

Analysis of the Sustainable Competitive Advantages of the Creative Industry in Bandung City

Pratami Wulan Tresna
Department of Business Administration - Universitas
Padjadjaran

Sam'un Jaja Raharja*
Department of Business Administration - Universitas Padjadjaran

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ABSTRACT

The creative industry utilises creativity, skills, and individual talents to provide welfare and employment by generating and exploiting the creativity of individuals. UNESCO named Bandung City a creative city in 2015. This study aims to identify the benefits of sustainable competitiveness of the creative industry in Bandung. This study is conducted using the descriptive analytical method. Data collection is performed by conducting a survey and in-depth interviews with the actors of the creative industry in Bandung. The result of the study shows the strengths of the creative industry in Bandung, which are attributed to competitive price, good quality, good relationship with consumers, resellers, and distributors, and high innovation. However, the creative industry in Bandung has limited raw materials, high labour turnover, limited capital, and difficulties in finding trained workers. The external environment of this industry suggests huge market opportunity and advanced technology. However, the threats to these creative industries in Bandung City include the number of substitution goods, easy entry of imported goods, low barrier against the creative industry, plagiarism, and rapid trend changes.

1. INTRODUCTION

The system of creative economy caused the current economic system to shift, which include the agricultural economy, industrial economy, and communication economy. Indonesia is characterised by varied cultures and large population. This country has massive potential to develop a creative economy.

The creative industry has a massive potential to grow in Indonesia because it is a multicultural country with a large population. According to the Ministry of Trade of the Republic of Indonesia, the creative industry utilises creativity, skills, and individual talents to provide welfare and employment by generating and exploiting the creative power of individuals.

Indonesia realises that becoming a creative industry will allow its economy to awaken, compete, and achieve excellence in the global aspect. This objective can be achieved by producing goods and services and by relying on skills, talents, and creativity as intellectual properties. The development of the creative industry in Indonesia is a realisation of optimism and a venue for aspiration to achieve the Indonesian vision, which is to become an advanced country. The aim of this development is to become a highly qualified, prosperous, and creative community. The creative economy is connected to the creative industry (Ministry of Trade of RI, 2008).

Bandung is one of the best cities in Indonesia in terms of creativity. The city is supported by the people of Bandung who are tolerant of new ideas and appreciate individual freedom. The development of the creative industry in Bandung has high potential because the city is strategic to synergising and allowing universities, business actors, community, the government, and media to collaborate. This approach shows satisfactory progress. The leading sub-sectors of the creative industry in Bandung include music, fashion, art, design, architecture, IT, and food.

Bandung City can be a role model for the development of the creative industry. One of the most important approaches is by creating a creative climate or environment. An example is creating a public space with safe infrastructure that allows people engage comfortably in any outdoor activity. An innovative, unique, and responsive public space and city infrastructure easily produces creative ideas and inspiring thoughts. These creative ideas are obtained from face-to-face conversations in melting pots while people are enjoying the sunset in the city. A warm neighbourhood is achieved with the help of public spaces, such as parks or comfortable public facilities. Saturation due to routine can be eliminated when the city ambience creates artsy aesthetics. Moreover, cultural, festival or community events should be organised to show that the city belongs to the people.

An industrial ability in generating better output is an implication that business units understand how to utilise the excellence of owned resources against the challenge of competition and market expectation that tends to be fluctuant anytime (Rumelt, 1984 in Barney, 1991). Therefore, developing a sustainable competitive advantage (SCA) in the business competition is significantly influenced by the strong resources owned by business units (Black & Boal, 1994).

SCA has become an important discussion in the field of strategic management (Porter, 1985). The resource-based view states that competitive advantage and excellent performance in strategic management are related to valuable resources and those that cannot be easily imitated by competitors (Barney, 1991). Competitive advantage is the only aspect that is limited and difficult to imitate. This concept is known as the company's core competency (Prahalad and Hamel, 1990). A company could achieve a sustained competitive advantage by implementing the strategy, which uses the company's internal strength to answer the challenge from the environment while muffling external threats and overcoming internal weaknesses (Andrews, 1971; Ansoff, 1965; Hofer & Schendel, 1978 in Barney, 1991)

Competitive advantage aims to outperform competitors and go beyond the average level of industrial performance. However, a company must first achieve self-comprehension regarding the level of relationship between internal resources, competitive advantage, and performance (Ismail et al., 2010). Thus, a company can implement appropriate business strategies to improve its position by identifying its internal strengths and resource weaknesses.

In a previous study, Fahy (2000) stated that a relationship exists between resources, which become the SCA and company performance. The company that owns key resources, such as tangible assets, intangible assets, and specific capabilities, acquires SCA; these resources positively affect company performance.

2. THEORETICAL FRAMEWORK

Competitive Advantage

According to Porter (1986), competitive advantage is the capability of a company to earn economic advantage above the profit earned by competitors in the market in the same industry. A company with competitive advantage can always understand shift in market structure and effective marketing strategies. Selecting the generic strategy depends on an analysis of business environment to determine opportunity and threat. The study conducted by Porter suggested that the approaches to gain a competitive advantage include offering product or service with their uniqueness rather than competing (differentiation) or focusing on a particular segment (focus).

According to Kotler and Armstrong (2014), competitive advantage is advantage on competitors gained by offering values to consumers, either through decreased price or increased benefits to support higher profit. David (2006) defined competitive advantage as a condition when a company could perform a task that other companies could not or when a company possess something the competitors want. Grant (1991) stated that competitive advantage is a condition when two companies compete (over the same market or consumers) and one company has the level of advantage and potential to earn higher profit than the other.

Valuable, Rare, Imitated to Cost, and Organised (VRIO) Analysis

SCA is commonly used to analyse sustained potential in a company or institution in any field. SCA uses indicators or parameters called VRIO. Further analysis of this condition will determine how a large company with resources obtain a sustained advantage, one of which is temporary advantage. The company should have VRIO resources or ability to obtain SCA. Internal analysis is based on the VRIO framework.

Barney (2012) suggested that VRIO analysis can be used to compare the strengths and weaknesses of a company's internal condition. VRIO test and evaluation include the following questions for each condition:

1. Question on valuable attribute. Does the condition encourage a company to exploit an external opportunity and neutralise external threat?
2. Question on rare attribute. Does a handful company control the condition or is it rarely owned by other companies?
3. Question on imitated to cost attribute. Is the condition hard to imitate or replicate by other companies?
4. Question on organised attribute. Is the condition appropriately supported and managed by a company?

3. RESEARCH METHOD

The qualitative research method is used in this study because this approach creates a current phenomenon about business environment factors in formulating competitive strategy in the field. The phenomenon is the creative industry. The qualitative method can be appropriately used to gain a descriptive result based on the field's phenomenon or phenomenological approach. The result is obtained and analysed in-depth in line with the situation and condition of the object to be observed.

This study requires secondary data, which are data collected by other parties. The data collected were obtained from literature review, the Internet, annual report, interview and mass media.

The documents and other data related to this study were combined with the data gained from informants (primary data), namely, interview-based information and written data from the object of the study. The data include the business environment and creative

industry, competition in the creative industry, government policy on creative industry, company's competitive strategy and supporting resource factor, strength factor, company's importance, market's interest to a company and creative industry and company's obedience and response to the business environment.

Informants were those with in-depth understanding of the creative industry in Bandung City and of competitive advantage in the creative industry.

4. RESULT AND DISCUSSION

The result shows that the creative industry in Bandung City has various types of resources. The first resource includes human resources. The creative industry in Bandung has 2,357 business actors and 51,420 workforces. The second resource includes production. The material of the creative industry comes from Bandung and its surrounding areas. Unfortunately, some business actors have difficulty providing materials due to the condition of the materials, which are easily damaged and not durable. On average, the production process is conducted dynamically, which is performed with make-to-stock and make-to-order pattern.

The creative industry in Bandung City always attempts to create an innovative product. Innovation is evident for companies that operate a creative industry business in Bandung City. Innovation is performed by continually improving products in every aspect, either by creating a new product, different service, or different process.

The marketing of creative industry product in Bandung City is performed in various approaches. Business actors actively use social media to market their products. Social media used include Facebook, Instagram and YouTube. They also attempt to provide the best service to satisfy their consumers. One of the services offered is after-sales service.

The finance aspect of the creative industry is relatively stable because the cash flow of companies is always confidential. Business actors experience difficulty in obtaining credit to expand their business because most business actors in the creative industry operate start-up companies.

Capability is the capacity of a group of resources to perform some tasks or activities integratively, which is the result of the integrated group of resources.

The capabilities of the resources owned by the creative industry in Bandung City are as follows:

1. High qualified standard
2. Product innovation
3. Business actor creativity
4. Product differentiation
5. Service differentiation
6. Unique packaging
7. Selling promotion
8. Price fixing
9. Social media usage
10. High ownership involvement
11. Cash flow smoothness

The core competencies discovered by Hamel and Prahalad suggested that core competencies include a group of skills and technology that allows a company to provide

a particular benefit for customers. Each core competency is a capability, but not all capabilities are core competencies.

Resource and capability sustain competitive advantage if they satisfy these four criteria:

1. Valuable: at allows a company/organisation to exploit an opportunity or neutralise threat from its external environment
2. Rare: owned by current and potential competitors
3. Costly to imitate: if a company cannot obtain resources or it can be obtained at a high cost
4. Non-substitutable: a company manages its resources until they generate full benefit to gain competitive advantage

If these criteria are fulfilled, resource and capability become core competencies. The resource-based model suggests that core competencies are the base of a company's competitive advantage, strategic advantage and capability to gain above-average returns.

No.	Resource or Capability	Value	Rare	Costly to Imitate	Non-substitutable	Competition Consequences	Performance Implication
1.	<i>High qualified standard</i>	Yes	Yes	Yes	Yes	SCA	<i>Above average</i>
2.	<i>Product innovation</i>	Yes	Yes	Yes	Yes	SCA	<i>Above average</i>
3.	<i>Business actor creativity</i>	Yes	Yes	Yes	Yes	SCA	<i>Above average</i>
4.	<i>Product differentiation</i>	Yes	Yes	Yes	Yes	SCA	<i>Above average</i>
5.	Service differentiation	Yes	No	No	No	Competitive Parity	Average returns
6.	<i>Unique packaging</i>	Yes	Yes	Yes	Yes	SCA	<i>Above average</i>
7.	Selling promotion	Yes	No	No	No	Competitive Parity	Average returns
8.	Price fixing	Yes	No	No	No	Competitive Parity	Average returns
9.	Social media usage	Yes	No	No	Yes	Temporary CA	Average to above returns
10.	<i>High ownership involvement</i>	Yes	Yes	Yes	Yes	SCA	<i>Above average</i>
11.	<i>Cash flow smoothness</i>	Yes	Yes	Yes	Yes	SCA	<i>Above average</i>

Source: Survey result (2017)

The table shows the core competencies of the creative industry in Bandung City. The result and its process suggest that some core competencies of the creative industry in Bandung City are gained:

1. Highly qualified standard

Highly qualified standard becomes a core competency because high quality has an extremely high value for a company. Quality determines business sustainability. A qualified product satisfies consumers to obtain loyal consumers. High quality also differentiates similar products from substitute products.

2. **Product innovation**
The product of creative industry highly varies. Bandung City has 14 creative industries. The result of the survey shows that the actors of the creative industry in Bandung have a tendency to produce products or services based on their innovation. Thus, product innovation becomes a core competency of the creative industry in Bandung City.
3. **Business actor creativity**
Creativity becomes a core competency because it is valuable, rare, and hard to imitate or substitute. The main motor of the creative industry is the creativity of actors. The product or service is produced by the business actors.
4. **Product differentiation**
The product and service produced by the creative industry in Bandung City are different from the other products of the other industries, such as the art sub-sector in Bandung City. One of the actors is *Saung Udjo*, which uses *angklung*. *Angklung* is a typical musical instrument that does not exist in other places.
5. **Unique packaging**
Unique packaging is the result of the creativity of business actors of the creative industry in Bandung City. To produce products that differ from those of others, they package the products uniquely, neatly, and beautifully, thereby attracting consumers.
6. **High ownership involvement**
The business of the creative industry in Bandung City is in *Usaha Mikro, Kecil dan Menengah (UMKM)* or Micro, Small and Medium Enterprises scale. Thus, the involvement of the owner remains high. This competency becomes “strength” because owners in the creative industry usually act as the creator of the product and service.
7. **Cash flow smoothness**
Result shows that the cash flow result from the creative industry in Bandung City is in good condition because of a high volume of selling and cash payment system. Cash flow becomes “strength” because the financial condition is in a healthy position.

5. CONCLUSION

The following conclusions are obtained based on the result and discussion:

1. The creative industry in Bandung City has many resources, such as workforce, operation system, marketing, innovation, and finance. These resources drive the creative industry in Bandung City.
2. Businesses with some resources can optimise them into capability. The capabilities of the creative industry in Bandung City include highly qualified standard, product innovation, business actor creativity, product differentiation, service differentiation, unique packaging, selling promotion, price fixing, social media usage, high ownership involvement and cash flow smoothness.
3. The result of the assessment shows that not all capabilities owned by the creative industry in Bandung City can be core competencies. Only seven out of 11 capabilities become core competencies, namely, high qualified standard, product innovation, business actor creativity, product differentiation, unique packaging, high ownership involvement and cash flow smoothness.

4. The analysis result shows that the creative industry in Bandung City has the competitive advantage. Thus, the creative industry in Bandung City can compete with other creative industries in other cities.
5. This conclusion, which is consistent with Widyaningdyah and Aryani's interactive use of PMS, drives the diagnostic use of PMS by the manager to perceive the environmental uncertainty to survive and achieve the competitive advantage.

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