A System Analysis and Design
For Selecting Chitin and Chitosan Industry Location
By Using Comparative Performance Index Method

Dena Sismaraini1, Nastiti S. Indrastî, Suprihatin2, Taufik Djatna4
Department of Agroindustrial Technology
Faculty of Agricultural Technology, Bogor Agricultural University
E-mail: dena.sismaraini@gmail.com, nastitiindrasti@yahoo.co.id, suprihatin167@gmail.com,
taufikdjatna@ipb.ac.id

Abstract— The chitin and chitosan industry development is motivated by its wide application of chitin and chitosan as biopolymer and by its potential raw material from crustacean shell which is known as waste in shrimp processing industry, to help reducing the environment pollution. Indonesia only has three establish chitin and chitosan industries, all centralized in Java Island. Non-Java location expansion is required in order to support industrialization focus of government policy. This paper presents a system analysis and design with Business Process Modeling and Notation to select best location for a new initiative of chitin and chitosan industry. Several steps for location selection formed alternatives of location by identifying selection criteria for chitin and chitosan industry, and eventually deciding the best location. The Pairwise Comparison Method was deployed in deciding the best location and supported with Comparative Performance Index Method. The computation results revealed that North Sumatera Province is the best location for a new chitin and chitosan industry.

1. INTRODUCTION

CHITIN and chitosan are new renewable resources of polymer from crustacean shell and used widely in industrial, food, medical and agriculture. In industrial uses, chitosan are used for waste treatment, waste water treatment and metal removal. In food uses, chitosan mainly used as natural preservative and edible coating for fruit, foods and meat. Chitosan give higher value for medical used. In medical needs, chitosan can be used for cosmetic, wound healing and drug delivery. In contrary, agriculture uses contribute low value from chitosan. In agricultural uses, chitosan is applied for soil conditioners, coating seed, and fungicide.

Based on its function, chitin and chitosan have a good prospect to be developed. It is also stated by Ministry of Industry Regulation No. 41 year 2010 about Strategy Map and Key Performance Indicator and Echelon 1 Ministry of Industry, that one of target for agro based industrial cluster in 2010-2015 is to increase the use of sea product waste to be functional food material and pharmaceutical/supplement e.g. gelatin and chitin and chitosan. Another government support is represented by Decision of Directorate General of Non Consumption Fisheries Product Processing and Marketing No 17 Year 2013 about General Guideline for Registration of Non Consumption Fisheries Products Handling and Processing Unit that chitin and chitosan are one of the non-consumption products which become another focus to develop.

On the other hand, Indonesia has almost 170 shrimp processing industries scattered on all over islands. They generate a typical by-product such as shrimp waste (shells and head) with estimation 300,000 tons of shrimp waste per year are generated. This huge amount of shrimp waste is potency for chitin and chitosan industrial development due to its raw material availability. Meanwhile, Indonesia has only three (3) established chitin and chitosan industries which are centralized in Java Island. This fact is contradictory with one of the goals of industrialization as stated in the Law No 3 year 2014 about Industrialization, that industrial development must be equal in all regions of Indonesia. Recalling that law, it is important to support the industrialization development of chitin and chitosan industry by locating new industry out of Java Island.

A system analysis and design for selecting a new location for chitin and chitosan industry is needed to provide a general view of a complex system. The system is approached by modeling its business process based on its activities. A business process is a collection of activities or related tasks that have a starting and ending point, as well as clearly defined
inputs and outputs, focus on the way the activity is carried out within organization. A business process can be decomposed into several sub-processes, with specific features that together contribute the aims of basic process [3].

A research about a generic structure for business process modeling was conducted [7]. It helps to understand BPM methods as modeling method that represent processes activities. Another research about solving a location selection problem by using the Utility Additive (UTA) method as one of a Multi-Criteria Decision-Making (MCDM) tools was also conducted [5]. Another related work is how to design the decision supports model for industrial location selection based on Analytical Hierarchy Process, focused on how to determine factor priority to select industrial location [6].

The objectives of this paper are: to analyze and design the chitin and chitosan industrial development system, to identify location alternatives that are suitable for chitin and chitosan planning location, to identify the criteria for factory location selection, and determine the best location. Furthermore, problem description and methodology of this paper is described consecutively in section 2 and 3. Finally, results and discussion are provided in section 4, followed by conclusions in section 5.

II. PROBLEM DESCRIPTION

In this paper, the system analysis and design for the development of chitin and chitosan industry in Indonesia is focused on the processes of how to select the best location for industry by using a business process modeling (BPM) approach. BPM is used to represent the system. Identify, explain and decompose a business process (collection of activities) related to the system [3].

Based on objectives of this paper, there are four (4) main activities that will be discussed in the next section, which are (1) Analyzing and designing chitin and chitosan industrial development system, (2) identifying the alternative location for new chitin and chitosan industry, (3) identifying the criteria for location selection and (4) determining the best location. There are 4 general procedures for making location decisions: decide the criteria to evaluate location alternatives, identify important factors, develops location alternatives and evaluate the alternatives and make a selection [2].

III. METHODOLOGY

Business Process Model Notation (BPMN) is selected as a language to make a model of business process in location selection for new chitin and chitosan industry. The BPMN is chosen because of its ability to capture the business processes in the system development [1]. On the other hand, the primary goal of BPMN is to provide a notation that is readily understandable from analyst that create initial drafts of the processes, to the technical developers responsible to implement the technology that will perform those process and finally to stakeholder who will manage and monitor those processes. There are four step in BPMN method:

1. Identifying element systems. System consists of its inputs, outputs, stakeholder, entities, controls, roles, objectives, opportunities, threats and constraints.
2. Creating the Process Hierarchy Diagram (PHD). Process Hierarchy Diagram (PHD) is a high level diagram, which analyze the function of business as a hierarchy process. PHD consists of a set of processes and decomposition link that connect them.
3. Creating the Business Process Diagram (BPD). Business Process Diagram (BPD) is a graphic view from control flow or data flow between processes on each level of system. BPD provides a relationship among processes, workflow and stakeholder.
4. Building the Business Process Modelling Notation (BPMN). BPMN is a graphic view that represents all detailed relationship among process, sub process, workflow, stakeholder and formulation which are involved in the system.

IV. RESULTS AND DISCUSSION

A. Analyzing and Designing Location Selection System

The goal of this system is deciding the best location for new chitin and chitosan industry or for expansion. To achieve that goal, the system needs three inputs: chitin and chitosan industries distribution data, criteria factor for location selection, and the value data for all criteria in each Indonesian Provinces.

Based on business process analysis, there are three (3) stakeholders with different and important roles, who are involved in this system: Secretary of General Director for Industrial Areal Development (Sesdirjen MHLP), Head of Center of Data and Information (Pusdatin) and Director of Food, Marine and Fisheries Product Industries (Dir. IMHLP). All stakeholders are working under Ministry of Industry who has the big role for industrial development in Indonesia. In this system Dir. IMHLP plays an important role, due to its responsibility for the development of chitin and chitosan industry. Dir. IMHLP cannot work individually because the system needs interaction with Sesdirjen PPI for determination criteria factor of location selection and with Head of Pusdatin for providing the data.

The system entity for selecting new location for chitin and chitosan industry is illustrated on Fig. 1.
There are 2 decisions making in this process. First decision is whether the province has one or more chitin and chitosan industry or not. If the answer is yes, then remove location from list of alternative location. If the answer is no, then continue the process to collect distribution data of Industrial Area location. The industrial area in this research refers to Industrial Area which has been established and still in the development planning.

The second decision is whether the province has industrial area or not. Based on Government Regulation No 24 Year 2009 about Industrial Area, Indonesian Government obliges new industry to be located inside the industrial area. Thus, province which has an Industrial Area is considered as an alternative location for new chitin and chitosan industry or expansion. Meanwhile, if the province does not have Industrial Area location, then exclude it from the list of alternative location.

Another consideration that, the alternative location is focused on decentralization industries out of Java Island, thus all provinces in Java Island is excluded from the list of alternative location. From 34 provinces in Indonesia, 28 alternative provinces are remained and then filtered again into 14 alternative provinces, which are North Sumatera, West Sumatera, Riau, Lampung, Bangka Belitung, West Kalimantan, South Kalimantan, North Sulawesi, Central Sulawesi, South Sulawesi, Southeast Sulawesi, North Maluku and West Papua.

C. Identifying the criteria for location selection

Location selection is important in industry in term of minimizing risk and maximizing profit, recalling that the location affects the fixed cost and the variable cost [4]. Selection of industrial location largely depends on many criteria, which have either direct or indirect impact on the product operation [5].

Process of identifying criteria for location selection for chitin and chitosan industry involves Dir. IMHL as stakeholder. As shown in Fig. 3, the process consist 2 sub processes which are (1) determining general criteria for industrial location selection, and (2) determining criteria for chitin and chitosan industry location by using Pairwise comparison method.

Based on sub process (1), the general criteria for industrial location selection are obtained from discussion with Sesdirjen PPI as a responsible stakeholder. In line with it, characteristic of chitin and chitosan industry is assessed by Dir. IMHL cooperated with related industrial player or industrial association. The characteristic are required in the process next subprocess of criteria selection for chitin and chitosan industry location. As shown in Figure 5, after collecting general criteria for industrial location, then move to sub process (2) to obtain important criteria by using Pairwise Comparison from expert analysis and judgment. Pairwise Comparison method is used as a step to

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Fig. 1. System Entity for Location Selection

B. Identifying alternative location

After constructing the element system, next step is identifying alternative location. This process involves Sesdirjen PPI as a stakeholder who is responsible in determining alternative location. In this system, the location is focused in the province level. So, the output for this system is to determine which province in Indonesia that suitable for new chitin and chitosan industry or for expansion.

Supporting with BPMNN diagram as shown in Fig. 2, there are 5 sub processes included in the process of identifying alternative location. First sub process is collecting data of all provinces in Indonesia. The second is collecting the distribution of registered chitin and chitosan industries data in all provinces in Indonesia. In the collecting data process, Data and Information Center is involved to provide the data.

Fig. 2. Process in determining alternatives of location
determine location factors priority and provide a rating based on qualitative factors (10).

There are 6 factors for industrial site selection, society, proximity to market, labor, availability of raw material and supplier, facility and transportation cost, and another natural resources [9]. As stated in sub process (2), steps for pairwise comparison are arranging hierarchy (Fig. 4), defining priority and calculating consistency ratio.

To define priority of criteria by pairwise comparison, Saaty Comparison Scale is used to quantify the expert judgment (8). The comparison scale (Table I), is used by an expert as a guide to fulfill the pairwise comparison matrices (Table II).

To get the Total Priority Value (TPV), the priority value of all criteria are calculated by using the matrices manipulation with formulation 1,2,3 and 4 on the next page,

\[
1. J_{ij} = \sum_{k=1}^{n} a_{kj}
\]
\[
2. b_{ij} = \frac{a_{ij} a_{kj}}{\sum_{k=1}^{n} a_{kj}}
\]
\[
3. B_{ij} = \frac{b_{ij}}{\sum_{j=1}^{n} b_{ij}}
\]
\[
4. PR_i = \frac{\sum_{j=1}^{n} B_{ij}}{n}
\]

Where,
- \( n \): the number of criteria
- \( i, j = 1, 2, \ldots, n \): element of pairwise matrices A, row-i column-j
- \( k \): element of column-j
- \( a_{ij} \): element of new matrices, row-i column-j
- \( B_{ij} \): the number of row-i element
- \( PR_i \): TPV row/criteria-i

Fig. 3. Process in determining criteria for chitin and chitosan industry location

For the next analysis, availability of raw material and supplier will be approached by the amount of shrimp processing industries who are supplying the shrimp shell as raw material. In term of proximity to market, the criteria will be approached by the amount of processing and preservation industries (fish, meat, fruit and vegetable) as potential users. In term of labor factor, will be approached based on the lowest nominal of regional minimum salary. On the other hand, facility and transportation cost criteria will be approached by the amount of

Fig. 4. Hierarchy for Pairwise Comparison
sections because it is related to product distribution (raw material and finished product).

D. Determining the best location

After identifying the alternative locations and criteria for chitin and chitosan industry location, next process is finding the method to select several alternative locations that fulfill most of the criteria and decide it as the best location. Comparative Performance Index (CPI) is one of Multiple Criteria Decision Making (MCDM) method that usually used to determine the best location. CPI is chosen for this analysis since the criteria for location selection have different units [8].

Process of determining the best location involves Dir. IMHLP as a stakeholder. The process is divided into two sub processes: homogeneous sizing value process (Fig. 5), and calculating score of each criterias (Fig. 6).

Fig. 5 illustrates the steps on homogeneous sizing value process. Before move to the process, it is important to find actual data from reliable source to fulfill the value of each criterias in all provinces. Table III represents the value of 4 criterias in 14 different alternative locations.

Regarding to Fig. 5, the first step is homogeneous sizing the value of all criterias in each province. Homogeneous sizing value process consists of three stages:

1. Identifying whether the data trend are positive or negative. Positive trend means the higher the value is. Whilst, negative trend means the lower the value of alternative, the better the value is. From Table III, it can be seen that alternative value for Regional Minimum Salay (UMR) criteria has negative trend, while Processing and Preservation Industry, amount of seaport and shrimp processing industry criteria have positive trend. For positive trend, convert the other value proportionally lower. In contrary, convert the other value proportionally higher.

2. Defining minimum value into 100. Regarding to the data in Table III, change the value of criteria 1 for Central Sulawesi, criteria 2 for North Maluku, criteria 3 for South Kalimantan and criteria 4 for North Sulawesi into 100.

3. Calculating score process consists of three subprocess, determining the weight of each alternative. Calculating score process consists of three subprocess, determining the weight of each criteria, calculating Index Value and summing the value of all criteria for each alternative location.

The score can be obtained after determining the weight of each criterias from pairwise comparison value and then defining Index Value by multiplying the homogenized value with the weight (Equation III). Then, the total index is obtained by adding alternative value for all criteria (Equation IV).

\[
A_{ij} = \frac{x_{ij}(\text{min})}{x_{ij}(\text{min})} \times 100 \quad \text{Eq. I}
\]

\[
A_{i+1,j} = \frac{x(i+1,j)}{x_{ij}(\text{min})} \times 100 \quad \text{Eq. II}
\]

Where,

- \(A_{ij}\) = Alternative value -i for criteria-j
- \(A_{i+1,j}\) = Alternative value -i+1 for initial criteria-j
- \(x_{ij}(\text{min})\) = Alternative value -i for minimum initial criteria-j
- \(x(i+1,j)\) = Alternative value -i+1 for criteria-j

After homogeneous sizing the value of every criterias in every province, continue to the second sub process (Fig. 6) which is calculating the score of each alternative. Calculating score process consists of three subprocess, determining the weight of each criteria, calculating Index Value and summing the value of all criteria for each alternative location.

The score can be obtained after determining the weight of each criterias from pairwise comparison value and then defining Index Value by multiplying the homogenized value with the weight (Equation III). Then, the total index is obtained by adding alternative value for all criteria (Equation IV).
Sumatera selection constructed in this paper applied not or move to a new location. Guide to capture a complex situation into simple model that understandable. System design of location selection constructed in this paper also could be applied not only for chitin and chitosan industry but also for any type of industry that needs an expansion or move to a new location. In spite of the advantages, this system needs more improvement in detailing the processes into more depth sub processes and involving more related stakeholder.

### TABLE III
Decision Matrices for Location Selection

<table>
<thead>
<tr>
<th>Alternative (i)</th>
<th>Regional Minimum Salary (Rp/ month)</th>
<th>Amount of Processing and Preservation Industry (Risk, wait and fail)</th>
<th>Amount of shipping Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Sumatera</td>
<td>Rp1.375.000</td>
<td>57</td>
<td>38</td>
</tr>
<tr>
<td>West Sumatera</td>
<td>Rp1.500.000</td>
<td>45</td>
<td>38</td>
</tr>
<tr>
<td>Riau</td>
<td>Rp1.500.000</td>
<td>52</td>
<td>43</td>
</tr>
<tr>
<td>Lampung</td>
<td>Rp1.050.000</td>
<td>37</td>
<td>46</td>
</tr>
<tr>
<td>Bangka Belitung</td>
<td>Rp1.205.000</td>
<td>22</td>
<td>9</td>
</tr>
<tr>
<td>West Kalimantan</td>
<td>Rp1.080.000</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>South Kalimantan</td>
<td>Rp1.375.500</td>
<td>21</td>
<td>5</td>
</tr>
<tr>
<td>East Kalimantan</td>
<td>Rp1.751.100</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
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<td>7</td>
</tr>
<tr>
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<td>Rp1.955.000</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>South Sulawesi</td>
<td>Rp1.440.000</td>
<td>7</td>
<td>62</td>
</tr>
<tr>
<td>South Celebes</td>
<td>Rp1.120.200</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>North Maluku</td>
<td>Rp1.200.600</td>
<td>4</td>
<td>143</td>
</tr>
<tr>
<td>West Papua</td>
<td>Rp1.720.300</td>
<td>5</td>
<td>7</td>
</tr>
</tbody>
</table>

Source (Accessed: June 2015)
1. BPS, 2013; 2.Kemenperin.go.id; 3.gis.dephub.go.id; 4.kkp.go.id

\[
I_{ij} = A_i x P_j \quad \text{Eq. III}
\]

\[
I_i = \sum_{j=1}^{n} (I_{ij}) \quad \text{Eq. IV}
\]

Where,  
- \( P_j \) = Weight of criteria-j  
- \( A_i \) = Alternative index-i  
- \( I_{ij} \) = Combination Criteria Index for alternative-i industry location

\( i = 1,2,3,\ldots, n \)  
\( j = 1,2,3,\ldots, n \)

Based on Eq. IV, it can be calculated which province that has the highest alternative value. Based on the final results in Table IV, the highest Index Value total is owned by North Sumatera, followed by North Maluku and South Sulawesi. Thus, North Sumatera is the best location for planning a new chitin and chitosan industry or an expansion. This research hopefully could be used as a simple guide to capture a complex situation into simple model that understandable. System design of location selection constructed in this paper also could be applied not only for chitin and chitosan industry but also for any type of industry that needs an expansion or move to a new location. In spite of the advantages, this system needs more improvement in involving the advantages, this system needs more improvement in involving the advantages, this system needs more improvement in involving the advantages, this system needs more improvement in involving the advantages, this system needs more improvement in involving the advantages, this system needs more improvement in involving the advantages.

### TABLE IV
Decision Matrices for Location Selection (After Transformation)

<table>
<thead>
<tr>
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