategies that have the highest to the lowest value. The most appropriate strategy to increase the business competitiveness of fried onions Kotalama Malang City is Weakness-

Opportunity (WO) with the highest weight of 3.23. suitable strategies for this are: Always participate in SME product exhibition activities to inform the existence of SMEs Kotalama fried onions, Maintain security and harmony conditions among business actors so that togetherness in advancing fried onion business arises, Maintaining product quality to maintain market and increase market reach, Improving facilities or infrastructure in the environment including business land, Creating media information / promotional media such as leaflets, brochures, or other media through cooperation with the government including the SMEs and industry offices to introduce Kotalama fried onion products and assist capital with the provision or manufacture of microfinance institutions community-based in the fried onion business area.

5.2. Suggestion

For business entrepreneurs fried onion Kotalama Malang City by looking at the results of research on fried onion SMEs should increase networking from suppliers of onions in Malang or around Malang such as Probolinggo and Nganjuk and Brebes. In addition, it is necessary to have good packaging and vacuum from the fried onions produced so that it can last a long time.

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