Strategy of Competitiveness Improvement of West Java Industry

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Abstract: The issue of competitiveness in local, national or international markets is a key issue and tough challenge for industry in West Java. Without sufficient ability and high competitive advantage, it is impossible for the products of West Java industry to penetrate the market. Furthermore, imported products can put domestic market in danger. Therefore, some efforts to improve competitiveness and create competitive advantage of the products of West Java industry can no longer be postponed. Moreover, it should be the focus of attention of not only business society but also bureaucracy officials, various organizations, and community which is an industry working environment. Study purpose (a). Obtaining clear picture of the problem from internal and external points of view which inhibits competitiveness improvement of West Java industry. (b) creating planning of competitiveness improvement of West Java industry as the basis of provincial government policy in advancing local industry. The result of study shows that there are 4 main determinants and 1 supporting determinant which have to be the focus of attention of industry competitiveness improvement.

Key words: Competitiveness, competitive advantage

INTRODUCTION

Recently, several industries in West Java have had their critical time. Among which are the industries of rattan, textile, shoes, ceramic and so on. Some of the causes are the difficulty of raw material supply, price increase due to the increase of fuel price, and the increase of rupiah exchange rate to dollar. This condition increases production cost and, at the same time, decreases community purchasing power. It leads to the condition of being unable to compete with Chinese products due to various causes of inefficiency, hard to penetrate export market and eventually decline in sales. It contributes to gradual reduction of work force. As a result, it is easily predicted that unemployment will increase.

Sector of non-oil and gas manufacturing industry in West Java contributes about 19.23% to national production. The tendency slightly declines; therefore, some measure is needed to maintain the existing industries by implementing product development and eliminating obstacles to straighten up structure of West Java industry.

The issue of competitiveness in local, national or international markets is a key issue and tough challenge for industry in West Java. Without sufficient ability and high competitive advantage, it is impossible for the products of West Java industry to penetrate the market. Furthermore, imported products can put domestic market in danger. Therefore, some efforts to improve competitiveness and create competitive advantage of the products of West Java industry can no longer be postponed. Moreover, it should be the focus of attention of not only business society but also bureaucracy officials, various organizations, and community which is an industry working environment.

Obtaining clear picture of the problem from internal and external points of view which inhibits competitiveness improvement of West Java industry.

Creating planning of competitiveness improvement of West Java industry as the basis of provincial government policy in advancing local industry.

METHODS

Economy of the 21st century, characterized by economic globalization, is a process of economic activity and trade, in which all countries all over the world become a more integrated economic power without any state territorial boundaries.

Economic globalization will eliminate traditionally existing obstacles. International trade of goods and service will be more unlimited, and international trade
of money and investment will be greater in capital flow. Furthermore, Purchase of domestic asset by foreign investor will be an avoidable phenomena.

Economic globalization will affect employment situation, for instances:

- Empowerment to increase efficiency and Productivity.
- Development of Information Technology (Development of Software).
- Trickle Down Technology, in theory, it is stated that technology development will automatically solve potential problem, in this case, unemployment. Through the development of technology, efficiency and productivity occur; as a result, production increases, which eventually creates job opportunity (M.O Sullivan, 2000).

**Competing Strategy.** One of aspects which has to reform immediately in facing global competition in Indonesia is how to create conducive business climate and how to encourage competition. To create such environment, basically it is necessary to have conceptional arrangement and implementation covering various aspects, among which are redefining government role or minimizing direct role of government to market. (Asean Development Bank, 2001).

**Model Porter’s Generic Strategic.** Michael Porter (1990) states that there are two basic business strategies, namely, low cost leadership and differentiation. Both strategies have variation, that is, focus. Low cost leadership is an ability to design, produce, and market a product more efficiently than what a competitor does. Differentiation is an ability to produce something with unique and superior value through product quality, special feature, or after-sales service. Porter’s generic strategy consists of competitive scope (target) and competitive advantage. Competitive scope includes broad target and narrow target; whereas, competitive advantage covers cost leadership and differentiation. Model Porter is more suitable to be implemented in big companies.

The success key of a country to bring a particular industry into international scope lies in its ability to create competition environment for domestic companies which supports the creation of competitive advantage. Porter determines 4 elements or determinants of national competitive advantage and 2 supporting determinants (Picture-1).

**Picture 1. Model’s Porter’s Generic Strategy**

| Competitive Scope | Basic of Competitive Advantage |
|-------------------|--------------------------------|
|                   | Lower Cost                     | Differentiation                  |
| Broad Scope       | 1. Cost Leadership             | 2. Differentiation               |
| Narrow Scope      | 3a. Cost Focus                 | 3b. Differentiation Focus        |

**Picture 2. Model Diamond’s Internasional Competitiveness**
This study can be approached by a non-experimental method, namely, a method with the characteristic of descriptive analysis (Nasir, 1983:63). In this context, analysis is defined as a method of collecting, arranging and designing, which is then interpreted. Whereas, descriptive is defined as to be analyzed from various aspects which are predicted to have role in affecting the strategy formulation and implementation.

RESULTS AND DISCUSSION

The analysis method which will be used, among which, are: (i) Generating a Strategic Factors Analysis Summary (SFAS) Matrix; (ii) Gap Analysis and; (iii) strategy analysis which uses Porter Generic Strategic/Strategic Clock.

Industries for Sampling. Sample in this study will be focused more on sector of industry which possesses high multiplier effect, that is, manufacturing industry. The business field will be determined after the analysis of secondary data based on priority scale is done.

Stages of Study. This study will follow the two stages, that are, (1) stage to know the position and competitiveness of West Java industry (2) stage to design the strategy of competitiveness improvement of West Java Industry.

CONCLUSION

Industries whose competitiveness will be improved. The result of study shows that Sub sector of industry with low competitiveness and industry whose competitiveness declines are described in the following table 1. Below are industries whose competitiveness are proposed to improve, table 2.

| No | Low-competitiveness Industry | Competitiveness-Declining Industry |
|----|------------------------------|-----------------------------------|
| 1  | Wood and other forest product Industries | Mineral fuel industry |
| 2  | Mineral fuel industry | Transportation mode, machinery, and its equipment industries |
| 3  | Tobacco industry | Cement and non-metal excavated object industries |
| 4  | Food and drink industries | Clothing industry |
| 5  | - | Publishing and printing industries |
Table 2. Industries whose competitiveness are proposed to improve

| No | Jenis Industri |
|----|----------------|
| 1  | Wood, wood product, rattan woven product, bamboo and furniture Industries |
| 2  | Textile, leather and footwear industries |
| 3  | Food and drink industries |
| 4  | Non-metal excavated object industry |
| 5  | Metal product, machinery, and its equipment industries |
| 6  | Rubber, rubber product and plastic product industries |
| 7  | Chemical and chemical product industries |

Sources: FGD

Industries whose competitiveness are not proposed to improve are as follows:

Table 3. Industries whose competitiveness are not proposed to improve

| No | Types of Industry |
|----|-------------------|
| 1  | Mineral fuel industry |
| 2  | Publishing and printing industries |
| 3  | Tobacco industry |

Sources: FGD

In further discussion, textile industry will be separated from leather and footwear industries.

**Strategy Porter’s industry.** From now on, business strategy using the approach of Michael Porter’s strategy will be determined (1990). There are two basic business strategies, namely, *low cost leadership* and *differentiation*. *Low cost leadership* is an ability to design, produce, and market a product more efficiently than what a competitor does. *Differentiation* is an ability to produce something with unique and superior value through product quality, special feature, or after-sales service.

**Metal product, Machinery and Its Equipment Industries.** Metal product, machinery and its equipment industries have *Defensive Profile* possessing weak competitive position in a very unstable industry. Consequently, the needed business strategy is focused more on domestic market (*narrow scope*) by implementing product differentiation. However, the preliminary step which is necessary to be executed is to revise cost structure (*focus cost*) by eliminating inefficient cost, and implementing differentiation afterward.

**Non-Metal Excavated Object Industry.** Non-Metal excavated object industry has a *Defensive Profile* possessing a rather weak competitive position in a sufficiently stable industry. Consequently, the needed business strategy is focused more on domestic market (*narrow scope*) by implementing product differentiation. However, the preliminary step which is necessary to be executed is to revise cost structure (*focus cost*) by eliminating inefficient cost, and implementing differentiation afterward.
Wood, Wood Product, Rattan Woven Product, Bamboo and Furniture Product. Wood, wood product, rattan woven product, bamboo and furniture industries have a **Defensive Profile** possessing a sufficient competitive position in a sufficiently stable industry. Consequently, the needed business strategy is focused more on domestic market (narrow scope) by implementing product differentiation. However, the preliminary step which is necessary to be executed is to revise cost structure (focus cost) by eliminating inefficient cost, and implementing differentiation afterward.

**Chemical and Chemical Product Industries.** Chemical and chemical product industries have **Defensive Profile** possessing a rather weak competitive position in a stable industry. Consequently, the needed business strategy is focused more on domestic market (narrow scope) by implementing product differentiation. However, the preliminary step which is necessary to be executed is to revise cost structure (focus cost) by eliminating inefficient cost, and implementing differentiation afterward.
Leather, Leather Goods, and Footwear Industries. Leather, Leather Goods, and Footwear Industries have Competitive Profile possessing a strong competitive position in a sufficiently stable industry. As a result, the needed business strategy begins to be focused on overseas market by revising cost structure (lower cost) by eliminating inefficient cost, and implementing differentiation afterward.

| Competitive Scope | Lower Cost | Differentiation |
|-------------------|------------|-----------------|
| Broad target      | Cost Leadership | Leather, Leather Goods and Footwear |
| Narrow target     | Cost Focus | Differentiation Focus |

Food and Drink Industries. Food and drink industries have a Defensive Profile possessing a sufficient competitive position in a sufficiently stable industry. Consequently, the needed business strategy is focused more on domestic market (narrow scope) by implementing product differentiation, and in the next stage the market can be widened, or can enter overseas market (broad target).

| Competitive Scope | Lower Cost | Differentiation |
|-------------------|------------|-----------------|
| Broad target      | Cost Leadership | Differentiation |
| Narrow target     | Cost Focus | Differentiation Focus |

Textile and Textile Product Industries. Textile and textile product industries have a Defensive Profile possessing a sufficient competitive position in a sufficiently stable industry. Consequently, the needed business strategy is focused more on domestic market (narrow scope) by implementing product differentiation, and in the next stage the market can be widened, or can enter overseas market (broad target).

| Competitive Scope | Lower Cost | Differentiation |
|-------------------|------------|-----------------|
| Broad target      | Cost Leadership | Differentiation |
| Narrow target     | Cost Focus | Differentiation Focus |
Refering to the above conclusion, several main and supporting determinants which need attention in terms of competitiveness improvement of West Java industry are explained in the following table:

| No | Determinant | Indicated By |
|----|-------------|--------------|
| 1  | Determinant 1 (main) | Limited Quality of Human Resources, Limited market-oriented design and innovation, Raw material problem, Limited Infrastructure, Difficult capital access, Limited technology, Limited number of industries which have been certified to fulfill international market demand |
| 2  | Determinant 2 (main) | Possessing no strategy to face national and international markets, Possessing no national and international market maps, Lacking of people trust on domestic products |
| 3  | Determinant 3 (main) | Weak horizontal and vertical integration, No group community of businessmen to avoid unhealthy competition, No mutual partnership with local area producing raw material to support the process from upstream to downstream |
| 4  | Determinant 4 (main) | No effective implementation of supply chain management to avoid inefficiency and high cost economy, Ineffective function of marketing intelligence, No maximum function of research and development institutions, Lacking of coordination among institutions creating high cost economy, Obstacles (backward and forward) creating high cost economy |
| 5  | Determinant 5 (supporting) | Not conducive business climate, Complex permit procedures, No security guarantee and law suety from government, Smuggling, Exports of Raw material and unfinished goods, No harmony on import duty, Labor policy which does not take the side of business world |

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