

PORTER'S FIVE FORCE MODEL FOR SUPERIORITY OF MICRO SMALL AND MEDIUM ENTERPRISES (SME's) IN FACE THE ASEAN ECONOMIC COMMUNITY (MEA)

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Abstract

This study aims to provide input and an effective way for SMEs in order to have a competitive advantage, especially in the face of the MEA, it is necessary for the existence of a strategy to create competitive advantage in the era of MEA. Many strategies to create competitive advantage and one of them is Porter's Five Forces. This study uses research and development. Respondents in this study is small and medium businesses (SMEs) in the district of Deli Serdang. Data collection techniques using questionnaires and interviews / structured interviews and data analysis techniques using descriptive analysis techniques. The results showed that the model of five forces porter that include competition among similar companies, the threat of new entrants, the threat of substitute products, bargaining power of buyers and bargaining power of suppliers is still included in the category enough or moderate, it indicates the presence of obstacles or problems faced by SMEs in Regency Deli Serdang. Disamping five forces model of porter, the addition of the supporting indicators of the ability of innovation and technology as well as the government's attention is also included in the category enough or moderate, it indicates that the supporting indicators are still facing obstacles or problems.

Keywords: Porter's Five Force, SMEs, MEA

I. Introduction

The existence of the ASEAN Economic Community (AEC) in 2015 gives a challenge for Indonesia, namely in terms of: (1) the competitiveness index, this is because the Global Competitiveness Index 2012-2013, and Indonesia ranked 50th out of 144 countries, compared with countries ASEAN, the ratings are down from the previous ranking 46 (2011-2012). Singapore was ranked second, ranked Malaysia 25th, Thailand ranked 38th, the Philippines ranked 65th, and Vietnam ranked 75. Index Indonesia's competitiveness at the global level is still classifying Indonesia in the economy based on efficiency, in the middle of the ASEAN which has been based innovation (Singapore), towards innovation (Malaysia), which is based on factors of production or natural resources (Philippines, Vietnam, Cambodia, Laos, Myanmar), (2) global innovation index, this is because the position of Indonesia including average among the nine other ASEAN countries. Based on these two things we need the readiness of Indonesian SMEs face AEC 2015 and prospects of the Indonesian national security.

Research on the development model of the Five Force Poter has been done, among others: the above study, Berry Albert, et al (2001) has conducted research on the dynamics of SMEs in Indonesia before and after the crisis, and found that the productivity SMEs increased substantially on a level not far away with a larger company, besides it was also discovered that SMEs face the crisis more resilient than larger firms, further explained that SMEs were able to more quickly and flexibly respond to the issues that suddenly occur. Furthermore hasil penelitian of Alan Hankinson (2000) which menyatakann that one key to the business success of small companies / SMEs are the internal factors of the company through the company's business strategy.

This research was conducted in Deli Serdang on the grounds that the Deli Serdang regency in North Sumatra is a region that has a broad area, besides there are problems that often hinder the development of SMEs in Deli Serdang is the weakness of internal and external factors of business. include the ability of innovation and technology, the threat of new entrants, bargaining power of suppliers, competition between the competitors in the industry, bargaining power of buyers, the threat of substitute products and the attention of the government It required an effort in improving the growth of SMEs by using competing strategies, especially in the face of the MEA.

II. Study Of Literature

The concept of Micro, Small and Medium Enterprises (SMEs)

The definition of SMEs stipulated in Law No. 20 of 2008 on SMEs using the criteria of wealth or net asset value without soil and annual sales revenue. Based on these criteria, microenterprise is a business unit that has an asset value of more than Rp 50 million or with annual sales turnover of USD 300 million large. Nilaiaset small businesses with more than Rp 50 million to Rp 500 million or an annual sales turnover of more than Rp 300 million to Rp 2.5 billion. While medium-sized businesses is a business unit with a net asset value of more than Rp 500 million to Rp 10 billion, or an annual sales turnover of more than Rp 2.5 billion to Rp 50 billion. In addition, the definition of SMEs according to the Central Statistics Agency (BPS) with criteria based on the number of workers. According to BPS, Micro is a business unit with the number of permanent workers for up to 4 people. Small business is a business unit with the number of workers between 5 and 19 workers. While medium-sized businesses to have workers from 20 to 99 workers.

Competitive Advantage

The concept of competitive advantage the company has been developed from the generic strategies proposed by Porter (1985). Things that may indicate variable competitive advantage is imitabilitas, durability, and ease of equaling. Competitive advantage is the heart of the company's performance in a competitive market. Advantage of the company basically grow of the value or benefit to a company creates for its buyers. If then the company is able to create excellence through one of the three generic strategies, it will get the competitive advantage (Aaker, 1989)

Competitive advantage can be understood by looking at the company as a whole, come from many different activities undertaken by the company in the design, manufacture, market, deliver and support sales (Porter, 1999). So that competitive advantage is a position that is still done in an effort to beat the competition organization.

Porter's Five Forces

Porter five forces analysis is a framework for industry analysis and business strategy development developed by Michael Porter. He said there are five forces that determine the intensity of competition in an industry that is, as follows: (1) The threat of substitute products, (2) The threat of competitors, (3) The threat of new entrants, (4) The bargaining power of suppliers, (5) The bargaining power of consumers. This analysis is usually done in combination with a SWOT analysis

III. Research Methods

In line with the objectives to be achieved in this study, that the development model of Porter's Five Force SMEs, this research in the Research and Development (R & D).

The method used is book study method, for collecting secondary data and survey method using a questionnaire to collect primary data.

The Porter's Five Forces model image is as follows:

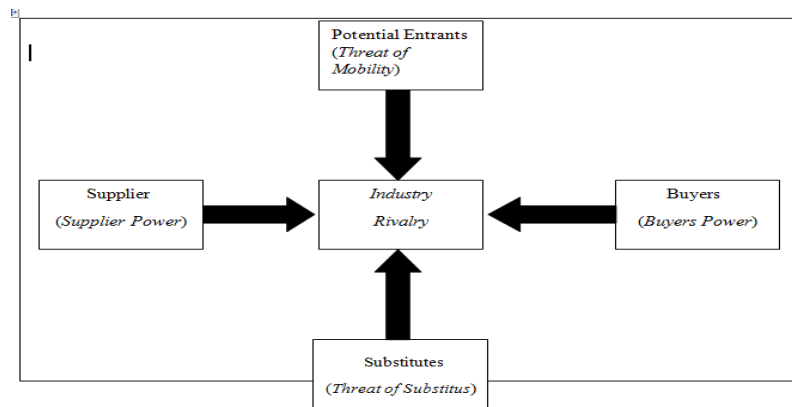


Figure 1. Porter's Five Forces

IV. Results And Discussion

Currently there is no population data perpetrators Small businesses are quite valid in Deli Serdang Because the data has not been invalidated perpetrators of such small then not all small businesses in Deli Serdang as respondents, only SMEs registered in the Office of SMEs and cooperatives that serve Deli Serdang respondents, totaling 100 SMEs. Of the total of 100 SMEs turns that data can be processed only 70 SMEs, it is because there is a questionnaire that do not return as much as 30 or 30% of SMEs.

Descriptive Data Research

The principle of categorization average score of respondents in the adoption of Sugiyono (2009; 135) is based on the range of the maximum score and minimum score divided by the number of the desired category using the following formula.

$$\text{scores range category} = \frac{\text{The maximum score} - \text{the minimum score}}{\text{The number of categories}}$$

So it can be made interval categories as follows:

Table 1. Guidelines Categorization Average Score Respondents	
Interval Questionnaires	Category
1,00 – 3,00	Low
3.01 – 5,00	moderate
5,01 – 7,00	High

This study was conducted to identify the problems faced by SMEs in Deli Serdang in creating a competitive advantage in the era of MEA. Therefore, at this portion environmental analysis of companies using porters five forces analysis. The following will be explained by variables at five forces analysis porter.

Porter's Five Forces Analysis

Porter's Five Force Analysis is used to analyze the external environment is based on competition among similar companies, the threat of new entrants, the threat of substitute

products, bargaining power of buyers and bargaining power of suppliers (Porter, 1976). The following respondents to these factors shows in Table 2 (appendix).

Based on Table 2 above that the indicators of the five forces porter has a value in the Average category, this indicates that there are problems in SMEs in Deli Serdang and if specified can be explained as follows: (1) Competition among peers. Based on the above results indicate the occurrence of adequate high competition between companies, where this happens because (a) The SMEs still have fixed costs are quite high (b) sufficient number of competitors with the same effort, (c) Slight differences with competitors' products, (d) business growth is slow (e) the cost of production is high enough, (f) are less able to compete in selling prices with competitors, and (g) less able to promote the product. (2) The threat of new entrants. Based on the results above show the threat of new entrants is high enough among enterprises, this happens because (a) the product produced / prepared by new entrants (competitors) have a fairly large scale (b) the products of competitors has a range of products that is enough many, (c) inadequate financial capital, (d) the distribution channels that are less efficient.

(3) Threat of Substitute Products. Based on the above results indicate the threat of substitute products is quite high, where this happens because (a) production may be imitated / copied by other entrepreneurs who become competitors, (b) the product produced quite a lot of substitute products, (c) substitute products have prices are much cheaper, and (d) replacement products have a good market share. (e) Strength of bargain shoppers. Based on the above results show the bargaining power of buyers are sufficiently high or medium, where this is the case for lack of information about the product to the buyer. (4) Strength bargaining suppliers. Based on the above results show the bargaining power of suppliers is quite high or moderate, where this happens because (a) the lack of supply of raw materials, (b) Products from a supplier failed to give meaning to the business, (c) Businesses that have not a customer important for suppliers, and (d) lack of integrity towards suppliers. In addition to the five (5) indicators, the researchers added other indicators as supporting SMEs in creating competitive advantage in the face of the MEA. The proficiency level indicator can be seen in the following Table 3.

Based on Table 3 above that the indicator of the ability of innovation and technology as well as the government's attention also has a value in the Average category, this indicates that there are problems in SMEs in Deli Serdang, especially regarding innovation capabilities of the product and the use of technology as well as the attention of the government, and if specified can be explained as follows: (1) The ability of innovation and teknologi. Based on the above results indicate a lack of the ability of innovation and technology, where this is the case because of lack of capability in designing products, expertise in the production process is lacking, lack of market research on the products, the lack of reputation on product quality, market segmentation is small, and the technology is still very simple. (2) Government attention. Based on the above results indicate that the government's attention to SMEs is still relatively less, where this is the case because the provision of such uneven and lack of opportunity to promote a product that is supported by the government.

Based on the above table it can be explained that SMEs in Deli Serdang not run a good business strategy in order to improve competitiveness. Based on the interview that almost all SMEs are still running a conventional business strategy. This condition can be seen in the description of the data that has been described, in which almost all indicators have moderate category or enough, there are even lower in the category of the ability of innovation and technology.

In indicator of competition among similar companies in the category of being, it does show still need attention for SMEs in Deli Serdang, so as to create a competitive

advantage in the face of the MEA. The effort to do SMEs to excel in competition among them: should SMEs need to make efficiency of fixed costs, due to the fixed costs are high will cause the selling price is also high, with pushing costs that the sale price can be more competitive with similar industries.

Table 3. Recapitulation Score And Distribution Based Response Indicators
The ability of innovation and technology, as well as government involvement

No	Indicators / Statement		distribution Comments			Score	Category
			High	Medium	Low		
<i>The ability of innovation & technology</i>							
1	Mr / Ms has a good ability in designing products so that the product manufacturing process becomes more efficient	F	0	47	23	3,86	Medium
		%	0	67,14	32,86		
2	Mr / Ms has a fairly high level of expertise in terms of the production process of products produced	F	1	42	27	3,90	Medium
		%	1,43	60,00	38,57		
3	Products that Mr / Mrs produce / sell have various types	F	1	55	14	4,09	Medium
		%	1,43	78,57	20,00		
4	Mr / Ms have the ability to do market research as well as research on superior product	F	0	10	60	2,73	Low
		%	0	14,29	85,71		
5	Mr / Ms has a team of highly skilled developers and able Businesses that Mr / Ms have to have a good reputation in terms of quality and innovation, and have high creativity.	F	0	11	59	2,76	Low
		%	0	15,71	84,29		
6	Businesses that Mr / Ms have to have a good reputation in terms of quality and innovation.	F	0	43	27	3,67	Medium
		%	0	61,43	38,57		
7	Mr / Ms able to make a product that is made to the public into a smaller segments that they can understand it well.	F	0	52	18	3,97	Medium
		%	0	74,29	25,71		
8	Technology that Mr / Ms use is able to produce products to meet market demand	F	0	39	31	3,56	Medium
		%	0	55,71	44,29		
Government attention							
9	Government / agencies concerned with the effort that Mr / Ms have through the provision of facilities	F	0	25	45	3,23	Medium
		%	0	35,71	64,29		
	Government / agencies provide an opportunity for Mr / Ms to promote products through the activities of both regional and national	F	0	27	43	3,26	Medium
		%	0	38,57	61,43		

Source: Data Processing

At the threat of new entrants indicators are also included in the category enough or moderate, it indicates that the presence of MEA then most likely SMEs face the threat of new entrants. The effort must be made by SMEs to be able to compete with the data immigrants (entrepreneurs) new are: the need for financial capital which is great to invest towards infrastructure and facilities that support the production process of the products so that the products produced much higher quality than the product produced the competitor.

In indicator threat of substitute products is also included in the category enough or moderate, it indicates that the replacement products become a significant threat to the development of SME in Deli Serdang. The efforts made to anticipate the threat of substitute products are: to create a product that has unique specific that it is difficult to

imitate by competitors, and the sale price is more competitive with its competitors, as well as attention to market segmentation for our product.

In indicator of bargaining power of buyers are still included in the category enough or moderate, it indicates that there is still insufficient bargaining of buyers towards the products of SMEs. The efforts made in order to bargain from a buyer can be increased then the thing to do; provide information about the product to consumers through promotions in print and electronic media about the excellence of the products, as well as to provide complete information about the composition of the product.

In indicator bargaining power of suppliers included in the category enough or is, it indicates the bargaining of suppliers for raw materials is still facing obstacles, so that SMEs have difficulty raw material supply. The measures to be carried out by SMEs is, building a good relationship with pemrosok raw materials to maintain the integrity so that SMEs can be the main customers of the suppliers of raw materials.

In indicator of the ability of innovation and technology as well as the government's attention was also included in the category of moderate or moderate, it does show that SMEs are still weak in innovation in the products it produces and uses simple technology or traditional. In addition to the government's attention to SMEs in the district is also still a little Deli Serdang. The effort must be made so that the ability to innovate and teknomogi and increased are: improving capability in designing products with always followed that training conducted by related institutions, conduct market research on the products that will be produced so that the products according to market segmentation, keeping the product's reputation with how to always maintain the quality of the products, and the use of appropriate technologies.

V. Conclusions

Porter five forces model which includes competition among similar companies, the threat of new entrants, the threat of substitute products, bargaining power of buyers and bargaining power of suppliers is still included in the category enough or moderate, it indicates the presence of obstacles or problems faced by SMEs in the District Deli Serdang. Porter five forces model, additional supporting indicators of the ability of innovation and technology as well as the government's attention is also included in the category enough or moderate, it indicates that the supporting indicators are still facing obstacles or problems

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Appendix

Table 2. Recapitulation Score And Distribution Based Response Indicators Porter's Five Force Analysis

No	Indicators / Statement		distribution Comments			Score	Category
			High	moderate	Low		
Competition Between Peers							
1	The fixed costs that Mr / Ms remove high enough	F	0	59	11	4,01	Medium
		%	0	84,29	15,71		
2	According to Mr. / Ms, many competitors for the same business as Mr / Ms	F	0	46	24	3,74	Medium
		%	0	65,71	34,29		
3	Products that Mr / Ms have to have a little difference with competitors' products in terms of quality and quantity	F	0	51	19	3,90	Medium
		%	0	72,86	27,14		
4	Businesses that Mr / Ms have to have a slow growth	F	1	14	55	3,09	Medium
		%	1,43	20,00	78,57		
5	The production costs Mr / Ms expended to produce sufficiently large / tall	F	0	37	33	3,63	Medium
		%	0	52,86	47,14		
6	Mr / Ms able to sell products / goods at normal prices to get higher profits than competitors	F	0	43	27	3,69	Medium
		%	0	61,43	38,57		
7	Mr / Ms have the ability to promote / demonstrate the advantages of the product	F	0	20	50	3,10	Medium
		%	0	28,57	71,43		
Threat of New Entrants							
8	Their products produced / prepared by new entrants (competitors) with a large-scale effort could interfere Mr / Ms	F	0	48	22	3,76	Medium
		%	0	68,57	31,43		
9	According to Mr / Ms, the products of competitors has a range of products that many	F	0	29	41	3,47	Medium
		%	0	41,43	58,57		
10	Mr. / Ms has sufficient financial resources to provide significant	F	0	33	37	3,46	Medium

No	Indicators / Statement	distribution Comments				Score	Category
	investment in a business that Mr. / Ms do	%	0	47,14	52,86		
11	Mr / Ms have distribution channels / efficient marketing	F	0	27	43	3,36	Medium
		%	0	38,57	61,43		
Threat of Substitute Products							
12	The possibility of product which Mr / Mrs production can be imitated / copied by other entrepreneurs who become competitors	F	1	50	19	3,94	Medium
		%	1,43	71,43	27,14		
13	According to Mr / Mrs product that father / mother produce / sell have replacement products	F	0	47	23	3,71	Medium
		%	0	67,14	32,86		
14	According to Mr / Mrs prices of substitute products cheaper than the price of a product for which Mr. / Mrs produce	F	0	43	27	3,67	Medium
		%	0	61,43	38,57		
15	Menurut Bapak/Ibu produk pengganti yang dimiliki pesaing mempunyai pangsa pasar yang lebih baik	F	0	45	25	3,72	Medium
		%	0	64,29	35,71		
Bargaining Power of Buyers							
16	According to Mr. / Ms replacement products owned competitors have better market share	F	0	40	30	3,64	Medium
		%	0	56,14	42,86		
Bargaining Power of Suppliers							
17	Manufacture of raw materials (supplier) products Father / Mother is dominated by a few companies	F	0	43	27	3,67	Medium
		%	0	61,43	38,57		
18	Products from raw material suppliers as Mr / Ms is an important product for Mr / Ms	F	0	47	23	3,80	Medium
		%	0	67,14	32,86		
19	Businesses that father / mother had not an important customer for suppliers	F	0	44	26	4,31	Medium
		%	0	62,86	37,14		
20	Industry suppliers have good integrity to the business of Mr / Ms	F	0	49	21	3,86	Medium
		%	0	70	30		

Source: Data Processing