

RESOURCE-BASED VIEW: IMPLEMENTATION IN INDONESIA SMEs TO ACHIEVE COMPETITIVE ADVANTAGE

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ABSTRACT

This research is a type of empirical research, with primary data obtained from research that has been conducted by previous researchers. Focus on the resource based view (RBV) strategy, as an internal resource that exists in an organization. The RBV strategy is part of a tripod strategy: institutional resources, industrial resources and internal resources. Focusing on SMEs, this study aims to see the role of RBV strategy to make SMEs more professional and competitive. This research is motivated by the phenomenon that SMEs are business units capable of absorbing workers with low skills, reducing crime, and even making a significant contribution to the national income of a country, especially developing countries like Indonesia and being the backbone of the nation's economy. In fact, SMEs are creative businesses capable of producing quality, unique products that are in demand by the export market. However, SMEs are less confident because of their limitations, such as: difficulty in funding, lack of technology, and lack of knowledge, which is not necessarily true for all SMEs. The results showed that the RBV strategy based on VRIO theory (valuable, rare, inimitable, organization) provides capability support for SMEs to be able to adapt and compete in a complex business environment, and most importantly have the confidence to compete with fellow SMEs even with companies. RBV strategy provides mature planning for SMEs to analyze and utilize their internal resources appropriately. Thus, SMEs can measure their competitive position with the resources they have and then use it to select operating markets.

Keywords: SMEs, resource based view, valuable, rare, imitable, organization, SMEs capability.

INTRODUCTION

SMEs in Indonesia provide employment opportunities for most groups of society, especially the middle to lower class. SMEs are mostly located in the informal sector, are family businesses, and often do not last long. It is organized with simple management, does not involve technology, with a small market share. However, SMEs as creative businesses have some uniqueness, such as the flexibility they have, enabling them to quickly adapt to changing conditions. As happened to SMEs in Indonesia, it is proven that during an economic crisis they can maintain their business, but it is not the same when the global pandemic occurs, the condition of Indonesian SMEs is very affected by the Corona-19 virus. Thus, it becomes a challenge to strive for SMEs as independent businesses that are strong and able to withstand any crisis that occurs.

Business environment is growing rapidly (Teece, 2007) and it has no country boundary which means the business is interconnected easily (Sull, 2007). Each company should be able to improve its performance to compete in the market (Dany, Guedri, & Hatt, 2008). In some

developing countries, SMEs grows rapidly and plays as the economic growth motor, but still, if they want to survive in the market, they need to improve their creative performance, be able to adapt with the technology and pay attention in the quality of the product or service.

SMEs are proved to be able to significantly build the economic in some countries (Bendickson et al., 2017) for they can move the economy levels, even the micro level (Bendickson et al., 2017). They are also called as creative industry which is: full of innovation, contributing in the national revenue, focusing in export market, and absorbing more labor (Baumol & Strom, 2007). But there are some problems that commonly faced by the SMEs are: (1) having difficulty in fulfilling the international standard, (2) lack of competent employee and sometimes the owner is also personally incompetent and have lack of ability managing the business, (3) lack of ability in applying the technology, and (4) limited funding.

Most of SMEs are family business that was established only for utilizing working experience and personal skills (Chumphong, Srimai, & Potipiroon, 2020). In the beginning, they were probably enough, but along with the growth of the business and complex challenges found in the market, many SMEs do not have any innovative strategies to adapt and ability also to transform (Petri, Plummer, & Zhai, 2012), which somehow cause the SMEs find it hard to survive.

Facing the tight competition in the business environment forces the SMEs to have proper strategy and procedures to make sure they are able to adopt the situation fast, to fulfil the international standard, and to have a guarantee that make them survive longer. SMEs should be able to utilize their resources and skills to manage the organization effectively and efficiently when they want to achieve the goals mentioned before (Barney & Wright, 2011). Besides, they are also expected to make sure that the product and service passes the standard and qualified which will help them in developing their business in order to provide the supply and demand need professionally and ethical to make sure they achieve the competitive advantage (Chumphong, Srimai, & Potipiroon, 2020).

Strategi *Resource Based View* (RBV) plays a great role in helping the SMEs get the precise strategies to be implemented in their business. RBV is one of the strategic management aspects (Lu & Yam, 2008), that divided into two parts. The first one is forcing the strategy to increase the productivity and efficiency of the operational. The second is internal strategy formula that is needed to get good working performance (Dansoh, 2005). Those two strategies are guaranteed to make the organization achieve the competitive advantage in business environment that keeps on changing (Teece, 2007).

This study is empirical study of the previous studies which aims on getting the conclusion of the role of RBV with the VRIO analysis for SMEs as an effort to achieve the competitive advantage.

LITERATURE REVIEW

RBV theory is introduced by Wernefelt in 1984, then it was popularized by Barney in 1991. The concept of this theory is highlighted on resource and internal competence had by the organization to be used as the base of formulizing the strategy. RBV emphasizes on creating value to get the competitive advantage by optimizing the internal resources. Creating value and competitive

advantage can be achieved synchronizing three elements: internal resource, operational system and the product offered (Otola, Ostraszewska, & Tylec, 2013). Based on Barney's opinion, RBV strategy can decide the competitive advantage that meet the VRIO criteria: the product/service is valuable, rare, imitability and organization (Otola, Ostraszewska, & Tylec, 2013). VRIO's framework shows stronger positive impact in the performance (Crook et al., 2008), but many researchers ignore the internal resource dan focus more in the market condition and customer (Kozlenkova, Samaha , & Palmatier, 2014) by concentrating on meeting the market taste while measuring the internal organization competence should be done previously before making sure that the product/ service can be accepted in the market or not, so that the step taken by the company is correct and has long term effect.

The strength of the company is based on the basic competence got by the availability and the implementation of the internal resource to achieve the competitive advantage which is the basic of the RBV strategy. The biggest problem of SMEs is limitation in their internal condition, such as the funding, ability in mastering the technology, and limitation in managerial knowledge. But these limitations do not change the researcher's interest to try to implement the RBV strategy in SMEs by doing some combinations to make sure that the RBV strategy can be implemented in SMEs, such as by strengthening the value (V) with networking (Rahman, 2015); using VRIO analysis in creative SMEs (Tresna & Raharja, 2018); reducing the cost or doing efficiency in the production process which means it will increase the value (V) of the product/ service (Newbert, 2008); the rare factor is a combination of RBV strategy to achieve the competitive advantage (Newbert, 2008)); fixing the production process of SMEs that focus on international marketer by optimizing VRIO (Kaukab et al., 2020); VRIO that related to employee management (Pescic, Milic, & Stankovic, 2012).

METHODOLOGY

Empirical study that is chosen as the method in this study applied by: reviewing the previous studies about RBV in competitive advantage in SMEs. The reason behind the application of this method is the reality that the RBV strategy is mostly implemented by the big company instead SMEs, but in this study found that by combining RBV with other (VRIO analysis), it can be implemented in SMEs. The reference of using VRIO analysis is based on the research result (Kozlenkova, Samaha , & Palmatier, 2014):

Table 1. VRIO Analysis Base

<i>Valuable</i>
<i>Valuable resources</i> mean the ability to reduce the cost to increase the revenue
<i>Rare</i>
The ability to create limited resource (only had by some organization/ few organization)
<i>Imitability</i>
The ability to create resource which cannot be imitated (if is is imitated, it will cost a lot of money)
<i>Organization</i>
The ability to manage the source to achive the competitive advantage

Source: Konzlenkova, 2014

RESULTS

The result of this study is taken from the empirical analysis, it took from the previous studies-with the further explanation as follow:

Research done by (Rahman, 2015)

This research was aimed to know the performance of the SMEs by implementing RBV strategy which focus on the networking strategy. The early perception stated that in order to get the optimal performance, the SMEs should do both formal and informal networking with other parties (the same SMEs or corporate) by doing negotiating and collaboration. This perception was the base of the following study. The ability to do networking is considered as the internal resource of the SMEs to increase the value and of achieve the competitive advantage. Networking does not always run smoothly, so it is important to do further research about what kind of networking that is beneficial for the SMEs.

In this research, it is mentioned that the good networking is the one that can create two types of competitive advantage: (1) generate the complementary resource that can be integrated with the main resource to add value; (2) get resources that can be managed effectively. The RBV theory states that the purpose of SMEs doing the networking is to fulfill the resource they do not have.

Networking is seen as the internal resource found to give strong impact on the SMEs' competitive advantage. Networking which has mutual beneficial, similar vision in running the business and the most important is trust can create a competitive advantage that well-collaborated and last longer. This research also emphasizes that the networking in RVB is the type of networking that can increase value and implemented according to plan. The networking should be unique which cannot be done by the SMEs outside the network, unless it will lose the value and the SMEs will not get any advantage of the networking. The researcher suggested how to choose the networking: (1) the beneficial networking is the one that can provide compatible resource with the SMEs needs; (2) the networking should influence the business and increase the value or benefit, market share, sales increase and have optimistic influence toward the future business; (3) the networking should be able to increase the working practice and productivity.

Research done by Tresna (2018)

This research was done in SMEs in Bandung, Indonesia. The purpose of the study was to know the competitiveness in SMEs in Bandung, especially the creative industries using VRIO analysis. The result of the study shows that the creative industries has advantage in some points, they are: competitive price, good quality, good relationship with customer, reseller and distributor, and highly innovative. Although most SMEs faces the similar problem, such as limited raw materials, high employee turnover, limited capital and hard to find skillful employee.

The other problems are external such as the availability of the substitution goods, the imported goods, plagiarism and the fast trend changing. This study used the VRIO analysis as the base to elaborate the internal resource of the SMEs to face those external problems.

The result of the study shows that the creative industries in Bandung have these following internal resources:

1. High standard quality
2. Innovative
3. Leading in creative industry
4. Product differentiation
5. Service differentiation
6. Unique packaging
7. The sales promotion runs well
8. Price policy
9. They have already used the social media to support the marketing
10. Good owner involvement
11. Good Cash flow

The analysis uses the VRIO criteria, and it is stated that these resources are not all core competencies, so in this study it is stated that the core competencies that are really owned by the creative industry in Bandung are:

1. The product/service has high quality so it different with the substitute.
2. The various innovations are done by the owners and they have fast response to new innovation.
3. The creative industries in Bandung is the barometer of the other similar industry in Indonesia, which was strengthened by the inauguration of the City of Bandung as a City of Creative Industries by UNESCO in 2015.
4. The differentiation of the superior product form other region such as being exemplified by Saung Mang Udjo.
5. They have unique packaging for the product/service.
6. The owner is greatly involved in the business process.
7. Good *Cashflow* which is got form the cash payment method.

It is concluded that creative industries in Bandung have the superior ability in competitive advantage by owning core competency that mentioned above.

Research done by Newbert (2008)

This study focused only in two indicators of RBV, valuable and rare. Applying the typology mentioned by Barney -resource and financial, human, organization, physical, intellectual, and technology- as the indicators to analyze valuable and rare as an effort to achieve competitive advantage. This study was done in SMEs that works in nano technology, so the indicators and items presented adjusted with what was faced daily by the respondents.

Since the respondents were SMEs in the unique field, then the valuable and rare were focused on the resource and ability used by the organization to reduce the cost to make the price keep on competitive, to explore opportunities and target, and to maintain the business from any thread. The result of the study shows that the contribution of valuable and rare to achieve competitive advantage is easily to get by combining both valuable and rare, instead of work by each self. Furthermore, they also can be used to get the optimal performance of the SMEs.

Research done by Kaukab (2020)

This study was done in order to explore factors that affect the production by using resource variable and the capability of VRIO in exportir SMEs in Central Java, Indonesia. Hopefully the result of this research could be used as the base to developing the SMEs capability in arrange the international strategy.

The result found that the available SMEs were willing to do improvement in production process continuously in order to make it easy to enter the international market, accompanied by VRIO analysis, it helped the SMEs to get more information about the foreign market, so that they could increase the business process such as delivering the product could be done more efficient. The finding also contributes in: first, focusing on internationalizing, not on the improving production process, and second, production improvement can be fastened by having information about the market and exploiting the resource ability that are valuable, rare, imitability and well-organized.

Research done by Pesic (2012)

This research has purposed in showing the important of human resource in creating competitive advantage, seen by the VRIO framework. In this research, it is stated that human resource is the internal resource that can be seen of having valuable, rare, imitability and organization.

VRIO framework utilized by the owner to evaluate all activities done by the employees based on the criteria of valuable, rare, imitability and organization and ultimately to ensure that the existing resource structure is capable of providing value creation that is not owned by competitors and is hard to imitate. It is stated in this study that there are still a few SMEs who see human resources as valuable, rare, imitability and organized internal resources, for several reasons such as: lack of employee involvement in decision making, information that unevenly spread out, no funds for employee development, and there is no culture of working with a team. The suggestions conveyed in this study are the need for a change in attitude so as to change business culture and work culture to support employees as an internal resource, namely an asset to build creativity, innovation and expertise. The need for systematic, comprehensive and holistic human resource management.

DISCUSSION

Based on the concept that has been previously mentioned, the core of this study is the use of VRIO analysis, so the empirical result that can be presented are:

Valuable

SMEs whose resource and capability only in reach the marginal value, has small opportunity to achieve the competitive advantage and on the other hand, SMEs whose marginal value is higher can achieve it easily (Newbert, 2008). The main point of the valuable resources is being able to cut the cost and maximize the benefit. It is not enough to choose the resource that better than the competitors, but also in how to effectively explore them by using the right ability (Newbert, 2008). SMEs cannot be said as a great one if they cannot get resource which has high productivity and reducing cost (Makadok, 2001). For example, employees are seen as organizational resource that valuable, when they have proper competence in product knowledge which makes the company get more advantage related to the fast of information that accepted by

the customer related to product/service offered, more effective in supply chain to make the product/service quickly accepted from the supplier based on the need, more effective in delivery chain to get the trust from the customer. Those are the examples of internal resource has the valuable which means that the organization get some benefit of the reducing cost.

It can be concluded that resource is valuable cannot give maximum contribution in achieving the competitive advantage without the support of other resource. Combination of resource that is rare, imitability and organization are only some of the factors that can improve the competitive advantage.

Rare

It is mentioned that SMEs that easily achieve competitive advantage if they can utilized the limited resource owned by few of organization or not many organization has this particular resource (Newbert, 2008). For example, SMEs can dominate the niche market which usually ignored by the bigger company so that the SMEs manage the market freely and free from the tight competition. By the specially segmented market with limited customer, the SMEs can arrange well and can decide the policy of the premium price.

Networking can also be done to solve the problem of the inability of the SMEs to get resource (Rahman, 2015). *Networking* is able to be done to keep the rare value, so the networking should be unique and the access is limited to the ones in the networking chain; it can be in term of collaboration negotiating. For example from SMEs in village owned enterprises (BUMDES) would be more likely to seek information about the marketplace, easier to communicate with suppliers, and it is easier to get help funding than SMEs who do not joined in BUMDES. Collaboration is mutually beneficial and encourages each other. For this strategy, often find the interference of government regulations. For example of SMEs that are similar to each other, will be localized in one place, which makes it easy for consumers to meet with the SMEs, as SMEs for the ornamental plants, the cultivation of ornamental fish, the sale of pets, booksellers, localized at a place called the market, fish market, bird market, and the book. Networking can be created by fellow SMEs, with suppliers, with consumers, also the government and employers.

Inimitability

RBV's strategy with imitability can be done by granting brands, patents, copyrights to its products/services. SMEs are often faced with many similar products, so consumers are often confused in distinguishing one product from another, so brands are an alternative way to differentiate. Also to face the threat of plagiarism (Tresna & Raharja, 2018).

Like SME products that are now booming, chicken geprek. There are many brands in the market delivered by SMEs, with a view to convey perception to consumers with the aim of providing an overview and characteristics of the product. Although the products offered are fried chicken that is crushed with onion sambal, the brand is able to convey a message to consumers to be the basis in choosing which product to choose. This strategy does not provide opportunities for competitors to emulate, if they want to emulate, then should consider spending a small fee (Kozlenkova, Samaha, & Palmatier, 2014).

It also happens to the creative industries of batik tulis. For example, in Indonesia, almost every region has a batik tulis product with the characteristic of the region. From the smallest scope, for example in East Java many varieties and forms of batik tulis. But all are firm with their own characteristics and can not be imitated because the batik tulis motif contains meanings, stories and histories that surface in each area that will not be the same between one region and another. Although there is competition with the presence of batik produced by the factory, batik from the home industry will not be abandoned by consumers, with the uniqueness presented in the product. For example, Madura batik, has a privilege in the use of red dye 'mengkudu' that cannot be done by the factory, the smell is also not pungent because of the use of various vegetable oils in the coloring process, in addition to the motif is also typical of reddish color, patterned flowers and birds typical of the north beach. Batik from Banyuwangi, typical with a motive Gajah Oling, batik from Malang, typical with a motive mask and bamboo, and many specific characteristic which other.

Many ways are done to be unique and difficult to replicate. Innovation, creative, open to information, is a capital to be able to always adapt to the changing business environment and to face increasingly tight competition.

Organization

VRIO analysis is used to improve the business process (Kaukab et al., 2020) and also used by the owner to evaluate the employee performance (Pestic, Milic, & Stankovic, 2012). Part of the organization that usually ignored by the SMEs which only focus on the product and customer (Kozlenkova, Samaha, & Palmatier, 2014). Whereas in order to focus on the product and customer, good organization management is also important. SMEs that keep on willing to improving the business process will easily achieve the market, probably also the international market (Kaukab et al., 2020).

Organization management in VRIO analysis covers many thing such as seeing employee as the internal assets (Pestic, Milic, & Stankovic, 2012), the owner of the SMEs are willing to improve the competence and knowledge of the employees, so they will be the valuable assets and contributes more in achieving the competitive advantage that lead to optimum performance of the SMEs. For example, in SMEs referred to as creative industries, such as coffee shops, batik handicrafts, the existence of baristas as coffee makers and batik makers are assets where the talents owned cannot be emulated by competitors. Employee management is important, because they can provide more value and help build reputation and image.

Reputation and image also need to be managed well, for example establishing a good relationship with consumers, suppliers and the government is a way to choose. Business can now not be done in private, even if the former competitor is considered an enemy, not with now. Competitors and consumers are friends. Critics and suggestion from them are needed to build a strategy that suits the needs of the latest market conditions.

CONCLUSIONS

Previous researches used as an empirical reference in this study agreed that RBV strategy with VRIO analysis contributes positively to SMEs in gaining competitive advantage. Valuable, rare,

imitability and organization are internal assets or resources owned by tangible and intangible SMEs. VRIO contributes optimally to the competitive advantage if applied jointly strengthening each other.

SMEs with various limitations that have, it is still proven to be able to compete by doing a combination of strategies. As a creative and non-formal industry, SMEs have flexibility in their management. Not being limited with a rigid formal structure, as well as the looseness of the government for running the business, is an opportunity for SMEs to continue to grow. The various ways that have been presented above, for SMEs get valuable, rare, imitability and organization, is a small part of the way that can be done and it is believed that there are still many other ways that can be done by SMEs in accordance with the needs and conditions that are being faced.

This study is very limited, only have few of empirical studies, so it only represents few problems faced by the SMEs related to their effort to achieve the competitive advantage.

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