

DEVELOPING BUSINESS STRATEGY THROUGH SWOT ANALYSIS OF KRAKATOA NIRWANA DEVELOPMENT

¹Izhari Mawardi, ²Anbiya Yasmine Ismiawardhana

ABSTRACT

PT. Krakatoa Nirwana Development (PT. KND) is one of the subsidiaries of Bakrie land, an integrated property company. As the developer of Krakatoa Nirwana Resort (KNR), PT. KND has established the zone development plan for KNR further expansion due to the rapid growth of tourists visit to Lampung and government concerns in developing infrastructure and boosting the tourism sector. The purpose of this study is to determine the SWOT analysis of PT. KND in accordance with the KNR development, to analyze its zone development as a form of strategy, and to determine the recommendations in achieving the zone development as a form of strategy. This research was formulated by conducting in-depth interview, field observation, and using triangulation as the validity tool. PT. KND was involved in almost every data collection and analysis part. Findings show that zone development is not quite suitable in accordance with the external and internal factor. In conclusion, a set of suggestion was given to solve problems that might come from external and internal factors. Also, the best strategy was recommended in order to support KNR operational and development.

Keywords: Strategic Management, Strategic Planning, SWOT Analysis

1. Introduction

In 2017, government has a mission to prioritize several sectors in developing Indonesia, which are food, energy, maritime, tourism, and special economic zone & industrial zone. Highlighting in tourism, government are currently working in developing tourism sector and promoting tourism destination in Indonesia. According to The Department of tourism and culture in 2014, the instruction from the President of Indonesia number 9 of 1969, specifically in chapter 2 article 3, which states “the efforts of the development of tourism in Indonesia can be seen in the form of the development of “tourism industry” and as a part of the development, construction, and welfare efforts for the society and the state” is a background of tourism development by government (Fionita, et al., 2016). The development of the tourism sector can also be seen by the number of foreign tourists visit, including visit for traveling, business trips, relatives, and other interests (Kharista, et al., 2015).

Lampung is one of the province in Indonesia, which located in the Southern of Sumatra Island, specifically between 3°45'-6°45'S 105°45'-103°48'E. Lampung has approximately 35.376,50 km² total area. Lampung itself also has several islands, such as: Sebuku Island, Sebesi

Island, and Krakatoa Island (I.S, et al., 2012). Lampung is divided into several areas. Bandar Lampung, as the capital city, is a combination between two cities, Teluk Betung and Tanjung Karang. Bandar Lampung is the center of education, culture, and economy, inhabited by various tribes (Fionita, et al., 2016). Also, data from *Dinas Pariwisata & Ekonomi Kreatif* shows Bandar Lampung has thirteen tourist attractions spread across Bandar Lampung (Rani, et al., 2015). Natural resources, including agriculture, plantation, fishery, animal husbandry, mining, tourism and forestry (2013), are also contributed in the potential of tourism. In West Lampung, there are 220 km assets along coastal areas (Sumarja, et al., 2014), showed the beauty of coastal area of Lampung. In east of Lampung, there are Way Kambas National Park, as the top ranked of Lampung attraction, followed by Balai Benih Induk Holtikultural and Purbakala Pugung Raharjo Park (A.Masyono, et al., 2015). Way Kambas itself is usually known as Elephant Conservation Centre. The other tourist attractions which have not been mentioned are Kiluan Dolphin Point, Sebesi Sebuku Islands, and Mount Krakatoa. This research would like to answer the management question about how is the zone development strategies compare to the current condition of the company, PT. KND, current condition of

the resort and its surrounding area, KNR, and the overall conditions of Lampung. In order to evaluate the current strategies and give recommendations, the research would also need to analyze the internal and external factors of KNR and holding company that support the development, PT. KND.

2. Literature Review

2.1 SWOT Analysis

SWOT Analysis is used to analyze an organisation's both internal and external factors that may influence its performance (Al-Refaie, et al., 2016). In accordance with the aspects it assesses, SWOT analysis is named after the aspects, which are Strengths, Weaknesses, Opportunities, and Threats (Bull, 2016). While opportunities and threats are parts of external indicators, strengths and weaknesses are parts of internal indicators (Narita, et al., 2017).

2.1.1 External Analysis

External audit is analyzing a list of opportunities that could be helpful for a firm and listing the threats that could be harmful for a firm. Firms should manage and decide what kind of appropriate responses towards external opportunities and/or potential threats. Firm should be able to formulate strategies to act correctly to that situation by exploiting opportunities and/or preventing threats (David, et al.,

2015). There are five forces that can be categorized in terms of external forces, which are: (a) Economic forces; (b) Social, cultural, demographic, and natural environment forces; (c) Political, governmental, and legal forces; (c) Technological forces; (d) Competitive forces (David, et al., 2015).

2.1.2 Internal Analysis

There are two things that are actually controllable in an organization's activities; internal strengths and internal weaknesses. While internal strengths are the controllable factors which performed very well, internal weaknesses are in the contrary, or performed poorly. Internal strengths and weaknesses can be found in most of business division like management, marketing, finance or accounting, production or operations, research and development, and management information system. (David, et al., 2015).

2.2. Evaluating Strategy

In order to achieve objectives, especially long-term objectives, a firm should have strategies. The pioneer of strategic planning defined it as the formulation and the implementation of long-term goals and objectives which are done by an organization (Chandler's in Ibrahim, 2015). Strategy can also define as an action plan that designed in order to achieve a certain

goal or series of goals within a framework of time (Narita, et al., 2017). Strategy can also be seen as an organization's plan which matches with its ability to perform some kind of tasks (Witkowska, et al., 2014).

2.2.1 Internal Factor Evaluation (IFE) Matrix

One of the tools that can be used to evaluate company's strategic planning is none other than Internal Factor Evaluation (IFE) Matrix. IFE Matrix is one of the most fundamental tools that help the company in forming its long-term strategies, as it is focusing in gathering and later give a broad view of strength and weaknesses in the company's functional areas of businesses. It also provides further basis that will be needed to identify and evaluate the relationships among those areas. (David, 2015).

2.2.2 External Factor Evaluation (EFE) Matrix

Contrary to the IFE Matrix, External Factor Evaluation Matrix focuses on the company external environment and identifies the possibilities of potential opportunities and threats that may arise. (Pazouki, et al., 2017). Examples of external factors that can influence the result of company's strategies are economic, political, demographic, cultural, environmental, social, governmental, legal,

technological, and competitive information.

2.2.3 Internal-External (IE) Matrix

Internal-External (IE) Matrix is one of the tools of analytical tool of strategic planning, which use various organizations' divisions as circles in a display. IE matrix has nine quadrants that divided into three major areas that shown which appropriate strategy, those areas are categorized as: grow and build; hold and maintain, and; harvest or divest (David, et al., 2015).

2.2.3.1 Market Penetration

According in Strategic Management by David (2015), market penetration is a strategy to increase market shares for existing products or services through existing markets. Market penetration is effective to pursue in some certain situations, which are: (a) When current markets are not saturated with a particular product or service; (b) When the usage rate of present customers could be increased significantly; (c) When the market shares of major competitors have been declining while total industry sales have been increasing; (d) When the correlation between dollar sales and dollar marketing expenditures historically has been high; (e) When increased economies of scale provide major competitive advantages. (David, 2015).

2.2.3.2 Product Development

According in *Strategic Management* by David (2015), product development is a strategy that set goals to increased sales by improving or modifying the present products or services to become better. Product development is effective to pursue in some certain situations, which are: (a) when a firm has successful product which already in its maturity stage of Product Life Cycle (PLC). This mean is to attract the satisfied customers of previous product to try new product or improved product due to their good experience in using the current product or service; (b) when a firm is in an industry that has rapid technological developments; (c) when major competitors' products are better in quality and the price can be compared with the firm's product; (d) when a firm competes in an industry which is highly growing, and; (e) when a firm is extremely capable in research and development sector (David, 2015).

2.2.3.3 Retrenchment

According in *Strategic Management* by David (2015), retrenchment is a strategy to reduce cost and assets in order to revive from declining sales and profit. It is sometimes also called a turnaround or reorganizational strategy. Retrenchment is effective to pursue in some certain situations, which are: (a) When an

organization has a clearly distinctive competence but has failed consistently to meet its objectives and goals over time; (b) When an organization is one of the weaker competitors in a given industry; (c) When an organization is plagued by inefficiency, low profitability, poor employee morale, and pressure from stockholders to improve performance; (d) When an organization has failed to capitalize on external opportunities, minimize external threats, take advantage of internal strengths, and overcome internal weaknesses over time; that is, when the organization's strategic managers have failed (and possibly will be replaced by more competent individuals); (e) When an organization has grown so large so quickly that major internal reorganization is needed. (David, 2015).

2.2.3.4 Divestiture

According in *Strategic Management* by David (2015), divestiture is a strategy which the company selling a division or a part of the organization. Sometimes, it is used for rising capital for another strategic acquisitions or investments. Divestiture is effective to pursue in some certain situations, which are: (a) When an organization has pursued a retrenchment strategy and failed to accomplish needed improvements; (b) When a division needs more resources to be competitive than the company can provide; (c) When a division

is responsible for an organization's overall poor performance; (d) When a division is a misfit with the rest of an organization; this can result from radically different markets, customers, managers, employees, values, or needs; (e) When a large amount of cash is needed quickly and cannot be obtained reasonably from other sources; (f) When government antitrust action threatens an organization. (David, 2015).

2.2.4 Strength Weaknesses Opportunities Threats (SWOT) Matrix

The instrument regarding to SWOT analysis is SWOT matrix, which are widely use in strategic planning. Along with the analysis, SWOT matrix used strengths and weaknesses as the internal attributes, while opportunities and threats as external attributes, which are later, matched to identify and formulate strategies (Al-Refaie, et al., 2016). SWOT matrix generates four types of strategies, which are: SO (strengths-opportunities) Strategies, WO (weaknesses-opportunities) Strategies, ST (strengths-threats) Strategies, and WT (weaknesses-threats) Strategies (David (2015) and Al-Refaie (2016)).

2.2.5 Quantitative Strategic Planning Matrix (QSPM)

QSPM is the only analytical technique designed to determine the relative attractiveness of feasible alternative

actions (David, et al., 2015). QSPM uses input from the analysis in IFE and EFE matrix, and then coupled with SWOT matrix. Here is how QSPM is constructed: (a) Make a list of the firm's key external opportunities and threats and internal strengths and weaknesses in the left column of the QSPM using IFE-EFE data, and assign the weight accordingly; (b) Examine which alternative strategies that should be implemented; (c) Write attractiveness score (AS) as the value of strategy's attractiveness. The score is 1-4, indicated not attractive to highly attractive. Attractive means that the strategy is able to: capitalize strength, improve weakness, exploit opportunity, and avoid threat; (d) Compute the total attractiveness score by multiply weight with AS; (e) Compute the sum total attractiveness score (David, et al., 2015).

3. Research Method

This research is using descriptive method as the type of study. Descriptive research methods depict circumstances as they don't make exact forecasts, and don't decide circumstances and end results (Jackson, 2012). The idea of descriptive method is in line with the purposes of this research, which are to find out which are the strengths, weaknesses, opportunities, and threats of the company, and afterwards, analyzed strategies that PT. KND have and

later determined which appropriate tactic to implement. By interviewing the company, doing observation, and using triangulation to mix the methods, the final result will be more reliable. The research will use both primary and secondary data to support findings from both methods. The target populations for the interviews are the employees of PT. KND of KNR. However, the sampling frame would be the management of KNR. The method of sampling which would be used in this research is non probability sampling because the sample of population would not be too many to conduct a research with and have the authority regarding to this research. The exact sampling method used in interviewing the management and developer side is snowball sampling since the respondents refer the researcher with another respondent who has the characteristics and experience (Cooper, et al., 2014). The data analysis technique uses in this research is descriptive analysis, whereas no relationship among variables is analyzed. This research is analyzing the zone development master plan for KNR by using strategic planning steps as the approach and tourism as the background of the phenomena. The final result is defined the SWOT analysis and concluded what kind of tactics that KNR should pursue in order to successfully achieve the master plan. The process of data collection and

data analysis is done simultaneously. The data analysis will use internal and external analysis and define using SWOT analysis after the approval from Top Management. Then, the IFE-EFE matrix is constructed to define where KNR in the I-E matrix, judging from management perspectives. SWOT matrix strategies will be used to discover several alternative strategies to be compared in QSPM. The management of KNR is included in almost every step in data analysis. The figure below shows how the data collection and analysis process.

4. Result And Discussion

4.1 Situational Analysis

The research and survey made by the author in Jakarta and Lampung resulted in the following findings. The information was collected through interviews within influencing people in and for the company, random questions asked with some employees and customers, supporting data coming from national statistics, governmental websites, and news, added by logical explanation using field observation experience.

4.1.1 Result From Interviews

Respondents from these interviews are Chief Executive Officer, Operational Manager, and Former On-site General Manager in Jakarta, also on-site Operational Manager in Lampung. Interviews were conducted during May

2017. The follow up questions with the discussion of external and internal factors rating were asked at the beginning of June 2017. Interview summaries can be found in the appendices section. To verify the data, random questions were asked to several employees and random customers and suggestive readings were added as the comparison. The interviews were resulted in some basic idea generation of strengths, weaknesses, opportunities, and threats which the company has to develop the project. Below in the table is the list of the findings along with the categories and sources. The results coming from interview were compare in “Triangulation and Interpretation” subchapter in order to verify the validity of the statement by comparing the statement coming from the interview with company data, national statistics, law and policy, news, as well as comparison from random questions asked towards the employees and customers and also logical explanation from field observation experience.

4.1.2 Triangulation and Interpretation

In this part, the findings from interview were compared using suggestive readings and observation, then elaborated using logical explanation. To make the explanation easier, the findings were distributed into internal and external part. Internal part was subdivided into several

parts of company conditions. External part was subdivided into several parts of external forces. In the next subchapter, the findings which had been compared were compiled into the final SWOT analysis.

4.1.3 Triangulated SWOT

In conclusion with the interpretation part, these are the result of SWOT Analysis, which were considered valid, coming from the interviews result, triangulation, and interpretation, which later was shown to the boards to be rated in order to form IFE-EFE matrix and generate strategy by using IE matrix to be compared with the current one, also added the recommendation to pursue the strategy using SWOT Matrix.

4.2 Strategy Analysis

IFE Matrix

The respondents were given a set list of triangulated strengths and weaknesses in order to support the calculation of IFE matrix.

$$\text{Weight} = \frac{\text{Score from Management}}{\sum \text{Score from Management}}$$

Also, all the respondents were asked to give their judgment whether the strength and weakness considered a major or minor factor in the company, in regards with the development strategy success. Rate 1 indicated a major weakness, rate 2 indicated a minor weakness, rate 3 indicated a minor strength, and rate 4 indicated a major strength. Then, the

majority of rating given was used to calculate the IFE matrix. From the calculation above, the IFE score for PT. KNR in regards with the KNR zone development plan is 2.70. This score is considered high which indicates that the internal situation is quite strong

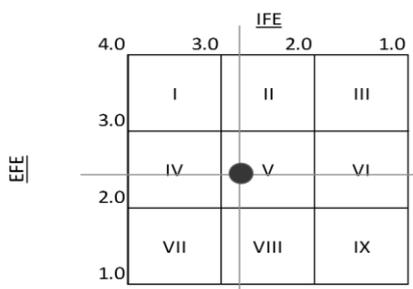
EFE Matrix

The respondents were given a set list of triangulated opportunities and threats in order to support the calculation of IFE matrix.

$$Weight = \frac{Score\ from\ Management}{\sum Score\ from\ Management}$$

From the calculation above, the EFE score for PT. KNR in regards with the KNR zone development plan is 2.45. This score is considered average, which indicates that the strategy response towards the external opportunity and threat were neither effective nor ineffective. Thus, in order to success on the zone development strategy, the company need to be more active in effectively responded towards external factor by maximizing its opportunities and/or avoiding the threats.

I-E Matrix



According to the matrix above, PT. KND situation is located in the quadrant V which according to the I-E matrix theory the suitable strategy is Hold and Maintain by using Market Penetration and/or Product Development. By looking back at KNR master plan, the matrix shows that KNR needs to maintain its current operational first, by using market penetration and/or product development as the tactics.

SWOT Matrix

In this part, the analysis of internal and external factors was compared in order to give solution for the developer to pursue their zone development plan and to give recommendations in accordance to the research objective number 3, which is “to determine what are the recommendations for PT. KND in achieving zone development as a form of strategy”.

5. Conclusion

Zone Development as a form of strategy when looking at internal and external factors

In accordance with the I-E matrix result, the company is currently in the position of hold and maintain, which means the company should hold and maintaining its current operational first by doing product development and/or market penetration. Zone development plan by PT. KND is as an expansion strategy, which is not

relevance with the result from I-E matrix. Thus, SWOT matrix were constructed and resulting many recommendation strategies in accordance with KNR current conditions. From the comparison of I-E matrix and SWOT matrix, two strategies were taken as the alternative strategies to determine the best strategy to pursue by using QSPM. The result showed that the best alternative for KNR will be a product development, meaning the development of KNR should be in considerate with existing market preference. Therefore, KNR should develop its available area in order to satisfy its current market before broadening the target market.

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