ADVANTAGES COMPETE SME BY USING FIVE FORCE PORTER IN DEALING WITH ASEAN ECONOMIC SOCIETY

Julita [1]

julitaumsu@gmail.com

Hasrudy Tanjung [2]

[1,2] University of Muhammadiyah Sumatera Utara

Abstract

This study aims to find the problems that often inhibit the development of SMEs in Deli Serdang Regency in competitive advantage, especially in the face of MEA, for it needed a strategy in creating competitive advantage in the era of MEA. 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 generic strategy for MSME especially in Deli Serdang Regency.

This research uses research and development method, which becomes object in this research is 70 SMEs in Deli Serdang Regency.The method used in data collection is primary data (questionnaire) and secondary data (literature study). Data analysis was done descriptively.This research is the third year of research (final) which implemented the socialization of model and implementation of Excellence in competing UMKM by using five force porter in facing the ASEAN Economic Community.

Keywords: Competitive advantage, five force porter, UMKM, MEA

INTRODUCTION

The existence of the ASEAN Economic Community (MEA) 2015 provides a special challenge for Indonesia, namely: (1) competitiveness index, this is because the Global Competitiveness Index 2012-2013 Indonesia is ranked 50th of 144 countries, compared with countries ASEAN, the ranking fell from the previous ranking of 46 (2011-2012). Singapore was ranked 2nd, Malaysia ranked 25th, Thailand ranked 38th, Philippines ranked 65th, and Vietnam ranked 75th. Indonesia's competitiveness index at the global level still classifies Indonesia in an efficiency-based economy, amidst innovation-based ASEAN (Singapore), towards innovation (Malaysia), which is still based on production factors or natural resources (Philippines, Vietnam, Cambodia, Laos, Myanmar), (2) Global

innovation index, this is because Indonesia's position is among the average among nine other ASEAN countries. Based on these two things, the readiness of Indonesian SMEs to face MEA 2015 and its prospects for national resilience of Indonesia.

Each organization must have a plan, and for the scope of the company we are familiar with strategic planning terms, where it can help us evaluate periodically to achieve goals, help companies move forward and expand, enlarge market share in the increasingly fierce business competition (Allison & Kaye, 2005). 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 (Hooley, Moller & Broderick, 1998). The location of competition is the differentiation of products and services within the chosen market for their parquetaing. Referring to the idea of Porter (1980) about competitive advantage can be achieved through various strategies one of them with business strategy such as cost leadership, differentiation and focus.

This research will be conducted in Deli Serdang Regency on the grounds that Deli Serdang Regency is a region in North Sumatera which has wide area, besides there are problems that often hamper the development of MSME in Deli Serdang Regency is weakness of institutional and individual factors, including: ability to find opportunities business, entrepreneurial culture, entrepreneurial leadership, market availability, educational level, availability of information and communication technologies, and the ability to innovate. For that we need an effort in increasing the growth of SMEs by using competitive strategy, especially in facing the MEA.

Based on the results of research conducted in the previous year, the results obtained that the perpetrators of SMEs in Deli Serdang v still use conventional strategies in running their business and this can be seen from the results of the spread of questionnaires conducted by the research team, which obtained the following results: Porter strategy through five forces porter indicator that includes competition between similar companies, newcomer threats, substitute threats, bargaining power of buyers and bargaining power of suppliers are still included in the category of moderate or moderate, it indicates the existence of obstacles or problems encountered MSMEs in Deli Serdang Regency. Besides the five forces porter indicator, the addition of supporting indicators in the form of innovation and technological capability and the government's attention is also categorized as moderate or moderate, it indicates that supporting indicators are still facing obstacles or problems

So in the third year of research, the researchers will hold the implementation and socialization of models that have been designed with the involvement of the Government in this case is the relevant agencies such as: the Department of

Industry and Trade and Cooperatives as Resource Person and support morale and material to conduct short training for MSME is in Deli Serdang Regency, so that the perpetrators of UMKM will be able to survive, compete and excel in facing the ASEAN Economic Community (MEA), and in this third year can produce a module or training manual for the perpetrators of MSMEs in Deli Serdang Regency, in the face of the Asean Economic Community (MEA)

LITERATURE REVIEW

The development of MSMEs

In Indonesia, UMKM is dominated by micro business mostly located in rural areas. Production activities in micro enterprises, especially the production of food, beverages and handicrafts are relatively easy to do. This is because the need for a small initial capital, does not require high formal education, and does not require a special place for production activities. Therefore, the production activities of micro enterprises are mostly done by women. Revenue from micro business activities is very important both as a primary source of income as well as a source of additional income families. Micro-enterprises are generally self-employed units or business owners doing all the work themselves (Tambunan, 2009).

MSMEs sector will be able to develop better if the availability of easy-reaching capital and financing sources and the assistance for capacity building of entrepreneurs (Kusmuljono, 2009). MSM that can produce competitive products are SMEs who undertake an innovation strategy so that it can grow rapidly. But in general, SMEs in Indonesia have weaknesses in the mastery of technology, information and quality of human resources that cause low productivity of UMKM and hamper the ability to innovate. This is due to the low level of formal education of entrepreneurs and the limited capital to innovate. In addition, the low level of formal education of entrepreneurs in SMEs leads to lower average business profitability and low competitiveness of SMEs. Level of prosperity or development of SMEs can be measured by calculating the level of business unit productivity is the average value of sales or turnover per day per business unit. Turnover value represents the overall value of goods and services traded. Business units that have a turnover value continues to increase every year means that market demand for its products continues to increase. This shows the business unit is highly competitive.

Five Forces Porter

The Porter's 5 (five) strength analysis is a framework for industry analysis and business strategy development developed by Michael Porter. According to him

there are five forces that determine the intensity of competition in an industry that is, as follows:

1. Threat of replacement product
2. Competitor threats
3. The threat of newcomers
4. Bargaining power of suppliers
5. Consumer bargaining power

The five forces of competition are:

1. Threat of substitutions. Substitute products are goods or services that can replace similar products, for example information delivered over the phone can be replaced with sms or chat. The substitution rate is affected by factors such as price and transfer costs..
2. Competition between competitors in the same industry (rivalry between competition). Competition in this field is the core of competition as each company seeks to beat its competing company. In this aspect will affect the number and equality of competitors and also the growth rate of the industry.
3. The threat of entry of newcomers (threat of entry). An industry that offers a high return (return) will invite new companies to enter into the industry. So that the macro will make the competition becomes more stringent and will result in a decrease in profits in all companies in the industry.
4. Bargaining power of buyers. This factor is important because customer satisfaction in buying is the key to success of a company. The factors that influence it are the large share of buyers, the number of substitution products and the cost of small product switching.
5. Bargaining power of suppliers. Affected factor of the number of suppliers and goods or services provided by suppliers. The fewer suppliers the stronger the threat to the company.

The Five Forces Porter model image is as follows:

Figure 1. Five Forces Porter
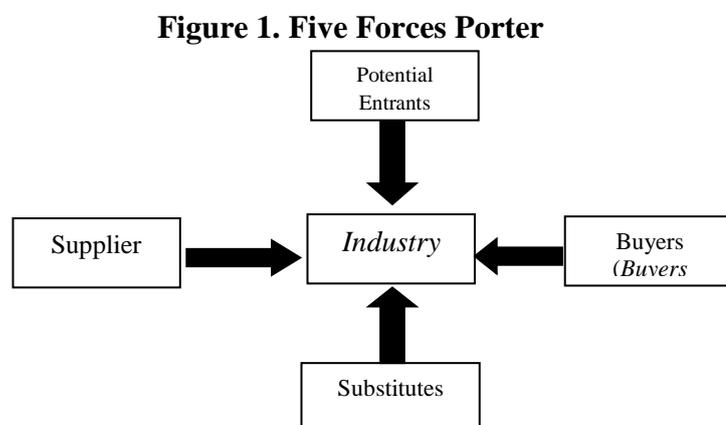
Competitive Advantages

The concept of competitive advantage of many companies developed from the generic strategy proposed by Porter (1985). The things that can indicate the variables of competitive advantage are imitability, durability, and ease of matching. Competitive advantage is the heart of corporate performance in the competitive market. Corporate excellence basically grows from the value or benefits that a company can create for its buyers. If then the company is able to create excellence through one of the three generic strategies, it will get competitive advantage (Aaker, 1989).

Competitive advantage can be understood by looking at the company as a whole, derived from many different activities undertaken by companies in designing, producing, marketing, handing and supporting sales (Porter, 1999). So the competitive advantage is a position that the organization is still working in an effort to beat competitors.

METHODS

This research uses research and development method. The population of this study is MSMEs in Deli Serdang, North Sumatera as much as 70 MSMEs. The method used through primary data with the spread of questionnaires and secondary data is through literature studies and literature on many books. Data analysis was done descriptively with data collection obtained from questionnaire and open questionnaire.

Descriptive statistical analysis used to see the results of the responses of respondents to each indicator by describing the data through the frequency distribution table of respondents' answers to the proposed statement. To know the respondents' scores whether or not the average scores were divided into four classifications of the scale 1 (lowest) to scale 5 (the highest) can be calculated by the formula:

$$\text{Average score} = \frac{m\,(n-1)}{m \times n}$$

Information:

m = number of respondents

n = number of scales

To find out the respondents' ratings are good or not used the average score is divided into four classifications of scale 1 (Strongly disagree), 2 (Disagree), 3 (Less Agree), 4 (Agree) and 5 (Strongly agree).

Thus, the classification of the assessment of the overall research variables will be seen from the average score with the following criteria:

1.00 - 1.80 = not very good / very low

1.81 - 2.60 = not good / low

2.61 - 3.40 = less good

3.41 - 4.20 = good / high

4.21 - 5.00 = very good / very high

FINDINGS

Based on the results of data processing, the results obtained from each indicator of the five forces porter has a value in the Medium category, this indicates that there is a problem on SMEs in Deli Serdang Regency and if detailed can be explained as follows:

1) Persekutngan between similar companies. Based on the above results, there is a high level of competition between companies, which is the case because (1) MSMEs still have high fixed costs (2) enough competitors with the same business, (3) Little difference with competitors' products, (4) Slow business growth (5) High enough production cost, (6) less able to compete in selling price with competitors, and (7) less able to promote product.

2) The threat of newcomers. Based on the above results indicate the threat of high new arrivals between companies, this is because (1) the products produced / prepared by newcomers (competitors) have a considerable scale (2) the products of competitors have sufficient product range many, (3) inadequate financial capital, (4) inefficient distribution channels.

3) Product Replacement Threat. Based on the above results indicate the substantial threat of replacement product, which is due to (1) production can be imitated / imitated by other competing entrepreneurs, (2) the product produced quite a lot of substitution products, (3) the replacement product has a much cheaper price, and (4) replacement products have a better market share.

4) The bargaining power of the buyer. Based on the above results shows the bargaining power of high or moderate buyers, which is due to lack of product information to buyers.

5) The bargaining power of suppliers. Based on the above results indicate a high or moderate bargaining power of suppliers, which is due to (1) lack of supply of raw materials, (2) Products from suppliers are less meaningful to businesses, (3) Ownership is not an important customer for suppliers, and (4) Lack of integrity to suppliers.

In addition to the above indicators, the ability of innovation and technology and government attention also has value in the Medium category, it indicates that there is a problem to MSMEs in Deli Serdang Regency, especially regarding the ability of innovation to the products 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, there is a 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 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. Overall.

The design of the development of the Five Force Porter model for MSME is as follows:
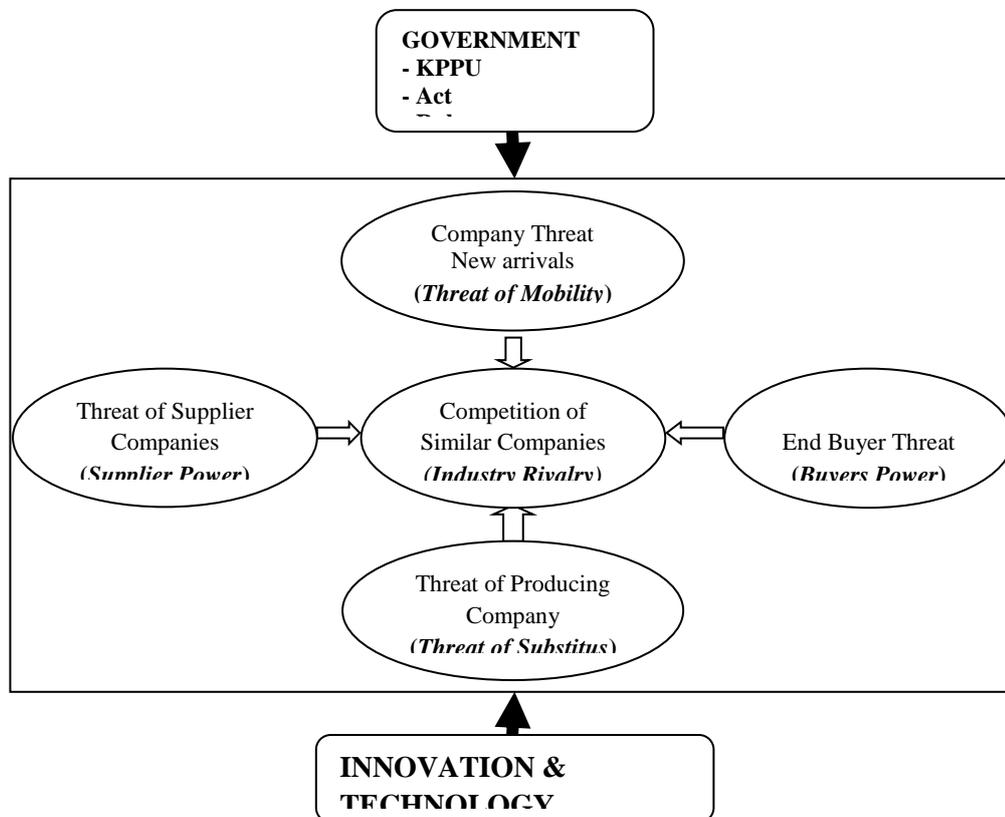
CONCLUSIONS

Based on the problems and related theories of the study, it has been discussed as having been presented in the previous chapters, the conclusions that can be taken in this study as follows: Five Force Porter model consisting of: a) Entry newcomer threats, b) Strength of supplier or supplier bargaining position, c) Strength of buyer bargaining position, d) Substitution product threat or replacement, e) Strength of competition or competitor, has not been sufficiently applied to MSMEs in Deli Serdang Regency and it is necessary to develop the model with the addition of 2 more indicators that will support UMKM to be able to survive, compete and excel in facing ASEAN Economic Community (MEA), namely: 1) Government and 2) Ability Innovation and Mastery of Technology.

Low Cost Strategy, which is effective for MSMEs in Deli Serdang Regency. This can be seen from the expected objective to the business actors (UMKM), which can increase the profit by reducing the cost and set the price according to the average, the average industry and business actors (MSMEs) can increase market share by applying lower prices and still achieving or earning a sufficient profit from each sale of products or services due to costs already pressed.

Suggestions

The Government in this case relevant agencies, such as the Office of Industry and Trade and Cooperatives, periodically continue to conduct counseling and short training to the business actors in this case SMEs, so that SMEs are expected to compete and ready to help the ASEAN Economic Community (MEA)

Should the products produced by business actors (MSMEs), quality, competitive prices, have a market share both nationally and internationally, and the perpetrators of SMEs, should have the ability and mastery of science and technology, so that in marketing, distribution and promotion of products through electronic media on line).

Should be established a good cooperation between business actors (MSMEs), with the Government in this case the relevant agencies are: the Department of Industry and Trade and financial institutions of Bank and Non Bank, in support of MSMEs both morally and materially.

REFERENCES

Aaker, D.A. (1995). Strategic Market Management, John Willey & Sons, Inc.

Allison, Kaye, (2005). Perencanaan Strategis Bagi Organisasi Nirlaba,Yayasan Obor Indonesia, Jakarta

Bank Indonesia (2009),Hasil Kajian Kredit Konsumsi Mikro, Kecil dan Menengah Untuk Kegiatan Produktif, www. bi.org.id

Kusmuljono,B.S, 2009,*Public Private Partnership Policy: system approach to microfinancing case on Indonesia*, Bogor , IPB Press, 2009.

Porter, M.E. 1980. ”*Competitive Strategy - Techniques forAnalysing Industries and Competitors*”. New York:NY: The Free Press.

Porter, M.E. 1985. ”*Competitive Advantage: Creating andSustaining Superior Performance*”, The Free Press

Tambunan, T., 2009, *Perkembangan Industri Skala Kecil Di Indonesia*. Jakarta: PT. Mutiara Sumber Widya.

Undang-Undang Republik Indonesia Nomor 20 Tahun 2008. *Tentang Usaha Mikro, Kecil dan Menengah*