

GROWTH STRATEGY FORMULATION FOR SMALL AND MEDIUM ENTERPRISE IN KAMPUNG INGGRIS INDONESIA (CASE STUDY IN TEST ENGLISH SCHOOL)

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BACKGROUND

The growth of alternative English study learning in Indonesia can be determined by signally developing of Kampung Inggris Pare, in East java. The small district located in Pare-Kediri (East Java) known as Kampung Inggris. The location provided by many English Institutions (Formal and Non-formal Education), in 2000 English Village had 20 institutions and increase of up to 145 institutions in 2015 until the location is estimated to be more than hundreds in 2018. Test English School is an alternative English course program that focuses on standardized English language tests preparation (TOEFL and IELTS) and scholarship coaching, located in Kampung Inggris. Since its establishment in 2013, TEST English School alumni have gone all over the globe to work abroad or to pursue higher education at master and doctoral level. The revenue report indicates that the growth of business runs in promising from 2013-2017 with significantly desired result until 2018 profit shows the decreasing revenue. The management on the yearly report provided the potential issues to handle based on the analysis from 2018 condition. Business owner needs insight to analyse current condition of the business from internal and external related to revenue decreasing in order to develop strategy for 2020.

COMPANY

Muhammad Raqib and Arsyandi Mulya founded Test English School originally in 2010 located in Kampung Inggris. The institution is an alternative English course program that focuses on standardized English language tests preparation (TOEFL and IELTS) and scholarship coaching. One of the vision come from the company is to accelerate Indonesia Development through English Language. At the early stage of company development, it aims the local development-oriented, since the potential growth and support from all over Indonesia, the shifting into national orientation 2030 in many sectors which is English as the main key factor. With more than thousands alumni and success stories as well as strong alumni network who got various scholarships from home and abroad, including the prestigious LPDP, DAAD, Fulbright, AAS, Monbukagakusho, and many other scholarships, the information is limitless. The outcome intended will be two-fold, the students have a decent skill in English language and a broad knowledge of scholarship. To add the attractiveness, the curriculum is designed uniquely, including philosophy, economics, and education-related matters. The company has a simple structure for the organization, leading by one chief executive officer who is connected to business owner. In running the business effectively there are two Deputies under the CEO, Deputy Internal and External. Mostly core activities handling behind Deputy Internal, from Headmaster that basically manages human resource and trainer (Department Scholarship, IELTS and TOEFL). TEST-English School has 10 English Intensive Programs as the core service in Kampung Inggris, these customized programs are designed to offer intensive English. The curriculum in the program can be adapted to accommodate until 28 weeks course, participants from this program will study from Foundation to Establish level (TOEFL or IELTS), and most of the participants of this program are both who want to study and to work oversea.

BUSINESS ISSUE

The revenue report indicates that the growth of business runs in promising from 2013-2017 with the significantly desired result until 2018 profit shows the decreasing revenue. The management strives efficiency in operating cost then it shows the positive results around 5-6% down the cost comparing to 2014-2017. The sales record of the company happened in 2016 with the highest revenue, the graph below shows the positive trend until it drops significantly in 2018.

Table 1.1 Income statements 2014-2018

Fiscal Year	2014 8/14-12/14	2015 1/15-12/15	2016 1/16-12/16	2017 1/17-12/17	2018 1/12-12/11
Revenue	578,000,000	2,130,200,000	2,746,600,000	2,546,000,000	1,507,480,000
Operating cost	-135,647,800	-573,233,310	-745,882,600	-650,108,200	-494,906,734
Gross profit	442,352,200	1,556,966,690	2,000,717,400	1,895,891,800	1,012,573,266
Growth rate Income	NA	268.55%	28.94%	-7.30%	-40.79%
% Gross profit from Operating Costs	76.53%	73.09%	72.84%	74.47%	67.17%

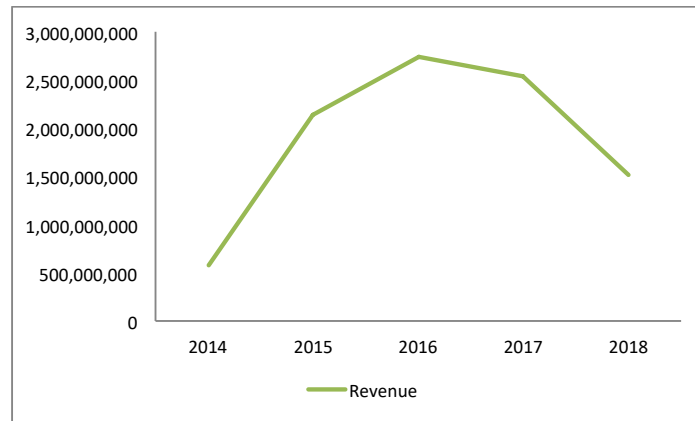


Figure 1. Revenue of Test English School

The business starts in early 2011 and the growth shows a positive result, the new management established in 2013 brings a new fresh idea and develops more the business into significant progress. From 2014 until 2017 the business growth really in the satisfied result and stable revenue, and 2018 the situation change drastically, the revenue in 2018 decrease more than 40% from the year before. The management on the yearly report provided the potential issues to handle based on the analysis from 2018 condition. The company needs insight to analysis the current condition of the business from internal and external related to revenue decreasing in order to develop a strategy for 2020. The Business owners ask the management to measure and provide an appropriate strategy for implementation in 2020. Several questions for management need to answer provided below.

1. What is the core component from Internal and external factors that influence for decision-maker in formulation of business strategy connected to revenue decreasing?
2. What is a suitable strategy that overcomes the business issue based on the core factor analysis?

KAMPUNG INGGRIS INDUSTRY

Java is the region with the most education efforts in Indonesia. The number of educational businesses/companies located on Java Island reached 350,665 or equivalent to 56.56 percent of the total education effort. Meanwhile, eastern Indonesia, Maluku Island, and Papua, have only 13,677 educational businesses. The high proportion of businesses/companies in Java Island is influenced by a greater number of young people than other islands. The management claimed that decreasing visitor of Kampung Inggris in the low-income year of TES as the main factor in business issue and followed by trainer performance that not satisfy the current consumer to support the Test English School problem in declining year. The management provided the decreasing consumer for 2018 condition comparing to average performance of company. The majority of educational companies fall into the micro and small categories. In 2016, it was recorded, the number of micro and small enterprises (MSEs) in the education industry reached 607,283 businesses, equivalent to 97.96 percent. Meanwhile, in the middle and large categories only 12,664 companies. The number of MSE-scale businesses is because it is generally a non-profit business and is part of the government's basic services. One of the education businesses that are mostly included in small micro scale is the institution of courses and training. According to the National Education System Law, Institutions for Training and Training (LKP) are non-formal or non-school education units. Course institutions and training are non-formal education units that function as substitutes, enhancers, and complementary to formal education in society.

The 5 provinces that have the most English language institutions are East Java (851), West Java (678), Central Java (400), North Sumatra (378), and Jakarta (235). East java dominated institution of English is located in Kampung Inggris Indonesia (Kediri region), the number of courses can be more than registered data since the place spread of many courses without any legal from government, local administration is really open and easy for doing business in area without any specific rules and registration. In fact, the local government supports all the activity of English courses in the area as considering the potential economic growth of the area.

MANAGEMENT PROBLEM

The management claimed that decreasing visitor of Kampung Inggris in low-income year of TES as the main factor in business issue and followed by trainer performance that not satisfy the current consumer to support the Test English School problem in declining year. The management provided the decreasing consumer for 2018 condition comparing to average performance of company. The CEO also face the problem that the strategy and implementation of alternatives need to cover both of the

business owner perspective and opinion. Deeper analysis of the management is required to provide fundamental factor both Internal condition and External circumstance.

CURRENT CUSTOMER ANALYSIS

With the claimed by management that getting many complains related to trainer performance and facilities of the school, some researcher had conducted in the school to evaluate some indicator. Based on the result organized in 2019, the current consumer of TES is approaching equal between female and male, the trend different from the past year when the female students more than male with probability 60:40 (based on historical data). Education background of the current consumer indicates dominantly by bachelor degree student level more than 70% followed by senior high school in 11% and 10% of Master degree level. The research shows 38% of consumer started the program by taking Schooling level and followed of IELTS program in 26% of students. From the region of the current consumer, the data shows 26% student comes from South Sulawesi province followed by East Java which is the service location for about 16%, and the rest spreads all over the nation. *Consumer satisfaction*, The outcome points to 51% satisfaction level of consumer to teacher and 33% very satisfied to the performance, 10% of sample prefer to not to declare the position on the survey. The result only shows 5% of consumer feel unsatisfactory level and 1% feels disappointed to the trainer performance. With the collection of several indicator from consumer perspective, the research continue to evaluate how consumer satisfaction of service connected to their purpose in choosing the program and the overall satisfaction of consumer to company service.

The outcome shows 42% of consumer very satisfied of service in order to answer the purpose for taking the course in TES, and followed by 38% respondent feel satisfied and 16% prefer not to decide the position on this question. The next data need to collection in the consumer analysis is to measure the level of satisfaction of consumer for overall service provided from Test English School and the result can be reported on figure further. The result of the overall satisfaction of current consumer associated to services that TES offered are 36% feel very satisfied, 46% is satisfied, 14% intends to neutral, 2% is unsatisfactory, and 2% is disappointed to the services.

ALTERNATIVE STRATEGY

Strategy formulation, often referred to as strategic planning or long-range planning, is concerned with developing a corporation's mission, objectives, strategies, and policies. Beginning with situation analysis by the process of finding a strategic fit between external opportunities and internal strengths while working around external threats and internal weaknesses. With EFAS and IFAS result (Appendix A), the strategy formulation can be determined based on the current company position.

The result from SWOT quantification will determine Test English School's position with Test English School coordinate (0.837, 0.469), the overall analysis based on SWOT determined that company in Quadrant I (*Growth Strategy*) position. Strategy that could fit into company by expanding its operation regionally and nationally, or it can grow externally through mergers, acquisitions, and strategic alliance. Test English School can achieve horizontal growth by expanding its operation into other geographic locations and/or by increasing the range of products and services offered to current market. Market development is a know growth strategy that identifies and develops new market segments for current products. A market development strategy targets non-buying customers in currently targeted segments. A market development strategy entails expanding the potential market through new users or new uses. New users can be defined as: new geographic segments, new demographic segments, new institutional segments or new psychographic segments. In geographic expansion, TES shifts their sights from local to regional or national. This strategy is increasingly used when growth slows down as local (or domestic) markets approach maturity; this is the objective that management of TEST concerns recently. In order to develop horizontal strategy using market expansion, researcher defines several factors to consider one of the fundamental aspects is location to new services of TES:

- Total University in target city, public and private university, divided by four types of institutions: Academy, Polytechnic, Specialized colleges (Sekolah Tinggi), Institute, and University.
- IELTS* Official test location and number of services, the section is required to fulfill the brand positioning and benchmark strategy.
- The distance of location from business center, the requirement related to training, rotating, and transition instructors from main to branch.

* The International English Language Testing System (IELTS) measures the language proficiency of people who want to study or work where English is used as a language of communication

- The population density of an area to know how many people live in particular radius to choose a location for a business that is accessible to the largest amount of people.
- Economic growth index to predict the potential market in the future.
- Cost factor including the price of renting, buying, or investing property. Another factor is the worker salary in average same industry on specific area.

Considering the complex and multi-criteria decision making process, using qualitative and quantitative data, the decision making process uses Value-Focused Thinking (VFT) and Analytic Hierarchy Process (AHP) to solve the problem. The researcher believes both of methods comfort the decision-makers who are faced with problems involving multiple objectives. VFT method is applied to generate alternatives and criteria, while the AHP method will determine the ideal alternative. Location selected process described in Appendix B and the result delivered 3 potential place to build new school. AHP is a useful decision aid method in the sense that it would help the decision maker to make his decision using its advice without totally overriding the initial, tentative, choice. The reliability of AHP is very high as it detects top and least priorities. The researcher proposes the solution for the decision maker issue, considering the condition of two-business owners, complex, multiple-criteria, qualitative, and quantitative data. The calculation become the solution to decide which location is the prioritize one in the next business strategy for expansion, the number show promising percentage from all the criteria needed, 62% of Yogyakarta result indicates the dominance location over two other alternatives (Appendix C).

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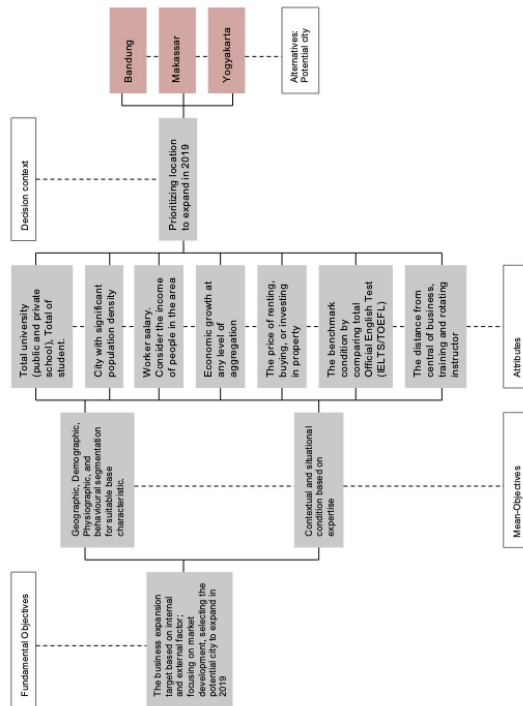
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Appendix A

Internal Factor				
Strength		Weight	Rank	Score
S1	Brand reputation on segmenting and positioning	0.11	3.7	0.422
S2	Human resource competence	0.08	3.5	0.288
S3	Alumni and representative all over Indonesia	0.11	3.2	0.354
S4	Curriculum and methods	0.11	3.3	0.355
S5	Long-term housing agreement	0.08	2.2	0.181
S6	Organization structure	0.07	2.3	0.167
S7	Social activity	0.05	1.8	0.085
Weakness				
W1	Facility in teaching-learning activity	0.10	2.8	0.275
W2	Human resource sustainability	0.11	2.7	0.291
W3	Saturated marketing activity	0.09	2.3	0.211
W4	Lack of innovation and development	0.09	2.8	0.239
Total		1.00		2.868

Extrnal Factor				
Opportunity		Weight	Rank	Score
O1	Growth of Indonesia economic after election in 2019	0.09	1.4	0.124
O2	Trend to study English in Indonesia	0.13	3.3	0.431
O3	External funding	0.07	1.6	0.107
O4	Potential scholarship alumni community in Indonesia for collaboration	0.13	3.2	0.418
O5	Kampung Inggris agents expanding	0.08	1.6	0.136
O6	Institution demands for in-house training	0.10	2.4	0.246
Threat				
T1	New entrants with proper capital	0.12	2.2	0.272
T2	Housing rent increasing	0.09	2.7	0.239
T3	Decreasing visitor of Kampung Inggris	0.10	3.4	0.324
T4	Kampung Inggris agent preference to guide and direct the customer	0.09	1.8	0.159
Total		1.00		2.457

Appendix B



Appendix C

