Unlocking the Competitive Advantage: An Internal and External Analyses of PTIDM as a Small Enterprise in Indonesia

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I. INTRODUCTION

MSMEs significantly affect a country's economic growth and employment rate. In Indonesia, MSMEs can absorb up to 97% of the total workforce and collect up to 60.42% of the total investment (Ministry of Cooperatives and Small and Medium-Size Enterprises, 2019). In 2019, MSMEs contributed to 61.07% of the gross domestic product (GDP), totalling IDR 8,573.89 trillion, with a total number of 65.4 million (Ministry of Cooperatives and Small and Medium-Size Enterprises, 2019; Nursini, 2020). MSMEs are also crucial in generating new jobs for the local population (Nursini, 2020). Ananda (2022) states that MSMEs have a resilience that can become the foundation of economic growth, and the Indonesian government has implemented several support programs, including incentive assistance and financing.

PTIDM is a small enterprise within the MSMEs that distributes information technology (IT) products and services. The IT industry in Indonesia has been growing rapidly, with an expected market size of US$33.6 billion by 2025, a compound annual growth rate (CAGR) of 7.1% from 2021 to 2025, and a contribution to GDP of 4.3% in 2020 (Ministry of Communication and Information Technology, 2021). The increasing trend of remote work and digital transformation presents an opportunity for PTIDM to provide IT solutions and services that can help businesses adapt to the new digital landscape. Additionally, the Indonesian government has launched various initiatives to support the growth of the IT industry, such as the Making Indonesia 4.0 program (Ministry of Communication and Information Technology, 2021).

However, PTIDM has recorded a decline in revenue from IDR 4.1 billion in 2022 to IDR 3.7 billion in 2023. The possible reason may be internal and external factors affecting the company's performance (Thomson et al., 2021). Internal factors include human resources, finance, operations, and marketing activities, while external factors include government policy and competition (Hanggraeni et al., 2019). Thus, it is crucial for PTIDM to analyze its internal and external environment to develop a strategic plan that maximizes its strengths, addresses its weaknesses, and takes advantage of opportunities while mitigating potential threats.

II. LITERATURE REVIEW

A. Theoretical Foundation

According to Tambunan (2021), Micro, Small, and Medium Enterprises (MSMEs) are production units focusing on manufacturing or providing products or services. MSMEs generate customer value by converting raw materials or essential items into semi-finished or finished products. The government of Indonesia defines MSMEs as productive businesses owned by individuals or entities that have met the criteria (Ministry of Cooperatives and Small and Medium-Size Enterprises, 2019). Burger et al. (2015) suggested that there are five key characteristics of MSMEs in Indonesia, including: (1) most of the companies are micro; (2) the company frequently offers low pay; (3) MSMEs are typically...
less productive than large businesses; (4) business owners typically lack formal education, whereas those with a greater degree of education are more likely to run larger businesses; and (5) Many MSMEs only target local markets and do not actively pursue business expansion.

The growth rate of MSMEs in Indonesia has been impressive, with an increase of 37.9 percent starting in 1999 and continuing to increase thereafter (Tambunan, 2021). However, MSMEs face challenges such as funding, utilizing technology, incompetent managers, regulation, and business strategy (Burger et al., 2015). These challenges impact the ability of MSMEs to develop and continuously grow.

Hangraeni et al. (2019) documented that the factors that influence the growth of MSMEs come from internal and external organizations. Internal factors include human resources, financial, operation, and marketing activities, while external factors include government policy and competition. With respect to human resources, Lazzaroni and Pate (2020) found that highly skilled employees are critical for the success of MSMEs. Investing in employee training and development can increase productivity, improved customer satisfaction, and increased profitability (Ganesh et al., 2018). Istimanah and Widiyanto (2020) found that business capital significantly influences the development of small and medium enterprises. The adequate access to finance is essential for companies to grow (Tambunan, 2021). Sarwoko and Frisdiantara (2016) found that operational and marketing management is crucial to MSMEs, as it manages all matters relating to the company's operations, communication, or good customer relations. Understanding the competition and differentiating themselves from competitors is critical for MSMEs to achieve growth. The government of Indonesia also plays a vital role in supporting MSMEs' growth through national policy and facilitating the promotion of MSMEs, which helps to increase employment and household incomes and decrease poverty.

Overall, the growth of MSMEs in Indonesia has been impressive, but they face several challenges, including funding, utilizing technology, incompetent managers, regulation, and business strategy. Internal and external factors influence the growth of MSMEs, such as human resources, finance, operation and marketing activities, government policy, and competition. Therefore, to sustain their growth and success, MSMEs must address these challenges and effectively manage internal and external factors.

B. Conceptual Framework

This study adopts the strategic management model as the main conceptual framework (Wheelen et al., 2018). Strategic management is a set of managerial decisions and actions that affect an organization's long-term performance. The process consists of four components: environment scanning, strategy formulation, strategy implementation, and evaluation and control. This study focuses on the first three components: environmental scanning, strategy formulation, and strategy implementation. Environmental scanning is the process of monitoring, evaluating, and disseminating information from the external and internal environments to key stakeholders within the corporation (Wheelen et al., 2018). Its purpose is to identify strategic factors, both external and internal, that will assist in the analysis of the corporation's strategic decisions. Analyzing the business environment is crucial because it helps identify potential external and internal influences on business operations, which is essential for creating a strategy appropriate to the business's environment.

To analyze the internal environment, this study employs the VRIO framework, which analyzes a company's internal resources and capabilities to determine whether they can become a source of sustainable competitive advantage (Cardael & Antonio, 2012). The VRIO analysis includes four questions the company must answer to determine whether its resources and capabilities can provide a competitive advantage. On the other hand, for analyzing the external environment, this study employs Porter's Five Forces, a method used to identify and analyze competitive strengths in an industry (Porter, 1979). This analysis helps to determine the strengths and weaknesses of an industry, which can be applied to various segments of the economy to understand the level of competition and increase a company's profits over the long term.

III. METHODOLOGY

This study utilizes qualitative research methods to analyze internal and external factors affecting PTIDM. Qualitative research is chosen for this study due to the need for more in-depth information about the situation (Saunders et al., 2019). This research method lets the authors closely analyze real-life situations and concentrate on natural occurrences.

The primary data for this study is collected through interviews with the owners and employees of PTIDM, which were conducted between January to March 2023. A tape recorder was used to record the interview, and field notes were taken to document useful information. Additionally, secondary data was obtained through library, digital, and online sources.

IV. RESULTS AND DISCUSSION

A. Internal Analysis

The internal analysis found that PTIDM's resources can be categorized as intangible and tangible. Intangible resources include skills and knowledge of IT, products, services, and customers, while tangible resources are the physical office and financial situation of PTIDM, which is mainly sourced from the owner.

The skill and knowledge of IT products include the in-depth technical understanding of various computer systems, hardware components, and software applications. In the interview, Mr. E emphasized the importance of IT skills and knowledge in running the business, which is valuable for PTIDM. By possessing these skills and knowledge, PTIDM is able to provide customers with the latest and most advanced technology solutions customized to meet their specific needs, and provide ongoing technical support to ensure their technology runs smoothly and efficiently. However, this resource is common and easy to imitate.

The study revealed that the products offered by PTIDM are valuable resources. PTIDM offers a wide range of products from reputable brands such as Apple, Dell, Jabra, Logitech, and others, carefully selected to meet the needs and

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requirements of customers, ensuring that they receive the latest and most advanced technology available. The focus on high-quality products has helped PTIDM build a reputation in the existing customer base and minimize product defects or returns issues, which can be costly for the company.

PTIDM’s services are also a valuable resource for the company. The company offers free consultation services to its customers, allowing the company to understand each customer’s specific needs and develop customized solutions that address those needs. The consultation services may cover various areas, including hardware and software selection, system design, installation, and maintenance. The free consultation services also help to create value for customers by providing them with tailored solutions that meet their specific needs, which is particularly important for customers with limited dedicated IT or technical expertise in-house. By providing personalized service, PTIDM can differentiate itself from competitors and build a loyal customer base.

Customers of PTIDM are also considered valuable resources because they provide the company with a source of revenue and help generate business through word-of-mouth. By providing high-quality products and personalized services, PTIDM can build and maintain a loyal customer base, which is crucial for its success. The study found that PTIDM places a high value on building strong relationships with its customers and prioritizes customer satisfaction above all else, which has helped the company build a loyal customer base. However, the owner expressed the need to attract more customers through proper business strategies.

The finance is also valuable for PTIDM, allowing a company to make strategic investments such as infrastructure, technology, and human resources, which can help drive market growth and competitiveness. However, PTIDM’s owners are aware that their financial resources are limited and come from their own pockets. They did not seek other financial sources due to concerns about the potential risks and costs associated with taking on debt. As a result, the owners preferred funding the company’s growth through internal resources, which may limit the company’s ability to make large investments or pursue aggressive growth strategies.

The physical office is another valuable resource for PTIDM. Having a dedicated office space provides a professional image for the company and fosters a sense of community and collaboration among employees. The office also serves as a hub for customer meetings and product demonstrations, which can help build stronger customer relationships. Additionally, the physical office allows the company to store and manage inventory more efficiently, which is essential for the smooth operation of the business.

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<tr>
<th>Resources</th>
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<th>Implication</th>
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<tbody>
<tr>
<td>IT skill &amp; knowledge</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Competitive parity</td>
</tr>
<tr>
<td>Product quality</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Competitive parity</td>
</tr>
<tr>
<td>Service quality (Consultation)</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Temporary Competitive Advantage</td>
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<tr>
<td>Customer</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Temporary Competitive Advantage</td>
</tr>
<tr>
<td>Financial</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Competitive parity</td>
</tr>
<tr>
<td>Physical office</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Competitive parity</td>
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Based on the VRIO analysis conducted, PTIDM's resources can be classified as either competitive parity or temporary competitive advantage. As per Barney (1991), competitive parity occurs when a company's resources and abilities are equivalent to its competitors, thus resulting in no sustained competitive advantage. In such a scenario, the company may achieve average returns but cannot outperform its competitors in the long run. In contrast, temporary competitive advantage occurs when a company possesses a unique resource or capability that is valuable, rare, and difficult to imitate, leading to a temporary advantage over its rivals. However, this advantage may be short-lived since competitors can imitate or develop their own unique capabilities, causing the company to return to competitive parity.

B. External Analysis

The analysis conducted in this study derived from the primary data with interviews and secondary data through observation. The analysis of Porter's Five Forces of PTIDM is depicted in Fig. 1.

The IT industry is highly competitive and presents significant challenges for businesses. This study utilizes Porter's Five Forces framework to delve deeper into the five competitive forces and provide insights into how businesses can counter them.

The threat of new entrants is relatively high due to the low barriers to entry in the IT industry. However, building strong customer relationships and offering high-quality services can differentiate companies from new entrants, making it more difficult for them to establish themselves in the market. Innovation and differentiation, specialized services or products, and imposing high switching costs on customers can also create barriers to entry.

The threat of substitutes is high due to the increasing trend towards digitalization and the adoption of cloud-based services. However, providing high-quality services and developing a reputation for excellence can differentiate companies from competitors and help them succeed in the market. PTIDM's owners also emphasize creating long-term relationships with clients, fostering a sense of loyalty and reducing the likelihood of clients migrating to competitors.

The bargaining power of suppliers is high, and companies like PTIDM must diversify their supplier base and negotiate favorable terms and prices to reduce their dependency on a
single supplier. Staying informed about the latest technology trends is crucial to making informed decisions about supplier relationships.

Buyers’ bargaining power is significant due to their access to online information, allowing them to make informed purchasing decisions and negotiate better prices and terms. To maintain customer loyalty and reduce its bargaining power, PTIDM needs to focus on offering competitive pricing, quality products, excellent customer service, and value-added services.

Finally, rivalry among competitors is high in the IT industry, with many small and medium-sized distributors competing for market share. Regular research is essential to staying updated on the most recent players in the industry. In conclusion, the study provides valuable insights for businesses operating in the IT industry. It emphasizes the importance of building strong customer relationships, diversifying supplier bases, staying informed about technology trends, and offering competitive pricing and value-added services.

V. CONCLUSION AND RECOMMENDATIONS

The internal analysis revealed that PTIDM possesses valuable tangible and intangible resources, such as IT skills and knowledge, high-quality products, personalized services, loyal customers, financial stability, and a physical office. However, some resources, such as IT skills and knowledge, can be easily imitated, and the company's financial resources are limited. Therefore, the company must build a robust business strategy to attract more customers and increase revenue to invest in further growth. Moreover, the external analysis utilizing Porter's Five Forces framework indicates that the IT industry is highly competitive, and businesses face significant challenges. To counter these challenges, companies must create barriers to entry, differentiate themselves from competitors, reduce their dependency on single suppliers, maintain customer loyalty, and stay updated on technology trends. By adopting these strategies, companies can increase their market share and competitiveness. Overall, this study provides valuable insights into the IT industry and can guide businesses in developing a comprehensive strategy to overcome challenges.

Based on the internal and external analysis findings, several recommendations can be made to improve the competitiveness and profitability of PTIDM. First, PTIDM should focus on developing and leveraging its intangible resources, such as the skills and knowledge of its IT professionals and its reputation for providing high-quality services. To achieve this, PTIDM can invest in continuous training and development programs for its employees and build strong relationships with customers to foster loyalty and create a positive brand image.

Second, PTIDM should diversify its supplier base to reduce its dependency on a single supplier. This can be achieved by actively seeking new and reliable suppliers, negotiating favorable terms and prices, and staying informed about the latest technology trends. By doing so, PTIDM can ensure a steady supply of high-quality products and services while reducing the risk of supply chain disruptions and price fluctuations.

Third, PTIDM should consider adopting a more aggressive growth strategy, such as expanding its product and service offerings or entering new markets. This can be achieved by investing in research and development to create new and innovative products, forming strategic partnerships or alliances with other companies, or exploring new business models such as subscription-based services.

Fourth, PTIDM should consider seeking external sources of funding to support its growth and expansion plans. This can be achieved by exploring options such as venture capital, angel investment, or bank loans. While there are risks associated with taking on debt or external investment, such as losing control over the company or facing high interest rates, these options can provide the necessary financial resources to pursue growth and expansion opportunities.

Overall, findings can help PTIDM overcome the challenges presented by the highly competitive IT industry and enhance its competitiveness and funding sources in the long term. By focusing on building and leveraging its intangible resources, diversifying its supplier base, pursuing growth opportunities, and seeking external funding when appropriate, PTIDM can position itself as a leader in the IT distribution industry and achieve sustainable success.

REFERENCES


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