

CHAPTER I

INTRODUCTION

1.1 Object Overview

1.1.1 Company Profile

PD. ASH Jaya is a trading company with business engaged in agriculture as producer, trader, and paddy collector to be processing into rice that ready to be market. This company is located at Kp. Jati, Desa. Cikembulan, Kec. Kadungora, Kab. Garut, West Java. The company was founded by Bapak. Asep Saepudin on 2001, with a Trading Business License (SIUP) 503/797/125-SIUP / DPMPT / 2018 and Company Registration Certificate (TDP) 101354608609.

PD. ASH Jaya produces various of rice varieties, such as IR 64, IR 42, *pandan wangi* and glutinous rice (*ketan putih*). PD. ASH Jaya does its marketing geographically only in Pasar Induk Cipinang. PD.ASH Jaya started operating the company in 2001, with a building area of 2,400 m² and in 2008, 2014, 2018, the company expanded the building into 3,400 m². Currently, the total area of the company is 5,800 m². In 2001 PD. ASH Jaya started operating a business with an initial capital of 40 million rupiah with a value of goods of Rp1,000 per kilogram, which is currently equivalent to 400 billion with a value of goods of Rp10,000 per kilogram.

From 2001 to 2004, PD. ASH Jaya is a traditional rice factory, that can only produce 5 tons of rice per day, with work hours of 10 hours per day. Rice drying is still traditionally done by using heat from the sun. In sunny conditions, it takes two days to dry and produce 15 tons of rice, but when the weather is cloudy, it might take one week to dry the rice. In 2005, PD. ASH Jaya has expanded the company by purchasing new paddy dryer with type a bed dryer. This machine can dry the rice in 24 hours with a quantity of 15 tons per day. In 2009, PD.ASH Jaya bought the same drying machine, so in a day PD.ASH Jaya can dry and produce 30 tons of rice. In 2014, PD. ASH Jaya expanded again by replacing the bed dryer machine with a vertical dryer that can dry and produce rice 60 tons per day. In 2018 PD.

ASH Jaya is doing expansion in the machine by increasing the amount of rice dryer to 60 until 70 tons per day, and it is still running until now.

Currently PD. ASH Jaya has 45 employees, which consists of 12 drivers, three assistants, six technicians, six people in rice cleaner, 14 people in production, and four people in chaff parts. For administration, finance, and purchase of raw materials sections are all done by Bapak. Asep himself.

1.1.2 Organizational Structure

PD. ASH Jaya has a simple organizational structure. The main power lies with the owner and is assisted by his subordinate employees.

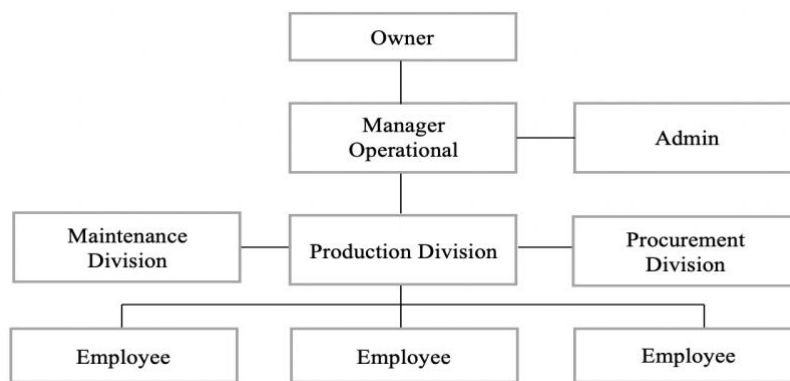


Figure 1.1: Organizational Structure PD.ASH Jaya

Source: Company Data (2020)

The organizational structure that mentioned in Figure 1.1 above describes the people in the company. PD. ASH Jaya currently managed by the owner himself and assisted by an operational manager to organize, monitor, and report to the owner about all matters related to the company's operations. Then, there is an admin who takes care of cash in the company and reports to the owner. The owner also assisted by the maintenance division to monitor engine performance and maintenance. The production division works to produce rice based on to customer requests, then there is a procurement division that works to check quality and quantity of rice, packaging and ship products to customers.

1.2 Research Background

Rice is a processed product from paddy (*oryza sativa*). Rice is one of the essential food commodities for people in Indonesia because rice is the staple food for Indonesian people. Apart from being the staple food of Indonesian society, rice

is also used as a raw material for the processing industry for rice flour and other food ingredients (Ambarinanti, 2017).

Indonesia is a country with the highest rice consumption in the world. This can be seen from Indonesia's rice consumption which reaches 139 kilograms per capita per year or 900 grams per person per day. Meanwhile, the average world consumption of rice is only 60 kilograms per capita per year (Yuwanto, 2010). Apart from being a country that consumes rice as a staple food, Indonesia is also a country with excellent agricultural potential, because Indonesia is an agricultural country with abundant natural resources. So that it can produce good agricultural results because Indonesia is supported by different tropical climatic conditions in each region in Indonesia. Not only consuming, but Indonesia is also an agricultural country that can produce large amounts of rice (Adiratma, 2004).

The following is rice production data in Indonesia, presented in Figure 1.2 and data on rice consumption in Indonesia, presented in Figure 1.3.

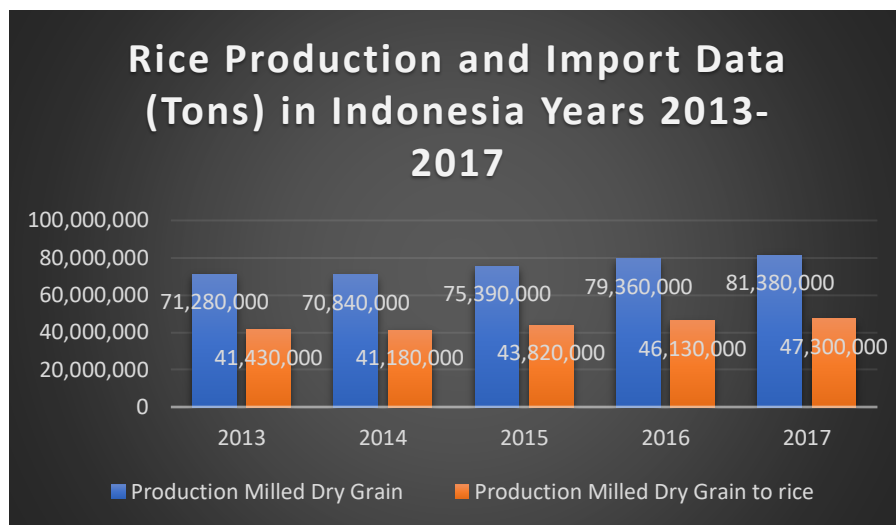


Figure 1.2: Rice Production and Import Data (Tons) in Indonesia Years 2013-2017

Source: *Badan Pusat Statistik* and Ministry of Agriculture, 2020 (processed)

As seen on the figure, in 2013 Indonesia produced 71,280,000 tons of milled dry paddy, then milled dry paddy processed into rice, from this process 41,430,000 rice was produced. Then in 2014 Indonesia produced 70,840,000 tones of milled dry paddy which was processed into rice, from this process 41,180,000 tons of rice were produced, in 2015, Indonesia produced 75,390,000 tons of milled dry paddy, then milled dry paddy processed into rice, from this process 43,820,000 tons of rice

was produced, in 2016 Indonesia produced 79,360,000 tons of milled dry paddy, then milled dry milled dry paddy processed into rice, from this process 46,130,000 tons of rice was produced. Furthermore, in 2017 Indonesia produced 81,380,000 tons of milled dry paddy, which was then processed into rice, from this process producing 47,300,000 tons of rice.

From the results above, it can be seen that the highest rice production occurred in 2017 as many as 47,300,000 tons of rice produced in Indonesia. Meanwhile, the lowest rice production occurred in 2014 with a production result of 41,180,000 tons.

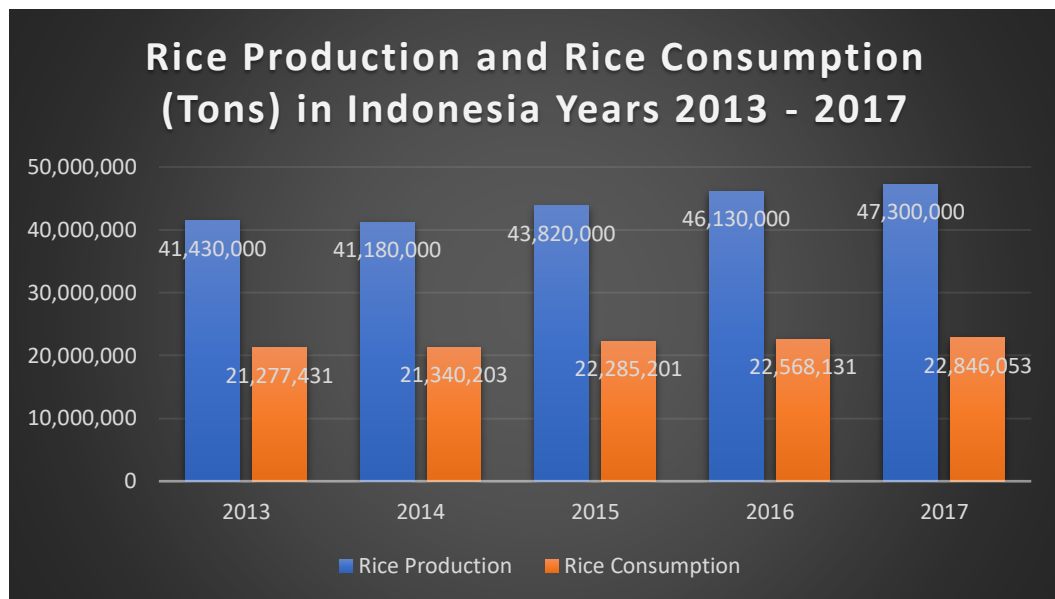


Figure 1.3: Rice Production and Rice Consumption (Tons) in Indonesia Years 2013-2017

Source: *Badan Pusat Statistik, 2020* (processed)

As seen on the figure 1.3, rice production in Indonesia can still meet its people's needs. In 2013, Indonesia produced 41.430.000 tons of rice with a total consumption of 21.277.431 tons of rice. In 2014, the amount of rice production in Indonesia decreased slightly to 41.180.000 with a consumption level that increased to 21.340.203 tons of rice. In 2015, the level of rice production in Indonesia increased to 43.820.000 tons of rice with a decreased of consumption level to 22.285.201 tons of rice. In 2016, the level of rice production in Indonesia rose to 46,130,000 tons and the consumption level also rose to 22,568,131. Then in 2017 the level of rice production in Indonesia also increased to 47,300,000 tons with a consumption rate that also increased to 22,846,053 tons.

Overall, it can be seen that rice production in Indonesia experienced a surplus from 2013 - 2017. The data was obtained from the difference between rice production and rice consumption in Indonesia in 2013 - 2017. The following data on rice surplus in Indonesia will be presented in table 1.1.

Table 1.1 Data on the Difference in Production and Consumption of Indonesian Rice in 2013-2017

Year	Difference in production and consumption (surplus / Deficit)
2013	20.152.569
2014	19.839.757
2015	21.534.799
2016	23.561.869
2017	24.452.947

Source: processed data (2020)

From the data above, it can be seen that the highest surplus occurred in 2017 is 24.452.947 tons of rice and the lowest supply occurred in 2014 is 19.839.757 tons of rice.

Through the Minister of Agriculture, the Indonesian government has a work target in 2021 to focus on the recovery and development of a more advanced, independent, and modern agricultural sector. The Ministry of Agriculture has compiled a program adapted to the nomenclature of the Joint Indicative Ceiling Letter. There are also value-added programs and industrial competitiveness. Then research and innovation programs in the fields of science and technology as well as vocational education and training programs (Sulaeman, 2020).

Seeing the target targeted by the Indonesian government in 2021, there is an opportunity for rice producers in Indonesia to develop their business. PD. ASH Jaya as a rice producer located in Garut, West Java, Indonesia, also sees this as an opportunity.

As of today, PD. ASH Jaya has produced 60 tons of rice per day. In addition, PD. ASH Jaya sells the rice to 5 customers in Cipinang Central Market (*Pasar Induk Cipinang*). PD. ASH Jaya also had revenue of IDR121,054,769,303 in 2019. The following is the graphic of PD.ASH Jaya's revenue from 2015 to 2019.

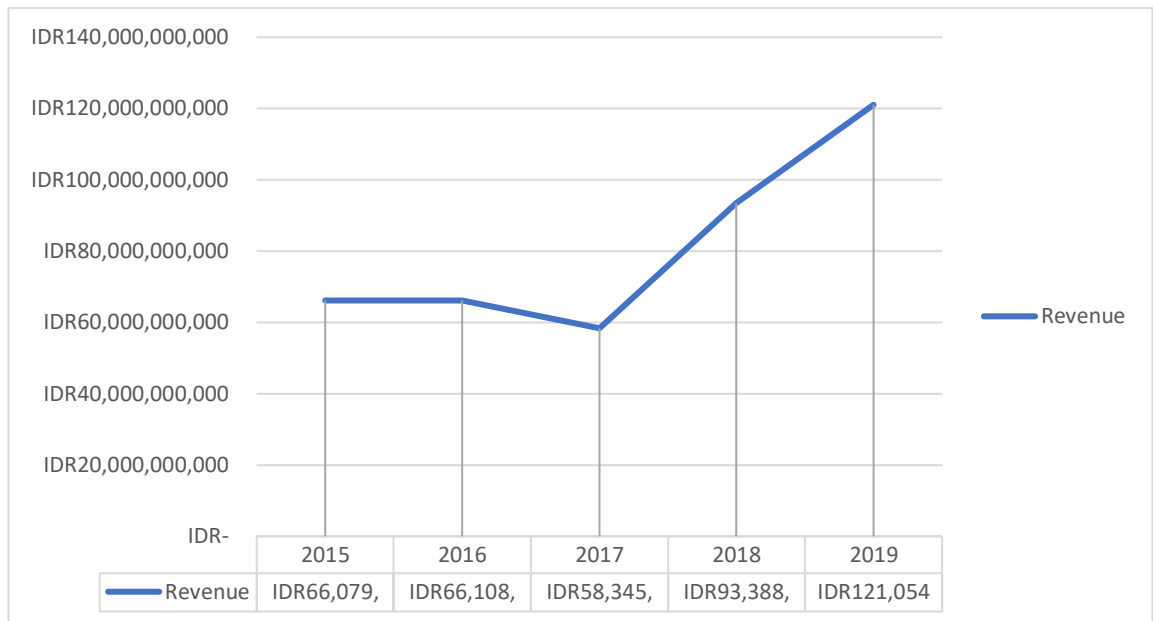


Figure 1.4: PD. ASH Jaya Revenue from 2015-2019

Source: Company Data (2020)

According to figure 1.3 the revenue in 2015 is IDR66.079.674.652, in 2016 is IDR66.108.205.200, in 2017 is IDR58.345.662.150, in 2018 is IDR93.399.170.920 and in 2019 is IDR121.054.769.303. As it is seen on the figure that the whole CAGR for the last 5 years have been increasing, and a significant increase happened in 2018.

Based on data obtained from interviews with Bapak. Asep and check PT. Buyung Poetra Sembada's website, stated that the largest producer in Cipinang Central Market is PT. Buyung Poetra Sembada (Topi Koki) with a total production of 55 tons per hour and the equivalent of 550 tons per day. Therefore, PD. ASH Jaya wants to develop its company by increasing the production as much as 10% of Topi Koki in a period of 1 year.

From the results of pre-interviews that have been conducted with Bapak. Asep as the owner of the PD. ASH Jaya, it can be concluded that the company needs the right business strategy that is able to seize market opportunities and face competition in order to become a superior rice producer in the Cipinang Main Market (*Pasar Induk Cipinang*) by increasing production by 10% of the total production of PT. Buyung Poetra Sembada. Therefore, the author is interested in analyzing external and internal environmental factors that can produce several

alternative business strategies that can support the goals of PD. ASH Jaya. On that basis, researcher is interested in conducting research with the title "Business Formulation Analysis Using Quantitative Strategic Planning Matrix (QSPM) Of Rice Manufacturer PD. ASH Jaya".

1.3 Problem Statement

QSPM is a tool that allows strategists to evaluate alternative strategies objectively, based on important external and internal success factors identified earlier. Like other strategic formulation analysis tools, QSPM requires good intuitive judgment. Conceptually of QSPM determines the relative attractiveness of various strategies that are built based on important external and internal success factors (David & David, 2015).

According to David & David (2015), Internal Factor Evaluation (IFE) matrix is a strategy formulation that identifies and evaluates the company's strengths and weaknesses and provides a basis for identifying and evaluating the relationships among these areas.

Rice producers are required to be able to seize opportunities and be ready to face business competition. As a rice producer, PD. ASH Jaya must also prepare a competitive strategy in producing higher-quality rice compared to its competitors and to become one of the superior producers rices.

Therefore, to increase the production of PD. ASH jaya by 10% of the total production of PT. Buyung Poetra Sembada (Topi Koki) in order to become one of the largest producers in the Cipinang Main Market (Cipinang Main Market) and with large market opportunities, it requires the right business strategy for PD.ASH Jaya which can be obtained by conducting internal analysis and external analysis. Internal environmental factors that will produce several strategic alternatives businesses that can be recommended to PD.ASH Jaya to seize market opportunities. Therefore, researcher is interested in conducting research with the title "Business Formulation Analysis Using Quantitative Strategic Planning Matrix (QSPM) Of Rice Manufacturer PD. ASH Jaya ".

Based on the formulation of the problem, the questions in this study are as follows:

1. How the conditions of internal factor (strengths and weakness) and what appropriate solutions to deal with the internal problem of PD. ASH Jaya?
2. How the conditions of external factor (opportunities and threats) and what appropriate solutions to deal with the external problem of PD. ASH Jaya?
3. What is the alternative strategy for the company based on external and internal conditions?
4. What strategy that appropriate for PD. ASH Jaya when viewed from the internal and external factor using the QSPM Matrix?

1.4 Research Objective

Based on the research questions above, the objectives of this study are as follows:

1. To analysis Internal factor (opportunities and threats) and make solution for internal factor problem in PD. ASH Jaya.
2. To analysis external factor (opportunities and threats) and make solution for external factor problem in PD. ASH Jaya.
3. To formulate alternative strategy for the company based on external and internal conditions.
4. To formulate an appropriate company strategy formulation for PD. ASH Jaya rice producers using the QSPM Matrix.

1.5 Benefit of Research

This research is expected to provide benefit for various parties and grouped into two aspects, that are:

1. Theoretical Aspects

The results of this study are expected to increase knowledge and understanding of researcher in the field of business strategy. In addition, expected to be a reference of further research with the same research theme and object.

2. Practical Aspects

This research can be used as an alternative strategy to recommendation for rice manufacturer PD. ASH Jaya in running the business. In addition, the results of this study are expected to be useful

for all company in same field and as a reference material for agricultural rice producers in implementing business strategies.

1.6 Systematic Writing

The writing structure is arranged to provide a general overview and about the research performed with the following structure are:

CHAPTER I INTRODUCTION

This chapter contains an overview of the research objects, research background, and problem statement research questions, the purpose of research, research significance, and research benefit.

CHAPTER II THEORIES AND FRAMEWORK

This chapter describes the theories that will support this research. This part also contained the Research Framework of this paper.

CHAPTER III RESEARCH METHODOLOGY

In this chapter, the subject matters are research methods, approaches, and analysis techniques to explain and answer the problem.

CHAPTER IV ANALYSIS AND RESULT

This chapter contains discussion and explanation regarding this research based on the analysis done in this project and elaborates the theories that already stated in Chapter II.

CHAPTER V CONCLUSION AND RECOMMENDATION

Consists of restatement of the problem, brief description and procedure, principal findings and conclusions, and recommendations for further research.