

CORE COMPETENCE OF BATIK BANYUMAS INDUSTRY: PROBLEMS AND CHALLENGE TO CREATESUSTAINABLE COMPETITIVE ADVANTAGE

Nurul Anwar*, Rahab** and Rawuh Edy Priyono***

Abstract: Core competence is key of strategic firms to enhance its sustainable competitive advantage. The aims of this study is to analyze internal factors that cause core competence of batik banyumas and discusses how to improve core competence of batik banyumas industry in order to achieve sustainable competitive advantage. Qualitative method is used to explore phenomenon of the batik banyumas industry in Banyumas regency. Data collecting using literature study, in-depth interviews and focus group discussions. Data were analyzed using an interactive analysis techniques. The results of investigation found that batik banyumas industry faces several constraints and problems in improving its core competencies. This study concludes that development of core competencies in batik banyumas industry is a way to encourage competitiveness of batik banyumas industry. Development of core competencies can be done through internalization of firms culture, implementation of professional management, development of technological innovation and brand development.

Keywords: Banyumas; Batik industry; core competence; sustainable; competitive advantage

INTRODUCTION

The core competence is the important power to help enterprises to grow, which is the long term competitive advantage and the basic to realize sustainable development foundation. The core competence is the ability that a enterprise can gain competitive advantage for a long-term, is the peculiar, withstand the test of time, have ductility and is difficult to the rival to imitate the technology or ability for the enterprise (Prahalad and Hamel, 1990). It is the most basic competitive advantage that enterprises can obtain the whole sustainable development, and stable profit competitive, core competence is the integration of skills assets with operating mechanism of the organic integration of the enterprise itself

* Economic Development Department, Faculty of Economics and Business, Jenderal Soedirman University, Indonesia, E-mail: nurulanwar_unsoed@yahoo.co.id

** Management department, Faculty of Economics and Business, Jenderal Soedirman University, Indonesia, E-mail: rahab_inc@yahoo.co.id

*** Sociology Department, Faculty of social and politics science, Jenderal Soedirman University, Indonesia, E-mail: rawuhpriyono@yahoo.co.id

organizational ability, and is the results of pursuing internal management strategy and external traded strategic.

At present, Batik Banyumas Industry facing the fierce competition in Banyumas district, they only to constantly develop new products and market ability, cultivate and promote their own core competence to have long-term competitive advantage to obtain sustainable development. Batik Banyumas Industry play a very important role in developing regional economy. Based on annual report of Local Office for Industry, Trade, and Cooperatives of Banyumas Regency in 2013, Batik Banyumas Industry account for 76 SMEs, and its production value of 12% from total production in Indonesia, its profit of about 20% from total product cost. Moreover, Batik Banyumas Industry also provide 15% of the urban employment opportunities (Local Office for Industry, Trade, and Cooperatives of Banyumas Regency, 2013). In recent years, Batik Banyumas Industry in the total regional market share occupies approximately 10% share. Meanwhile, Batik Banyumas Industry as an important economic forces, made market prosperity, satisfied consumers increasingly changes, personalized and diversified demands. It was cooperated and assisted big enterprise's production, increasing national commerce, absorbing a great deal of surplus labor force, to a certain extent to alleviate the problem of employment in the urban population, and made a prominent contribution in promoting social and economic development, expand opening to the outside world, increasing financial income and stable society, etc. But at the same time, in the process of the Batik Banyumas Industry' development in Banyumas area face many problems and difficulties including a part of external factors causing, such as intense market competition, demand atrophy, resource cost goes up generally, policy environment don't match, taxes and credit to Batik Banyumas Industry too tight, etc. But the more important problems and obstacles to develop competitive advantages of Batik Banyumas industry is the internal factors: lack of core competence mainly embodied in core value, technological innovation, enterprise management, and consciousness of the brand construction. This paper aims to identify internal problems of Batik Banyumas industry and offer alternative solution to develop sustainable competitive advantages.

THEORETICAL BACKGROUND

Competitive Advantage

If a firm possesses resources and capabilities which are superior to those of competitors, then as long as the firm adopts a strategy that utilizes these resources and capabilities effectively, it should be possible for it to establish competitive advantage. The sustainability of competitive advantage depends on three major characteristics of resources and capabilities: Durability; which is the period over which a competitive advantage is sustained, transferability; harder a resource is to

transfer the higher sustainable the competitive advantage, and finally replicability; means cannot be replicated or purchased from a market (Sadler, 2003). A competitive advantage is meaningful if it is related to an attribute valued by the market. Customers need to perceive a consistent difference in important attributes between the producer's products or services and those of its competitors.

These differences must relate to some product/delivery attributes which are among the key buying criteria for the market. Product/delivery attributes are those variables that impact the customers' perceptions of the product or service, its usefulness and its availability. Some examples of such attributes are product quality, price and after-sale service. Key buying criteria are those variables and criteria that customers use in making their purchase decisions. They are different for different industries and different market segments (Javidan, 1998). Gupta *et al.* (2009) point out, that resources alone are frequently not enough to generate competitiveness over other firms. In creating a competitive advantage, a firm needs the ability to make good use of resources – defined as the capability to handle a given matter – and, as the ability grows over time, to utilize the available resources to create new resources, such as skills (through new technology or software application), or to open new doors to the development of new types of product. “A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player” (Clulow *et al.*, 2003).

To gain competitive advantage a business strategy of a firm manipulates the various resources over which it has direct control and these resources have the ability to generate competitive advantage. Superior performance outcomes and superiority in production resources reflects competitive advantage (Lau, 2002). Most of authors have focused on two dimensions of competitive advantage: Flexibility and Responsiveness (Evans, 1993; Krajewski & Ritzman, 1996; Macmillan & Tampo, 2000). Therefore, our study focuses on these two key dimensions of competitive advantage. Flexibility defined as the firm's intent and capabilities to generate firm-specific real options for the configuration and reconfiguration of appreciably superior customer value propositions (Johnson *et al.*, 2003). Responsiveness refers to the firm's ability to respond quickly to customer needs and wants (Carlos *et al.*, 2010).

Core Competencies

Leonard-Barton (2000) defined core competency as one which differentiates a firm from its business environment. According to Sanchez and Heene (1997), core competencies are usually the result of “collective learning” processes and are manifested in business activities and processes. The core competencies are those unique capabilities, which usually span over multiple products or markets (Hafeez *et al.*, 2002). Javidan (1998) points out, that core competency is a collection of

competencies that are widespread in the firms. It results from the interaction between different firms' competencies. Core competencies are skills and areas of knowledge that are shared across business units and result from the integration and harmonization of firms competencies. One useful finding of Hafeez *et al.*, (2002) analysis is that although firms regards its core business as manufacturing engineering, the core competencies reside in the sales and marketing area.

Prahalad and Hamel (1990) contend that "core competencies are collective learning in organizations, especially how to coordinate diverse production skills and integrate multiple streams of technologies." They argue that core competence is communication, involvement, and a deep commitment to working across organizational boundaries (Gupta *et al.*, 2009). Ljungquist (2008) point out, that core competence was originally invented as a tool for justifying business diversification at large companies, and for supporting internal processes such as product development (Prahalad and Hamel, 1990). Scholars have acknowledged the importance of the concept by advancing it in multiple directions: by connecting it to conceptual notions of learning (Lei *et al.*, 1996), by suggesting core competence models to sustain competitive advantage (Petts, 1997; Hafeez *et al.*, 2002), by building on the concept's basic notions to invent similar concepts (Sanchez & Heene, 1997; Sanchez, 2004), and by developing processes for its identification (Javidan, 1998;).

The importance of the concept is also acknowledged when testing the implementation of core competence as strategy. It is argued that in addition to identifying competences, the critical task is to assess them relative to those of competitors. Although a firm may identify a host of competences that it performs better relative to its competitors, not all competences are "core". Core competences are those competences which allow firms a superior advantage, and according to Hamel and Prahalad (1994; 1990) to be considered "core" the competence must meet three criteria: (1) Customer Value: A core competence must make a significant contribution to Customer perceived value. (2) Competitor Differentiation: Any competence across an industry cannot be defined as core unless the firm's level of competence is superior to all its competitors and should be difficult for to imitate. (3) Extendibility: The competence must be capable of being applied to new product arenas. Most of authors have focused on three dimensions of core competence, they are: Shared vision, Cooperation and Empowerment (Sanchez, 2004; Hafeez *et al.*, 2002; Javidan, 1998; King & Zeithaml, 2001; Hafeez & Essmail, 2007). Therefore, the study focuses on these three key dimensions of core competence. Shared vision is defined as a firm's interest in sharing the organization's view of goals, objectives, policies, priorities, and expectations (Santos-Vijande *et al.*, 2005). It is essential to guarantee learning to occur in the same direction and to motivate that it really takes places. Firms with greater shared vision likely enhance to business excellence and success. Then, firms seem to utilize the shared vision to build innovative

products and services and fulfill customer and market requirements (Ussahawanitchakit, 2008).

Cooperation is also a key factor that plays a role in the development of core competence. Cooperation is a joint behavior toward a particular goal of common interest that involves interpersonal relationships (Croteau *et al.*, 2001). Cooperation as a core competence knows when and how to attract, reward, and utilize teams to optimize results. Acts to build trust, inspire enthusiasm, encourage others, and help resolve conflicts and develop consensus in creating high performance (Berger *et al.*, 2004). Empowerment is a process or psychological state manifested in four cognitions: meaning, competence, self-determination, and impact. Specifically, meaning concerns a sense of feeling that one's work is personally important (Zhang & Partol, 2010). Empowering tends to enhance the meaningfulness of work by helping an employee understand the importance of his or her contribution to overall organizational effectiveness.

METHOD

The research being exploratory in nature, it was decided to conduct the research using qualitative research techniques. Forty-two Batik SMEs were initially contacted for interviews. From the contacted sample of companies, Thirty-five responded positively and agreed to be interviewed. SMEs owners was interviewed. Due to the strategic nature of the questions, SMEs owners were mainly targeted was interviewed.

The data collection comprised a workshop tour to observe the process and obtain a better understanding of enterprise, and a semi-structured interview session. The interview session was closely related to addressing the research questions. Care was taken to ask relevant questions in such a way as not to bias respondents' answers or allude to an answer. Open questioning was a main feature of the interviews. The content of the interview required questions to unearth facts, beliefs and behaviour and adhered to good interview practice guidelines as set down by Robson (1993).

Each meeting was structured so that first a workshop tour was taken in order to observe first hand what the facility looked and 'felt' like - important as a secondary means of data collection. The workshop observation also enabled the researcher to compare issues between what was observed and what was discussed in the interview. The interview session itself comprised four parts. The first, part contained contextual questions related to basic facts about the organisations such as sales per month, number of employees and so on. The second, part was concerned internal problems face Batik SMEs, where questions focused on firms culture, innovation management, production management and brand management. The third, part of the interview explored how Batik Banyumas SMEs owners try to solve internal problems.

The fourth, part focused on core competencies and aimed to gain SMEs' owners opinion about importance of core competence on firm's competitiveness. The interview session ended with the interviewees completing a short checklist related to firms competence (Kim and Arnold 1992). The data from semi structured interviews was analysed using 'contact summary sheets' as suggested by Miles and Huberman (1994). Relevant units of meaning were extracted from each session. These units were in the form of quotes, words, examples and incidents (as a complete unit).

We also collect data by Focus Group Discussion to take several deep insight about solution of SMEs problems. Participant of FGD include: Banyumas official local government, Researcher of Jenderal Soedirman University, batik banyumas craftsmanship, Batik banyumas craftsmanship association (PERBAIN), and cultural observer.

RESULT AND DISCUSSION

Internal Factors Caused Batik Banyumas Industry Lack of Core Competence

In development process of Batik Banyumas Industry in Banyumas district face many problems and difficulties both internal and external factors. Our study try to identify internal factors caused Batik Banyumas Industry lack of core competence and promoting core competence to obtain competitive advantages. Based on our analysis, there are some internal factors caused lack of core competence. First, unestablished core values system of sustainable development. To realize sustainable competitive advantage of Batik Banyumas Industry, the first thing is to have the spirit of sustainable competitive advantages concept and core values. For firms, to seek the sustainable competitive advantages, it must have long power, capable of leading enterprise to break its life cycle, this is the company's core values system. The company's core values as the culture spiritual level indicated the meaning of existence and the fundamental purpose, it decide the effort way of enterprise. It is the traction, catalyst and boost of the core competitive power. However, now the majority of Batik Banyumas Industry does not pay attention to the construction of enterprise culture, staffs lack of common of sustainable development of enterprise, and do not agree the core values of identity, often cause the conflict of personal values and enterprise's idea.

Second, weakly technology innovation ability. In sustainable development process of Batik Banyumas industry, the technical innovation ability has become a bottleneck to restrict to improve product value-added, broaden market areas and improve the international competence. The main reasons are the following points, the first reason is a serious shortage of funds. The core technology innovation requires a lot of funds, Batik Banyumas Industry funds are not plentiful, difficult to independently but Batik Banyumas Industry is not rich and difficult to

independently finish the research; Second, maintaining the intellectual property cost is exorbitant (Motohash, 2003). Although Intellectual property protection have significantly improved, it have not form law consciousness and aware behavior of whole society, innovation rights cost is exorbitant, Investment and innovation earnings are serious asymmetry, this dampened greatly the enthusiasm of innovation of Batik Banyumas Industry.

Third, unscientific enterprise management. At present, most Batik Banyumas Industry's strategic management is not science in our observation, for pursue interests and the lower risk of driven, Batik Banyumas Industry that is entering the high-speed growth pursuit for a one-sided enterprise scale expansion and diversified management. This desperate to pursue development speed, expand production scale, or put blindly the limited funds, manpower and material resources into other business field, these will reduce enterprise's input in the main business field.

Fourth, the insufficiency active consciousness of the brand construction. At present the independent brand of most Batik Banyumas Industry is seriously insufficient. In the past year of rapid development, enterprise still stays in the "quantity accumulation phase" as the main contents of filling the blank market, expanding rapidly, had mostly independent brands. The weak of Brand awareness has restricts severely the small and the formation and development of medium-sized enterprises core competence. At present the majority of Batik Banyumas Industry has no independent technologies, batik production is widespread. Do this, Batik Banyumas Industry feel it is less risky and keener it. But Batik Banyumas Industry only seek immediate interests, short-sighted, they lack of technical innovation and brand construction of active consciousness, the loss of innovation, enterprise development will inevitably staying power shortage.

Promoting Core Competence of Batik Banyumas to Obtain Competitive Advantages

From successful enterprise management practice, the strong core competence of the enterprise must have the unique corporate culture as its support. These unique enterprise cultures contain the penetration of enterprise core values and ethics, and the responsibility to society, employees, customers and related parties (Fu Jingyuan, 2009). With the core value system of enterprise can adapt the internal and external environment changes, to conform to the human ecological development regularity, bring value creation for enterprise's inner and outer environment. Batik Banyumas Industry should on the basis of the characteristic and combined with external environment to determine their overall values and the spirit of enterprise, to provide guidance and regulating function for employee's behavior, motivating employees for intelligence, providing spiritual drive and intellectual support for their development. In the process of establishing a modern

enterprise system, building the enterprise culture, creating the enterprise culture idea, which is to form a cohesive force, to realize the sustainable development of the important concept foundation.

Batik Banyumas Industry want to have foothold in a competitive market, they should be about to cultivate and promote their own core competence, and must have its own core technology. Core technology should be unique that rivals are unable to copy. Technology innovation ability is the key that enterprises keep and increase competitive advantage of profits (Dwyer & Mellor, 1993). The purpose of technology innovation of Batik Banyumas Industry is through technology innovation to form their own core technology, creating core products to capture the market. For these problems like small scale, difficulty in financing and research and development ability weak, Batik Banyumas Industry can take joint innovation or imitation innovation way considering that the single enterprise technology innovation is difficult. To joint innovation is many Batik Banyumas Industry associated, using such as equity, holding, joint ventures and cooperation methods to R&D institution or with scientific research institutions, colleges and universities jointly performed technology research. Enterprises in technological innovation also can consider establishing strategic alliance with another enterprise which complimentary advantages, or to annex and purchase some enterprises having some desired feat, it will stay different knowledge effectively in organization for nurturing and enhancing their core competence (Lou Ying-jun and Rong Xian-heng, 2007). Meanwhile, the Batik Banyumas Industry should use legal weapon actively to carry out rights protection effectively to protect its own technology innovation achievement.

Batik Banyumas Industry need carry on the effective strategic management and the innovation of enterprise organization management mode so as to realize the ascension of core competence. According to the own characteristic, Enterprises break through the traditional mode of management, continuous reforming on the existing basis, which can ensure enterprise organization structure optimization and the reasonable management. They need transform the past management idea and the pattern that fixed closed to produce for the center to humanistic management as the center of the innovation of the management and knowledge management. Because of the formation of core competence is built on the basis of modern enterprise system, Batik Banyumas Industry must reform the existing management system introducing modern scientific management system for more reasonable, standard and modern, thus for cultivate and promote the core competence of enterprises to provide guarantee. Batik Banyumas Industry according to the development of the enterprise actual, establish a good foundation to enrich the connotation of management, high-standard to standardize enterprise behavior, the establishment of a modern enterprise system, economic efficiency and to the management for the sustainable development of enterprise.

The independent brand has become the symbol that enterprises have core competence. The brand is the external performance of the core competence, the promotion of core competence in enterprises is the purpose and the end-result of brand management (Rahab, 2009). Forming a good brand requires enterprise continuously improvement and innovation in each link, optimizing enterprise's value chain to promote the formation of enterprise core competence (Shujiang, 2008). Good brand react on enterprise, driving enterprise management innovation, technological innovation, marketing innovation, so as to enhance the core competence of enterprises. Batik Banyumas Industry's development and expansion cannot just rely on simple amount of expansion, and shall pay more attention to the accumulation of "quality", to pursue the product grade as a goal, and create own brand products. Along with the market competition intensifying, Batik Banyumas Industry only rely on their own quality products and brand effect to stay in the market foothold and seek the development. Therefore, Batik Banyumas Industry need to give product to a scientific orientation, concentrate fully management innovation, creating the independent brands, to make the product service function improve continuously in order to realize the sustainable competitive advantage.

CONCLUSIONS

Batik Banyumas Industry in Banyumas district are lack of the support of the state and standard management in the long time, during the excessive freedom developing, most of Batik Banyumas Industry are less investment, small scale, poor profit, lack of core values, technical innovation and brand consciousness, that reason lead enterprises to lack of core technology, core products or core brand, low added value, the short of enterprise life cycle, etc. At present, the biggest advantage of Batik Banyumas Industry is the production cost. But along with the development of business global, Batik Banyumas Industry in Banyumas district will probably lose the absolute advantage in production cost gradually. When a enterprise has no other support advantages, it will inevitably face survival crisis. The core competence has a decisive significance for the sustainable competitive advantage of Batik Banyumas Industry. Only with core competence, it have core products, core technology and core talents continuously. To Construct and enhance their core competence is the competitive advantage that ensure the Batik Banyumas Industry to beyond its opponents for along-term, it can make the enterprise adjust itself constantly according to the inner and outer environment of change to adapt to the changes of the demand for the market environment to realize sustainable competitive advantage.

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