

# CREATING COMPETITIVE ADVANTAGE IN MANAGEMENT STRATEGIES FOR RICE MILLS

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**Abstract:** This study aims to explain the ability to operate rice mills in the long run. This is a qualitative study with a case study design conducted at the Djasa Bhakti rice mill in Turen, Malang. The results of this study indicate that the rice mill environment consists of external and internal. External companies consist of consumers, competitors, suppliers, and government policies. Observation of the external environment is done to find out opportunities, especially for observations of competitors and government policies carried out through the PERPADI Business Community. The internal company itself consists of production capabilities, human resources, marketing, and finance. The internal company continues to be improved to get opportunities. Cost leadership strategies are applied to companies that make companies that can sell 50 tons per month and have competitive advantages. Based on its assets and turnover, PP Djasa Bhakti is a medium-scale rice mill SME. Therefore, future researchers can conduct research related to strategy management practices and competitive advantage in both micro and small scale rice mills and other SMEs.

**Keywords:** Competitive Advantage, Rice Mills, Management Strategies, Porter's Generic Strategies, Low Cost Leadership.

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The business of Rice Mill Company has its uniqueness, especially in Indonesia. It moves in sectors related to staple food and is directly related to the efforts of the nation to achieve food sovereignty. Lately, the dynamics that have occurred in the rice mill business have made most companies, especially in East Java, go bankrupt. From 2014 to 2016, there are ap-

proximately 27000 rice milling businesses in East Java, and around 8,000 rice mills experience ups and downs to go out of business. This is due to many factors, such as government policy on the price of rice and imports, which causes rice mills with small capacities to lose in a competition (Surya.com, 2017).

Only companies that have competitive advantages are capable of operating for a long time. Durability shows that companies have competitive advantages (Asmarani, 2006). This research was conducted at the Djasa Bhakti Rice Mill (PP), which is a company engaged in the rice milling business and buying and selling rice. PP Djasa Bhakti was estab-

lished in 1978 and is proven to be able to operate until now in 2018. The company's ability for decades shows that the company has a competitive advantage.

For PP Djasa Bhakti, the company's ability to operate for 40 years is because the company always being innovative to get opportunities that arise. The company adheres to the views of the Industrial Organization, which considers that external factors are more important than internal. This is because opportunities arise from external companies, then the internal will always be increased to seize these opportunities. To seize this opportunity, PP Djasa Bhakti uses an effective and efficient strategy. Strategy management consists of three stages, that are: formulation, implementation, and performance evaluation (David & David, 2016). The right management strategy can make the company have the ability to operate for a long time and have performance above the average (Sigalas, 2015). So it can be said that the company's competitive advantage lies in its strategy.

The purpose of this study revealed the strategic management practices carried out by PP Djasa Bhakti, starting from the formulation stage, implementation, evaluating sales performance with a target of 50 tons per month. Furthermore, it can be seen that the key to the success and competitive advantage of PP Djasa Bhakti lies in the management of the right strategy.

## LITERATURE REVIEW

### Strategy Management

Strategy management is a whole plan for the use of available resources to deliver the company to a favorable position so that the company can truly achieve the desired goals. Organizations that have a clear strategy will be superior (outperformed) performance compared to organizations that do not formulate their business strategy clearly (Grant, 2013).

Strategy management is an art and science to formulate, implement, and evaluate management decisions that are cross-functional business organizations, which are integrated into business management consisting of marketing, finance, production

or operations, research and development, and computer information systems to achieve organizational success (David & David, 2016)

### Porter's Generic Strategy

Strategy planners believe that long-term strategies should be derived from the company's efforts to seek a competitive advantage based on one of three generic strategies (Pearce & Robinson, 2014). These three generic strategies are overall low-cost leadership in the industry, creating and marketing unique products for diverse groups of customers through differentiation, and creating a special attraction for one or more groups of customers or industrial buyers by focusing on cost or differentiation. Each of these generic strategy choices can yield returns above the average for a company.

### Competitive Advantage

The company is said to have a competitive advantage if the implementation of its strategy is not able to be done simultaneously by competitors and potential competitors. Competitive advantage can be achieved if the company has resources that are valuable, rare, imperfect imitability, and not substituted. A strategic plan can also be said to be a valuable resource for the company because with strategic planning the company can analyze opportunities and threats from its external environment and react to it in the interests of efficiency and effectiveness of the company. Companies are said to achieve competitive advantage if when faced with competition, the company responds by increasing its capabilities, which in turn will have an impact on improving its performance so that competition can be won (Barney, 1991).

Competitive advantage is defined as everything specifically done by companies compared to competing companies. When a company can do something that other companies cannot imitate or have something that is desired by a competing company, it represents a competitive advantage. Normally a company can only maintain a competitive advantage for a certain period because competitors will not remain silent and continue to intimidate and follow these advantages (David & David, 2016)

**METHOD**

This study uses the paradigm of interpretivism that directs research to a thorough understanding of the depth and complexity of a phenomenon (Creswell, 2015). Based on this paradigm, this study used a qualitative approach with case study research design. A holistic single (Yin, 2011). The case study design allows researchers to explore deeply and reveal the strategic management practices of PP Djasa Bhakti that are proven to be able to make the company operate for a long time and is a competitive advantage of the company.

The method of data collection is carried out with various sources, namely: observation, interviews,

study documents, and audio-visual material. Data retrieval using various sources is carried out as a feature of qualitative research with case study design (Creswell, 2015). This study uses interview techniques as the main method in gathering data by using in-depth interviews with semi-structured methods.

The research informants consisted of key informants and supporting informants. The key informant was the leader of PP Djasa Bhakti and supporting informants who were stakeholders. Here are the informants in this study:

**Table 1 Research Informant**

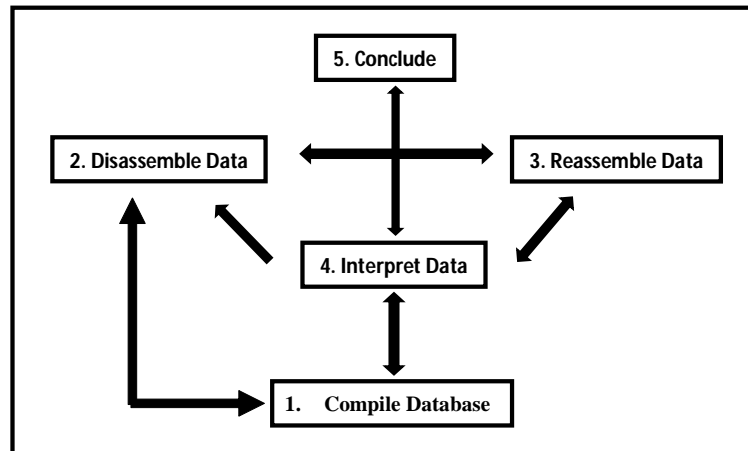
No	Name	Consideration/ Condition
1	Mr. Isnandar Hasyim	Recent Head of PP Djasa Bhakti
2	Mr. Zunaidi	Founder of PP Djasa Bhakti
3	Mr. Teguh	Production Team of PP Djasa Bhakti
4	Mr. Agus	Reseller PP Djasa Bhakti for more than five years
5	Mr. Daud	Supplier of PP Djasa Bhakti for more than 20 years
6	Ms. Mega	Customer of PP Djasa Bhakti for more than five years
7	Ms. Kholis	Customer of PP Djasa Bhakti for more than five years
8	Mr. Wahyu	The head of PERPADANI Malang
9	Mr. Arista	An active member of PERPADANI Malang

Source: Processed Research Data, 2018

Testing the validity of the data is done in several ways such as: (1) test the degree of trust by using the triangulation method, observer triangulation, and member checking, (2) transfer test, (3) dependency test, (4) objectivity (Emzir, 2010). Test the validity of the data carried out in qualitative research is intended so that researchers guarantee that the findings and interpretations are carried out accurately (Creswell, 2015). The data analysis technique uses the Yin method, which consists of five phases. The technique is described as follows:

The first stage is collecting data from the field. Data collection is done through direct observation on PP Djasa Bhakti, interviews with all informants, and observing company records related to the number of sales per month.

Then the interview results are transcribed and simplified directly on the points according to the key information. The process of data reduction can be done repeatedly until data is needed. The second and third stage is the presentation of data where this stage rearranges or organizes information sys-



Source: (Yin, 2011)

Figure 1 Data Analysis Technique

tematically combines and assembles the interrelationships between data, describes the processes and phenomena that exist in PP Djasa Bhakti. At this stage, the validity of the data is tested by triangulating the method and member checking.

The fourth stage is to interpret wherein the objectivity of the researcher is needed by clarifying the bias and interpretation supervised directly by the supervisor (observer triangulation) so that the results in the fifth stage are concluding the overall research purely based on phenomena in the research setting.

## RESULT AND DISCUSSION

### Internal Environment

Collecting data in the research setting resulted in information that PP Djasa Bhakti had its perception of the company's internal environment. The company's internal environment is defined as the environment within the company where the owner holds full control to regulate it. The internal environment will always be improved so that the company can satisfy consumers and seize opportunities. The internal environment considered important by PP Djasa Bhakti includes production, marketing, and human resource capabilities.

Internal companies are important to be audited to find out the weaknesses and strengths of the com-

pany. The review is conducted by gathering information about management, marketing, finance, production, and management information systems. Detected weaknesses must be addressed and developed into a strength. Strengths are emphasized, which are strengths that cannot be imitated by competitors so that these strengths will form special competencies that can give companies sustainable competitive advantage (David & David, 2016).

In practice, the attitudes took by PP Djasa Bhakti in improving its internal, both in terms of production, marketing, and the number of human resources, are a form of maintaining good relations with consumers and stakeholders. For PP Djasa Bhakti, consumers have a special position that needs to be satisfied. PP Djasa Bhakti classifies consumers in the three categories are: project consumers, resellers, and end consumers. Regarding consumer projects, PP Djasa Bhakti is believed to be a supplier of PT. RNI BUMN and supplier of Non-Cash Government Assistance (BPNT) programs with supply needs of up to 200 tons per week. Furthermore, related to consumers of resellers and end consumers, PP Djasa Bhakti observed that the consumer's category had a high level of sensitivity to prices, so produced medium-quality rice that was of high quality but affordable. The term Customer Relationship Management (CRM) is not specifically

conveyed by the leadership of the company, but the behavior of PP Djasa Bhakti which always strives to satisfy its customers through its internal improvement is the implementation of CRM.

### **External Environment**

The Head of PP Djasa Bhakti defines the company's external environment as an environment outside the company that cannot be controlled but has an impact on the company. The external environment is very fast changing and requires companies to be able to adapt to these changes. Analysis of the external environment of PP Djasa Bhakti was carried out on consumers, suppliers, government policies, and competitors.

Rapidly changing environmental changes require companies to use a market orientation approach where consumers have an important position for the company (Rosnawintang, Salim, Thoyib, & Rahayu, 2012). Regarding consumers, what is observed is consumer tastes in rice products. Sensitivity to prices and wanting good quality are the characteristics of rice consumers. This is because rice is a staple food that is consumed daily, and the supply in the market is very large. Thus, consumers pay attention to price and quality by comparing it with rice products from competitors. Therefore, PP Djasa Bhakti always strives to satisfy consumers by providing products that satisfy their desires, namely rice with low-price quality dams.

The second external environment is suppliers. Suppliers can use bargaining power against buyers in the industry by raising prices or reducing product quality (Pearce & Robinson, 2014). Suppliers have a vital position in PP Djasa Bhakti. Therefore, caring for buyers as a supplier of raw materials must be done. The form of caring for a contractor is not doing the tempo of payment and several times borrowed capital, and the assistance of seeds which will later be rice is also sold to PP Djasa Bhakti.

Furthermore, the influential external environment for PP Djasa Bhakti is government policy. The first influential policy was the policy of applying the highest retail price (HET), which regulated the selling price of rice milling rice products. The selling price of rice is limited, while production costs are

always dynamic, even for certain conditions, rice production requires quite high costs because natural factors are unpredictable and controlled. The application of HET tends to be rice milling because profits are limited by rules. The second influential policy was the formation of the Grain Uptake Team (Sergab Team) under the Koramil in each Sub-district, which was tasked with collecting rice from farmers to be absorbed by the government. Private rice mills like competing for rice against the government. The third influential policy was the establishment of the Food Task Force (Food Task Force). The objective of the Food Task Force was to oversee the regulation of the rice milling business from production to distribution. PP Djasa Bhakti was raided several times by the Food Task Force. The issue raised was the quantity of abundant stock and accused of stockpiling, while PP Djasa Bhakti's head explained that the stock was owned by the company to meet demand while stockpiling was done to damage the stability of rice prices on the market. The fourth policy that tends to harm many parties is imports of 2 million tons in 2019. Imports are a place to seek personal benefits for individuals who play in them but unfortunately must sacrifice domestic farmers. The government is considered deemed impartial to the people because it prefers rice imports rather than empowering farmers to be more productive.

The fourth external environment is a competitor. Observation of the company's competitive environment is very necessary. The competition environment will make the company know the current position and determine the attitude for future competition (Kuntjoroadi & Safitri, 2009). The company observes competitors so they can see the superiority of competitors that can be emulated later, and as best they can be surpassed. In addition, competitors are useful in spurring the spirit of companies competing. Competitors provide an overview for PP Djasa Bhakti to operate the company to be superior. Competition between existing competitors is usually the strongest factor from other external factors. Competition between existing competitors requires companies to have better strategies and cannot be imitated by competitors (David & David, 2016).

Especially for government and competitor policies, observations were made through the business community of the Indonesian Rice and Rice Milling Entrepreneurs Association (PERPADI) Malang. This is because, through the community, companies have access to updates and criticize government policies. PERPADI Malang consists of fellow rice mills, which are also competitors for PP Djasa Bhakti so that observations on competitors can be done well. The owner of PP Djasa Bhakti is an active administrator of PERPADI Malang so that the ability of each member can be monitored and the data is used as the basis for PP Djasa Bhakti to set sales targets so that sales performance is above average.

### **Implementation of Strategy and Performance Evaluation**

Strategy management is important for PP Djasa Bhakti to win the competition and as an effort to create a competitive advantage. Strategy management in the company is carried out in three stages, namely the preparation, implementation, and evaluation of sales performance to determine the effectiveness of the strategies used.

The strategy formulation was started by PP Djasa Bhakti by making prior observations on the opportunities available. PP Djasa sees that rice consumers are sensitive to prices, so the strategy to achieve maximum sales is to produce quality rice at affordable prices. Furthermore, PP Djasa Bhakti regularly increases its internal capabilities to be able to seize these opportunities. The cost leadership strategy is the strategy chosen by PP Djasa Bhakti. Cost leadership is formed by using trustworthy suppliers, purchasing large quantities of raw materials and in the form of grain (intended so that the company still has revenues from husks, sash, and groats), procuring large capacity milling machines and polishing machines with a rice dew system. More pure white. Evaluation of the strategy is carried out by monitoring sales performance of at least 50 tons per month for non-project consumers. The company's scheme in compiling the strategy has been carried out from the beginning and proven to make the company able to operate for decades (durability).

The sales performance of PP Djasa Bhakti proves that the cost leadership strategy succeeded in making the company sell at least 50 tons per month. The company's ability to sell at least 50 tons per month for non-project consumers reached 85 percent in the last five years. The achievement was felt by PP Djasa Bhakti to be quite good because especially in East Java, in certain months the need for rice will decrease due to cultural factors and the belief that there are months that are not good for a celebration.

The ever changing conditions of the external environment require companies to develop more rapidly than change itself (Dombrowski, Krenkel, & Wullbrandt, 2018). Companies can achieve a competitive advantage based on one of three generic strategies, namely: low cost leadership, differentiation, focus. The concept of corporate strategy management based on one of the three Porter's Generic Strategies proved to be able to create competitive advantage and make the company perform above the average (Sigalas, 2015). The business strategy carried out by PP Djasa Bhakti, according to Porter (1985) is called Cost Leadership.

Generic strategies from Michael Porter are needed to be able to improve company performance and win a competition, one of which is by leadership over costs that make the company have its place in the minds of consumers, especially for companies that are in a tight competitive environment (Linton and Kask, 2016).

### **Competitive Advantage**

The strategy of PP Djasa Bhakti can be said to be the source of competitive advantage. Strategic management is all about acquiring and maintaining a competitive advantage. Competitive advantage is defined when a company can do something that other companies cannot imitate or have something that a competing company wants (David & David, 2016).

The PP Djasa Bhakti strategy management process is carried out by observing opportunities and continuing to improve the company's internal capabilities, so it is decided to implement a cost leadership strategy, and for evaluation to be carried out on

sales performance. Each stage of the strategy must be done correctly. The strategy used by PP Djasa Bhakti has been proven to make the company able to achieve the sales target of 50 tons per month. The strategy also made PP Djasa Bhakti able to operate for 40 years. Strategic management that is done well and correctly will have a positive impact on the company.

PP Djasa Bhakti has value to many parties. The company has a positive impact on stakeholders. The company's philosophical value, which aims to help alleviate the problem of food, has brought prosperity to many people. The business that is run can absorb the workforce of the people around the factory, and the products that are traded are staple foods so that the company is said to contribute to connecting human life.

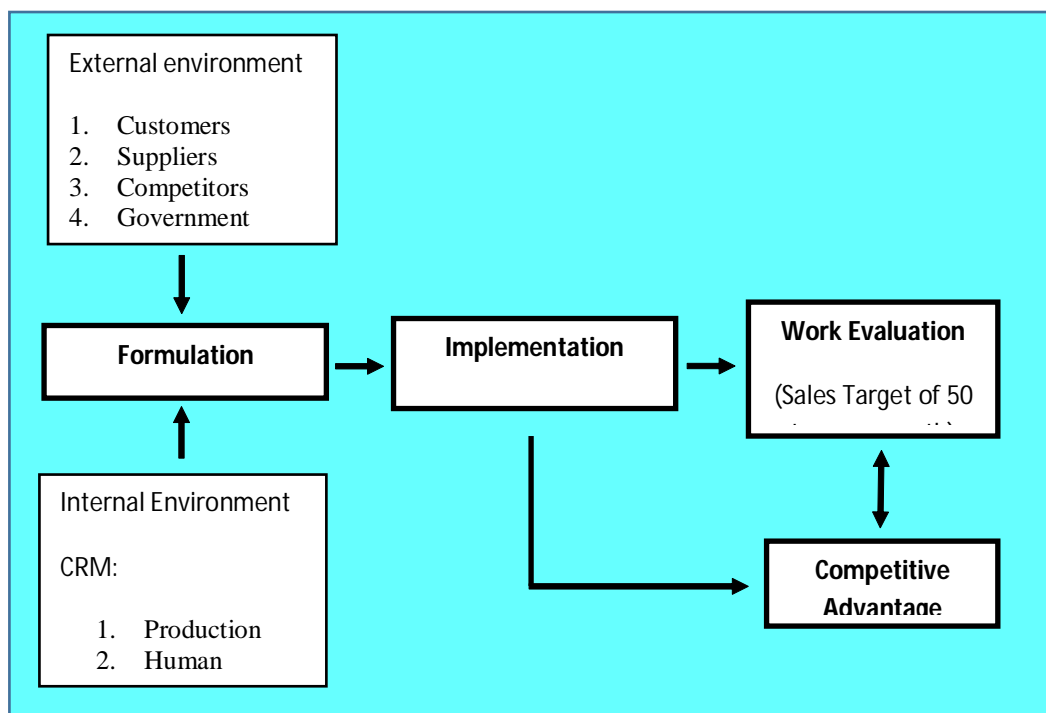
Based on the discussion above, the management of rice milling strategies can be described as follows:

**CONCLUSIONS AND RECOMENDATIONS**

**Conclusions**

The strategy management practices are carried out by the Djasa Bhakti Rice Mill (PP) is carried out in three stages: formulation, implementation, and evaluation. The formulation starts with observing the company's internal and external environment, then decides the strategy to get the intended purpose. Based on the consideration of the results of PP Djasa Bhakti's observations of its internal and external environment, it was decided to implement a cost leadership strategy. An evaluation was carried out on non-project sales performance, which is 50 tons per month.

Djasa Bhakti Rice Mill (PP) defines competitive advantage as behavior that always exploits the market. Competitive advantage is formed through corporate strategies and policies that are dynamic and adaptive for changes that occur. In this study,



Sumber: Research Finding, 2018

*Figure 2 PP Djasa Bhakti's Milling Strategy Management Model*

the strategy was low cost leadership. The strategy is proven to make PP Djasa Bhakti operate for 40 years (durability) which simultaneously shows that the company is valuable, not easily imitated, and not substituted. In addition to durability, non-project sales that always reach the target of 50 tons per month also show that PP Djasa Bhakti has proven a competitive advantage.

### Recomendations

For further research, this study shows the results that rice mills analyze opportunities and continue to improve the ability of the company so that emerging opportunities can be achieved and the strategy to seize these opportunities is the company's competitive advantage. However, this is only done in medium-scale rice mills SME, so that similar research can be carried out on other rice milling industries with different capacities. Research with the theme of strategic management to produce further competitive advantages can also be done in other SME industries.

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