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:: Management Information Systems
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:: Market Structure and Pricing
:: Marketing Research and Strategy
:: Marketing Theory and Applications
:: Operations Research
Optimized Design of Highways Network Taking into Account Land Relief, on the Basis of Steiner’s Problem
Alexey G. Isavnin and Radik Sh. Sharipov

Information Technology Strategic in ERP Success Model
Weli

Culture of Fear Effect on the Organizational Performance of Higher Educational Institutions: The Moderating Role of Strategy Communication
Mohammed R.A. Siam and Wael Sh. Basri

Features of Formation of Product Manufacturing Processes with High Added Value in Kazakhstan
Almaz Rysbekov, Serikbay Ydyrys, Erzhan Amirbekuly and Almas Kuralbayev

Identifying Dimensions of Regional Innovation System in Iran: A Grounded Theory View
Ahmad J. Jafarnejad, Hadi Zarei and Nima Mokhtarzadeh

Active Quality Factors of Learning Process in an Indonesia Senior High School
Sar Joni Herri

Al-Ghazali’s Islamic Ethics as a Moderator of Human Capital-Performance Relationship
Sakinah Mat Zin, Ahmad Azrin Adnan and Abdul Malek A. Tambi

Factors Affecting Construction Project Financing in Malaysia
Byung Gyoo Kang and Soon Kim Koh

Leili Jahanbin

Customer Trust as Intervening Variable of the Influence of Marketing Mix, Service Quality and Religiousness Value to the Customer Commitment in Sharia Bank Public
Abdul Halik, Ujianto and Ida Aju Brahma Ratih

Woman Hygiene Practice in Malaysia: A Quantitative Study
M. Nor Dalila, N. Azmawati, H. Rozita, M.S. Che Rusuli, M.Y. Nurul Hafizah and N. Nurhaiza

Investigating the Effect of Lesson Study Method in Science Lesson on Creativity of Secondary School Students
Fatemeh Saeidi Mahmood Abadi and Bahareh Azizi Nejad

The Effects of TQM Practices on Innovation Using an ISM/Fuzzy-ANP Approach
Mohsen Jajarmizadeh and Farzaneh Eslamloo

Job Satisfaction among Academic Staff: A Case Study in the Public University in Malaysia
Noorshella Che Nawi, Mohammad Ismail, Nurlaisah Ahmad Rastan, Azila Jaini, Mohd Asrul Hery Ibrahim, Azwan Abdullah and Zaminor Zamzamir Zamzamin

A Study on the Relationship between Organizational Culture and Organizational Technological Entrepreneurship among Youth and...
Sports Department Staff of Khorasan Razavi Province, Iran
Saeid Roshanaei, Hossein Peymanizad, Mozhgan Piri and Najma Ahmadzadeh Heravi

Culture and Agency Theory: The Case of Malaysia
Mazlina Mustapha

Examining the Mediation Effect of Employee Engagement on Internal Brand Practices and Outcome Variables in the Organized Retail Sector
Urmiya Ilam and Sapna Singh

Study of IT Management Strategy Direction Dealing with IT Consumerization
Wooyoung Kim and Jieyeon Yoo

Knowledge Sharing Behavior in Vietnam Telecommunication Companies
Thi Phuong Linh Nguyen, Huu Hai Do, Phong Tuan Nham, Minh Hai Nguyen and Thi Tuyet Mai Nguyen

Strategic Capacity of Brazilian Technological Parks
Alandey Severo Leite da Silva and Sergio Henrique Arruda Cavalcante Forte

Earnings Management by Debt Financing Types
Soonwook Hong

The Effect of Job Loyalty, Management Performance and Rewards and Recognition on Profitability of Islamic and Conventional Banks: Evidence from UAE
Abdulrahman Mohammad Albalooshi, Asbi Bin Ali and Ali Ali Al-Ansi

The Effect of Job Satisfaction, Job Loyalty, Team and Management Performance, Rewards and Recognition on Profitability of Islamic and Conventional Banks: Evidence from UAE
Abdulrahman Mohammad Albalooshi, Ali Ali Al-Ansi and Asbi Bin Ali

The Problem of Entrepreneurial Spirit of Indonesian Fishermen in the Global Era
Vina Salviana D. Soedarwo, Ishauv Ulum and Uci Yulisti

The Realization of Value Behind Agricultural Accounting Concept Based on Subak (Reality of Balinese Transmigrant Ethnic)
Tri Handayani Amaliah

Acculturation of Entrepreneurial Activity: An Exploratory Case Study of Several Mosques in Kelantan
Mohd Rushdan Yaso, Mohd Salwan Ghazali, Mohd Affie Mohd Awk, Azira Hanani Ab Rahman, Siti Salwani Abdullah, Ahmad Ridhuwan Abdullah, Mohammad Ihsan and Mohd Rafi Yaacob

Shariah Finance for Poverty Reduction in Muslim World
Zakir Hossen Shaikh and Malay Kumar Mohanty

Small Industry Development Strategy in North Gorontalo-Indonesia
Fachrudin Olilingo

Loyalty Program Strategy of Garuda Indonesia Flight Service
Martaleni

Measuring Production Efficiency Level of Vietnam for Inputs Imported from China
Phuc Van Nguyen, Vy Dang Bich Huynh, Phong Thanh Nguyen and Quyen Le Hoang Thuy To Nguyen

Empirical Study of the Relationship between Cash Flow Management and Financial Performance of the Jordanian Insurance Companies
Nimer Alslehat and Munther Al-Nimer

Business Strategy Role in Mediating the Relationship Between Intensity of the Competition and Company’s Performance (Study on Ikat Woven Fabric Industry in Bali)
I. Gusli Ayu Ketut Giantari, Ni Wayan Ekawati and Ni Nyoman Kerli Yasa

Representation of the Entrepreneurship Development in the National Media of Iran: A Qualitative Content Analysis of Payesh TV Program
Shiva Moradi, Abdolhamid Papzan and Ali Naeem Hajighi

Use of Social Networking Site and Quality Work Life among Staff in Universities
Aida Shekoh Omar, Afiza Abdul Majid and Wan Edura Wan Rashid

An Analysis of Factors Affecting Indonesian’s Economic Growth
Nasikh

Alignment between Supply Chain Management Practices and Maturity: A Framework Proposal
Guilherme Frederico and Thamires Trindade de Souza

Study on Effect of Intellectual Capital on Knowledge Sharing (Case Study: Department of Housing Foundation Fars Province)
Mohammad Ali Pour Mahdavi and Ali Pirzad
Study on the Relationship Between e-Services and Customer’s Commitment in Financial Services Market with Determination of Mediation Role of Customer’s Perceived Value (Case Study: Tejarat Bank-Shiraz)
Roya Dashti and Shams Aldini

Conceptual Framework of Corporate Culture Influenced on Employees Commitment to Organization
Abdullah Ramdhani, Muhammad Ali Ramdhani and Hilda Anisyifa
Small Industry Development Strategy in North Gorontalo-Indonesia

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Abstract: As the increase of small scale economic empowerment to the people of North Gorontalo through small and medium industries needs to get great attention from the government. Therefore, it needs good role and strategy in developing these small industries by regional government. This research used descriptive qualitative approach method and SWOT analysis which consists of three analysis components, data reduction, data display and conclusion drawing. The research result showed that human resource, marketing strategy, enterprise capital, competitors and government policy became factors which need to be changed in these small industries, thus, it needed self-improvement strategy in order to develop the industries well. Government policy in directing economic development which be pointed on small and medium industries and also maximize people’s role will be massive to the industries and then all potentials can be developed well.

Key words: Strategy, small industries, SWOT analysis, self-improvement, North Gorontalo

INTRODUCTION

In facing ASEAN Economic Community (AEC), people demanded to be well-adapted (Yoh and Tol, 2002) in order to not be crushed with this change, thus they will give effect to the change of national economic order. This effect is truly affected to the economic actors, especially who included into small industries because it must be realized that the existence of small industries is very vulnerable to the changes and global competition.

To strengthening small industries in the competition to AEC (Lee and Fukunaga, 2014) it needs people empowerment and the improvement of all national economic potentials (Itakura, 2014) through people’s economy development which stood on fairly market mechanism, the owned natural resources and productive and independent human resource development.

People’s economic system can be developed through small and medium scale economic (Ferenhof et al., 2014) empowerment by activities based group community which purposed to create equity of development and the improvement of business opportunities around community which in the end it can support the realization of sustainable national development.

Developmental programme of people’s economy that created by North Gorontalo District is independent, means the implementation of regional autonomy afforded to be self-funded through the owned economic potential optimalize (Datta et al., 2013) cultured means the implementation based on divinity, humanity values and prevailed norms also education values (Farley et al., 2015) prosperity means all developmental activities directed to the realization of people’s prosperity.

The large of North Gorontalo area is about 1772 km and has very good small and medium industry potential (Delgado et al., 2014). There are many industry potentials in North Gorontalo which can be developed and can be regional superiority (Lauf and Schwens, 2014) as follow:

- Industry based fishery. Potentials of this fish raw material are in 11 Districts along the coastline of North Gorontalo. These fish processing industries are fish drying and smoking
- Industry based shell craft where these potentials are in coastline seaboard and located in Ponenlo Island and can be developed as central of shell craft
- Industry based sugar palm and palm fiber where sugar palm molasses produced traditionally to make brown sugar and palm fiber used as fiber broom, fiber roof, etc
- Industry based dotted bamboo (also known as bambu buruk) plant in Gentum Raya, Tomilito and Monano District. This kind of plant only grows in North Gorontalo Regency and very potential to be taken by investors who produce furniture
- Industry based Karawo embroidery which also known as Kabate embroidery of North Gorontalo

MATERIALS AND METHODS

This research used descriptive qualitative approach (Chahraoui et al., 2015) which aims to give systematically, actual and accurate general description about facts and phenomena related to the development of small and medium industry potential in North Gorontalo.
Data collection: Data was collected integratively (Whittmore and Knafl, 2005) means: Main data source comes from direct interview to the bureaucracy apparatus and many small and medium industries in North Gorontalo area; data source obtained through the available data dan document review, both regulation of Act and government regulation related to the small and medium industry policy.

Data analysis: Data analysis used SWOT analysis (Miles, 1992) which consists of three analysis components, data reduction, data display and conclusion drawing. Data analysis based on interview result, field note and other materials was reviewed, particularly related to the small industry development, then analyzed systematically to create conclusion about small and medium industry development potential.

RESULTS AND DISCUSSION

Human resource factor: In developing a small industry, it needs managerial ability and professional human resource in maintaining the business activities (Marler and Fisher, 2013). It is due to human resource in a company, if it is well-managed, then the company will have more capability in integrating and coordinating company’s interest by improving productivity and production quality. Generally, human resource quality which managing industry based shell craft in North Gorontalo Regency is very low, especially in education, skill and experience aspect such what’s been stated by Mr. FD, shell craftsman in coastal area of Fonelo island.

“The craftsmen here, including the workers, almost all of them only graduated from Elementary School and the highest graduated from Junior High School. It really restricts the understanding related to the production process, marketing, and accounting. During this time, I try to emphasize on the workers to keep learning and asking to the experienced one in managing this business”.

It is in line with the statement of Mr. NM, one of staff in the Department of Industry and Trade of North Gorontalo Regency that up till now becomes counselor in many centrals of small and medium industry, he stated that: “In general, formal education of small and medium industry enterprisers is very low, most of them dropped out from school, Elementary School graduation and only few graduated from Junior High School. Nevertheless, they quite understand and have been experienced in production process. However, when they faced to the production quality and marketing, they are still very static and seem to have no idea to develop”.

Human resource of small and medium industries in North Gorontalo Regency is still very low due to most of the workers are casual worker and use manpower as main source, without paying attention on production quality, marketing and accounting aspect.

Marketing strategy factor: Marketing strategy is one aspect that really affected to the development of small and medium industry including marketing technique, market segment, promotion, distribution network and price (Kumar et al., 2015). Talking about marketing technique, most of small industries manage their marketing business by relying on old habits where to conduct product marketing, the industrialists or enterprisers still depend on customer’s or store’s order such what’s been mentioned by Mr. DS, enterpriser who has 5 employees as follow:

“Marketing that I and my friends have been conducted here only based on order. Many shell productions that sold here is still in raw material in order to deliver the items to the third party and be processed then finally the product is marketed in the city, Marisa and out of Gorontalo area. Besides that we also make our own crafts to be marketed in our small stands and also get incentive from related Department of Industry and Trade”.

The same argument also stated by other enterpriser, Mr. AM as follow: “It has 2 types of product marketing here, first is in raw material to be taken by the third party and re-sold out of city and second is produced as shell crafts to be sold in our own area which is still limited”.

Enterprise capital factor: Very large enterprise capital mostly needed to start a new enterprise or industry. Most of small and medium enterprisers use their own capital to start the industry (Hoening and Henkel, 2015) and after the industry get developed then they look for fund assistance to add the capital. Capital availability factor seems to be main problem in these small industry activities such what’s been stated by Mr. MA, brown sugar and fiber broom enterpriser in ponelo Village.

“I started this industry with my own savings, indeed, it was very small in the beginning was about 4 millions. After a long time then we start to add production volume, absolutely because we get many orders. But until this time, I am still afraid to take credit from bank because you know it well, besides I only have small market for my product, it also needs many requirements and procedures to take credit from bank. It is required to have good accounting, mortgage and honestly it burden us. Thus, we must be smart in managing the capital”. In the other times, one of dotted bamboo (bambu burik) furniture enterpriser from Monano village, DN, tried to give the opinion related to enterprise capital.
“To expand this industry, we should be smart in managing the products because if they are unsold then we can’t conduct production anymore. It is due to the purchasing result from sold products will be re-managed to produce new product”.

**Competitor factor:** Competition around small industries mostly occurred due to competition in determining selling price, product variation and marketing competition (Marx and Hsu, 2015). In the industry competition, it needs clarity whether the industry placed its position as market leader or market challenger and market following. The competition is needed to face market properties such as monopoly market, oligopoly market which has perfect competition.

About small and medium industry competition, PL., one of brown sugar and fiber brome enterpreneur in Monano village stated that: “If there is an industry and the products are well-accepted by market and in demand then it tends to stimulate the same new industries in that area. It is also same here, for the first time, it was only 1 home industry which produced fiber brome in this area but it becomes more and more as time flies. However, allahadulillah, people here have no conflict in competition among craftsmen. Of course there is competition among craftsmen but it is health competition”.

Similar argument also stated by Mr. KS, one of shell craftsman in Ponelo village. “If we see in general, there is competition among shell craft sellers here but we are still unified and solid because we are here still stay in the same village and know each other well. If we have problem related to the industry, then we will solve it in discussion and look for best solution. However, one of our worst competitors is shell ordered in raw material from out of city, the raw material shell will be re-produced and sold with their own brand”.

**Factor of government policy of North Gorontalo about small industry:** The development of small industries actually becomes main focus of North Gorontalo regional government because as one of small area which be developed, the existence of small industries will be main encouragement of regional economy and expected to be one of supremacy sector from this area (Pape et al., 2016). Therefore, to develop these industries, it doesn’t need small funds, however, North Gorontalo regional government has very limited budget and human resource, and thus it will be a problem. Moreover, the development of small industry is getting larger and need to be managed well by the government through the related department.

According to Mr. RM, one of staff in Department of Industry and Trade of North Gorontalo argued that many things that they have done to help the development of these small industries.

“We see quite good development of small industry here and it needs serious attention from the government in order to develop it further to improve people income and create new job opportunities. For example, we can see that brown sugar and fiber brome industry doesn’t need much capital because the raw materials can be taken from nature, besides that it is also the same for shell craftsmen, they can take the raw materials directly from the sea. And it can be regional potential that we can develop. We have done many things to help the enterprisers such as conducting counseling and training about marketing management, accounting management and their product promotion through exhibition”.

The argument above also affirmed by Mr. FA as Chief of Department of Tourism in North Gorontalo. “We have many tourism potentials here. One of sector that support these potentials is the existence of small industries because they can be made as one of regional icon. When someone visits to our place, either as tourist or doing her/his business trip here, we always try to show our craft products in order to make them remember about North Gorontalo area while they remember about craft products from this place. Promotion and marketing becomes our main weapon to advance the small industries here through exhibition and promote directly to the visitors about craft products from this area”.

**SWOT analysis:** Implicitly Bull *et al.* (2016), it is explained that the change of organizational environment of a company including small and medium industries expected to make a strategy to conduct self-analyzing to the environmental changes. Strategy in this analysis includes strengths, weaknesses, opportunities and threats in order to know organizational position in the environment and also as strategy to face the changes in the environment. Many of internal factors can be seen in Table 1 and it needs to be known by related small industries with their own strengths and weaknesses.

Table 1, it explains that factor for the greatest weakness from the development of small industries is enterprise capital which very limited. However, it also has advantage in other sector such as raw material and market segment that can be developed and managed well by the craftsmen. Besides trying to look for strength factor which can be main sector for industries and know the weaknesses to be improved, the small and medium
Table 1: Urgency matrix of internal factors

<table>
<thead>
<tr>
<th>Internal factor</th>
<th>abcd</th>
<th>efghijklmn</th>
<th>Percentage</th>
<th>NRK</th>
<th>NBK</th>
<th>TNB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strength</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human resource skill and expertise</td>
<td>b</td>
<td>a</td>
<td>e</td>
<td>f</td>
<td>g</td>
<td>h</td>
</tr>
<tr>
<td>Raw material available</td>
<td>b</td>
<td>b</td>
<td>e</td>
<td>f</td>
<td>b</td>
<td>b</td>
</tr>
<tr>
<td>The number of craftsmen in the same area</td>
<td>a</td>
<td>b</td>
<td>d</td>
<td>c</td>
<td>f</td>
<td>g</td>
</tr>
<tr>
<td>The shibori clear market segments</td>
<td>d</td>
<td>b</td>
<td>d</td>
<td>d</td>
<td>f</td>
<td>g</td>
</tr>
<tr>
<td>Craftsmen each village</td>
<td>a</td>
<td>b</td>
<td>c</td>
<td>d</td>
<td>#</td>
<td>f</td>
</tr>
<tr>
<td>Weakness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human resource still traditional</td>
<td>f</td>
<td>b</td>
<td>f</td>
<td>f</td>
<td>f</td>
<td>f</td>
</tr>
<tr>
<td>Limited capital business development</td>
<td>g</td>
<td>b</td>
<td>g</td>
<td>g</td>
<td>g</td>
<td>g</td>
</tr>
<tr>
<td>Marketing techniques through in orders</td>
<td>a</td>
<td>b</td>
<td>h</td>
<td>h</td>
<td>f</td>
<td>g</td>
</tr>
<tr>
<td>Less promotional products</td>
<td>a</td>
<td>b</td>
<td>i</td>
<td>i</td>
<td>d</td>
<td>f</td>
</tr>
<tr>
<td>Entrepreneurial soul employers are less</td>
<td>a</td>
<td>b</td>
<td>j</td>
<td>j</td>
<td>c</td>
<td>f</td>
</tr>
<tr>
<td>kThe lack of variety of products</td>
<td>a</td>
<td>b</td>
<td>k</td>
<td>d</td>
<td>k</td>
<td>f</td>
</tr>
<tr>
<td>Inadequate infrastructure</td>
<td>a</td>
<td>b</td>
<td>c</td>
<td>e</td>
<td>f</td>
<td>g</td>
</tr>
<tr>
<td>Financial bookkeeping administration</td>
<td>a</td>
<td>b</td>
<td>c</td>
<td>e</td>
<td>d</td>
<td>f</td>
</tr>
</tbody>
</table>

Total value strength = 3.35; Total value weakness = 3.35

Table 2: Urgency matrix of external factors

<table>
<thead>
<tr>
<th>Factor external</th>
<th>abcd</th>
<th>efghijn</th>
<th>Percentage</th>
<th>NRK</th>
<th>NBK</th>
<th>TNB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The number of available raw materials</td>
<td>#</td>
<td>a</td>
<td>a</td>
<td>a</td>
<td>a</td>
<td>a</td>
</tr>
<tr>
<td>Local government policy for the development of small and medium industries</td>
<td>a</td>
<td>#</td>
<td>c</td>
<td>a</td>
<td>a</td>
<td>a</td>
</tr>
<tr>
<td>Capital increase credit opportunities wide open</td>
<td>a</td>
<td>c</td>
<td>#</td>
<td>d</td>
<td>e</td>
<td>c</td>
</tr>
<tr>
<td>The market is still very large open</td>
<td>a</td>
<td>d</td>
<td>d</td>
<td>#</td>
<td>e</td>
<td>d</td>
</tr>
<tr>
<td>Coaching and training for businesses</td>
<td>a</td>
<td>c</td>
<td>e</td>
<td>e</td>
<td>e</td>
<td>e</td>
</tr>
<tr>
<td>A show at the local and regional levels</td>
<td>a</td>
<td>f</td>
<td>c</td>
<td>d</td>
<td>e</td>
<td>g</td>
</tr>
<tr>
<td>Threats</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Synchronization craftsmen and lgs</td>
<td>a</td>
<td>g</td>
<td>c</td>
<td>e</td>
<td>e</td>
<td>g</td>
</tr>
<tr>
<td>Price competition with overseas manufacturer</td>
<td>a</td>
<td>h</td>
<td>d</td>
<td>e</td>
<td>h</td>
<td>h</td>
</tr>
<tr>
<td>Relevant agencies limited budget</td>
<td>a</td>
<td>i</td>
<td>e</td>
<td>e</td>
<td>h</td>
<td>i</td>
</tr>
<tr>
<td>Coaching is not sustainable</td>
<td>a</td>
<td>j</td>
<td>j</td>
<td>d</td>
<td>e</td>
<td>j</td>
</tr>
</tbody>
</table>

Total value opportunities = 3.35; Total value threats = 2.28

industries also need to evaluate opportunities and threats that they will face such what’s included in Table 2 related to the opportunities and threats that they will be faced to the development of their industries.

The abundant raw materials that available in the nature to be processed into qualified products becomes rally larger opportunity for small industry enterprisers, however, it also needs supports from regional government by continually conducting counseling to the craftsmen and enterprisers in the case of production process, accounting and promotion in order to develop these small industries to be superiority industry sector in North Gorontalo area.

To assess the level of urgency from each factor thus it used by comparison method to determine the importance (urgency) level of a factor than other factors. Comparison between opportunity analysis, threats of external environment and strengths and weaknesses of internal environment in the strategy of small industry development obtained the description as follow:

**Cell 1:** The availability of opportunities and strengths in small industry development needs encouragement or stimulation in order to use the available opportunities to reach comprehensive policy that can be implemented effectively to create aggressive and optimal growth and development.

**Cell 2:** Various threats in the strategy of small industry development can be solved by maximizing the owned strengths to face disadvantage environment and also can use the opportunities which is developing and introducing small industries in North Gorontalo Regency to the larger community.

**Cell 3:** By removing and decreasing internal weaknesses of small industries in developing the industry and using the opportunities, it can reach significant development and growth to the existence of small industries.
Cell 4: In the condition to face many problems of internal weaknesses and external threats then it is necessary to conduct the change in policy aspect and also regional government strategy by involving related components. Therefore, it can decrease those weaknesses and threats which in the end will be a strength and opportunity in developing small and medium industries.

By combining between strengths and weaknesses also opportunities and threats in the strategy of small industry development, it can be described as follow (Fig. 1). Description from analysis result shows that opportunity to be developed for small and medium industry sector in North Gorontalo Regency is still large, however, to decrease internal weakness problem and overcome the external threats needs an action by taking a strategy which is self-improvement strategy because small and medium industry development is really necessary to face AEC (ASEAN Economic Community).

It needs serious attention from regional government to encourage or stimulate new and creative small industries which have national competitiveness to be able in developing North Gorontalo area. Besides that, the role of enterprisers and related environment also needed such as improvement in marketing and financial accounting sector that will really helpful in the process of these industries.

The choice of self-improvement strategy: Development basically comes from and for all people (1945 Constitution of Indonesian Republic). Therefore, in order to reach advanced regional development target, it should involve the people because in the end the people are who will get benefit from the development. Starting from this concept, development meaning is directed to the effort of potential optimize that owned by every rural areas (Hong et al., 2016) through people’s economy development strategy. One of realization from this development is small and medium scale economic empowerment through small and medium industry development in North Gorontalo area.

As the time goes by this small industry development is expected to be able in being a bridge for development equity concept and can create large job opportunity in order to create sustainable development. Therefore, every enterprisers and craftsmen who become spearhead in the implementation of small and medium industry expected to conduct evaluation and self-improvement in order to be able to compete with the market. Besides that, really important role also should be given by regional government in developing these small industries, it is expected that government as “parent or host” party can support and guide these industries such as ease in searching for enterprise capital credit, human resource training, market price stability and support in the aspect of production infrastructure and marketing. Because with synchronization between enterprisers and government can create people’s economy as with the idea which is prosperous and welfare Indonesia.

If it is seen from economic point of view, development based community means that development which oriented to the people’s prosperity. The same thing also tries to be explained by Tunnheim and Geels (2013) on the coal industry in the UK there are three methods that affect the stabilization of the company are external influences. Reduction of the company’s performance and weakening of the commitment to developing, and therefore for North Gorontalo area, it can be conducted through small industry empowerment model. Although this model considered as slower model in reaching nationally economic growth but this model has its own advantage if it is seen from natural resource and geographic potential that owned by North Gorontalo area which surrounded by mountain and coastal area.

Government policy in directing economic development which pointed to the small and medium industry and maximalization of people participation as large as possible need serious effort in radical and pro-people action which means political protection to people’s economy should be conducted seriously and not to disadvantage marginal people. The research that conducted by Solomon et al. (2013) showed that some small companies in the USA who get coaching assistance in terms of business and enterprise development shows that government policies have a positive effect on survival and earn profits in the company.

Resource factor really affected in success achievement of a company organization, it needs activity and creativity to improve productivity. Thus, if the abundant natural resources can be well-processed through skilled human resource then it will result in very good production process quality (Farley et al., 2015) tried to explain from the his/her research result that manage a resource that is owned by the company can be done by
sharing resources and information that was obtained, it is in line with what is done by the craftsmen of the region of Gorontalo in the North where the best thing they can do to manage natural resources is a way in working in groups and share information in producing handicraft products.

**CONCLUSION**

Generally, human resource quality that owned by enterprisers in small and medium industry at North Gorontalo Regency is still very low in education, skill and experience aspect, thus is affected to the product development and business management. Besides that, marketing technique and enterprise capital become one of problem that mostly faced by many enterprisers of this small and medium industry.

Government role in developing this small and medium industry is still less because it is only incidental and temporarily without sustainable process to keep helping and guiding this industry enterprisers. Recalling the large opportunity for these small industries to be developed in greater way, although, in the other side it still has internal weaknesses and external threats which can affect and inhibit this small industry development, then it can take self-improvement strategy by using the opportunities.

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Small Industry Development Strategy in North Gorontalo-Indonesia

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Abstract: As the increase of small scale economic empowerment to the people of North Gorontalo through small and medium industries needs to get great attention from the government. Therefore, it needs good role and strategy in developing these small industries by regional government. This research used descriptive qualitative approach method and SWOT analysis which consists of three analysis components, data reduction, data display and conclusion drawing. The research result showed that human resource, marketing strategy, enterprise capital, competitors and government policy became factors which need to be changed in these small industries, thus, it needed self-improvement strategy in order to develop the industries well. Government policy in directing economic development which be pointed on small and medium industries and also maximize people's role will be massive to the industries and then all potentials can be developed well.

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