

Conceptual Model of Intermediate Small Business Competition Strategy: Strategy Review in Management Perspective

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Abstract

This study aims to design a competing SME strategy model along with a choice strategy module, so that SMEs have a guideline to implement the competing strategy. This competitive strategy model comes from functional companies, namely production management, marketing management, human resource management. The functional of this company is the actuating function, which is carried out every day. Whether or not this management is effective affects the competitiveness of SMEs.

Keywords: SMEs, Management Perspective, Strategy Review, and Competition.

1. Introduction

Small and Medium Enterprises (SMEs) as the foundation of the Indonesian economy, has a considerable influence on the wheels of the economy. Therefore, the existence of SMEs should be supported and supported by a competitive advantage model so that SMEs can compete, both at home and abroad. Increasingly tight competition among similar industries causes SMEs to have a competitive strategy model.

Competitive advantage can be gained by performing important strategic activities (production, marketing, human resource management, technology development, and other activities). Effectiveness on this strategic activity will create efficiency. When SMEs have carried out their operational activities efficiently, they will be able to reduce the costs used so that they can provide low prices.

Competitive advantage exists when companies have a product or service that customers feel better than their competitors. The strategy adopted to achieve competitive advantage is expected to improve company performance. Companies that do not have the right strategy cannot take advantage of the opportunities available in the market and will automatically fail. (Njeri & Thuo, 2014) Competitive advantage in manufacturing company performance is given by product differentiation. (Dirisu, Iyiola, & Ibiidunni, 2013) Whenever any company launches a product, of course the competitor has prepared the product of the competitor who has the least qualification. To win the competition, the company needs to do product differentiation.

Competitive advantages are obtained from marketing management (Majukwa & Haddud, 2016; Bismala & Handayani, 2017; Kumar, Jones, Venkatesan, & Leone, 2011; Karimi, Irandoost, & Khosravi, 2013; Ade, Akanbi, & Ismail, 2017; Karneta & Gultom, 2017; Garcia, Margarit, & Ochoa, 2007; Anton, Muzakan, Muhammad, & Syamsudin, 2015) Marketing management is carried out in many ways, such as focusing on the marketing mix, focusing on positioning, product differentiation and other policies tailored to the type owned products. Not all products can implement the same marketing strategy, because they must consider the market position achieved now.

Production management is also a source of competitive advantage (Bismala & Handayani, 2017; Anwar, Subroto, Alhabsji, & Djumahir, 2014; Conto & Júnior, 2016; Malek, Shahzad, Takala, Bojnec, Papler, & Liu, 2015; Islam, 2017; Karneta & Gultom, 2017; Meshram, 2015) Lean manufacturing is one of the most popular production management concepts, which seek to reduce waste. Effective lean manufacturing implementation will have an impact on efficiency. Although the SMEs, eliminate inventory is not uncommon, because usually SMEs perpetrators take advantage of discounts from the number of purchases that many.

Another function that is always present in the company, is human resource management. Human resource management is also a form of competitive advantage (Vokić & Vidović, 2007; Schuler & MacMillan, 1984; Omerzel & Gulev, A, 2016; Alajmi & Alenezi, 2016; Cania, 2014; Garcia, Margarit, & Ochoa, 2007; Bismala & Handayani, 2017). The important thing in individual employees is skill, knowledge and ability, which determines how they do the job. Increased skill, knowledge and ability will be determined by other factors, such as training and development and other human resource management activities.

Factors that influence the formation of core competencies significantly are: (1) human, (2) price, (3) product, (4) performance assessment, (5) maintenance, (6) development, (7) capacity, (8) place, (9) promotion. Factors that have a positive but insignificant effect are: (1) process, (2) inventory, (4) quality, (5) recruitment. (Bismala

& Handayani, 2017) It is ensured that management (marketing, production and human resources) make important contributions to core competencies.

The competitive strategy framework for SMEs is indispensable, so that it can be used as a guideline for management implementation in its operations.

2. Literature Review

Terms of financing, inadequate management, lack of initiative and lack of managerial education are some of the reasons why SMEs are unable to maintain competitive advantage. SMEs face challenges and manage them successfully. (Eniola & Ektebang, 2014) With regard to critical resources, entrepreneurs must demonstrate sensitivity, control, delegation, and creativity. Successful entrepreneurs are sensitive enough to business needs to identify the right allocation of resources, have common sense to control the use of these resources, delegate work to others, and use creativity to expand the resource base. Employers then plan development benchmarks for new businesses. Real competitive advantage implies companies are able to satisfy customers' needs more effectively than their competitors. Small and medium-sized companies that understand their customers can create competitive advantages and thus benefit from lower customer prices and loyalty. Higher capacity utilization will help reduce costs. (Papulova & Papulova, 2006).

The conceptual model indicates 4 key components related to competitive advantage, namely the process of identifying competitors, sources of competitive advantage, positions of competitive advantage and performance outcomes. (O'donnell et al. 2002) The process of identifying competitors can be done through SWOT analysis, benchmarking, so that the company knows the value proposition and is able to anticipate it.

The maturity of a sustainable business strategy has a positive impact on competitiveness, has positive results in economic, ecological and social. (Hernández, Velázquez & Vladimir, 2013) There are 5 key areas that must be considered to achieve efficient management in SMEs, namely strategy, human resource management, finance, marketing and sales, and innovation (Garcia, Margarit & Ochoa, 2007)

The company's resources and capabilities are a key consideration in formulating its strategy: they are the main constants in which companies can establish their identity and frame their strategy, and they are the main source of company profitability. The key to a resource-based approach to strategy formulation understands the relationship between resources, capability, competitive advantage, and profitability - in particular, an understanding of the mechanisms through which competitive advantage can be maintained over time. This requires a strategy design that exploits the maximum effect of each company's unique characteristics (Grant, 1991). A similar strategy will provide different implementations, according to the conditions of the resources in the company.

To enable their companies to grow, entrepreneurs want to weigh accurately the formulation of strategies, focus on growth, profit, and markets, among strategic analytical techniques that pay particular attention to market and competition analysis, and precisely formulate general business strategies. (Kutllovci, Shala, & Troni, 2012) The performance of ukm increases along with the use of strategic planning as a strategic document.

Anton, Muzakan, Muhammad, & Syamsudin (2015) identify the competitiveness of SMEs at the level of innovation, entrepreneurship, human resources, financial resources, potential markets and business strategies. The main driver of each company is human resources. Having a creative and innovative HRM is a competitive advantage that can not be duplicated by any company.

The company's competitive position is encouraged to offer a broad range of products, responsive to customer needs and a favorable image. The company's operations management is actively involved in business activities that contribute to value creation for customers. (Majukwa & Haddud, 2016) In particular, competitive strategy is the trigger of an operating strategy based on I / O theory, while operating strategy is the cause of competitive strategy based on Resources Base Value theory. (Anwar, Subroto, Alhabsji, & Djumahir, 2014)

Traditional competitiveness resources, such as production capacity, financial resources, raw materials, distribution channels, etc., are considered necessary, but no longer sufficient for organizational success. Their human resources, knowledge, skills, and competencies as well as synergies between them become the most valuable assets, new sources of wealth, and the main ingredients of competitive advantage. Recent human resource management plays an important role in the achievement of human competitive advantage (Vokić & Vidović, 2007) Human resource practices enable companies to gain competitive advantage in two main ways by helping themselves and by helping others. Employment and compensation, is the activity that really creates a competitive advantage for the company. In addition, the selection of the most appropriate practices should be in accordance with the strategy and lead to behavior that supports the strategy. (Schuler & MacMillan, 1984)

On the other hand, it is found that competitive advantage based on physical assets, financial, or even technology becomes less sustainable because these assets are more easily replaced. This is the reason why companies need to concentrate on developing capabilities that are difficult to replicate. Ability that is difficult to imitate relating to company employees. They develop and apply their abilities, knowledge and skills, are organized and coordinated in different ways (Omerzel & Gulev)

The findings reveal that subcontract marketing intelligence such as internal records, competitor sales data, market opportunities, competitor threats, and competitor risks have a significant and positive influence on business competitive advantage. (Ade, Akanbi, & Ismail, 2017) It is very important to recognize competitors closer, both in terms of products, as well as the overall strategies used. Marketing and sales factors affect the competitiveness of small and medium enterprises. (Karimi, Irandoost, & Khosravi, 2013) As (Bismala & Handayani, 2017) SMEs must identify the marketing mix applied, benchmarking with the marketing mix applied by competitors.

Analysis shows that market orientation has a positive effect on business performance both in the short and long term. However, the sustained advantage in business performance from market orientation is greater for earlier firms to develop market orientation. Firms that develop early market orientations also earn more in sales and profits than companies that are late in developing market orientation. Market orientation must have a more pronounced effect on company profits than sales because market orientation focuses efforts on customer retention rather than on acquisition. (Kumar, Jones, Venkatesan, & Leone, 2011)

The number of similar products in circulation, making the company must be smart in determining the strategy, implementing the strategy. With a dynamic economic level, companies must be prepared to change drastically the strategies that have taken place.

Human resources are the key to keeping the organization competitive in the market. This Sdm is effectively managed to achieve the expected performance of the organization. (Cania, 2014; Alajmi & Alenezi, 2016) Some organizational goals are reducing costs, increasing sales levels, increasing the number of customers, increasing the percentage of the market, improving product quality, innovative products, increasing productivity. SDM plays an important role in achieving these performance indicators. Strategic HR Management is a detailed process for human resource management throughout the organization that is integrated with the overall strategy of the organization. Organizational policies and practices motivate employees and they impact on organizational performance. Some of these include: human resource planning, recruitment, selection, training and development, compensation, performance management and employee relations. (Cania, 2014; Bismala & Handayani, 2017)

Organizations that have the ability to develop and adopt findings in a short time and apply them in all fields of business will achieve competitive advantage. The increasing importance of innovation in achieving sustainable competitive advantage determines new concepts and classifications of innovation. Today, the term innovation means not only significant improvements in product processes and technology, but rather refers to the process of innovation in the field of human resources, especially in marketing management (Ilić, Ostojić, & Damnjanović, 2014) Humans as assets can be an important source competitive advantage and income. Aspects of Human Resources, namely knowledge and motivation have proven to have the potential to generate income.

Employing competent and professional people who have the skills, skills and capacity to be shared with other members of the business must strengthen human resources. Incentives and welfare motivation must be given to encourage them to do work (Eniola & Ektebang, 2014)

The study conducted by Mabhungu & Poll (2017) has identified factors that can be considered important in the success of MSMEs in the retail sector. The factors that are identified as important in the success of MSMEs in the retail sector are the commitment of the owner / manager's commitment, employee commitment, business planning, innovation, cost management, customers, suppliers, information, income, competitors, financial resources, resources and compliance with regulations. , identified as several critical success factors that influence the success and survival of MSMEs.

SMEs' performance can be enhanced by lean manufacturing and management techniques to survive in global competitive markets (Meshram, 2015). Factors of production and operations affect the competitiveness of small and medium enterprises. (Karimi, Irandoost, & Khosravi, 2013) The effectiveness of production will affect efficiency. Improving quality can be achieved by reducing production costs, by reducing the level of error, both from the beginning of the process to the output produced.

The result of Karneta & Gultom (2017) research shows that the development strategy that must be done is by the application of practical and efficient technology, excellent product, hygiene and security, expansion of marketing network through cooperation with marketing agent both in homeland and abroad, cooperation, restaurant , retail and supermarkets, strategy promotion is enhanced through advertising, leaflets, radio, television, internet, and publicity. The operations management process includes several different functions that affect the internal and external factors of an organization. Successful businesses have the same response to certain features as flexibility, availability, reliability in their operations and the products they produce. Excellent operation management process is indeed one of the important factors of the overall success of the organization. Not only because it lowers costs, produces efficiently and is quality but also because all these factors achieve certain synergies which are unique propositions for customers, and the organization achieves a unique set of competitive advantages that are not copied by others. (Islam, 2017) Analysis of the introduction of innovation, particularly of products and processes, reflecting the achievement of competitive advantage (Conto & Júnior, 2016) Operational management planning is an important success factor for organizations to achieve competitive

advantage and sustain in the long term (Islam, 2017)

Resource allocation and manufacturing strategies have become the most important capabilities in a business environment where companies focus on achieving sustainable competitive advantage. Process Knowledge and technology management and workflow, organizational systems, and information systems are organizational competencies that bring significant value to gain a sustainable competitive advantage (Malek, Shahzad, Takala, Bojnec, Papler, & Liu, 2015)

3. Research Method

This research is a descriptive study and also a literature study to formulate a conceptual model of small and medium business competition strategy, which is a strategy review in a management perspective. The content in the conceptual competition conceptual model is synthesized from the results of previous research (Bismala, Handayani & Andriany, 2018).

4. Finding and Discussion

As stated earlier, competitive advantage comes from management (production, marketing, human resources and finance). The development of a conceptual model of competitive strategy in the management perspective strongly supports the achievement of competitive strategies. This conceptual model is a guide for SMEs to achieve competitive advantage, by utilizing management (marketing, production, human and financial resources). (See Figure 1.)

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Figure 1. The conceptual model of competitive strategy of small and medium enterprises

This model begins with a SWOT analysis, with the aim of recognizing the strengths and weaknesses of SMEs, identifying competitors so that they are able to take advantage of opportunities. SWOT becomes the focus to discuss relevant issues that affect business and SWOT becomes a tool of strategies that can be developed and tools for management development. (Pickton & Wright, 1998) The SWOT analysis shows a framework for helping planners to identify goals achievement strategies. (Ommani, 2011) Intelligence marketing is an appropriate step, to know the position of competition.

The next step is planning, organizing, actuating and controlling to implement the company's functional management (production, marketing, human and financial resources). For aspects of management it has been analyzed that factors that correlate significantly with these competencies are human, price, product, performance appraisal, maintenance, development, capacity, place, promotion. While correlation factors but not significant include process, inventory, quality and recruitment. (Bismala & Handayani, 2017)

In human resource management strategies, emphasis on procurement, maintenance, employee development and performance appraisal. (Bismala & Handayani, 2017) Optimalization of it is a capability that cannot be imitated by other SMEs, for example how to maintain a conducive organizational climate. This is often forgotten in the management of SMEs. Students can develop and apply their abilities, knowledge and skills, be organized and coordinated in different ways (Omerzel & Gulev, -)

As for marketing strategies, SMEs can implement product innovation strategies and form their own brand image. Many SMEs are imitating foreign brand products, because they lack confidence. This is due to the consumer mindset, which is more proud to use foreign-made products with well-known brands. This paradigm change is something that gives an important role and creates competitiveness. It is very important to recognize competitors closer, both in terms of products, as well as the overall strategy used. Marketing and sales factors affect the competitiveness of small and medium enterprises. (Karimi, Irandoost, & Khosravi, 2013).

Strategies in production management, need to pay attention to implement lean manufacturing, can reduce waste from materials, production process and time for work completion, reduce waste, that is defect, over production, waiting, transportation, inventory, motion, excessive process. SMEs' performance can be enhanced by lean manufacturing and management techniques to survive in global competitive markets (Meshram, 2015). Factors of production and operations affect the competitiveness of small and medium enterprises. (Karimi, Irandoost, & Khosravi, 2013) The effectiveness of production will affect efficiency. Improving quality can be achieved by reducing production costs, by reducing the level of error, both from the beginning of the process to

the output produced. Resource allocation and manufacturing strategies have become the most important capabilities in a business environment where companies focus on gaining sustainable competitive advantage. Process Knowledge and technology management and workflow, organizational systems, and information systems are organizational competencies that bring significant value to gain a sustainable competitive advantage (Malek, Shahzad, Takala, Bojnec, Papler, & Liu, 2015)

For financial management strategies, SMEs can think of acquiring capital without debt, namely by accepting investors. This will alleviate, because the capital owner can overcome the financing burden. After the implementation of the strategy, performance measurement is carried out. This performance measurement can be done with Balance Scorecard, where this measurement accommodates financial aspects, consumers, internal business processes and learning and growth. With this method, performance is not only measured from the financial aspect, such as how much profit is generated, but in all aspects that give full support to business continuity, including employees and consumers.

5. Conclusion and Recommendation

Companies or Small and Medium Enterprises should be managed professionally. A company will move dynamically, therefore we have to do strategic planning in the future. Strategic planning should base on the strengths and weaknesses that exist within a company to capture better opportunities and cope with existing threats. Even though the company's circumstances are now considered advanced, forward planning remains very important, because the era ahead is an era of increasingly full of competition. Management (production, marketing, human and financial resources) is a component of competitive advantage. Measurement of performance is done to ensure the overall strategy works well.

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