
BUILDING COMPETITIVE ADVANTAGE IN RATTAN PRODUCT INDUSTRIES: EXPLORING PROBLEM AND SOLUTION IN BUSINESS PERSPECTIVE**Sudirman ZAID***Faculty of Economics and Business, Halu Oleo University
sudirmanzaid@gmail.com***Abstract**

This research aims to build the competitive advantage of the rattan product industry through exploration of the problems encountered and develop solutions that can be taken based on a business perspective in developing the rattan product industry. This research was conducted in the rattan product industrial area in the Southeast Sulawesi Province, Indonesia. Research data sourced from informants consisting of; raw material suppliers, industry players, government, consumers and potential consumers, as well as other related parties (banks, capital guarantee institutions, partner institutions). Data collection was carried out using participatory appraisal techniques, in-depth interviews, and focus group discussions (FGD), which were then analyzed qualitatively using Nvivo 12 Plus software. The results showed that there were twenty-four problems in the business perspective encountered in developing the rattan products industry. Therefore, the solutions that can be done in building the competitive advantage of the rattan product industry produced in this study are; efforts are needed to increase the production capacity of the rattan product industry; efforts are also needed to improve the quality of human resources; efforts are needed to improve market access capabilities; and efforts are needed in the development of institutional and industrial partnerships in rattan products.

Keywords: *Rattan Product Industries; Competitive Advantage; Problem and Solution; Business Perspective.*

JEL Classification: M31

I. INTRODUCTION

Indonesia is classified as the largest rattan-producing country in the world, where 90% of the world's raw material for rattan comes from Indonesia. Indonesia has around 350 types of rattan from 600 types of world rattan spread across Kalimantan, Sulawesi, Sumatra and Papua (Zulfikar, 2012; Sumardjani, 2009). This potential is a great opportunity for developing the rattan product industry. However, the existence of this rattan raw material does not significantly impact the increasing rattan product industry in Indonesia. The tendency to export rattan raw materials abroad causes the supply of rattan raw materials to the rattan products industry to be low. Government policies related to banning and limiting the export of rattan raw materials so that the supply of rattan to the rattan product industry also increases empirically has not been able to increase production volume and the competitive advantage of the rattan product industry.

Several research results show that the lack of production and the weak competitive advantage of the rattan product industry are caused by various things, including; low supply of raw materials, the presence of substitute goods (synthetic rattan), product promotion, high selling prices, low product design and variations (Setyawan et al, 2016; Desiyanti, 2016; Nurhayati and Komara, 2013). Empirically, especially in Southeast Sulawesi Province, the low supply of raw materials for the rattan product industry is more due to the reduced production of local rattan as a result of the reduced processing permit for rattan raw materials issued by the government. Government regulations that forbid rattan raw material entrepreneurs from exporting rattan raw materials outside the region cause sales to only be directed to the rattan products industry in the region. On the other hand, the productivity of the rattan product industry in the regions began to decline due to the very low demand for rattan products.

The decline in the productivity of the rattan product industry, particularly in Southeast Sulawesi, was empirically caused by several things which became a fairly complex set of problems. The design and variety of rattan products produced are very monotonous and tend to be of low quality. In addition, innovation in terms of design and function of rattan products is still very low, as a result the target market is only oriented to the local market which is very limited in number. This condition is further exacerbated by the very high price level for rattan products, so that not a few consumers move to rattan substitution products, namely synthetic rattan products, in addition to lower prices, synthetic rattan products also have better designs and are more varied but unfriendly environment because it contains plastic material that is difficult to decompose.

Based on the description of the empirical condition of the rattan product industry, this research aims to formulate a solution formulation for the development of the rattan product industry, particularly in Southeast

Sulawesi, in order to be able to build competitive advantage so that it can have an impact on increasing added value and community welfare. In detail, this research was carried out through exploration of the problems encountered in developing the rattan product industry. The results of this exploration will then be used as a reference in developing models and solutions in developing the rattan product industry in Southeast Sulawesi.

II. LITERATURE REVIEW

Changes in the structure of the business environment require the industry to be able to adapt to changes in the environment. Improved relationships with related parties, creativity and innovation are needed in adaptation to environmental changes so that companies or industries are able to create competitive advantage (Gomez et al, 2007). Competitive advantage is a strategy that can be taken in achieving company goals (Ma, 2000). Competitive advantage can reflect company performance based on business perspectives such as; raw materials, prices, labor, operational, and marketing performance (Kusuma and Devie, 2013). Companies that have competitive advantages tend to have the ability to understand changes in market structure and are able to choose effective marketing strategies (Rahmasari, 2013).

Competitive advantage is the ability of an organization to produce better performance than competitors through the management of appropriate competitive strategies (Epetimehin, 2011). To increase competitive advantage in the industry, it is necessary to have good management from internal and external aspects. Improving the relationship between industry and suppliers of raw materials and consumers is needed in building competitive advantage (Setyawati, 2013; Bhaumik et al, 2016). In general there are many strategies that can be used to build competitive advantage, including; market oriented strategy (Zhou et al, 2009); integrated supply chain strategy (Otchere et al, 2013); green supply chain management strategy (Khaksar et al, 2016); human resources strategy (Boxal and Steeneveld, 2002); total quality management strategy (Awino et al, 2012; Powell, 1995); intellectual capital strategy (Kamukama, 2013); information technology strategy (Krishna et al, 2017); entrepreneurship management strategy (Rahman and Ramli, 2014). Referring to these strategies, this research is directed to build competitive advantage through exploration of the problems faced and solutions that can be taken based on business perspectives in developing the rattan products industry.

III. METHODOLOGY

This research was conducted in Southeast Sulawesi Province, Indonesia using research informants from raw material suppliers, industry players, consumers and potential consumers, the government, and other related parties (banks, capital assurance agencies, partner institutions). Data collection techniques used in this study were participatory appraisal, in-depth interviews, and focus group discussions (FGD). The collected data is then analyzed through a qualitative approach using the help of the Nvivo 12 Plus software.

IV. RESULT

The first objective in this research is to find out the problems faced in the framework of developing the rattan product industry to build competitive advantage. The first objective is achieved through the results of data collection with participatory appraisal techniques involving 3 (three) components of information namely; (a) supplier of raw materials; (b) production actors; and (c) marketers. The data obtained are then processed through qualitative data analysis using the Nvivo 12 Plus software.

The results of the analysis obtained information related to problems faced in the development of the rattan product industry, namely: (1) the quantity of raw material production is still very limited; (2) most of the raw material supply does not have a rattan processing permit; (3) the selling price of raw materials is very low; (4) demand for rattan raw materials is very less, and only dominated by collecting traders; (5) the quality of rattan raw materials is not in accordance with market demand; (6) at the level of craftsmen of rattan products, the skills and skills of the workforce are very limited; (7) the model and design of rattan handicraft products produced are not in accordance with market demand; (8) the quality of rattan handicraft products produced is quite low; (9) the variation of rattan handicraft products is very small and tends to be monotonous; (10) the market aspect of rattan handicraft products is very low; (11) supporting equipment for the rattan product industry such as; mowers, grinding machines, compressors, etc. are not available; (12) very limited production technology; (13) the price of raw materials (random rattan) at the level of rattan craftsmen is very high; (14) inadequate availability of some supporting facilities and infrastructure; (15) business activities have not been able to absorb workers permanently; (16) promotional activities resulting from the production of rattan products whether carried out by individuals, groups, or institutionally have not been carried out to the fullest; (17) the results of the production of rattan products have not yet led to significant uniqueness; (18) production results do not yet have global competitiveness; (19) insufficient market availability; (20) the aspects of working capital and venture capital are very limited; (21) access to capital institutions, both banks and non-banks, is still limited;

(22) business economic institutions are not yet available; (23) business management has not gone well; and (24) public interest to use rattan products is now very low due to the emergence of substitute products using alternative raw materials.

After the first objective of this research is achieved, an analysis is then performed to achieve the second goal, namely; arrange design development of industrial models of rattan products that are able to create competitive advantage. The design development models produced in this study consist of 3 (three) designs for the development of rattan product industry models, namely; (a) development of the upstream industry model; (b) development of models on industry; and (c) developing a marketing model. The design of this development model was obtained from the results of data collection through participatory appraisal and focus group discussion (FGD) techniques which were further analyzed through qualitative data analysis with Nvivo 12 Plus software. The design development of the industrial model of rattan products produced in this study are;

Design of development models of upstream industrial on rattan products

The development of the upstream industry model of the rattan products produced in this study is very simple. Rattan raw materials produced at the upstream industry level are only marketed locally directly to rattan product industry players and collectors. The results of the data analysis show that the majority of rattan production at the upstream industry level is marketed locally in the form of rattan raw material to the rattan product industry players and rattan collection traders.

For this reason, in order to increase competitive advantage, the design of upstream industry model development produced in this study can be seen in Figure 1.

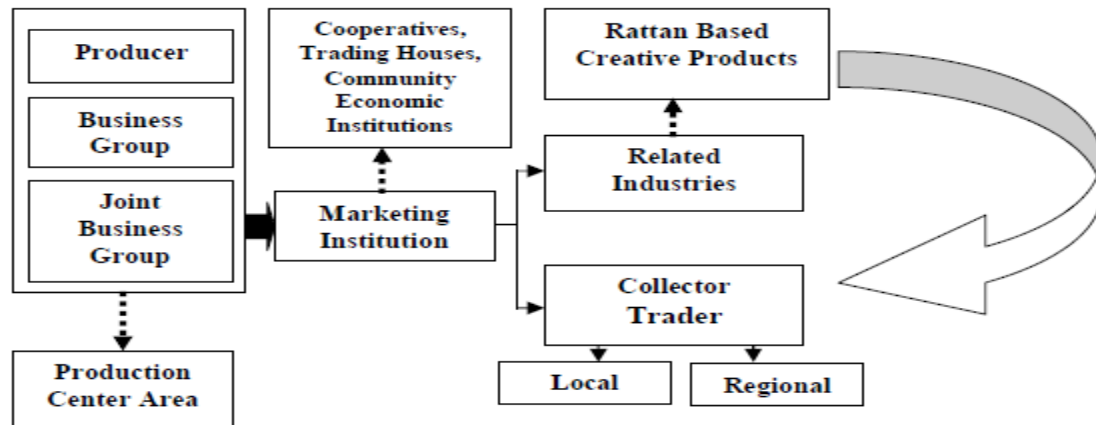


Figure 1. Design of Development Models of Upstream Industry on Rattan Product.

Figure 1 shows that the design of development models of the upstream industry of rattan products from the results of this study leads to the formation of groups and joint rattan raw material business groups that are in the production center area which in turn will form the marketing institutions of rattan raw materials in the form of cooperatives, trading houses, and institutions community economy. This institution will subsequently become the rattan raw material supplier institution for the rattan-based creative product industry, as well as the rattan raw material supplier to the collecting traders. This model is expected to create a competitive advantage for the rattan product industry in Southeast Sulawesi, Indonesia.

Design of development models of on-industry in the rattan product industry

After producing an upstream industrial model development design, the next model on industry development design is carried out. The rattan product industry players are currently oriented only to the end consumers in the local area, in fact there are several types of rattan product industry products that are only oriented to consumers within the sub-district area. The results of data collection show that the models development design of the rattan product industry at the on-industry level is only marketed in certain places individually. This is also seen as very ineffective considering that such a system has a very small market demand.

For this reason, in order to build a competitive advantage, the design of development models on-industry that can be offered in the results of this study can be seen in Figure 2.

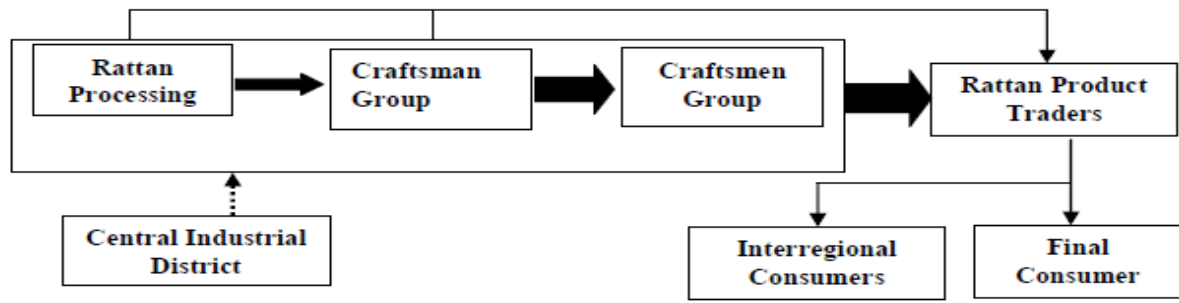


Figure 2. Design of Development Models of On-Industry in Rattan Products Industry

Figure 2 shows that similar to the upstream industrial model development design, the design of development models on-industry also requires the presence of groups and joint business groups for rattan product craftsmen who are in the production center area. This combination of industrial groups subsequently became a supplier of rattan products for traders of rattan products in Southeast Sulawesi, Indonesia.

Design of marketing chain development models on Rattan Products Industry

Furthermore, the design of developing the marketing chain model of the existing rattan product industry in general relies on a one-level marketing model namely; from traders directly consumers and only rely on local markets. The results of data collection and analysis show that through this model the bargaining position of the rattan product traders is seen to be very weak, because this model is very weak in terms of demand. For this reason, in order to build competitive advantage, the design of marketing chain development models of the rattan product industry produced in this study can be seen in Figure 3.

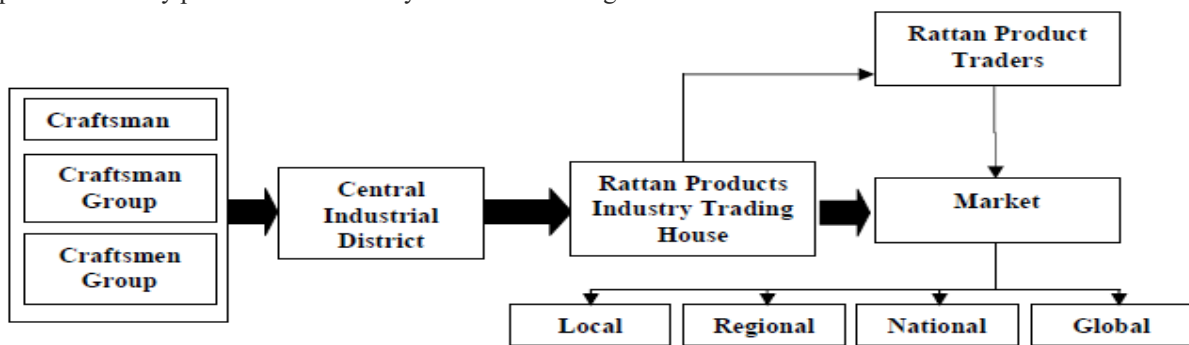


Figure 3. Design of Marketing Chain Development Models on Rattan Product Industry

Figure 3 shows that the design of marketing chain development models of rattan products offered from the results of this study leads to the establishment of a rattan products trading house. This is intended so that the resulting rattan products have a competitive advantage and be able to access a wider market, both local, regional, national and global markets.

V. DISCUSSION

Based on the results of the exploration of the problems encountered as well as the results of the preparation of the design model of the development of the rattan product industry, then in building a competitive advantage an effort is needed to increase the production capacity of the rattan product industry, through; (1) increase in the availability of raw materials to increase the production capacity of rattan product industry raw materials. This is done through the establishment of a central raw material production area in order to facilitate the mobilization of raw materials from the poles of raw materials to the poles of production; (2) industrial capacity development aimed at forming industrial production centers of rattan products in each region or production pole. It aims to develop and improve the quality of rattan products produced and to innovate in relation to the design and variations of rattan products produced; (3) developing the availability of working capital and business capital that aims to increase the availability of working capital and business capital for rattan business players and the rattan product industry. It also aims to increase the accessibility of rattan business players and the rattan product industry to capital guarantee institutions, such as; banking; (4) increasing the availability of production facilities and infrastructure aimed at increasing the production capacity of the

rattan product industry through increasing the availability of production facilities and infrastructure for rattan business players and the rattan product industry, both at the upstream and downstream levels.

In addition, in building competitive advantage, efforts are also needed to improve the quality of human resources in the rattan product industry, through (1) increasing labor productivity which aims to improve the ability of workers who work in both the upstream and downstream sectors of the rattan products industry. Efforts to increase the production capacity of workers are carried out through courses and training related to quality improvement, design development, and variations of the resulting rattan products; (2) enhancement of entrepreneurial and managerial capacities aimed at increasing the capacity of business management for rattan business operators and the rattan product industry which includes increasing mastery of information technology, and business planning systems.

The development of the rattan product industry in building competitive advantage also requires efforts to increase market access capabilities, through; (1) development of marketing distribution channels aimed at developing marketing capacity both for upstream business actors and business actors in the industrial sector. This is done through the establishment of an Industrial Trading House which will then function as a marketing center for rattan products in designated marketing areas. In addition, the mechanism and formulation of the selling price of rattan products in accordance with the existing market mechanism is also needed; (2) increasing the intensity of business promotions aimed at developing models and promotional media that will be used in order to access markets at the regional, national and international levels. The model and promotion media that will be produced are expected to be based on the use of technology in accessing wider markets; (3) increasing the availability of marketing facilities and infrastructure aimed at increasing the availability of marketing facilities and infrastructure in the framework of supporting market capacity and power access for rattan product industry players. The marketing facilities and infrastructure referred to are the procurement of the internet network, hardware, software, and mobile facilities for the plan to establish a rattan products trading house.

Another thing that is also needed in building the competitive advantage of the rattan product industry is the development of institutions and partnerships, through; (1) institutional development which aims to develop institutions of rattan business and rattan product industries in Southeast Sulawesi. This can be done through the development of an institutional model of the rattan product industry, assistance efforts in terms of business planning and administration, as well as efforts to form business groups both at the upstream level, and at the industry level; (2) partnership and empowerment that aims to design and develop aspects of business partnerships both upstream and at the industry level. This is done through the drafting of regulations on partnership systems and the empowerment of rattan businesses and the rattan products industry. Institutions that are expected to partner with rattan business players and the rattan product industry, namely, among others; government, private sector, banking institutions, and other related parties.

VI. CONCLUSION

Based on the results of research and discussion, it can be concluded that there are twenty-four problems in the business perspective faced by the rattan products industry in Southeast Sulawesi, Indonesia. The solutions that can be done in building the competitive advantage of the rattan product industry in Southeast Sulawesi produced in this study are; efforts are needed to increase the production capacity of the rattan product industry; efforts are also needed to improve the quality of human resources; efforts are needed to improve market access capabilities; and efforts are needed in the development of institutional and industrial partnerships in rattan products.

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