



## SOAR-Based MSME Competitiveness in Purworejo Regency

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### ABSTRACT

Conceptually the goal in this research is to develop encouraging economic growth in Purworejo Regency, one way to achieve this is by developing local MSME businesses to compete in the global market. In an effort to improve the economy through MSME businesses, the researchers used the perspective of preparing strategic planning for the development of Local MSMEs with Global Competitiveness Based on SOAR (Strengths, Opportunities, Aspirations, Results) Analysis in Purworejo Regency in an effort to improve entrepreneurial performance. SOAR analysis allows an organization to examine all its levels and functional areas. SOAR analysis also focuses on improving tactics and strategies that are being carried out, to overcome existing weaknesses and threats so can be used as a basis for developing strategic mapping and the formulation of KPI measurements to developing strategic initiatives that affect the potential for successful entrepreneurship of MSMEs in Purworejo Regency. The research method uses a population of all micro, small and medium enterprises (MSMEs) registered in Purworejo Regency by taking random and representative research samples by considering several research variables. The data collection procedure used primary data, namely interviews and direct observations, while secondary data with literature review related to the research topic. To analyze the problem of strategic issues using the ASTRID method (Actual, Specific, Transforming, Relevant, Innovative, Can be done). In-depth analysis is carried out using SOAR analysis tools and Leavit's Model, because these analytical tools can describe conditions and problems as well as existing conditions, namely Structure, Technology, People and Task Analysis.

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### 1. Introduction

The role of entrepreneurs (entrepreneurs) greatly determines the economic growth of a country or region. The government, with various policies, seeks to improve the ability of entrepreneurs to be able to grow and develop faster. With the participation of business actors to strengthen the economy, determine the absorption of labour and increase tax payments. If the number of entrepreneurs in a country reaches 2% (as an international standard) of the total population, it can grow into a developed country. Therefore, business actors must establish more professional and independent entrepreneurs and provide value to all stakeholders (Atmosoeparto, 2001). Increasing the number of business actors is also expected to encourage the growth of new entrepreneurs (Dessler, Gary, Benyamin Molan, 1997).

The most significant business actors in Indonesia are Micro, Small and Medium Enterprises (MSMEs) which need the Government's attention. Micro, Small and Medium Enterprises (MSMEs) are business activities that can expand employment opportunities, provide general economic services to

the community, play a role in the process of equity and increase people's income, encourage economic growth and play a role in realizing national stability. In addition, MSMEs are one of the main pillars of the national economy that must obtain the primary opportunity, support, protection and development as widely as possible as a form of firm alignment with people's economic business groups, without ignoring the role of Large Enterprises and State-Owned Enterprises (Koperasi, 2014).

The government pays attention to MSMEs because they have a role in the national economy. (Scarborough, 2016) states that the recovery from the economic crisis has been going on for seven years, and several studies have shown that the Indonesian economy does not only rely on the role of large businesses but that MSMEs are proven to have relatively better resilience compared to large-scale businesses during the crisis and the recovery period of the Indonesian economy (Sukirman, 2014).

The Purworejo Regency Government, through the Department of Trade, Cooperatives, and Small and Medium Enterprises (Dindagkop-UKM), continues to encourage economic growth. One way to achieve this is by increasing the number of new entrepreneurs. The development of Micro, Small and Medium Enterprises (MSMEs) in Purworejo Regency aims to develop the potential skills and independence of entrepreneurs who can generate local potential, be globally competitive, and help reduce unemployment in Purworejo Regency.

The magnitude of the role of various economic business fields in producing goods and services greatly determines the economic structure of a region. The economic structure formed from the added value created by each business field illustrates how much dependence an area has on the production capacity of each business field (Husein Umar, 2001). The trade sector, MSMEs, provides the most significant contribution to the economy of Purworejo Regency.

Economic growth is one macro indicator of a region's actual financial performance. Economic growth can be seen as an increase in the number of goods and services produced by all business fields of economic activity in an area over one year.

From the statistical data on economic growth for Purworejo Regency in 2021 (Nugroho, 2021), it can be seen that the economy of Purworejo Regency in 2021 grew by 3.38 percent compared to the achievement in 2020, which was -1.66 percent. The Covid-19 pandemic that occurred almost throughout 2020 and 2021 resulted in changes in the economy in Purworejo Regency. However, in 2021 the Purworejo economy started to show a positive trend after contracting in the previous year. The economic structure in terms of production in Purworejo Regency is dominated by the Agriculture, Forestry and Fisheries business fields, where the contribution in 2021 is 22.29 percent.

After previously Purworejo's economy contracted by -1.66 percent, in 2021, Purworejo's economic growth was recorded to experience a positive increase of 3.38 percent. Almost all business sectors recorded positive change except for government administration, land, and compulsory social security, which contracted by -1.47 percent. The construction business category recorded the highest growth rate, which was 8.74 percent. Followed by wholesale and retail trade categories; car and motorcycle repairs by 6.56 percent. The fields of agriculture, forestry, and fisheries contribute the largest to the Purworejo economy, but unfortunately, the growth rate is relatively low, only 0.61 percent. Meanwhile, from the expenditure side, the growth rate of the Gross Fixed Capital Formation component was the highest compared to other details, which was 7.28 percent compared to the previous year. Government consumption is the component that has the lowest growth rate compared to additional information, which is 0.72 percent.

From year to year, the agricultural, forestry and fisheries business fields still dominate the contribution to the economy of Purworejo Regency. In 2021, the contribution from this category was recorded at 22.29 percent. Although it still dominates, it should be noted that the contribution of this category of the business sector is decreasing compared to five years ago. Other business fields that contribute to the economy of Purworejo Regency are the Manufacturing Industry (contributing 19.79 percent), Wholesale Retail Trade and Repair (contributing 12.55 percent), and Construction (contributing 9.40 percent to the Purworejo economy. Meanwhile, in terms of expenditure, the most significant contribution was the household consumption component, reaching 77.26 percent.

From the description above, it can be seen that the Agriculture, Forestry and Fisheries business fields from 2017 to 2021 dominated the contribution to the economy of Purworejo Regency. From

2017 to 2019, its role has been decreasing year by year. In 2017 the contribution of this business field to the economy was 24.13 percent, but in 2019 its contribution was reduced to 22.39 percent. In 2020, the contribution of the Agriculture, Forestry and Fisheries business sector experienced a slight increase and was recorded at 22.85 percent. However, in 2021 this contribution will decline again to 22.29 percent. The business field that contributes the second most significant contribution to the economy of Purworejo Regency is the Processing Industry. In 2021, the contribution was recorded at 19.79 percent. The contribution of this business field is increasing from year to year. On the other hand, it can be seen that the net export component in the same year was recorded at -17.26 percent, which means that more goods came in. Because of this, efforts are needed so that MSMEs can improve their performance to produce quality goods and reduce the imported products in question (Ganesh & Haslinda, 2014).

Villages as the main contributors to MSME raw materials, labor and the potential for economic development for their citizens must pay attention to technological developments in the current digital era, villages must be able to master information technology which is one indicator of the progress of a region. Villages should start to apply information technology, starting from the administration of government to the management of their socio-economic life, even in the field of village development. The application of technology in the village is in line with the development of the concept of information technology-based village development which is commonly called a smart village. The concept of a smart village is a village that applies appropriate technology to develop, improve the economy, and create convenience in all aspects of people's lives.

E-Desa is also an effort to implement an e-Government system (Rachman & Noviyanto, 2017) in accordance with the Village Law. The development of e-Village is expected to give birth to a smart village that applies appropriate technology in various aspects of people's lives. The purpose of implementing E-Village in Purworejo is to improve the quality of administrative services and dissemination of community information, especially for farm workers and SMEs in seeking information and developing village potential in Purworejo Regency. The initial stage of the success of the smart village in Purworejo Regency is the understanding of the village community about information and communication technology in E-Desa.

In an effort to improve the economy through MSME businesses, researchers use a strategic management perspective based on SOAR analysis in an effort to improve entrepreneurial performance (J. Raviyanto, 1986).

Strengths, opportunities, aspirations and results analysis or better known as strengths, opportunities, aspirations and results analysis (SOAR) is a strategic planning tool that focuses an organization, team, or collaboration on its current strengths and vision for future development of its strategic goals (Anam, 2020). Strengths, opportunities, aspirations, results (SOAR) analysis is a strategic planning tool that focuses an organization on its current strengths and future vision to develop its strategic goals. This tool is different from the commonly used SWOT (strengths, weaknesses, opportunities and threats) analysis. This model helps to realize the vision of the goals of a work program either personally or professionally (Susilowati et al., 2019). SOAR analysis can be used to bring out its superior potential and consider transitions to realize the ideal future in achieving sustainability. The purpose of this study is to measure the effectiveness of the implementation of these theories so that it will be able to provide the right solution to improve the performance of local MSMEs in order to be able to compete in the global market, thereby bringing progress and the economy of Purworejo Regency.

## **2. Method**

### **2.1. Research Design**

This research was conducted systematically, and the results were measurable. Descriptive qualitative research is used in this study. Descriptive qualitative research uses scientific studies, literature reviews of several articles, journals and books, and deductive reasoning supported by valid data and information then processed and analyzed based on research principles. The results of this study were not obtained from the procedure or form of calculation. This study was described

descriptively and analyzed inductively. This research is survey research to produce scientific information that is explanatory (explanatory research), which is a study that intends to explain the causal relationship between variables. The main instrument in collecting research data is a list of structured questions that are based on theoretical concepts that focus on:

- a) Theory of Entrepreneurship (entrepreneurship).
- b) Human Resource Management Theory, especially related to managerial skills and leadership skills related to company performance issues.
- c) The theory of competitive advantage related to the globalization market.
- d) Strategic Management.

The theoretical concept is processed and translated into several questions and observations in the field. Of course, the processing and elaboration also consider the problems and actual conditions in the area. The questionnaire questions were distributed and filled out by the object. Besides that, several objects were randomly interviewed to obtain additional qualitative data.

It is estimated that several important notes can affect the study results, such as the number of objects in each location may not be balanced between work units with one and imbalances caused by field conditions. However, this note will be used as a basis (consideration) for researchers in making conclusions and suggestions. This research follows several research steps, namely (Sugiyono, 2015):

#### **Step 1. Data Collection**

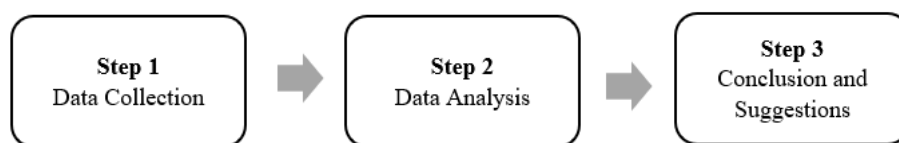
Data obtained from interviews and direct observations in the field, articles, literature or books following the research topic set the publication period from 2017 - 2021. The selection of this period is considered sufficient to represent the thoughts on the issues that have been selected in this study. Then literature is selected from several databases, namely Google Scholar, Scopus, Springer etc., which is presented as a description (Pati & Lorusso, 2018). The data collection method is carried out by searching or digging up data from the literature related to the existing problems. After the data is obtained, the information is collected to become a document that can be used in answering the questions in this study (Van Lange Paul et al., 2015).

#### **Step 2. Data Analysis**

Then an analysis of the topics that have been determined based on data from interviews and literature is carried out to produce more structured research.

#### **Step 3. Conclusion and Suggestions**

The conclusions of this study are described and presented, then provide suggestions for further research to make it even better.



**Figure 1.** Research Method

The data collection technique in this study is a literature review. The data analysis technique in this research is descriptive qualitative. This technique is used because it can support the achievement of research objectives, namely to provide the latest understanding of strategies for managing MSME business units to improve their performance and compete in the global market. This study uses a systematic literature review method, including descriptions of research questions, search strategies, inclusion criteria, data extraction, and evaluation criteria (Chen et al., 2016).

## **2.2. Population and Sample**

### **1. Population**

The population in this study were all entrepreneurs (SME entrepreneurs) registered with the Purworejo Regency Government.

### **2. Sampling**

Make it easier to conduct analysis and discussion, the researchers will conduct sampling with the stratification method by grouping the research objects into several business fields.

Not all entrepreneurs are used as objects, but samples are taken randomly and representatively from all existing objects by considering several research variables.

### 2.3. Data Collection Procedure

#### 1. Required data

The type of data collected is quantitative and qualitative, consisting of primary and secondary data.

##### a. Primary data consists of:

- Company overview.
- Interview results
- Direct observations.

##### b. Secondary data is taken from reading literature which consists of:

- Government regulations (government policies) related to entrepreneurship issues.
- The results of research on entrepreneurship by previous researchers are still relevant.
- Other data in the form of literature related to the problems discussed were obtained through various mass media publications, reports, journals, books, and others.

#### 2. How to collect data

To obtain the required data, do the following:

- a. Observation, namely by making direct observations of the company.
- b. Interviews include interviews with entrepreneurial employees (entrepreneurs) and staff, supervision and managers to obtain information.
- c. Literature, namely by looking for data on monthly and annual reports in the company.
- d. Dissemination of questionnaires, namely by distributing questionnaires to entrepreneurs (entrepreneurs) and their staff, supervisors and managers so that they can fill out the form objectively.

## 3. Results and Discussion

### 3.1. Framework of Thinking

#### 3.1.1. Globalization Conditions

The business world in the era of free competition, as it is happening now, is in a situation that is entirely uncertain and difficult to predict, thus facing multi-dimensional challenges. Internally, the organization faces problems of productivity, quality, cost, time, service and employee competence, which are getting heavier daily. Meanwhile, externally, the organization is under constant pressure from various directions, including customers, suppliers, competitors, non-governmental organizations, the government (taxes, regulations, etc.) and various unexpected changes.

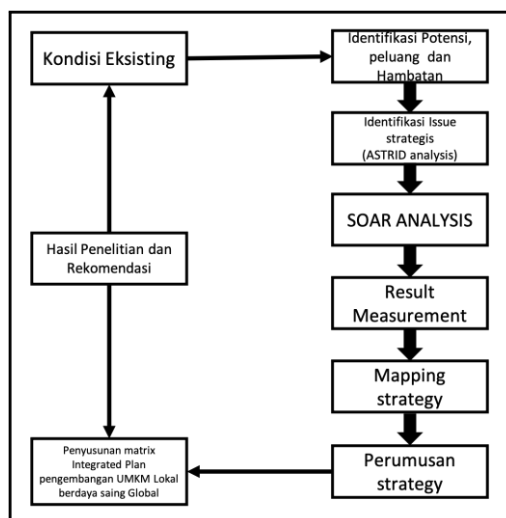


Figure 2. Block Diagram of the Mindset

### 3.1.2. Identification Of Effective Variables

Entrepreneurs need a speedy response to any changes to enter a business environment full of uncertainty. MSME actors must be able to identify the factors that influence success in anticipating global competition. (J. Ravianto, 1986)states that, in general, several factors affect the performance (performance) of a business unit, which include:

- 1) Knowledge and ability (competence) of the owner of the company (leader or acting as manager) about the work for which he is responsible.
- 2) Interests and talents of business managers.
- 3) Motivation from the owner or manager of the business.
- 4) The extent to which employees can make plans and work schedules.
- 5) The extent to which an employee knows the required quality work standards.
- 6) The level of employee productivity,
- 7) The communication ability of an employee, both with fellow employees and with their superiors, can affect their performance.
- 8) The ability to work with other employees is essential in determining their performance.
- 9) Attendance in meetings accompanied by the ability to convey ideas to others has its own value in assessing an employee's performance.
- 10) The ability to manage the work that is his responsibility, including making a work schedule, generally affects an employee's performance.

### 3.1.3. Determining Strategic Issues

Strategic issues are news or information that is not yet "clear", which is relevant to the related organization/organizational unit and is often discussed. Issues become clear and can be called problems if supported by relevant data/information evidence. Some of these strategic issues need priority analysis to determine strategic priority issues that must be resolved immediately in the short term. To analyze the problem of strategic issues using the ASTRID method (Actual, Specific, Transforming, Relevant, Innovative, Can be done).

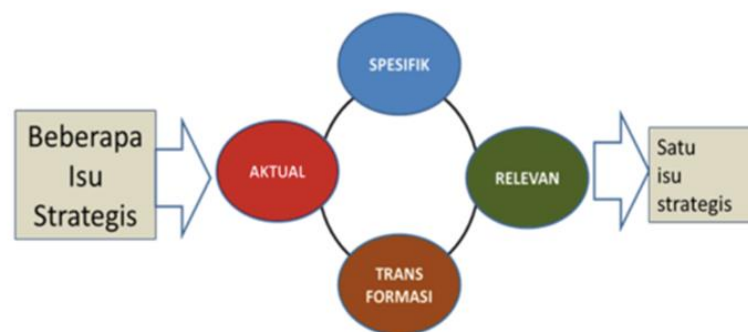


Figure 3. Determining the Strategic Issue

### 3.1.4. Soar Analysis

SOAR stands for strengths, opportunities, aspirations and results. SOAR analysis focuses on the organization's current strengths and vision for the future. SOAR identifies and develops strategic objectives to take the organization to the next growth phase. SOAR analysis allows an organization to examine all its levels and functional areas. In addition, SOAR analysis also focuses on improving current tactics and strategies to overcome existing weaknesses and threats.



Figure 4. Analysis SOAR

### 3.1.5. Determining Strategic Objectives

To find out the causes of the priority strategy, a more in-depth analysis is needed to find out what components are problematic. In-depth analysis is carried out using SOAR analysis tools and Leavitt's Model because this analysis tool can describe conditions and problems as well as existing conditions, namely Structure, Technology, People and Task Analysis, which can be described as follows:

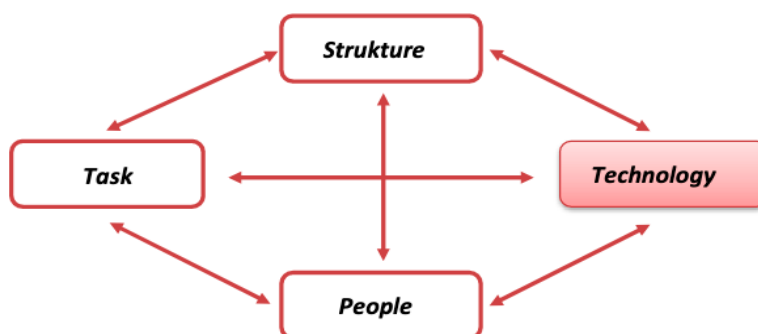


Figure 5. Leavitt's Model (1965)

### 3.1.6. Mapping Strategy

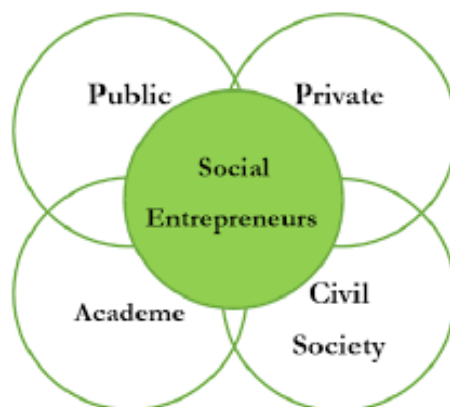
After the strategic objectives are successfully formulated based on the organisation's grand strategy and vision, and mission, the results of the SOAR analysis above can then be evaluated using the Result matrix to obtain and represent the strategic goals to be carried out or achieved and also formulated a unit of measurement for success.

### 3.1.7. Determining Initiative Strategies

After being analyzed using the ASTRID method and the results of Leavitt's analysis, the priority strategic issues that have been found need to be lowered into the initial strategy in detail, and what action steps need to be taken to support the achievement of goals and objectives.

### 3.1.8. Formulation Of The Matrix Integrated Plan

For each strategic issue and the results of SOAR and Levitt models, a matrix integrated plan is drawn up involving the Penta helix. The concept of Penta-helix is collaborative or multi-stakeholder, where elements of government, academics, business entities or actors, communities or communities, and the media unite to coordinate and commit to developing knowledge innovations that have the potential to be capitalized or transformed into products or services that have economic value. One of the objectives of this approach is to strengthen the community's economic resilience to find a pattern of partnership in developing the potential of an area by involving multi-stakeholders who work together in synergy.



**Figure 6.** The Concept Of The Penta-Helix Collaborative

#### 4. Conclusion

The conclusion of this study is to measure the effectiveness of the implementation of these theories so that they will be able to provide the right solution to improve the performance of local MSMEs so that they can compete in the global market, thereby bringing progress and the economy of Purworejo Regency. The research results are used because they can support the achievement of research objectives, namely to provide the latest understanding of strategies for managing MSME business units to improve their performance and compete in the global market.

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