



ISSN: 0976-3031

Available Online at <http://www.recentscientific.com>

CODEN: IJRSFP (USA)

International Journal of Recent Scientific Research
Vol. 8, Issue, 9, pp. 20262-20269, September, 2017

**International Journal of
Recent Scientific
Research**

DOI: 10.24327/IJRSR

Research Article

DEVELOPMENT OF PORTER GENERIC STRATEGY MODEL FOR SMALL AND MEDIUM ENTERPRISES (SME's) IN DEALING WITH ASEAN ECONOMICS COMMUNITY (AEC)

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DOI: <http://dx.doi.org/10.24327/ijrsr.2017.0809.0860>

ARTICLE INFO

Article History:

Received 17th June, 2017
Received in revised form 12th
July, 2017
Accepted 04th August, 2017
Published online 28th September, 2017

Key Words:

SME's, Generic Porter Strategy,
Competitive Advantage, AEC

ABSTRACT

In welcoming the ASEAN Economic Community (AEC), we will enter a new phase with our neighboring partner countries, especially ASEAN members. One of the main pillars of the MEA is the free flow of goods, so that in 2015 trade in goods in the ASEAN region is done freely without any obstacles, tariff and non-tariff. The AEC applies the Common Effective Preferential Tariff (CEPT) scheme previously applied at the Asean Free Trade Area (AFTA), i.e. a gradual tariff reduction for certain types of goods conducted within the agreed timeframe. This study aims to find the problems that often hamper the development of SME's in Deli Serdang District in the competitive advantage especially in facing the AEC, for it needed a strategy in creating competitive advantage in the AEC era. Many strategies for creating competitive advantage and one of Porter's generic strategies. This strategy provides success in the company so that researchers want to adopt Porter's generic strategy for SME's especially in Deli Serdang District.

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INTRODUCTION

If Indonesia does not promote the competitiveness and added value of goods / products produced, then Indonesia may lose its role in the region and become the object of development progress in the region without obtaining maximum benefits. Therefore, the policy of strengthening competitiveness has received special attention from the government, among others the strengthening of SME's national. It is important to facilitate SME's highly competitive, innovative, and creative national, and able to expand market of ASEAN Economic Community. Each organization must have a plan, and for the scope of the company we know the term strategic planning, where strategic planning can help us evaluate periodically to achieve goals, helping companies to move forward and expand, enlarge market share amid increasingly keen business competition. One of the keys to the success of strategic planning is the selection of markets and the determination of how to compete in the midst of existing competition (Greenlay *et al*, 2004). The location of the competition is the differentiation of products and services within the chosen market for their competitors. Referring to Porter's (1980) idea of competitive advantage can be achieved through various strategies, one of them with business strategy such as cost leadership, differentiation and focus.

Research on the development of Porter's generic strategy model has been widely applied, among others. The relationship between environmental dynamics and small enterprise structure, strategy and performance, which concludes that environmentalism affects strategies chosen by small firms and moderates the relationship between organizational structure, strategic posture and company performance. SME's productivity increased substantially at levels not far away with larger firms, SME's are more resilient to crises than large firms, further explaining that SME's are able to more quickly and flexibly respond to sudden problems. Furthermore, the result of research from Alan Hankinson (2000) which stated that one of the key of SME's business success is internal factor of company through business strategy with research result that competitive advantage will be created when good company performance where company performance this is influenced by strategic planning.

This research will be conducted in Deli Serdang Regency with the reason that Deli Serdang Regency is a region in North Sumatera which has wide area, besides there are problems which often hamper SME's development in Deli Serdang Regency is weak institutional and individual factor, which include: ability to find opportunities business, entrepreneurial culture, entrepreneurial leadership, market availability, educational level, availability of information and

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communication technologies, and the ability to innovate. For that we need an effort in increasing SME's growth by using competitive strategy, especially in facing AEC.

Theoretical Framework

To achieve strategic decisions, strategic management is required. Strategic management consists of an internal environment that includes strengths and strengths that are owned by the company and the external environment that includes opportunities and threats to the company. Jauch and Glueck, (1998) argue that to assist strategic planning for the development of early warning systems to avoid threats or develop strategies that can turn threats into profits for the company. Therefore, in order to survive in the market or to expand its business, a company or industry depends on five porter forces. Porter (1976) mentions that a company will have a competitive advantage if the company is in favorable condition of the five main competitive factors, namely the entry of new entrants, the threat of replacement products, the bargaining power of the buyer, the bargaining power of suppliers, and competition among existing competitors.

Porter (1987) states, "Competition is the essence of success". Competitive rivalry between similar companies, new competitors can enter the industry relatively easily, and suppliers and customers can increase their bargaining power (David, 2006). In order to win every competition, every company must have a competitive strategy. The ultimate goal of competitive strategy is to tackle environmental forces for the benefit of the company. According to Hunger & Wheelen (2001), a competing strategy is often called a business strategy, focusing on improving the competitive position of a company's products and services in an industry or specific market segment that the company serves. A competing strategy is an attempt to find a competitive position that is profitable in an industry, the fundamental arena in which competition takes place. A competing strategy aims to foster a profitable and strong position against the forces that determine competition in the industry. Therefore, competitive strategy is not only a response to the environment but also the effort to shape the environment in accordance with the wishes of the company (Porter, 2003). Michael E. Porter in his book entitled "Competitive Advantage" said that competitive advantage could be achieved would require appropriate competitive strategy. Competitive strategy is an effort to find a competitive position that is profitable in an industry. A competing strategy aims to foster a profitable and strong position against the forces that determine competition in the industry. The goal of competitor analysis is to develop a profile of the nature and success of possible strategic changes that each competitor can take.

In 1980, Michael Porter published a book entitled Competitive Strategy. Description "Five forces" Porter forms the structure of all industries and largely establishes rules of competition and serves to increase corporate profits. The five forces are the threat posed by competitive competition, buyer bargaining power, supplier bargaining power, potential newcomers, and replacement products (Kirchner, 2012).

The state of competition in an industry depends on the five fundamental competitive forces mentioned by Porter in the above paragraph. The Porter's five-frame framework is a

powerful tool when it comes to a skilled manager or skilled analyst. The model presented here has been developed according to the needs and the development of the era. So far, the use of Porter's theory provides better understanding and strategic insight (Dobbs, 2012). Taking advantage of the five power model or five forces Porter model as a basis, here we can understand the necessary actions, such as implementations, other processes, and techniques that can contribute to creating a competitive advantage for the organization. By using this process, an organization has a guide to take the necessary steps to achieve a comprehensive strategy to create a competitive advantage (Van Pelt, 2010).

Decisions about organizational design and competitive strategy of a company are essential to gain competitive advantage and improve company performance. Researchers have studied the relationship between strategy, and organizational structure. This approach shows that optimal organizational design depends on strategy and other factors (Pertusa-Ortega, 2010).

Strategy

David (2011) argues that strategy is a common tool with a long-term goal to be achieved. Business strategies include geographic expansion, diversification, acquisition, product development, market penetration, knowledge, divestment, liquidation and joint ventures. Strategy is the implementation plan of a company. The plan provides a framework for managerial decisions. And the main aspect of the company's environment is the industry. A company must strive to achieve sustainable competitive advantage in the form of (1) continue to adapt to change in external trends and internal capacity, capabilities and resources; and (2) effective planning, implementation, and evaluation of strategies that play a major role. (Porter, 2003; David, 2011). Porter (1987), the core of competitive strategy formulation is connecting the company to its environment.

Analysis of Five Porter Strengths

The goal of Porter's five-power analysis is to determine the competitive advantage and competitive advantage of the company. According to David (2011), Porter's Five Power Model of competitive analysis is a widely used approach for developing strategies in many industries. According to Porter, the nature of an industry's competition can be seen as a combination of five forces, namely competition between the like, the possibility of new competitors, the potential for substitution product development, the bargaining power of sellers / suppliers, the bargaining power of buyers / consumers (David, 2011).

Intercompany Rivalry

Competition between rival firms (Rivalry Among Existing Firms) is usually the greatest strength in the five competitive forces. A company-run strategy can succeed if it provides a competitive advantage over a competitor's strategy. Strategy change by one company is possible will get a counterattack, such as lowering prices, improving quality, adding features, providing services, extending warranty, and improving advertising (David, 2006).

The intensity of competition among the respective peer firms tends to increase as the number of competitors become more uniform in size and ability and demand for industrial products declines, and as price cuts are increasingly common. Competition also increases when customers can switch brands easily when products are vulnerable, companies are different in strategic terms, where they originate and culture, mergers and acquisitions become common in an industry, as well as interstitial companies' competition gets intensive, corporate earnings decreases, deep some cases even make an industry very unattractive (David, 2006).

Conflict among competing firms tends to increase as the number of competitors increases as competing firms become equal in size and capacity, demand for industrial products declines, and discounts become commonplace. Strategies run by one company can succeed only to the extent that the strategy provides a competitive advantage over a strategy run by a competing company (David, 2006).

Entry of New Competitors

According to Porter (1987) states that the threat of entry of new entrants into the industry depends on the existing barrier, combined with the reaction of existing competitors that can be expected by the newcomer. If these obstacles or obstacles are large and / or newcomers predict there will be strong resistance from the old faces, then the threat of entry of newcomers will be low. There are six main sources of incoming obstacles: Porter (2003): economies of scale, product differentiation, capital requirements, switching costs of suppliers, access to distribution channels, and unrelated costs regardless of scale.

Product Development Substitution

All companies in an industry compete, in a broad sense with industries that produce replacement products. The replacement product limits the potential profit of the industry by setting a ceiling price that can be provided by the company in the industry. The more attractive the alternative price offered by the replacement product, the stricter the restriction of the industry's profit. Recognizing substitution products is a matter of looking for other products that can perform the same functions as products in the industry. The position in dealing with replacement products may be a matter of industrial action collectively. The replacement product places the upper limit of the price that can be set before the consumer will move to a replacement product. Competitive power from replacement products is best measured by the market share captured by the product, in addition to the company's plans to increase market capacity and penetration (David, 2011).

Seller / Supplier Bargaining Power

Bargaining power of suppliers can be a threat to companies that have been receiving input from suppliers in the event of a company's dependence on one of the larger suppliers over time. The indicator that can be used to look at a company's dependence on one supplier is an indicator of concentration ratios that can indicate the ratio between the supply value of a particular supplier and the total value of supplies supplied by various suppliers.

Suppliers may use bargaining power against industry participants by threatening to raise prices or lower the quality

of products or services purchased. Strong suppliers can therefore suppress the profitability of industries that are unable to offset rising prices (Porter, 2003).

The Bargaining Power of Buyers / Consumers

Consumer bargaining power is also higher when purchased are standard or non-authorized products. When conditions are like this, consumers can often negotiate about the selling price, warranty coverage, and accessory package to a higher level (David, 2006). In addition, the power of consumer bidding is also greater if the product is purchased standard or not different. A competitor may offer a longer warranty or special service to gain customer loyalty if the power of bidding from the consumer is remarkable. Consumers can often negotiate selling prices, warranties, and packaging accessories to some extent (David, 2011).

RESEARCH METHODOLOGY

This research was conducted in Deli Serdang Regency of North Sumatra Province. In line with the objectives to be achieved in this research, namely the development of Porter's generic strategy models for SME's, this research uses Research and Development (R & D) method. Data collection techniques in general use: 1) Field study with dissemination of research instruments to the sample in this case SME's in Deli Serdang District where will be interviewed to identify problems encountered related to SME's, 2) Library Studies on Generic Porter Strategy. Furthermore the literature and research reference as a support in the development of the development model. The research instruments that have been collected will be analyzed using descriptive analysis method. Steps taken in data analysis: 1) development of Porter's generic development strategy, 2) pilot development of Generic Porter Strategy, 3) Design of Generic Porter Strategy Model of Research Report. The goal is to see how useful the guidance module is to evaluate the development of the Generic Porter Strategy Model module and to revise the final model of development of the most ideal Generic Porter Strategy that can create competitive advantage. The first step at this stage is the development of the Generic Porter Strategy model generated in trials by creating a pilot project. At this stage SME's will be selected to implement the Generic Porter Strategy development model generated. For that at this stage will be done in cooperation with one of SME's.

FINDINGS AND DISCUSSION

Five Force Porter Analysis is used to analyze the company's external environment based on competition among its peers, the threat of newcomers, the threat of replacement products, the bargaining power of buyers and the bargaining power of suppliers (Porter, 1976). The following responses of respondents to these factors: Based on Table 1. above that the indicator of the five forces porter has a value in the Medium category, it indicates that there is a problem in SME's in Deli Serdang Regency and if specified can be explained as follows:

1. Competition between similar companies. (a) SME's still have a fairly high fixed cost (b) a considerable number of competitors with the same business, (c) A slight difference with competitors' products, (d) Slow business growth (e) High production costs, (f) lack of

competitiveness in selling prices with competitors, and (g) less able to promote products.

high or medium, where this happens because less information about the product to the buyers.

Table 1 Recapitulation Score and Distribution Response Based on Indicators Five Force Porter Analyses

No	Indicators		Respond of Respondent			Score	Result
			High	Medium	Low		
Intercompany Rivalry							
1	The fixed costs incurred are quite high	F	0	59	11	4,01	Medium
		%	0	84,29	15,71		
2	Many competitors for the same business	F	0	46	24	3,74	Medium
		%	0	65,71	34,29		
3	The product has little difference with the competitor's product in terms of quality and quantity	F	0	51	19	3,90	Medium
		%	0	72,86	27,14		
4	Owned businesses have sluggish growth	F	1	14	55	3,09	Medium
		%	1,43	20,00	78,57		
5	The production cost incurred to produce the product is quite large / high	F	0	37	33	3,63	Medium
		%	0	52,86	47,14		
6	Able to sell products / goods at normal prices to get higher profits from competitors	F	0	43	27	3,69	Medium
		%	0	61,43	38,57		
7	Have the ability to promote / show the advantages of the product	F	0	20	50	3,10	Medium
		%	0	28,57	71,43		
Newcomer's Threat							
8	The existence of products produced / prepared by new entrants (competitors) with large scale can disrupt the business	F	0	48	22	3,76	Medium
		%	0	68,57	31,43		
9	Products from competitors have a wide range of products	F	0	29	41	3,47	Medium
		%	0	41,43	58,57		
10	Sufficient financial resources to provide a significant investment in the business undertaken	F	0	33	37	3,46	Medium
		%	0	47,14	52,86		
11	Have an efficient distribution / marketing channel	F	0	27	43	3,36	Medium
		%	0	38,57	61,43		
Product Replacement Threat							
12	The existence of possible products produced can be imitated / imitated by other entrepreneurs who become competitors	F	1	50	19	3,94	Medium
		%	1,43	71,43	27,14		
13	The product produced / sold has a replacement product	F	0	47	23	3,71	Medium
		%	0	67,14	32,86		
14	The price of the replacement product is cheaper than the price of the product	F	0	43	27	3,67	Medium
		%	0	61,43	38,57		
15	Competitors' replacement products have a better market share	F	0	45	25	3,72	Medium
		%	0	64,29	35,71		
The Bargaining Power of Bidding Buyers							
16	The buyer / consumer has information about the product	F	0	40	30	3,64	Medium
		%	0	56,14	42,86		
Bargaining Power Suppliers							
17	The industry of raw materials (suppliers) of products is dominated by few companies	F	0	43	27	3,67	Medium
		%	0	61,43	38,57		
18	Products from suppliers as raw materials are important products for you	F	0	47	23	3,80	Medium
		%	0	67,14	32,86		
19	Owned business is not an important customer for the supplier	F	0	44	26	4,31	Medium
		%	0	62,86	37,14		
20	Supplier industry has good integrity	F	0	49	21	3,86	Medium
		%	0	70	30		

- The threat of newcomers. Based on the above results indicate the threat of a significant newcomer between the companies, this is because (a) the products produced/prepared by newcomers (competitors) have a considerable scale (b) the product of the competitor has a sufficient range of products many, (c) inadequate financial capital, (d) inefficient distribution channels.
- Product Replacement Threat. Based on the above results indicate the substantial threat of replacement product, which is due to (a) the production can be imitated by other competing entrepreneurs, (b) the product produced substantially enough substitutes, (c) the replacement product has a price much cheaper, and (d) replacement products have better market share.
- The bargaining power of the buyer. Based on the above results shows the bargaining power of the buyer is quite

- The bargaining power of suppliers. Based on the above results indicate a high or moderate bargaining power of suppliers, which is due to (a) lack of supply of raw materials, (b) Products from suppliers are less meaningful to businesses, (c) Ownership is not an important customer for suppliers, and (d) Lack of integrity to suppliers.

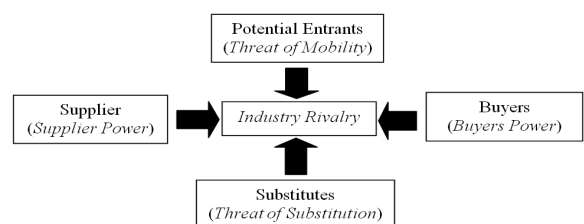


Figure 1 Five Forces Porter

In addition to the 5 (five) indicators above, the researchers added other indicators as supporters in creating the competitive advantage of SMEs in the face of MEA. The indicators can be seen in the following table:

Table 2 Recapitulation Score and Distribution Response Based on Indicators Ability of innovation & technology, and Government Involvement

No	Indicators	Respond of Respondent			Score	Result	
		High	Medium	Low			
Ability of innovation & technology							
1	Have a good ability in designing products to make the product manufacturing process more efficient	F	0	47	23	3,86	Medium
		%	0	67,14	32,86		
2	Have a high level of expertise in terms of production process of the resulting product	F	1	42	27	3,90	Medium
		%	1,43	60,00	38,57		
3	The products produced / sell have various types	F	1	55	14	4,09	Medium
		%	1,43	78,57	20,00		
4	Have the ability to conduct market research research on superior products	F	0	10	60	2,73	Low
		%	0	14,29	85,71		
5	Having a team of highly skilled and capable developers that you have a good reputation for quality and innovation is high in creativity.	F	0	11	59	2,76	Low
		%	0	15,71	84,29		
6	Owned enterprises have a good reputation in terms of quality and innovation.	F	0	43	27	3,67	Medium
		%	0	61,43	38,57		
7	Be able to create a product that is actually destined for the public to be a smaller segment that they can understand well.	F	0	52	18	3,97	Medium
		%	0	74,29	25,71		
8	The technology used is able to produce products to meet market demand	F	0	39	31	3,56	Medium
		%	0	55,71	44,29		
Government attention							
9	Government / related agencies pay attention to the business owned through the granting of credit facilities	F	0	25	45	3,23	Medium
		%	0	35,71	64,29		
10	Government / relevant agencies provide opportunities to promote products through both regional and national activities	F	0	27	43	3,26	Medium
		%	0	38,57	61,43		

Based on table 2 above, the indicator of technological and innovation capability as well as the government's attention also has value in the Medium category, it indicates that there is a problem in SME's in Deli Serdang Regency, particularly regarding the innovation capability of the product and the use of technology and the attention of the government, and if detailed can be explained as follows:

1. The ability of innovation and technology. Based on the above results shows the lack of innovation and technological capability, which is due to lack of ability in product design, lack of expertise in production processes, lack of market research on the resulting product, lack of reputation for product quality, small market segmentation, and technology is still very simple.
2. The Government's Concern Based on the above results indicate that the government's attention to MSMEs is still classified as less, which is due to uneven capital assistance and lack of opportunities to promote products supported by the government as a whole.

The Design of the Five Force Porter Development Model for SME's

Based on the above five forces porter description, which includes: 1) Competition between similar companies. 2) The threat of newcomers. 3) The threat of replacement product. 4) Bargaining power of buyer and 5) Bargaining power of supplier, we can see that overall still in medium category and this can be interpreted that SME perpetrators in Kabupaten Deli Serdang on average can not and do not understand how the application of five force model porter in running the business wheels that they do to gain competitive advantage in facing the ASEAN Economic Community (EAC).

Starting from the results of research in the first year, the researchers tried to mix or design a simple model development based on the five force porter model for SME's in Deli Serdang

District, so that later SME's can apply the model in running its business. The design of the development of five-force porter model offered by researchers is as follows:

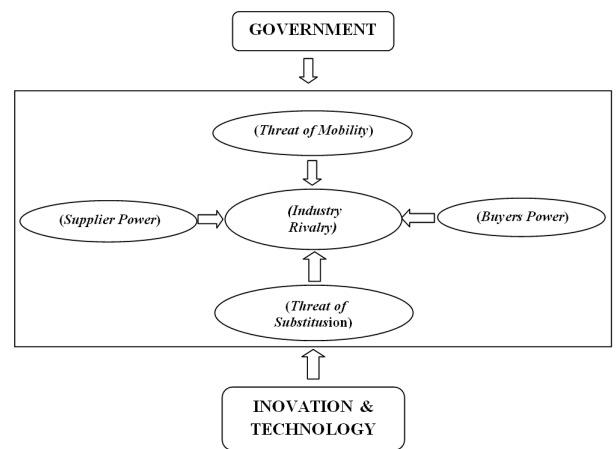


Figure 2 The Design of the Five-Force Porter Development Model for SME's

From the design of the above model, can be seen as follows:

1. Competition between the peers, the focus on marketers is: the problem of competition in product sales. This is because every seller has a high break even point rate, so must sell the product in large quantities and if necessary be slammed the price, in order to reach the level of Break Event Point.
2. Entry threats from newcomers, problems encountered, among others, the amount of required investment costs, permits, access to raw materials, brand access and so on. Usually the higher the barriers to entry the lower the incoming threat of newcomers.

3. Bargaining power of suppliers or suppliers, the problem is: usually when fewer suppliers, the more important the product is supplied and the stronger the bargaining position.
4. Bargaining power of buyers, Here the problem that we can see is the greater the purchase, the more options available to buyers and in general will make the buyer's position stronger.
5. Substitution or substitute products, the availability of many substitute products will limit the flexibility of players in the industry to determine the selling price of the product.

Besides the fifth (5) factors above, then other supporting factors that must be taken into account are:

Government

The government's policy and role in the success of SME's actors is indispensable, since the role of the government can affect the five forces porter's, especially those developed by researchers is a threat to newcomers, for example: The government can organize SME's actors which produces products to cooperate with relevant agencies in terms of, marketing their products, giving their business capital, providing information and facilitating the establishment of small industrial area, trading center, craft center and others and promoting goods produced by SME's players in every event and occasion.

The ability of innovation and mastery of technology

Based on the results of the survey, interviews and questionnaires obtained, it can be seen that SME's actors still lack the technology in this case are computers and the internet, because most of them try to manually or conventionally, so the product design, production process is less creative and innovative, it is expected SME's players, must have the ability and master the technology, especially computer so that the product produced more competitive again and product promotion can be done via online.

Analysis of SME's in Deli Serdang Regency

The threat of entry and newcomers

1. From the results of the survey dilakukan by researchers, it can be seen that many handicraft products, food, drinks and even clothes coming from abroad and provide a relatively affordable price for the community. Example; products china, thailand, malaysia and other countries, even the newcomers do not hesitate to give discounts or discounts to buyers who buy in bulk.
2. Management Strategy to be done by SME's perpetrators is to maintain and retain consumers or customers by providing good service and maintain the quality of the resulting product.

Strength of bargaining position of supplier or supplier

1. From the results of the survey conducted by the researcher, it appears that the SME's principals' lack of good relationships between suppliers or suppliers and loyalty are also lacking, SME's perpetrators often default

to or delay payment of obligations to suppliers, resulting in less harmonious working relationships.

2. Strategy management SMEs are required to undertake by maintaining and maintaining good relationships with suppliers of raw materials or suppliers, paying off obligations in accordance with agreements or agreements with suppliers and providing mutual advice and criticism for the progress of their business.

Strength of buyer bargaining position

1. Based on the survey conducted by researchers, it can be seen that SME's product buyers, from various layers in the community and offered prices are relatively stable and affordable for all walks of life.
2. Management strategies that SME players must undertake are: to produce quality products and to provide satisfaction to consumers as end users of a product, competitive prices and good service and promotion in accordance with quality.

Threat of substitute or substitute product

1. From the results of a survey conducted by researchers, it can be seen that buyers can freely buy and obtain the desired goods in accordance with their needs and basically the principle of consumers want to get quality goods at relatively affordable or cheap prices, while the expectations of SME's actors, Offering must have an advantage.
2. The strategy management that SME's players must undertake is to produce goods that suit the consumer's wishes, maintain good quality of goods and provide a relatively affordable price for consumers, offer products that will enrich ideas innovatively, continuously deliver innovation in creating products that are reliable and keep up with the times.

The power of competition or competitors

1. Based on the results of surveys and observations conducted by researchers, there are still many products found in the market that there are products that come from local or imported from abroad or imported goods.
2. Management strategy to be done by SME's perpetrators, is to innovate products, improve quality, provide a standard and affordable price for the community and increase the media campaign to introduce its products more widely.

Besides the fifth (5) factors above, then other supporting factors that must be taken into account are:

Government

The government's policy and role in the success of SME's actors is indispensable, since the role of the government can affect the five forces porter's, especially those developed by researchers is a threat to newcomers, for example: The government can organize SME's actors which produces products to cooperate with relevant agencies in terms of, marketing their products, giving their business capital, providing information and facilitating the establishment of small industrial area, sntra trade, craft centers and others and

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The ability of innovation and mastery of technology

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Competitive Strategies for SMEs in Deli Serdang District

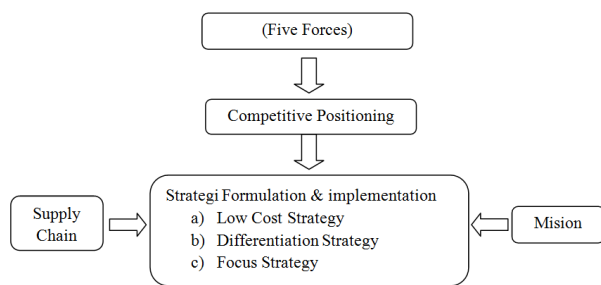


Figure 3 Comparative Generic Porter Strategy Model

Competitive strategy is an approach where companies or industries intensively win every business that includes, as follows:

1. Market share maximization strategy
2. Growth strategies that guarantee the growth of the company or the future industry
3. Market differentiation strategy / market gap by creating the image of company / product to potential consumers
4. Product differentiation strategy / product gap with different product performance and competitor product development

Porter (1980: 31), reveals that in tackling various competitive forces, there are 3 generic strategy approaches that will potentially succeed to outperform other companies or businesses in an industry, as follows:

The Cheapest Cost Strategy

Generic porter strategy is an effort to gain a competitive advantage creates a center of excellence that makes sales increase and differentiates it from competitors. The cheapest cost strategy minimizes the cost of moving the product or service, while the cost paid by the consumer is a separate issue. There are two ways to implement this cheapest cost strategy, namely:

1. Increase profit by reducing costs, and set prices according to industry averages
2. Increase market share by applying lower prices and still achieve a sufficient profit from each sale due to costs already pressed

So before deciding to choose the cheapest cost strategy, business owners / business actors (SME's), are confident and able to get and maintain the number one position. Companies / successful businesses using the cheapest cost usually have:

1. Access to capital needed to invest in technology will lower costs
2. Highly efficient logistics system
3. Low cost base (manpower, materials, facilities) and ways that can reduce costs continuously under competitors

The biggest risk in implementing the cheapest cost strategy is that these sources of cost reduction are not only owned by SME's, so competitors can copy the cost suppression strategy. That's why it's important to continually find ways to squeeze every cost. Strategi Diferensiasi (*Differentiation Strategy*)

Differentiation involves the effort of producing a product or service that is different and superior to competitors. How to achieve this strategy depends on the actual nature of the product and the industry itself, but usually involves features, functions, endurance, support and brand image that customers value, to create a differentiation strategy, SME's are required:

1. Have good research, development and innovation
2. Able to move high quality products or services
3. Have an effective sales and marketplace, so that the marketplace understands the different benefits it offers

SME's, trying to implement a differentiation strategy, need to have a robust product development company, otherwise it will be exposed to the risk of subscribers from competitors who implement focus differentiation strategies in different market segments.

Focus Strategy (Focus Strategy)

SME's that use focusing strategies concentrate on specific niche markets, understanding the market dynamics and unique needs of consumers, SME's develop uniquely low-cost or market-specific products or services, they tend to build strong brand loyalty among consumers, this makes their market segment master less attractive to competitors. As a comprehensive market strategy, it is important to decide that choosing a focus strategy alone is not enough to just stop there, there is always a refocusing effort in the resulting product or service.

Effective Generic Porter Strategies for SME's in Deli Serdang District

Choosing or determining a good and effective strategy for the business actor (SME's), of the several or three strategies outlined above, should include the following steps:

1. For every generic strategy, SWOT analysis is needed, with a view to knowing the strengths and weaknesses, and the opportunities and threats faced when adopting the strategy. Having done this, it is clear that SME's is unlikely to succeed by applying some strategic.
2. se five-force porter analysis, to understand the natural state of the industry
3. Compare SWOT Analysis from the choice of strategy with the result of the five force porter analysis for each strategy option, in the following way:
 - a. Reduce or manage supplier strength
 - b. Reduce or manage consumer power
 - c. Beat the rivals or competitors in the competition
 - d. Reduce or eliminate the threat of substitution

e. Reduce or eliminate threats from newcomers

Choose the most appropriate and effective generic strategy for SME's success

Based on the findings of researchers in the observation and data processing of respondents in this case are SME's actors in Deli Serdang District and based on the 4 steps that have been stated above, the effective generic strategies for SME's, are: (Low Cost Strategy) This can be seen from the expected objectives to SME's, which can increase profits by reducing costs and setting prices according to the industry average and SME's, can raise market share by applying more prices low and still earns or earns a sufficient profit from each sale of a product or service because of the already pressed costs.

Besides the lowest / cheapest cost strategy, it emphasizes the effort to produce standard products (same in all aspects) at very low cost per unit. Products / services produced are usually addressed to consumers who are relatively easily affected by price shifts (price sensitive) or using price as a determinant of purchasing decisions. From the customer side, this type of strategy is very much in line with customer needs that fall within the low-involvement category, when consumers do not really need brand differences, do not need product differences, or if there are a large number of consumers having significant bargains.

This strategy can enable SMEs to survive price competition and even become market leaders, in determining prices and ensuring high (above average) market returns and stable through aggressive means in efficiency and cost-effectiveness.

CONLUSSION AND RECOMMENDATION

The Five Force Porter model consists of: a) Entry newcomer threats, b) Strength of bargaining position of supplier or supplier, c) Strength of buyer bargaining position, d) threat of substitution or substitute product, e) Strength of competition or competitor, not enough applied to SME's in Deli Serdang Regency and it is necessary to develop the model with the addition of 2 more indicators that will support SMEs to be able to survive, compete and excel in facing the ASEAN Economic Community (AEC), namely: 1) Government and 2) Innovation and Mastery of Technology. The Low Cost Strategy, which is effective for SME's in Deli Serdang District, This can be seen from the expected objectives to SME's, which can increase profits by reducing costs and setting prices according to the industry average and business actors (SME's), can raise market share by applying lower prices and still achieving or earning sufficient returns from each sale of products or services due to costs already pressed. The government in this case relevant agencies, such as the Office of Industry and Trade and Cooperatives, regularly conduct short counseling and training for business actors in this case SME's, so that SME's are expected to compete and be ready to support ASEAN Economic Community (AEC). SME's products, quality, competitive prices, national and international market share, and

SME's players must have the ability and mastery of science and technology, so that in the marketing, distribution and promotion of their products through electronic media (on line). Good cooperation between business actors (SME's) should be established, with the Government in this case the relevant agencies, namely: the Department of Industry and Trade and the financial institution of Bank and Non Bank, in supporting SME's perpetrators both morally and materially.

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