

CAPABILITY AND RESOURCES IN REACHING ADVANTAGES OF COMPETITION OF SMALL AND MEDIUM ENTERPRISES

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CAPABILITY AND RESOURCES IN REACHING ADVANTAGES OF COMPETITION OF SMALL AND MEDIUM ENTERPRISES

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Abstract

This article aims to look at the effect of capabilities and resources of small and medium businesses on competitive advantage. The writing of this article is based on the phenomenon that most small and medium businesses still have limited ability to achieve competitive advantage. This is due to the capabilities and resources that are also still not fully met. The analysis used to discuss this conceptual article is descriptive qualitative analysis. Capabilities include product quality and reputation while resources include the reliability of human resources, the ability to produce quality products and good teamwork. Competitive advantage is reflected by the uniqueness, reliable strategy and corporate value. The results of the discussion in this article indicate that capabilities and resources that reflect resources based view will affect the achievement of competitive advantage in small and medium businesses

Keywords: Capability, resources, competitive advantage, performance

INTRODUCTION

The number of SMEs is around 99 percent of the total number of businesses in Indonesia. According to data from the Ministry of Cooperatives and SMEs, in 2017 the number of SMEs (including microbusinesses) reached 49, 82 million units. This figure rose significantly in 2018 to 51, 26 million units. Of course this has become a breath of fresh air for the Indonesian economy. This can then be a benchmark for how much the community's economic improvement and government efforts in overcoming poverty.

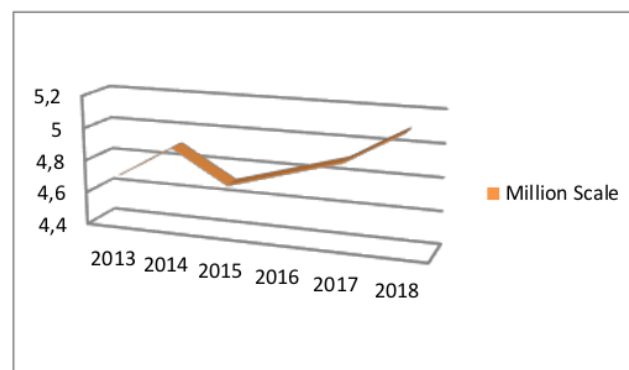


Figure1. Graph Of Growth In The Number Of SMEs In Indonesia

Source: Data of the Ministry of Cooperatives and SMEs 2018

The data above shows that the growth of SMEs in Indonesia tends to increase. This has resulted in SMEs being one of the main drivers of economic movement in Indonesia. The government is increasingly aware of the benefits provided by SMEs in efforts to improve the nation's economy. This is proven by the increasing number of jobs provided by SMEs themselves. The use of SMEs in human labor is more dominant compared to machine power. This of course will reduce unemployment, which today is a complicated problem that never ends (Hubeis, 2004: 28). In addition, SMEs are also the largest economic actors in the Indonesian economy and are proven to be the safety valve of the national economy in times of crisis, as well as being a dynamic economic growth post crisis.

Development⁶ and growth of SMEs is one of the crucial drivers for economic development in many countries in the world. Based on experience in developed countries shows that SMEs are a source of production and technology innovation, growth in the number of creative and innovative entrepreneurs and the creation of a skilled and flexible workforce in the production process to deal with rapid changes in market demand (Tambunan, 2002). In Indonesia, it cannot be denied how important the role of SMEs is in creating employment opportunities and sources of community income. The latest data from the State Ministry of Cooperatives and SMEs shows that until the middle of this year, the number of SMEs in Indonesia reached 99.99 percent of the total number of business units.

The role of SMEs in employment is also very large, which holds 99.44 percent of the entire workforce. In addition, in terms of the formation of Gross Domestic Product (GDP), the contribution of SMEs to GDP reached 63.1 percent, while large businesses which constituted 0.01 percent of all business units contributed 36.89 percent to GDP. The development of SMEs in Indonesia is inseparable from various kinds of problems.

There are several common problems faced by small and medium entrepreneurs such as limited working capital and / or investment capital, difficulty getting raw materials with good quality and affordable prices, limited technology, good quality human resources (management and production techniques), market information, and difficulties in marketing. The level of intensity and nature of these problems can differ not only according to the type of product or market served, but also differ between locations / regions, between centers, sectors / between sectors or types of activities, and between business units in the same activity / sector (Tambunan, 2002).

One of the strategies carried out by the government in sustaining economic development is to empower and grow Micro, Small and Medium Enterprises (MSMEs) as¹¹ the basis for popular economic development. History has shown that MSMEs in Indonesia still exist and develop despite the economic crisis. But on the other hand, MSMEs also face many problems, namely the limited working capital, the low quality of Human Resources, and the lack of mastery of science and technology.

Likewise, the performance problems of small and medium enterprises in Jember. Most of them face common problems as explained above. Internally, there are limitations in terms of capabilities and resources which have implications for the low performance of small and medium enterprises.

METHODOLOGY

The writing of this article is carried out in the case of small and medium businesses. The analytical approach used is a qualitative descriptive approach by conducting in-depth analysis of the study of concepts and theories about small businesses. Some of the variables used as the basis of analysis are capability, resources and competitive advantage. Capabilities include product quality and reputation while resources include the reliability of human resources, the ability to produce quality products and good teamwork. Competitive advantage is reflected by the uniqueness, reliable strategy and corporate value. The results of the study are then linked to theories and related research results.

RESULT AND DISCUSSION

a. Capability and Resources of Small and Medium Enterprises

Resources for Innovation, Reputation. Both tangible and intangible resources are the company's capabilities. Capability is a source of the company's core competencies, which is the development of sustainable competitive advantage. Relatively intangible resources, compared to tangible resources, can produce sustainable competitive advantage.

Furthermore Hitt, Ireland & Hoskisson (2008) stated; resources, abilities and core competencies are characteristics of competitive advantage. Resources are sources of company capability which are the basis of core competencies¹³ sources. In accordance with research conducted using Meta-Analysis by Tood, Ketchen, Combs & Tod (2008) found that there is a significant¹³ relationship between resources and performance. Likewise, the results of Newbert's research (2008) which showed a relationship between a combination of resources and capabilities with business performance.

Based on the view of Resources Base View or RBV shows that the resources used in the company can create competitive advantage. This opinion is based on two main assumptions (Barney, 1991, Mata et al., 1995), namely; about diversity and immobility of resources (resources diversity and immobility resources), namely: as quoted from Peteraf (2003). Resource diversity is sometimes also referred to as heterogeneity of resources related to whether the company has⁴ the resources or capabilities that are also owned by a number of other competing companies, so that these resources cannot provide a competitive advantage.

Resource immobility refers to resources that are difficult to obtain by competitors because the costs of developing, obtaining or using resources are too high. Both of these assumptions are used to determine whether an organization is able to create sustainable competitive advantage by providing a framework for determining whether a technological process provides tangible advantages.

The company's resource-based view shows that an organization's human resources¹⁵ can make a significant contribution to sustainable competitive advantage by creating special skills, corporate culture that are difficult to emulate. In other words creating diversity of resources (increasing knowledge and skills) and immobility of resources (culture of people who want to work) as an element to maintain sustainable competitive advantage.

To create diversity and immobility of resources, organizations must have adequate management and human resource practices, organizational processes, knowledge management systems, opportunities to obtain both formal and informal

education, and social interaction by building communities in the workplace, as quoted by Brown (2007) from Afioni (2007); Barney (1991); Mata et al., (1995) and Schafer, (2004).

The RBV view suggests that resources can be a competitive advantage if those resources are difficult to transfer (Barner, (1991) or are essential for investment (Dierickx and Cool, 1989; Zamberi, 2013). In line with the above opinion Suseno (2010) argues that company resources and types of resources, both tangible and intangible, all create competitive advantage

The adoption of technological innovation has progressed more slowly in small companies than companies that have high technological capabilities (Diswandi, 2010). Employees in the organization need to develop not only in terms of training and development but also equipped with coaching skills from managers. Fontana, (2011, p. 79), organizations need to encourage individuals in the organization to be the originators of ideas, persistence, confidence, dare to take risks, and able to inspire visionaries to innovate.

The results of a study by Kelliher Felicity & Reinl Leana (2009, p 521) which states that: resources are not only faced by large industries but the micro industries experience problems of limited resources, minimal environmental strength (environmental power), and ownership culture (owner-center ship culture).

b. Performance of Small and Medium Enterprises

Basically, there are many factors that can affect business performance. Factors that can affect the performance of the business include effectiveness and efficiency, if a certain goal can finally be achieved, we may say that the activity is effective but if the consequences are not sought the activity assesses the importance of the results achieved so as to result in satisfaction although effective is called inefficient. Tambunan (2012: 100) said that business performance can be influenced by raw material, technology, marketing, capital, bureaucratic systems and managerial organizations. Whereas Nurdasila (2015: 10) said that the factors that influence business performance are the internal environment that includes entrepreneurial orientation, ownership and access to resources, authority and utilization of information technology, management systems, cultural culture, capital strength, partnerships and business networks with parties in out of business. The second factor is the external environment which is related to government policies, legal aspects, market competition conditions, social conditions, infrastructure conditions and how to empower infrastructure conditions, the level of public education, and global economic changes.

According to (Tambunan, 2012: 107) there are two main categories of factors that can affect MSME business performance, namely external factors and internal factors. Internal factors consist of aspects of HR, finance, technical production and market and marketing. While internal factors consist of government policies, social, economic and cultural aspects as well as other parties who have an interest in MSMEs. Meanwhile, according to (Solihin, 2012: 6) in addition to being influenced by internal and external factors, business performance can be influenced by factors of education, training, age, business experience, motivation, innovation, risk. Business performance can also be encouraged through the ability of individual creativity and the use of information and the performance of appropriate decision making (Riduwan, 2008: 45).

As contained in the research (Trott, 2009) and (Bharadwaj et al, 1993) said if business performance is influenced by entrepreneurial orientation. Likewise, conveyed by (Talaja, 2012) that entrepreneurial orientation is a factor that contributes to improving business performance. Albert Maydeu, et al conveyed that market orientation is able to provide an influence directly or through mediation on business and economic performance (Deitana, 2011). Innovation is also an important factor in forming optimal performance. In addition to entrepreneurial orientation, market orientation and innovation, optimal business performance must also be supported by a competitive advantage (Solihin, 2012: 23)

Entrepreneurial orientation, market orientation, business innovation and competitive advantage are very important variables to be examined regarding their effects on business performance. This is because the entrepreneurial orientation found in business organizations can determine the direction in which the competitive advantage will be focused. Entrepreneurial orientation is one of the key elements to gain competitive advantage and financial rewards. In general, with the increase in the number of companies that have an entrepreneurial orientation, they are generally able to make changes and react quickly to flexible and agile changes (Ferdinand, 2000: 67)

While market orientation is important to study and examine its relation to business performance because market orientation is an important element that influences competitive advantage and achieves high profitability (Deitana, 2011). Innovation is one of the main concerns in this research because innovation talks about how to get added value to achieve competitive advantage and good business performance. Innovation is how we can leave old habits to change into new habits that are more profitable (Riduwan, 2008: 34)

Intangible assets are assets of a company that are not touched or seen but which are often important in creating competitive advantage: brand, corporate reputation, organizational morals, technical understanding, patents and trademarks, and accumulation of experience in an organization. Because intangible resources cannot be seen as more difficult to understand and emulate by competitors, and as a source of sustainable competitive advantage, managers prefer to use intangible resources as the basis of the company's core capabilities and competencies. From an observation made, executives were asked to identify the capabilities they believed to be a source of sustainable company competitive advantage. The manager identified more than 30 sources of competitive advantage, and the most mentioned were intangible resources, namely the company's reputation for quality.

3 Influence of Capability and Resources on Competitive Advantage

Based on the results of research conducted by Widagdo (2018), it can be obtained that the resource-based view depicted through capabilities and resources has a strong relationship between resource base view and competitive advantage. The

contribution of resource base view and competitive advantage is 32.7%. The results of the study explain the results of the PLS model without the entrepreneurial orientation variable as a variable thought to mediate the relationship of resource base view to competitive advantage. The results of the PLS model without mediation explain that the path coefficient of the resource base view to competitive advantage is 0.662. This analysis explains that a strong resource base view will encourage competitive advantage.

In this article based on the study and results of previous studies that the capabilities and resources owned by small and medium-sized businesses have an influence on competitive advantage by determining the uniqueness, reliable strategy and corporate value. This result is in accordance with the correlation between variables that have been explained that the correlation coefficient of the resource base view on competitive advantage is greater when compared to the correlation coefficient of entrepreneurial orientation towards competitive advantage. These results explain that the role of resource base view is needed to support competitive advantage. This relationship explains that there is a competitive advantage that requires a strong resource base view.

Based on the discussion above, it is necessary to have an understanding of the strategy to improve SMEs based on Resource Based View. Competitive advantage is the result of implementing strategies that utilize a variety of company resources. According to Solihin (2012), resources are various types of inputs that are incorporated into the company's operations. Resources include capital, physical facilities, people, technology and various other supporting corporate organizations that enable a company to create value for its customers. According to Talaja (2012), company resources consist of physical resources, human resources (HR), financial resources, organizational, intellectual, and financial. Unique expertise and assets are seen as a source of competitive advantage. Unique expertise is the company's ability to make its employees an important part in achieving competitive advantage (Bharadwaj et al. 1993).

Reed and DeFillippi (1990) suggest that, in order to survive in the midst of increasingly intense competition, companies must take actions that can maintain and strengthen their unique competencies. Unique competence will produce competitive advantage to achieve superior performance (Bharadwaj et al. 1993). This statement is consistent with the results of research by Trott et al. (2009), which analyzes the competitive advantage for small businesses from the perspective of resource-based view. They found that the company successfully diversified its business into other sectors and experienced rapid growth in the past 10 (ten) years because it could use its core competencies to identify its ability as the basis for diversification. Ferdinand (2000) states that marketing performance is a factor that is often used to measure the impact of strategies implemented by companies. Good marketing performance is expressed in three main quantities, namely sales value, sales growth, and market share (Ferdinand 2000). According to Talaja (2012), marketing performance is measured by sales, sales growth, profitability and market share. Sales growth reflects the manifestation of past investment success and can be used as a prediction of future growth. Sales growth is also an indicator of demand and competitiveness of companies in an industry (Deitiana 2011). Slater and Narver (1995) describe the results of implementing corporate strategies including customer satisfaction, new product success, increased sales and company profitability. The competitive advantage of a company must be based on specific resources that become obstacles to imitation activities or threats of substitute products and services. Talaja (2012) examines the influence of valuable and scarce resources on competitive advantage and performance, then concludes that valuable and scarce resources significantly affect competitive advantage and real company performance. Barney (1991) presents a more concrete and comprehensive structure to identify the importance of core competencies in gaining sustainable competitive advantage, namely competency to provide valuable, rare, inimitable, and irreplaceable resources non-substitutable). Newbert (2007) supports by concluding that valuable, scarce, irrevocable and irreplaceable resources will confer competitive advantage and performance for the company. In accordance with the conclusions made by Bharadwaj et al. (1993) that competitive advantage is very important in achieving superior performance.

CONCLUSION

The conclusion of this research is that in order to improve the performance of small and medium enterprises it is necessary to pay attention to the capability and resource variables. This is because that both greatly affect the achievement of competitive advantage in small and medium businesses. This conclusion is at once much supportive and relevant to the results of previous studies which stated that capability and resources are very important factors. The capability and resource-based view focuses on analyzing the various resources owned and states that differences in company performance can be related to differences in resources and capabilities.

SUGGESTION

Increasing the capabilities and resources of small businesses must be considered by all stakeholders. Business actors, employees, and government through positive synergy among stakeholders. An entrepreneurial orientation that includes innovative, proactive, and risk control attitudes needs to be the next research variable that needs to be considered.

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