

The Influence of Strategic Planning and Product Highlights for Competitive Advantage : A Case Study of Small and Medium Enterprises in Tasikmalaya-Indonesia

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Abstract

Small and medium enterprises (SMEs) can be said to be the backbone of the national economy as it can create business opportunities, jobs and increased exports and better able to survive longer than the economic crisis, because it has the characteristics of a more flexible and better utilize local resources that can be relied upon to supporting economic resilience. But in fact, compared to the SME partners in Asian countries such as Taiwan, China, Thailand, and Singapore, Indonesian SMEs export performance is still very weak. These figures show that the ability of SMEs to compete in the global market is still low. To carry out this role, SMEs in Indonesia have to fix themselves, which creates global competitiveness. To achieve competitive advantage in the long term can be preceded by a careful strategic planning. In this study, the authors analyzed the influence of strategic planning and excellent products on competitive advantage SMEs of craftsman embroidery fabric in Tasikmalaya Regency. This study uses a quantitative approach with positivism paradigm. The samples used in this study are SMEs/craftsman from various levels of embroidered fabrics as many as 60 people. The research proves that the strategic planning and excellent products contribute a positive and significant impact on competitive advantage of SMEs/craftsman embroidery fabric in Tasikmalaya Regency.

Keywords: Strategic Planning, Featured Products, Competitive Advantage

1. Background

Small and medium enterprises (SMEs) can be said to be the backbone of the national economy. It can be seen from the magnitude of the contribution of SMEs to the economy, which in 2013 reached 57 % of total gross domestic product (GDP). SMEs are believed to have an important and strategic role in terms of several aspects. First, industries are large in number and exist in every sector of economy. Second, it has a great potential in employment. Nationally, SMEs have a strategic, potential, and very important role in order to realize the objectives of national development in general and economic development goals in particular. This role can be seen in terms of providing a business opportunity, jobs and increased exports. SMEs are considered more able to last longer than the economic crisis, because it has characteristics that are more flexible and better in utilizing local resources so that it can be relied to support the economy's resilience. Experiences of the developed countries show that SMEs are sources of production and technological innovation. It also shows the growth of entrepreneurs who are creative and innovative to deal with the change in market demand for increasingly diverse and specific segmentation. However, when compared SME partners in Asian countries such as Taiwan, China, Thailand, and Singapore, Indonesia's SME export performance is still very weak. According to provisional data of Ministry of Small and Medium Enterprises, in 2013, the contribution of SMEs in export only 16% of the total exports (4% from the small business sector and 12% were from medium-sized businesses).

These figures show that the ability of SMEs to compete in the global market is still low. With the growing of world economy and the era of free trade, SMEs in Indonesia are expected to become market creators at home and abroad as well as important sources for trade and service balance surplus or balance of payment. To carry out this role, SMEs in Indonesia have to fix themselves, which create global competitiveness. Production of embroidered fabric is also a breakthrough for craftsmen / SMEs to be competitive and able to survive the economic condition that tends unstable and the circumstances under which force the arrival of the globalization process.

However, based on the author's observation, although the number of embroidery fabric business units in Tasikmalaya continue to rise, there are some businesses that do not succeed in their activities so that they are not able to compete with other similar businesses, especially since those who have a stronger financial requiring them to halt production. There is a fact that after the emergence of the ASEAN-China Free Trade Agreement (ACFTA), a number of SME's of Tasikmalaya embroidery fabric were worried because they were afraid to compete with the neighboring countries. Actually, the embroidery production was mostly generated by Tasikmalaya, which is then exported to neighboring countries, and by the neighboring countries, they are subsequently re-exported to the Middle East.

Currently, employers of the neighboring countries do not just buy the embroidery products in large quantities but also dare to leave or store brands and special materials to the craftsmen to be made in Tasikmalaya. The neighboring countries then receive the finished material. About 60 percents of the Tasikmalaya embroidery entered Malaysia, in a sizable amount. From this phenomenon, we got a fact that the craftsmen in Tasikmalaya at this time can only be workers while the biggest advantage is taken by other countries. Based on the above illustration, it is interesting to do research. The objects of research are small and medium embroidery industries in Tasikmalaya, Indonesia.

2. Problem Identification

Of the several factors that can affect competitive advantage, the authors limit the issues in this study only on the factor of strategic planning and featured products, either partially or simultaneously on competitive advantage. Based on the background and identification of the problems described above, the authors formulated the problems in this research as follows: a) How far is the influence of the strategic planning towards a competitive advantage ? b) How far is the influence of the featured products towards a competitive advantage? c) How far is the influence of strategic planning and featured products towards a competitive advantage?

3. Research Methodology

This study uses a quantitative approach, which uses statistics as an instrument to explain the truth (Irawan, 2006: 104). The selection of a quantitative approach is in accordance with the positivist paradigm, in which it serves as an inquiry about a social problem or a human problem that is based on testing theory that consists of variables, measured by numbers, and analyzed with statistical procedures to determine whether the predictive generalizations theory is correct .

a. Research Approach

This study uses an analytical descriptive approach, which is a research method to reveal the existing problems, process the data, analyze, examine, interpret, make conclusions and give advice which is then compiled in a systematic discussion so that the existing problems can be understood. Thus, the research method is a descriptive research that will describe the problems related to the questions towards the existence of independent variables. According Sugiyono (2008: 5) " A Descriptive research is a research conducted to determine the value of the independent variable, either one variable or more without making comparisons, or connecting with other variables." The survey method used aims at providing an overview of each variable by analyzing the effect of independent variables on the dependent variable.

For the processing of the existing data, the author used ordinal scale as a measurement, which contains the number of given distance (Nazir, 1998: 158). Thus it would be clearly known how far the relationship and the influence of Strategic Planning and Featured Product on Competitive Advantage. Based on the three hypotheses, this study was designed with the concept of constellation mode (Figure 1).

b. Variable Operationalization

Variable operationalization consists of : (a) Strategic Planning Variable (X1)namely, the formulated long-term planning process , which is used to determine and achieve the goals of organization (Stoner , 1992) , (b) Featured Product Variable (X2) , namely the potential products to be developed in the region by exploiting natural resources and local human resources , in order to bring in revenue for the community and the government (Maulana , 2011: 17) , and (c) Competitive Advantage Variable (Y) , which is a company's capacity to achieve the economic benefits beyond the competitor's achievable profit in the market of the similar industry(Potter , 2004:1) (Table 1).

c. Sampling Technique

According to Sugiyono (2004 : 57) “Generalization region consists of an object or subject that has certain characteristics quantity applied by researchers to learn and draw conclusions .” The population of this study is embroidery makers domiciled in Tasikmalaya(Table 2) . There were 60 respondents taken in this study using Slovin formula :

$$n = \frac{N}{1 + Ne^2}$$

- a. Small Level $\frac{80}{1 + 80 (0,5)^2} = \frac{80}{21,25} = 3,7667 = 27$
- b. Medium Level $\frac{50}{1 + 50 (0,5)^2} = \frac{50}{12,5} = 4 = 22$
- c. Potentially Developed $\frac{15}{1 + 15 (0,5)^2} = \frac{15}{9,75} = 1,5385 = 11$

The sampling method used in this study was stratified random sampling, namely taking samples by levels in the population (Sugiyono, 2004). In ‘stratified’, the previous data is grouped into levels of certain stages, such as : high , low, medium / good , and education background, then samples were taken from each of these levels (Table 3).

4. Data Collection Techniques

Types of data used in this study are primary data, namely data obtained from the field study, by distributing questionnaires to the respondents for the research sample, and secondary data , namely data collection is done by reading , quoting , either directly or indirectly from books , scientific literature, directly related to the topic and also the reference data from the Central Bureau of Statistic and local office of Trade and Industry .

Data collection techniques used in this study are: Questionnaire and Literature Studies. Research questionnaire was prepared based on the indicators of research as stated in the Variable Operational Definition. The answers from respondents were then given a score by referring to a Likert scale. According to Sugiyono (2002: 86) “Likert scale is used to measure attitudes, opinions, and perceptions of a person / group of social phenomenon.” In a Likert scale study, measurable variables are translated into the answer indicators as follows:

- Strongly Agree - rated 5
- Agree - rated 4
- Less Agree - rated 3
- Disagree - rated 2
- Strongly Disagree - rated 1

Literature Studies were conducted to obtain a clearer and more comprehensive picture.

5. Data Analysis

5.1 Data Quality Test

Data Quality Test is done through Validity and Reliability of the instruments . Validity is a measurement that indicates the levels of validity of an instrument (Arikunto , 1998: 60) . The instrument is said to be valid if it is able to measure what they want, if it can disclose data variables studied properly. In testing the validity, we use two ways: a factor analysis and item analysis. In this study, researchers used item analysis while reliability refers to a notion that an instrument is trustworthy to be used as a means of collecting data if the instrument is good (Arikunto, 1998: 170). The result of reliability calculation is consulted with r table at a significance level of 5 % or 95% confidence intervals. When the calculation value is greater than r table, then the instrument is said to be reliable.

5.2 Data Analysis Techniques

Data Analysis is a data processing obtained by using formulas or rules that are applicable to the research approach. Data analysis was performed to test the hypothesis in order to draw conclusions. In this study, data analysis techniques used are as follows: (a)Descriptive Statistical Analysis and (b)Inferential Statistical Analysis. Descriptive Statistical Analysis is a statistics relating to the field grouping, data summarizing and presentation in a more informative way. In this type of statistics, the technique was related to the presentation of statistical data in the form of numbers. The techniques commonly used are descriptive analysis that includes the average (mean), median, mode and variance. Inferential Statistical Analysis is a technique relates to a statistical data processing. Therefore, by using the results of this analysis, a conclusion can be drawn on the characteristics of the population. Common techniques used include regression and correlation techniques, determination coefficient test and hypotheses.

5.3 Statistical Criteria Testing

a. Regression and Correlation

Linear regression and correlation is based on the functional/causal relationship of one independent variable and one dependent variable.

b. Calculation of Determination Coefficient Value

To measure how much the independent variables can explain the dependent variable, the coefficient of determination (r^2) is employed. This coefficient shows the proportion of the total variability in the dependent variable explained by regression model. R^2 value is in the interval $0 \leq r^2 \leq 1$. Logically, it can be seen that the better the model estimation describe the data, the closer the r value to the 1 (one) value.

c. Hypothesis Testing with ttest and Ftest

To test the hypothesis whether accepted or rejected, then the testing of variables partially and comprehensively is done. Partial test used t test. Regression coefficient test with t test (t-test) is required to determine the level of independent variables influence on the dependent variable.

T test was used to determine whether or not an independent variable is significant towards the dependent variable individually. F-test was used to test the relationship of two independent variables simultaneously with the dependent variable. To know ttable and Ftable, the terms $n-2$ at the level of significance (α) of 5% (5% error rate or 0.05) or a confidence level of 95% or 0.95 were employed. So if a variable error rate is more than 5%, it means that the variable is not significant.

d. Path analysis

Path analysis is a way to study the direct and indirect effects of the variables hypothesized. With path analysis, it can be known how far the influence of the Strategic Planning variable (X_1) and Featured Products (X_2) to Competitive Advantage Variable (Y) , either directly or indirectly. Similarly, the influences of Strategic Planning Variable (X_1) and Featured Products (X_2) simultaneously to Competitive Advantage variable (Y) All of the data analysis process is done with the help of a SPSS for Windows ver. 20.0.

6. Design of Hypothesis Testing

Test of hypothesis design proposed in this study are as follows:

- a. $H_0: \beta_1 \neq 0$: There is a significant difference between the Strategic Planning and Competitive Advantage.

Ha1: $\beta_1 = 0$: There is a significant relationship between the Strategic Planning and Competitive Advantage. If $t_{\text{calculation}} < T_{\text{table}}$, then H01 is accepted and Ha1 is rejected, on the other hand if $t_{\text{calculation}} > t_{\text{table}}$, then H01 is rejected and Ha1 is accepted.

- b. H02: $\beta_2 \neq 0$: There is a significant difference between the Competitive Products and Competitive Advantage. Ha2: $\beta_2 = 0$: There is a significant relationship between the Competitive Advantage and Competitive Products. If $t_{\text{calculation}} < t_{\text{table}}$, then H02 is accepted and Ha2 is rejected, on the contrary, if $t_{\text{calculation}} > t_{\text{table}}$, then H02 is rejected and Ha2 is accepted.
- c. H03: $\beta_1 = \beta_2 \neq 0$: There is no significant difference between Strategic Planning and Competitive Product towards Competitive Advantage. HA3: $\beta_1 = \beta_2 = 0$: There is a significant relationship between Strategic Planning and Competitive Product towards Competitive Advantage. If $F_{\text{calculation}} < F_{\text{table}}$, then H03 is accepted and Ha3 is rejected, on the contrary if $F_{\text{calculation}} > F_{\text{table}}$, H03 is rejected and Ha3 is accepted.

7. Findings

- (1) There is an influence of Strategic Planning Variables (X1) to Competitive Advantage Variable (Y) of small and medium embroidery industries in Tasikmalaya. Based on the results of hypothesis testing with SPSS Ver. 20.0 for Windows, it is proven that there is an influence between the Strategic Planning Variables (X1) and Competitive Advantage Variables (Y). From the results of the t test, the effect of variable X1 to Y has a linear value and significance. It is proven by $t_{\text{calculation}}$ which is greater than T_{table} . Based on the path analysis, it shows that the variables of Strategic Planning (X1) affect the Competitive Advantage variable (Y) directly by 25.6%, while the indirect effect of 22.4%. So, the variable of Strategic Planning (X1), either directly or indirectly affects the Competitive Advantage (Y) amounted to 48.0%. Planning strategy in various business circumstances whether big or small will benefit mainly small enterprises by encouraging them to look for new alternatives to increase sales and competitive positions. Strategic planning in this study includes: objectives, policies and actions to be undertaken by SMEs and craftsmen of Tasikmalaya embroidery fabrics in maintaining the existence and winning the competition. Therefore, SMEs and craftsmen of Tasikmalaya embroidery fabric should have confidence in the existence of relationship between strategic planning applied and the resulting performance as described by Hopkins and Hopkins (1997: 635-652).

The intensity of greater planning can result in better performance. Therefore, strategic planning formulated properly will help the preparation and allocation of resources owned by enterprises into a unique shape which can survive. From the answers of SMEs and embroidery makers of Tasikmalaya, we know that majority of SMEs and embroidery makers have skills in designing a product with specific characteristics and it is believed to contribute benefit if marketed with the right strategy. In addition, SMEs and embroidery makers have good knowledge and insight to develop a business and have high confidence to seize the market in order to survive in the midst of tight competition. The complexity and changes in the environment affects the intensity of a strategic planning. It means that a growing number of industries that uses strategic planning system shows that the complex and quick changing environment can boost their strategic planning more intensively (Bird, 1991). Therefore, strategic planning is a guideline of an organization in response to a dynamic environment and is difficult to predict. A strategic planning emphasizes the importance of making decisions that put the organization to successfully respond to changes of the environment. The quick emergence of competitors requires the employers of SMEs and embroidery makers to be creative by producing more innovative products, not only in terms of motives, but also models. The variety of motives and models will give Tasikmalaya embroidery a high value so that the consumers prefer buying Tasikmalaya products compared to other similar ones.

The ease of obtaining raw materials and human resources in producing embroidery, gives SMEs the advantage over other entrepreneurs. SMEs of Tasikmalaya also have committed to engage fully and consistently to the development of business and ready to face the problems that arise in order that the business operation is not hampered. The ability of businessmen to be better than the competitors will contribute an impact on the earnings. From the above explanation, it can be concluded that an enterprise can create a competitive advantage when implementing the right strategic planning. This is in accordance with the statement of by Bhawaraj, et.al (1993: 83-100), that a competitive advantage can be created when implementing the management capacity on strategic planning (Bhawaraj, et.al, 1993: 83-100). With the integration of managerial, environmental and cultural factors of the organization, there will be a greater chance of SMEs to create competitive advantage.

(2) There is an influence of Featured Products variables (X2) towards Competitive Advantage variable (Y) of Tasikmalaya embroidery fabric industry . The previous hypothesis testing has proven that there is a positive effect of Featured Products Variable (X2) to Competitive Advantage Variable (Y) . From the results of the t test , the effect of variable X1 to Y has a linear value and significance . It can be seen from the tcount which is greater than ttable . Based on path analysis result, it is obtained that Featured Products (X2) affects directly the Competitive Advantage (Y) by 19.9%, while indirectly by 25.4%. Therefore the Featured Product Variable (X2), either directly or indirectly affect the Competitive Advantage (Y) amounted to 45.4 % . Customers generally prefer buying products that have more value than desired or expected. Featured product is a product that can deliver more value than its competitors and provide benefits for consumers. It is a unique product created by combining the art value with the customer expectation. The Competition is determined on the advantages or benefits of the product produced. The advantage of Tasikmalaya embroidery fabric is that prioritizing the use of local materials and human resources to facilitate SMEs and craftsmen production. The local materials and craftsmen skills are not worse than those of the outsider, thus they can provide revenue to local governments and community. Tasikmalaya embroidery fabric quality is also very competitive. In addition, it always follows the fashion trends or consumer desires. Tasikmalaya embroidery fabric is also a typical product of Tasikmalaya City that is not found in other areas. SMEs and craftsmen always prioritize the use of raw materials that are safe for consumers to wear and environmental friendly, so there is no reason to worry about. SMEs and craftsmen of Tasikmalaya embroidery fabric is also frequently participated in a series of exhibitions that explore local genius, both in regional and national level. Through participating in such exhibitions, entrepreneurs and craftsmen can introduce more embroidery products of Tasikmalaya and at the same time it serves as a means of communication with consumers by providing access to know more about the product.

3) There is an influence of Strategic Planning Variables (X1) and Featured Products (X2) simultaneously towards Competitive Advantage variable (Y). From the results of the F test , the effect of Innovative Strategic Planning Variable(X1) and Featured Products (X2) simultaneously towards Competitive Advantage variable (Y) has a linear value and significance . The evidence can be seen from the value of Fcount which is larger than Ftable. Therefore, the results of hypothesis testing among these three variables are worthy to be the final result or referral for further research.

Based on the analysis it appears that the path of Strategic Planning and Competitive Products have a significant influence by 83.8% on the Competitive Advantage. It shows a magnitude effects, while the remaining 16.2 % is determined by other variables which are not examined in this study. Competitive advantage is essentially dynamic, and cannot be maintained. Competition today and the future should be seen as a competition with high dynamic rather than a static one so it needs some strategic thinking. From the results of the author's observation, SMEs and craftsmen of Tasikmalaya embroidery fabrics are very creative and innovative in mixing and matching motives and patterns to produce a product that is not easily imitated by other competitors. Tasikmalaya embroidery fabrics are featured local product that has a high cultural value, therefore, SMEs and craftsmen always maintain these aspects in their products. SME entrepreneurs and craftsmen have also been able to take advantage of automated production machinery with better quality products so that it is easier to produce in large quantities and create superior products that can meet the expectation and taste of consumers. SMEs and craftsmen also make use of the rapid information technology development in marketing their products so that they are more widely known by consumers. Thus it is easier for consumers to buy. SMEs and craftsmen always give priority on product distribution to avoid things that are not expected. In addition, the direct distribution also can give satisfaction to the consumer. Applying appropriate strategy will affect the ability of small and medium enterprises to compete with big enterprises. By maintaining and developing other sources of competitive advantage, the business will be sustainable.

8. Conclusion and Recommendation

Based on the results of this study, it can be concluded that:

1. There is a positive influence between the Strategic Planning and Competitive Advantage. This proves that the better the strategic planning adopted by SMEs/craftsman embroidery fabric Tasikmalaya, the stronger the entrepreneurs can survive the strong market competition and create competitive advantage.

2. There is a positive influence between the Strategic Planning and Products of the Competitive Advantage. It proves that the more innovative and creative the products produced, the stronger SMEs / craftsman embroidery fabric of Tasikmalayacan compete with other products of its kind.
3. There is a positive influence between Strategic Planning and Featured Product simultaneously to Competitive Advantage. When SMEs / producers can apply the right strategic planning and is capable of designing and producing embroidery cloth that has a characteristic, not easily imitated, market-oriented and can be purchased at lower prices without reducing the quality, then the Tasikmalaya product will be known wider and dominated the market, both nationally and internationally.

In line with the conclusions that have been derived from the results of this study, the author then presented some suggestions that may be implemented by Tasikmalaya SMEs and embroidery makers as follows :

1. To give priority to local culture in producing embroidery cloth, so the products will have its own characteristics and not easily imitated.
2. To be able to adapt to changes and consumer demands to satisfy consumer expectation.
3. To improve the managerial and skills capabilities to design products with periodical training.
4. SME entrepreneurs and embroidery makers in Tasikmalaya should continue to create products that are innovative and creative by considering the low cost of production so as to increase sales.

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Appendices

Figure 1 Constellation Mode

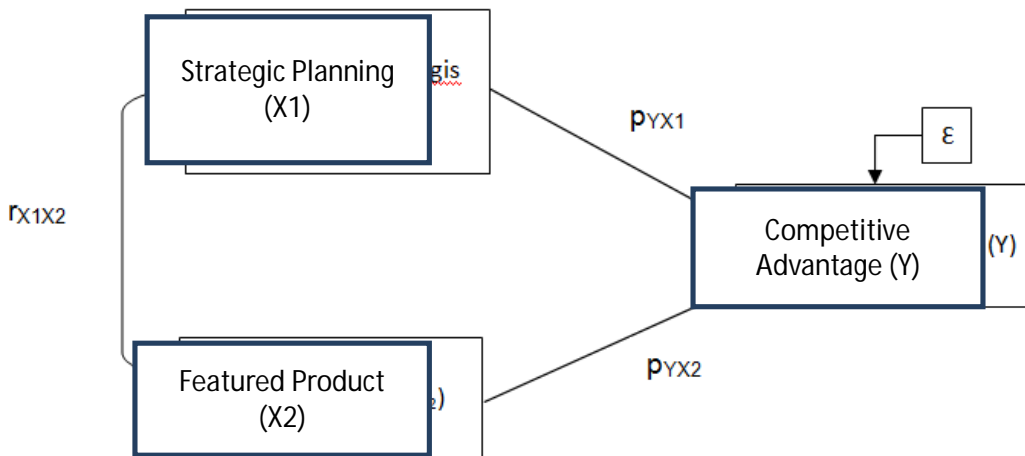


Table 1 Dimension and Variable Indicator

Variable	Dimension	Indicator	No Item	Total Item
Strategic Planning (X ₁)	Managerial factor	Manager has skills	1,2	2
		Manager has confidence to good performance	3,4	2
	Environmental Factor	Environmental Complexity	5	1
		Environmental Change	6	1
		Environmental Support	7	1
	Organizational Cultur	Involvement	8	1
		Consistency	9	1
Organizational Commitment		10	1	
Featured Product(X ₂) (Maulana, 2011:17)	Potential Product	Natural Resources	1,2	2
		Local human resources	3	1
		Income for local government and community	4,5	2
	Competitive Advantage	Compete with other similar products	6	1
	Market Oriented	Fulfil the desire and need of consumers	7	1
	Environment friendly	Safe raw materials	8	1
	Communication tools	Media of local product socialization	9	1
Consumer relationship		10	1	
Competitive Advantage (Y) (Potter, 2004:3-6)	Imitability	No competition	1,2	2
		Unimitability	3	1
	Durability	Survive from competition	4	1
		Value achieved by the companies	5	1
	Ease	Product design	6	1
		In production	7	1
		In marketing	8,9	2
Distribution		10	1	

Table 2 Population

Category	Population	Respondent
Small Level	80 people	27 people
Medium Level	50 people	22 people
Large Level	15 people	11 people

Table 3 Research Sampling

Classification/Grouping	Number	Member
Small Level	16 groups	80 people
Medium Level	10 groups	50 people
Large Level	5 groups	15 people