

Application of Business Strategy to Create Competitive Advantage in Indonesian Micro, Small and Medium Enterprises

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ARTICLE INFO



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Keywords:

Business Strategy; Competitive Advantage; Micro, Small and Medium Enterprises

DOI:

<https://doi.org/10.33096/jmb.v10i1.481>

ABSTRACT

This research is the result of a review of the importance of formulating, designing, and implementing long-term strategies. The purpose of this research is to discuss how business strategies enable competitive advantage in organizations through their design, formulation, implementation, and control. This review was conducted as part of this research. Companies can no longer achieve a competitive advantage solely through the prices of their goods and/or services, nor can they achieve profitability in the short term; instead, their focus has shifted to the development of long-term strategies. Methodologies such as descriptive qualitative research from a theoretical point of view, analysis, synthesis, and documentary review of bibliographic references related to business strategy, as a generator of business competitive advantage, and how to achieve returns through long-term strategic planning are utilized in this study. As one of the conclusions, it is clear that the importance of developing, designing, and putting into action strategies that make it possible to achieve long-term results cannot be overstated, given that the role of managers is currently restricted to the production of financial performance.

ABSTRAK

Penelitian ini merupakan hasil kajian tentang pentingnya merumuskan, merancang, dan menerapkan strategi jangka panjang. Tujuan dari penelitian ini adalah untuk membahas bagaimana strategi bisnis memungkinkan keunggulan kompetitif dalam organisasi melalui desain, formulasi, implementasi, dan kontrolnya. Tinjauan ini dilakukan sebagai bagian dari penelitian ini. Perusahaan tidak dapat lagi mencapai keunggulan kompetitif hanya melalui harga barang dan/atau jasa mereka, juga tidak dapat mencapai profitabilitas dalam jangka pendek; sebaliknya, fokus mereka telah bergeser ke pengembangan strategi jangka panjang. Metodologi seperti penelitian kualitatif deskriptif dari sudut pandang teoritis, analisis, sintesis, dan tinjauan dokumenter referensi bibliografi yang terkait dengan strategi bisnis, sebagai generator keunggulan kompetitif bisnis, dan bagaimana mencapai pengembalian melalui perencanaan strategis jangka panjang digunakan dalam penelitian ini. Sebagai salah satu kesimpulan, jelas bahwa pentingnya mengembangkan, merancang, dan menerapkan strategi yang memungkinkan untuk mencapai hasil jangka panjang tidak dapat dilebih-lebihkan, mengingat bahwa peran manajer saat ini terbatas pada produksi kinerja keuangan.



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INTRODUCTION

Currently, micro, small and medium enterprises (MSMEs) in Indonesia, of the number of business units in Indonesia, are MSMEs where 97% (116.9 million) of the total workforce in Indonesia are absorbed in MSMEs. Furthermore, 61.07% (8,573,895 billion) of Indonesia's GDP

came from MSMEs and 14.37% (293,840 billion) of Indonesia's non-oil and gas exports came from MSMEs; Finally, 60.42% (2,564,549 billion) of the total investment in Indonesia came from MSMEs. (Muttaqin et al, 2021).

Business managers, when designing a business structure must start with the formulation, implementation and control of organizational strategy, being a fundamental problem for all managers. However, in a business environment, analysis of the competitiveness situation is considered an important management tool (Yunus, 2016). Musa (2013) considers that it is not always evaluated as a variable resulting from the interaction of many variables, both internal to the company and those present in the external environment.

In Indonesia, due to the financial economic crisis, it forces stakeholders to reflect on the characteristics of micro, small and medium enterprises, realizing the importance of MSMEs for the growth of the country. Because it is an instrument of social cohesion and stability by providing employment opportunities (formal or informal) to people with or without professional training (Sholikhah, 2021).

The Ministry of National Development Planning/Bappenas in its annual report considers that the behavior of the productive sector is useful for understanding the dynamics of the factors driving the growth of economic and financial activity. Therefore, in companies to improve the country's economy and generate economic benefits, you must consider planning that allows you to control the implementation of goals, therefore the term to be used is strategic planning (Wibowo, 2008).

Steiner (2005), shows that through strategic planning, the direction of organizational goals is set, risks are eliminated and conditions for success are guaranteed, which is why strategic planning is the starting point of organizational processes. There are several advantages of strategic planning such as:

- a) Defining the direction of the company enables better directing and utilizing efforts and resources.
- b) Reducing the level of uncertainty that may arise in the future of the business.
- c) Minimizing risks, and taking advantage of opportunities that exist in the environment.

Companies will no longer be able to gain profits solely through the price of their products and/or services, or managed to gain profitability in the short term, the vision of the new organization must be oriented towards determining long-term goals, namely by designing business strategies that become fundamental management tools to achieve excellence. competitive (Alwi, 2018).

According to Porter & Lee (2015), strategists must take into account three elements, 1) the position of the company to defend itself against the dominant forces in the industry, 2) the influence of their own company on this balance through strategic moves, and 3) anticipate possible moves by competitive forces. Porter & Lee (2015) considers that consumers are the starting point for designing strategies. which suggests three general strategies: like; 1) Differentiation, 2) Cost leadership, and 3) Focus on a niche or segment. The adoption of the strategy will depend on the market it is directed at.

By managing to determine the business strategy in accordance with the interests of the company, competitive advantage is achieved. To meet the proposed objectives, this document is developed at a descriptive level. Documentary investigations are carried out that allow the main investigative explanation of the sustainability of companies through long-term strategies, and how through them competitive advantage is generated in organizations.

RESEARCH METHODS

In this particular investigation, a descriptive research approach is combined with a qualitative analysis methodology. Gunawan (2022) defines qualitative research as research that intends to understand phenomena, about what is experienced by research subjects. This is in accordance with the aforementioned definition. According to Subadi (2006), qualitative research is a method of research that generates descriptive data in the form of written or spoken words from people as well as behavior that is observed. Primary data are what were collected for this study, and these were gleaned from a variety of pertinent research literature. Secondary data is gathered by researchers from sources such as books, magazines, field results, and the internet. A qualitative descriptive model is utilized in the process of data analysis. This model is utilized in the form of data collection, data reduction, data display, and conclusions.

RESULTS AND DISCUSSION

The business strategy enables the fulfillment of objectives, just like MSMEs in Indonesia, their plans are oriented towards reducing operating costs associated with production, commercialization of their products and/or services, however, it is difficult to comply with the strategy due to external factors. Considering the changing dynamics of the market that demand better processes, capacity for creativity, and adaptability to changing environments, one of the key factors for improvement is the ability of an organization to bring its products and/or services to market through the design and implementation of strategies. Strategy is a way to achieve long-term goals (Sulistiani, 2013).

The importance of referring to the right strategy is needed by MSME actors in Indonesia, by recognizing the opportunities offered by the market, therefore; organizations will be able to formulate new, efficient, effective and more effective strategies that enable differentiation with the competition, managers have a difficult task when integrating workforce in strategy design and implementation, the question arises: What will managers do to keep their workforce focused on goals corporate strategy?

Trout (2014), asserts that the term strategy was used throughout the years in the army with the sole aim of destroying grand plans or an advantage that the enemy does not have, in this sense, strategy guides business decisions that enable operational plans to be made. carried out simultaneously with the achievement of goals. Strategy began to appear since the Second World War, the need to use it in every business activity is increasingly needed, according to Robbins et al (2014), strategic management is a company's ability to achieve its goals. It is considered a business strategy of a series of operations that lead to competitive advantage, through technological, human, infrastructure and material resources that will enable MSMEs in Indonesia to provide quality services through the generation of added value in products. and/or services.

Kaplinsky & Morris (2017), states that when talking about strategy, value chains must be considered where various aspects are intervened so that a product and/or service obtains added value, as a differentiator from competition, from start to competition. arrive. to the final consumer. Many companies in the process emphasize the value chain, consisting of different links and each of them contributes to development. In addition, innovation is considered in the value chain, because it is related to information technology, as well as being a tool that enables the creation and development of new products and/or services.

The MSME sector in Indonesia is not always represented by the organizational structure, business planning needed to solve problems. However, when problems arise, new strategies and possibly reorganizations are devised and implemented. Structural changes can take the form of: action plans, management tools, process innovation, budget reports. In 1977, business concerns emerged with issues of management effectiveness, efficiency, and effectiveness, and concerns with the nature of the relationships between strategy, process effectiveness, organizational structure, and design. It can be said that the structure follows the business strategy, a good strategic plan and a suitable organizational structure will emerge easily. Because of that; a broadly diversified strategy requires a decentralized structure (Hendrawan et al, 2019).

How much time is devoted by business managers to planning, organizing, motivating and controlling administrative processes is a question that must be analyzed from a methodological point of view, i.e., managers have room to design strategies, develop social or interpersonal skills among staff, make decisions, communicate effectively, foster organizational culture, process simplicity, product and/or service quality, organizational design. In this sense, it is worth mentioning how strategic management represents what managers do to develop an organization's strategy. Being an important task in which all the basic managerial functions are involved.

What is a business strategy? They represent plans that will determine how one will achieve business objectives, how one will compete successfully, how one will design competitive advantages, how one will generate value in one's products and/or services, how one will meet product demands, and finally how one will someone will attract customers to fulfill his goals. When designing a business strategy, a business model is created, which refers to the set of actions that companies practice to generate economic income.

The history of the evolution and development of strategic thinking, according to Booth (2021), is divided into four stages: the first focuses on budget-centered financial planning, assigned to each area, such as: production, finance and marketing. The second stage of thought evolution in formulating organizational strategy is oriented towards long-term financial planning. Booth (2021), considers that in the second stage, strategic thinking is basically oriented by the functional vision of the company, where its various functional areas are analyzed individually and, based on this functional analysis, more global answers are sought. for company needs.

The third stage is characterized by having a more global strategic vision, bringing together each business area. According to Riege (2005), in their research they considered the need to formulate strategies in a more articulate and dynamic way, bringing together individual ideas for each functional area, linking them to the competitive environment in which the strategy operates. Therefore, an important characteristic of the third stage is the focus on visualizing organizations from a global way, analyzing the markets and competitors they face. Booth (2021), states that the fourth stage of strategic thinking is characterized by a focus on organizational learning and analysis of the business environment. This stage focuses on strategy formulation which begins with an analysis of the company's environment from the perspective of weaknesses, strengths, opportunities and threats.

From the conceptualization of business strategy, we mention several authors, such as: Shapiro (1989), defines strategy as a pattern of decisions within a company that determines goals and objectives, generates plans and policies for achieving the same and takes into account economic and human factors for the benefit of stakeholders (shareholders). stocks, suppliers,

financial institutions, customers, employees, communities). Campbell et al (2002), highlighted that the formulation of business strategy arises from planning from management, considered as forecasting future scenarios and determining the results to be obtained, through environmental analysis to minimize risks, with the aim of optimizing resources and determining the strategies needed to achieve organization goals. However, Blumentritt & Danis (2006), defines strategy as the art, science of formulating, implementing and evaluating multidisciplinary decisions that enable a company to achieve its goals.

In today's business world where MSMEs in Indonesia operate, it is important to design, implement and control strategies that enable them to achieve competitive advantage. Companies that implement long-term strategies gain an advantage over their competitors by innovating products and/or services. Suhaeni (2018), views that business organizations need to equip themselves with new capabilities and attributes, which are significantly different from the characteristics of traditional companies. However, MSMEs in Indonesia live in intense and complex times; the increasing influence of information technology in economic and business processes, in fact, the integration of technology and business is becoming one of the major sources of innovation and value creation in enterprises.

Porter (1989) considers that the competitiveness of a country depends on the ability of its industry to innovate and improve. In an increasingly globalized competitive world, the state is becoming more important. According to Porter (1989), the structure of competition is increasingly shifting towards the creation and assimilation of knowledge, the role of the nation is growing. Competitive advantage is created and maintained through highly localized processes through strategy.

Competitive strategy is one that determines how a company will compete within its business units. Robbins & Coulter (2014), describes how they will compete in their main market. However, when it comes to an organization participating in multiple businesses, each of them will have its own competitive strategy and this will determine its competitive advantage. When a company operates in several different lines of business, which are independent from others and have their own competitive strategy, they are called strategic business units.

Meanwhile, Aldi (2005), defines business competitiveness with the relationship between what is happening outside the organization such as: government policies, country's economic structure, market characteristics, regional variables but highly dependent on performance. organization. To develop an effective competitive business strategy, it is necessary to understand what competitive advantage is, it is everything that differentiates one organization from another. Air Asia has a competitive advantage thanks to its ability to provide what its passengers want: comfortable and affordable air transportation services. This can be considered as a competitive advantage in the allocation of company resources, Indomaret and Alfamart are able to monitor and control its inventory and its relationship with suppliers with greater efficiency, effectiveness and effectiveness than competitors can do; the company has turned this into a cost advantage.

In companies, the term Competitive Strategy should be considered as a set of analytical methods that will serve the company to study the industry as a whole and predict its future evolution, understand competitors and their environment, translate the analysis into the company's competitive strategy. Porter (1989), in his research, states that competitive strategy is a combination of goals (goals) that companies seek and ways (policies) that try to achieve them. The same author proposes a competitive strategy wheel as an instrument for integrating important aspects in a single graph, at the center of the wheel the company's goals are

considered, they represent the broadest definition of how a company wants to compete and its specific goals, economics among others; Wheel spokes is the basic operating policy to achieve the goal.

CONCLUSION

The MSME sector in Indonesia must immediately change to carry out the process towards a better one with the priority of achieving competitive advantage. Realizing a business strategy through designing the MSME sector can actually be said to be something that can be difficult but can also be something easy, this is only determined by the similarities or differences in our views on the problems at hand. If we agree that the responsibility for achieving the goals of realizing the MSME sector development strategy in Indonesia is a shared responsibility, then this might be something easy. The importance of formulating, designing and implementing strategies that enable long-term results is evident, currently the role of managers is limited to generating financial benefits, namely; end oriented, not how to do it. It is important for MSME actors to consider business strategies as added value that will ensure long-term sustainability, allowing them to achieve competitive advantage through innovation and the quality of the products and services they sell.

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