

STRATEGY TO IMPROVE COMPETITIVENESS IN SMALL MEDIUM INDUSTRY IN BALIPutu Eka Juliana Jaya
Made Suyana Utama**ABSTRACT**

Small and Medium Industries (SMI) have an important role in developing the Indonesian economy, especially Bali, through several sectors, namely exports, trades, and support in employment growth. Following the globalization, SMI must increase their competitiveness to survive. This literature review seeks to find and compare various strategies as an effort to boost competitive ability and competitiveness in SMI, especially in Bali. The study was descriptive based on scientific journals. The implementation of the right strategy is very important because it will contribute in enhancing competitiveness, which in turn will have an impact on increasing export value, increasing the PAD (regional GDP) and improving the welfare of the community. SMI of Bali requires a strategy to encourage competition, namely; analyzing competitive priority (cost, quality, flexibility, delivery, innovation), implementing operational standards and product quality, providing availability of quality raw materials, improving quality of human resources, applying the modern IT for product manufacturing and marketing, increasing efficiency, providing government regulations siding with SMI, fostering good relations with all relevant stakeholders, intensifying market expansion and promotion, market control, improving banking facilities in lending, building industrial areas of SMI products, enhancing the role of development research. Several methods and analysis used are the decision-making method of the Analytic Hierarchy Process (AHP), Revealed Comparative Advantage (RCA) analysis, Competitive Profile Matrix (CPM) analysis, Strength Weakness Opportunity Threat (SWOT) analysis, Diamond Porter Model, and Resource-based View (RBV) (consisting of Market-based view and Efficiency-based View).

Keywords: strategy, competitiveness, SMI

INTRODUCTION

Small and Medium Industry (SMI) is an economic activity that can produce goods or non-objects (services) that are commercially traded. SMI has enormous potential for the advancement of the Indonesian economy because it is widespread in all regions of Indonesia, so it is able to prosper the community and have a major impact on the economy. This is evident from the number of GDP of 2004-2013 in the amount of Rp.3,745,584 Billion (KKUKMRI, 2015). In accordance with national data, SMI in Bali also shows a significant contribution to the economy of Bali Province. Based on data from the Department of Industry and Trade of the Province of Bali in Table 1, it can be seen that the BB / BP SMI values in Bali Province amount to Rp. 4,098,246,861. The role of the SMI in the development of a country's economy is evidenced by the reduction in unemployment and the creation of new businesses that continue to emerge (Delmayuni et al., 2017).

Table 1. Recapitulation of the Directorate of Creative Industries in Bali Province in 2017

Regency / City	Number of Business Units	Labor (People)	Value of Investment	Production Value	Value of raw materials / supporting material
Jembrana	1.75	8.712	73.933.433	429.536.074	284.958.545
Tabanan	878	7.606	542.345.198	567.236.330	358.676.878
Denpasar City	4.074	30.862	282.899.240	1.416.526.146	381.970.595
Badung	1.23	14.943	72.444.562	1.246.268.358	1.060.316.303
Gianyar	943	15.058	2.989.867.354	4.841.849.850	1.662.678.726
Bangli	4.167	11.741	24.371.701	363.330.010	150.530.143
Karangasem	512	4.21	25.737.579	32.213.224	20.447.486
Klungkung	461	4.617	29.274.729	92.890.481	54.968.495
Buleleng	977	6.22	22.012.121	183.092.572	123.699.691
TOTAL	14.992	103.969	4.062.885.917	9.172.943.045	4.098.246.862

Source: Department of Industry and Trade of Bali Province, 2019

SMI is also able to prove its existence in Indonesia. The economic downturn in the 1988 era which led to the monetary crisis resulted in many companies revoking their investments from Indonesia. However, the SMI is still managed to exist and has contributed to the Indonesian economy at that time.

In Indonesia, data shows that the SMI had a crucial contribution to the economy on a national scale. Based on data from the Ministry of Industry in 2015, it is shown that in 2013 the SMI dominated more than 90% of the national industrial business units and recruited up to 65.4% of the total employment in the non-oil and gas industry category.

The enactment of the ASEAN Economic Community (MEA) along with Free Trade Agreement between countries in ASEAN, has opened opportunities for SMI entrepreneurs to compete in the new business zone. Therefore, Indonesian SMI must improve product quality to be able to compete in the ASEAN market and more broadly on the world market. Some of the obstacles encountered by SMI in Indonesia, for example lack of investment capacity, poor quality human resources, and low ability to use science and technology (Sudaryanto and Hanim, 2002). In addition, there are also barriers surrounding the business objectives that are not clear because the vision and mission planning is less assertive. The opportunities and challenges that exist, make the SMI must have careful preparation especially for the SMI drivers in Bali. For this reason, the Bali SMI requires the formulation of strategies that encourage these SMI to increase their competitiveness.

Based on the principle of ability to direct the supply curve to the right as an effort to reduce prices, competitiveness can be categorized into two types, namely competitive advantage and comparative advantage. Some factors that must be considered to optimize competitiveness strategies are the production sector, consumption, industrial structures and trends in the market. Based on the explanation, the next section will analyze the relevant things: (1) Factors that affect the competitiveness of SMI in Bali, (2) The Strategy for SMI Development is competitive in Bali.

ANALYSIS AND FINDINGS

It is very simple to understand that companies that have competitiveness will produce products that are also competitive. Likewise, a company or organization that has competitiveness is certainly able to develop in a competitive industrial environment. An industry that has competitiveness is easier to develop in locations or regions that are also competitive (superior). If it is found that there is a competitive company or industrial product that is capable of developing in an area that does not have competitiveness, then the specialty and possibility of superiority is actually not sustainable (Anggraeni, 2017).

Figure 1. Product Competitiveness



Source: Anggraeni (2017)

Competitiveness is productivity which is defined as output that can be produced by labour (Porter, 1990). Competitiveness is a concept that refers to the ability of an organization to compete with other companies in creating value. In order to achieve superior conditions (competitiveness), effective strategies are needed by considering the uniqueness of the conditions and environment of each company, such as by utilizing resources appropriately so that it can produce work effectiveness that matches expectations even more and can produce value.

The efforts made to produce competitive SMI according to Russell and Millar (2014) are five competitive priority components, namely cost, quality, flexibility, delivery and innovation. The first thing is cost, including four indicators, namely production, HR productivity, use of production capacity and stock. Next is quality, which includes factors such as product appearance, product acceptance period, product durability, speed of response to consumer complaints and the accuracy of products with the required specifications (Muhardi, 2007). The other thing is time, including the efficiency of production time, the long cut waiting for production and the timeliness of the product. Also important is the flexibility that includes factors such as variety and variety of products and dynamics in adaptation to trends and environmental needs. The last thing is innovation. As the name implies, the component of innovation plays a role in the development of new ideas about the production process and the final output of production (Dangayach & Deshmukh, 2013).

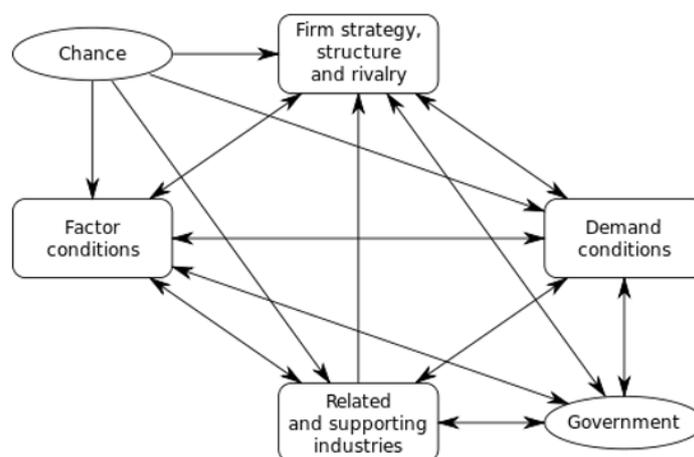
A previous study by Barney (2007) stated that excelling in competition means that a business or business managed to spark a better economic value than rival companies. The economic value in question is a sense of profit experienced by consumers by buying a product or using a service.

1. Internal and External of SMI Competitive Factors in Bali

From previous studies by Delmayuni et al. (2017), which reviewed the competitiveness of food SMI in the city of Palembang, stated that the important internal factors were quality raw materials. The raw material is one of the forces of the competitive SMI Food in Palembang City. This is also reinforced by the decision-making method of the Analytics Hierarchy Process (AHP) where the availability of raw materials has a higher analysis value compared to other alternatives. In the study, it was also found that the role of the government as an external factor was greatly needed as a facilitator in the procurement of quality raw materials in accordance with the specifications needed by SMI actors. The strategy is by utilizing more sophisticated tools in the product manufacturing process because in the process of making products still traditional using simple technology and human power, and making variations of the products produced and expanding the product distribution network by utilizing training programs carried out by the government so that it will create food SMI that can be competitive both domestically and abroad. These findings are similar to the condition of SMI in Bali, which is also many who still use simple traditional methods, so the presentation of the strategy in the study is relevant and can be applied to support the competitiveness of SMI in Bali Province, especially by emphasizing the role of government to support development through designing special programs for SMI in Bali.

Putra and Maulana (2018) also show that company performance can be determined by internal and external factors. These factors are reviewed using a SWOT analysis. SWOT explains the internal environment in the form of strength-strength and weaknesses of health and the external environment in the form of opportunity-opportunity and threat-threat that affect the competitiveness of a business. SWOT analysis is a method of analysis that compares the external factors with internal factors. The results of Putra and Maulana's research (2018) found that the competitiveness of the creative industries is very dependent on the availability of capital, fostering the creativity of business people, and integrated marketing aspects of technology. The research also considers it necessary to optimize the supporting components of the Diamond Porter creative industry in an effort to encourage the competitiveness of SMI even to the world. The Diamond Porter model is shown in Figure 2.

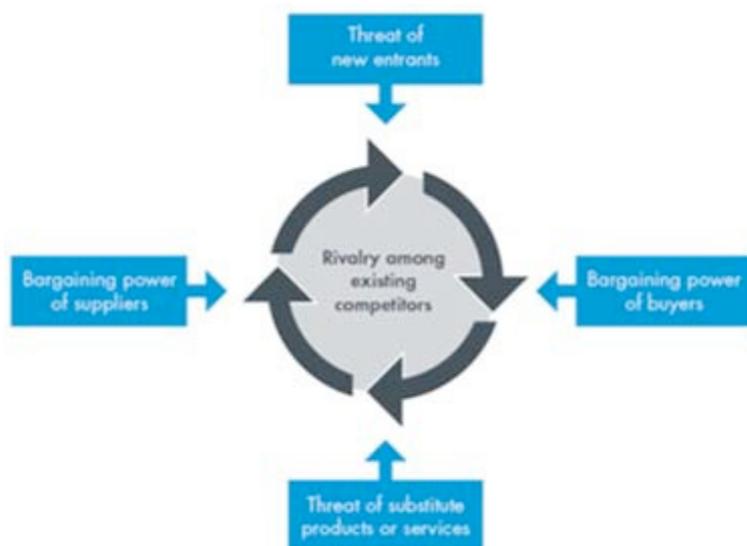
Figure 2. Porter's Diamond Model



Source: Porter (1990)

In addition to the Porter Diamond Model above, there is also a competition theory proposed by Michael Porter that is applied in the analysis of competition in the industry, where a competitive environment will affect the sale of a product based on a five forces Porter model. In the model, Porter stated that a business does not only grapple with competition from rival companies that already exist in the industry. The model in Figure 3 can illustrate the current business situation, and can also help in knowing the advantages of current and future competition positions so that the company is able to increase strength, anticipate weaknesses and avoid companies making wrong decisions.

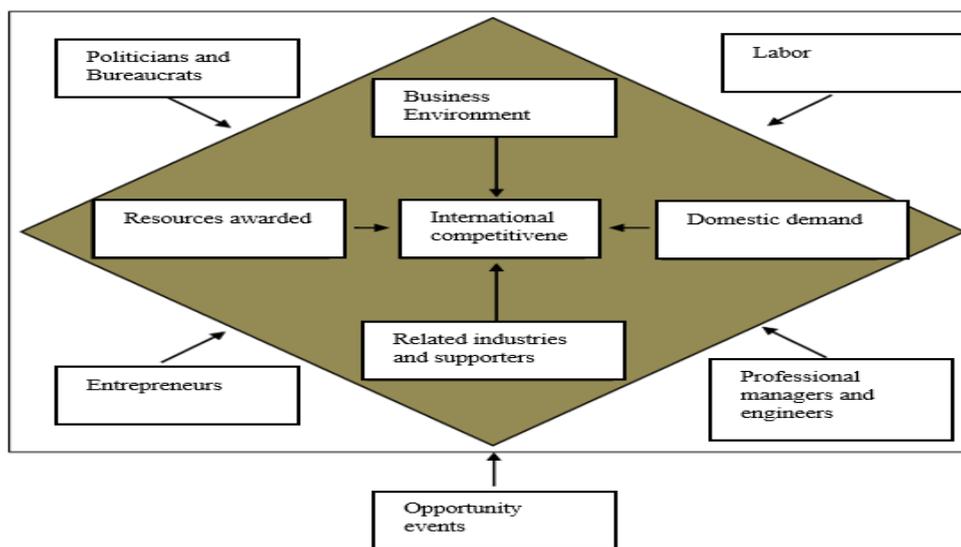
Figure 3. Porter's Five Forces Model



Source: Porter (2000)

Meanwhile, according to Cho (2003: 177) in Irmawati (2015), making modifications to the Diamond Porter Model because there are several drawbacks. The modification model is known as the nine-factor model. The nine-factor model has four components which are physical determinants of international competitiveness, namely the resources bestowed, the business environment, related industries and supporters, and domestic demand. In addition to physical factors, there are also four other components from the point of view of human factors, namely the components of workers, politicians and bureaucrats, entrepreneurs and professional managers and engineers. While external opportunity events are the ninth factor, as in Figure 4.

Figure 4. Nine-Factors Model



Source: Cho (2003) in Setyani (2015)

2. Competitive SMI Development Strategy in Bali

According to Pearce and Robinson (2008), strategies are large-scale planning, focusing on the future and adaptation tips with competitive conditions to achieve the company's vision. While the opinion of Mintzberg (1995) states that strategy is a planning process that connects the main vision of the organization, regulation, and sequence of activities as a whole. The right strategy will support the efficient use of resources into an activity that has internal competition and the relative weaknesses of the company and is able to adapt to various changes in conditions.

Another opinion by Barney (2002) defines strategy as a company theory about tips for succeeding in a competition. Implementation of the theory will have an impact on the position of competitiveness of the company, namely: (1) able to

compete with great success and obtain competitive advantage, ie if all actions directed in an industry or market are able to add value to the situation there are only a few (few) companies that are able to carry out similar actions, (2) able to compete successfully and gain competitive parity, ie if all actions directed in an industry or market are able to provide added value to the situation, there are quite a number of companies capable of taking action similar; (3) the inability to compete successfully and only gain competitive disadvantage, ie if all actions taken by companies in an industry or market fail to provide economic added value.

According to Tambunan (2001), state competitiveness is influenced by two factors, namely comparative advantage and competitive advantage. Comparative advantage is considered as a factor that arises by itself while the competitive advantage is a factor that is deliberately produced. In addition, with the high level of global awareness, the competitiveness of a country is also determined by Sustainable Competitive Advantage (SCA).

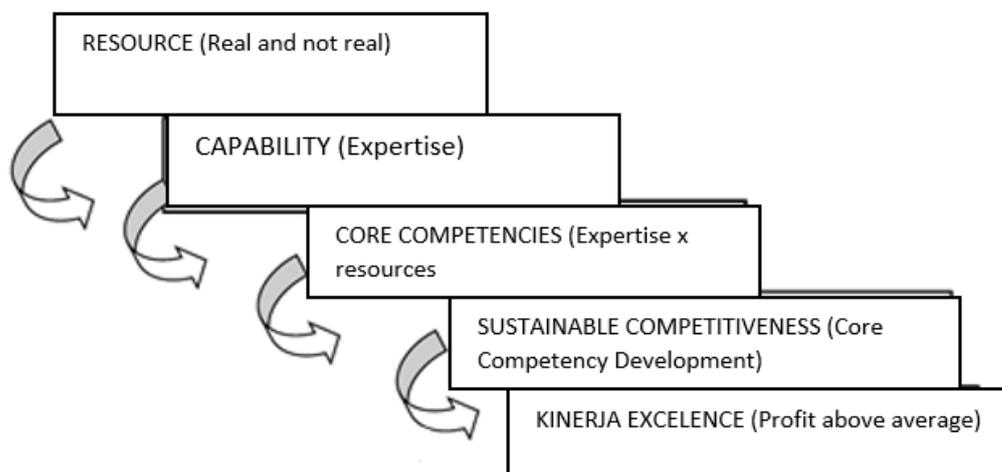
The development of developing sector strategy management in the two main paradigms is in the form of Market-based view (MBV) and Efficiency-based View. Both paradigms are better known as Resource-based View (RBV). The important thing in MBV Theory is that company performance is determined by the unique position of a company's strategic behaviour in response to market competition (Hoskisson, Hitt and Ireland, 2004; Porter, 1996). The importance of the role of a competitive market is the main emphasis of this theory because such conditions are determinants of corporate behaviour which they have a good impact on the performance of a company.

The views and ideas of the MBV theory encourage the emergence of the research paradigm Environment-Strategy-Performance or ESP (Luo and Park, 2001) in strategic management research. The influence of strategies on the performance of a company is not only influenced by the external environment but also influenced by the internal environment, according to the contents of some strategic management literature (Parnell, 2006). The internal environment in question is the capability or capability of the company (DeSarbo et al., 2005; Henderson and Mitchell, 1997).

The RBV theory is used as a guide or limitation to examine the strengths and weaknesses of a company by exploring the uniqueness of all internal resources that are controlled and controlled by the company. The essence of the theory of RBV is the recognition that each company is different because each company has a number of certain unique resources. If there are many resources that cannot be obtained immediately (instant), then the company's strategy that can be chosen is limited by the number of resources available at that time and by the speed of a company to obtain new resources. So, the difference in the availability of a resource is the core of the strategy and it is very important to calculate for the realization of a sustainable competitive advantage (Anggraeni, 2017).

Based on previous research by Nurhayati (2016) who examined the competitiveness of SMI Batik in Indonesia, it was found that increasing the competitiveness of batik SMI in Indonesia could be done by examining the dimensions of competitiveness in order to have an advantage to compete in the Asian free trade arena (AEC) There are several strategies that must get the main attention in an effort to improve competitiveness, one of which is through improving the quality of human resources. The more effective formation of HR competitiveness of batik SMI actors can refer to the theory by Hitt et al. (2000), that there are several components forming competitiveness in which one with another is continuously interrelated. These components begin with resources that have capabilities, then with their capabilities can be formed core competencies in the company. This core competency must then be developed as a source of excellence to create competitiveness, where the company is able to be competitive and can be said as a company that has performance excellence. The linkages between the components forming competitiveness proposed by Hitt et al. (2000) can be explained in Figure 5 below.

Figure 5. Components for Forming Competitiveness



Source: Hitt et al. (2000)

Other strategies to encourage competitiveness are through business or business efficiency. Business efficiency implies that in producing goods or services the company achieves economies of scale, namely the scale of the business carried out with a minimum average cost. Economical business scale can be achieved if the turnover or volume is large (large scale). The strategy that can be done by the SMI batik is to integrate (collaborate) between one SMI and another SMI. The cooperation that can be carried out includes joint ventures to purchase batik raw materials and colouring drugs. With a joint venture like this, the amount of material purchased becomes large, so that it will obtain efficiency both from the cost of the purchase and from the discounted price. The results showed that there were already several batik SMI that collaborated in purchasing raw materials and colouring drugs (especially imported ones), but not all batik SMI had carried out such cooperation. Therefore the government (local government) must facilitate cooperation in the procurement of raw materials and batik colouring drugs so that they can carry out business more efficiently.

The last strategy discussed in an effort to improve competitiveness is through supporting regulations. The government is the party most responsible and interested in the preservation of batik as a typical Indonesian culture. Based on the results of the study, it is known that the government has issued policies aimed at protecting Indonesian batik, but the reality on the ground shows that the rules made have not fully aligned with the SMI batik. Therefore it is necessary to formulate a policy that is more pro-SMI.

Based on the strategies described by Nurhayati (2016), in general, it can also be applied in an effort to develop the competitiveness of SMI in Bali. Improving the quality of resources, both real and unreal, and capabilities in the form of expertise and skills of SMI actors can contribute significantly to increasing the competitiveness of SMI. Both of these are related to Nurhayati's third strategy (2016), namely the role of government informing regulations and programs that favour the SMI. In addition, a business efficiency strategy that emphasizes large-scale economics is also an innovative proposal that is interesting and potentially promising to be applied to SMI in Bali. This is because there are not many SMI in Bali that collaborates between SMI that can provide more benefits but also reduce the costs needed due to the system of sharing the burden among the cooperating SMI.

Research on other competitiveness was carried out by Putra and Maulana (2018) with the result that efforts to encourage the competitiveness of the footwear industry cluster in Tamansari District can be carried out with the following priority strategies, namely promotion and system of selling products online, implementing operational standards and product quality, foster good relationships with employees, buyers and suppliers, and foster good relationships with suppliers, and attend footwear exhibitions. Some of these strategies have been implemented by SMI in Bali, such as fostering good relationships with economic actors (suppliers, traders, buyers) because SMI in Bali do adhere to traditional family systems and are close to each other. Another strategy is the affirmation of a more systematic work environment such as online marketing and sales. This is taking into account the economic situation of the MEA and globalization and the development of science and technology which has led to a shift in trends from offline to online business. In addition, the adoption of SOPs and quality control and actively participating in exhibitions can be innovative strategies that can be applied in the effort to develop the competitiveness of SMI Bali.

The results of other previous studies conducted by Hubeis and Pandjaitan (2012) show that the strategy to increase the competitiveness of SMI is carried out by: (1) increasing cooperation to maintain the sustainability of raw material access between regions; (2) building industrial areas for SMI products; (3) increasing the role of private and tertiary government through development research. With a large number and variations of SMI in Bali, the strategies used are not the same for each SMI.

The results of the Lestari et al. (2013) states that based on the Revealed Comparative Advantage (RCA) analysis method and the Competitive Profile Matrix (CPM) analysis the priority strategies that can be taken to encourage the competitiveness of processed tuna businesses in Indonesia are to pay attention to production and marketing factors, for example by improving quality products, dealing with tariff and non-tariff issues, and intensifying market expansion and promotion. While the priority strategy of human and institutional factors is by intensifying government participation in the processed tuna industry in Indonesia, developing the quality of human resources, and strict action against illegal fishing. On the other hand, based on CPM analysis, there are 3 factors that influence the ability of processed tuna competitiveness, namely the quality of tuna, tariffs and non-tariffs, and promotion of promotions.

Research by Sudaryanto et al. (2013) stated that the strategy to develop SMI in Indonesia was closely related to assistance from banks and credit institutions. Currently, the credit scheme that is very familiar in the community is the People's Business Credit (KUR), which is specifically intended for SMI with the category of decent business, without collateral. In addition, strengthening the SMI escort institutions can be done through easy access and increased capacity building in the form of training and research activities that support loan lending for SMEs. While the strategy in an effort to anticipate market conditions, especially in ASEAN, which will be increasingly competitive with open access, market control is needed so that the SMI can survive in competition. Market control can be done by utilizing technology to obtain information and add connections to the marketing and promotion of SMI products. Information technology applications in the SMI will make it easier for SMI to expand markets both domestically and overseas markets efficiently. The establishment of an IT-based SMI Development Center is considered capable of encouraging the growth and development of micro, small and medium enterprises in the current era of information technology.

CONCLUSIONS AND SUGGESTIONS

The magnitude of the potential of SMI needs to get attention for the progress of the Indonesian economy, so as to be able to prosper the community; one of them is due to reduced unemployment and the creation of new businesses. Indonesian SMI must improve product quality to have the ability to compete in the ASEAN market and more broadly on the world market. There are a number of crucial problems faced by SMEs, namely lack of investment capability, poor quality human resources, and low ability to use science and technology.

For this reason, SMI, especially in Bali, requires a strategy that can encourage the SMI to be competitive, namely; analyze competitive priority (cost, quality, flexibility, delivery, innovation), implementation of operational standards and product quality, availability of quality raw materials, quality improvement of human resources, modern IT applications for product manufacturing and marketing of products, increase efficiency, provide government regulations siding with SMI, fostering good relations with all relevant stakeholders, intensifying market expansion and promotion, market control, improving banking facilities in lending, building industrial areas of SMI products, enhancing the development research role.

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