

Competitive Sustainability of Food and Beverage SMEs in South Sulawesi

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Abstract: The study is aimed to identify and solve the problems of why the food and beverage SMEs in South Sulawesi are not able to have a longer sustainability in comparison to the large one and how an integrated model of the sustained competitive advantage is built for SMEs of food and beverage should be built. On the basis of theoretical and empirical findings from many cases in the world, the study identifies four latent variables measured by nineteen indicators possibly affecting the sustainability of food and beverage SMEs in the South Sulawesi. With the use of theoretical approach, the identified four latent variables are constructed resulting six hypotheses. Firstly, the latent variable of the product is related to two latent variables that are the business-specific condition and the sustainable competitive advantage. The latent variables of the process-specific condition are associated with three latent variables that are the product-specific condition, the business-specific condition, and the sustained competitive advantage. The last is the latent variable of the business-specific condition is related to the sustained competitive advantage. Each latent variable studied is reflected by indicators and the whole the fourth latent variables are measured by 19 indicators.

Keywords: Sustained Competitive Advantage, Product, Process, and Business-Specific Condition

Introduction

This study aims to assist food and beverage SMEs in the South Sulawesi in an effort to improve their business continuity. The issue of sustainability is the main issues currently faced by this business. Unlike the large food and beverage businesses, SMEs food and beverage has a high level of competition (Yuli, 2006). The businesses do not only compete with large businesses (Sudaryanto & Wijayanti, 2013) but also compete with other SMEs that provide food and beverage products. This then affects the vulnerability of business continuity. To illustrate, it is very easy for an entrepreneur to set up the business without spending a lot of investment. It is; therefore, new businesses often suddenly appear and threat openly the sustainability of existing businesses. This is also reinforced by the low exit costs so that businesses that have long been operating can also suddenly close.

Another, SMEs of food and beverage play an important role in the regional economy (Sondakh, Christiananta, & Ellitan, 2017). Different from large food and beverage businesses, SMEs mostly use raw materials and auxiliary materials from local products that are generally obtained in traditional markets (Sudaryanto & Wijayanti, 2013). This indicates that food and beverage SMEs have a link with other businesses in the upstream. The connection is established between traders in traditional markets and indirectly with food commodity suppliers as well as farmers in the village.

Apart from the phenomenon, the study of food and beverage industry in Indonesia until recently was widely studied. However, in general, the existing studies stress different objects and focus. Viewed from the research object, research related to food and beverage business mostly focus on large businesses (Salim et al, 2018; Diana, 2017). In fact, there are differences in the nature of business between large one and SMEs (Meilani & Simanjuntak, 2012; Kristiyanti, 2012), some of which are the ease to start the business, and the ease to exit the business, and the use of local content (Latifah, 2016 and Sudaryanto & Wijayanti, 2013).

Furthermore, research on food and beverage SMEs is found mostly related to business performance (Sondakh, Christiananta, & Ellitan, 2017 and Indris & Primiana, 2015) which are measured in terms of finance, marketing (Jauhari, 2014) and operational aspects (Latifah, 2016). Studies focusing on the sustained competitive advantage for SMEs of food and beverage in Indonesia until recently is not widely studied. To the best of our knowledge, there are only a few pieces of literature that discuss the competitiveness of SMEs of food and beverage, such as Matrutty et al., (2018) which emphasizes the importance of production factors such as quality raw materials and the ability to produce quality products.

Based on the given above, the study focuses on the factors leading to a sustained competitive advantage for SMEs of food and beverage in South Sulawesi. The study also addresses how the integrated model of the sustained competitive advantage for SMEs of food and beverage is built by taking into account the product-specific condition, the process-specific condition, and the business-specific condition.

Research Methodology

This research is a library research. Research resources are books, journals and articles on the internet.

Result and Discussion

Sustainable Competitive Advantage. Businesses that are currently superior might not be able to survive and remain superior in the long term. The existing superior business may not be superior in the long run because current advantages can be easily imitated or applied by competitors (Barney, 1986). For this reason, in order to survive in the long term, companies are required to have sustained competitive advantages (Barney, 1986, 1991). It is a sustainable advantage that is not easy to be imitated by other businesses so that the company can excel in a longer period of time. The sustained competitive advantage is very crucial in particularly to businesses facing a high level of competition, such as the food and beverage industry.

There is an extensive literature that has discussed sustained competitive advantages. In general, the existing studies discussed internal capabilities mostly. Among them are Bharadwaj, Varadarajan & Fahy (1993) use a distinctive measure of organizational resources and resources for service companies in service companies. Resource-based viewers like Amit & Scgoemaker (1993) and (Barney (1991) are also internal factors such as resources and capabilities of a business viewed from a strategic factor.

The study measuring sustainable competitive advantage from the point of view of engagement are intertwined with stakeholders, tacit knowledge, and business reputation. To stakeholders, it has been studied currently by some literatures such as Jones, Harrison & Felps (2018) and Long, Looijen & Blok (2018). It has also been previously amplified by Hendry (2001, 2004) that stated the relationship built with fairness, trustworthiness, loyalty, care, and respect will be likely to impact positive financial performance continuously. This study measures the advantages of connection that are intertwined with stakeholders, namely suppliers, consumers, and employees (Kumar & Pansari, 2016 and Grekova et al, 2016). These three stakeholders are believed to be the key important factor to affect the sustained competitive advantage of SMEs in the food and beverage.

Like stakeholder, tacit knowledge as a source of sustained competitive advantage also has been studied by a number of literatures. Maskell, P., & Malmberg, A. (1999) Envy the ability of people in an organization with knowledge creation leads to the ability to direct resources in a competitive way. This also has been echoed by (Rodriguez Perez, & Ordóñez de Pablos, (2003) and Man, Lau, & Chan (2002).

With respect to business reputation, numbers of researchers have been noted as a way to obtain sustained competitive advantage. Hoffman, Hoelscher, & Sorenson (2006) noted that the family business in terms of family capital has a reputation over non-family businesses. Hall (1993) stresses that intangible assets lead to sustained competitive advantages. McWilliams, A., & Siegel, D. S.

(2011) recorded that reputation obtained from social corporate responsibility drives a firm into a position of sustained competitive advantage. Still, Roberts, P. W., & Dowling, G. R. (2002) also found that reputation assumptions have a sustained superior profitability.

The Product-Specific Condition. The competitiveness of business can be built through the products produced (Porter, 1985 and Eniola & Ektebang, 2014). Quality products, low prices (Eniola & Ektebang, 2014 and Meilani & Simanjuntak, 2012), attractive displays (Han, Nguyen, & Lee, 2015), different and appetizing (Mutunga & Minja, 2014) are some indicators leading consumers to consume the product in a sustainable manner (Porter, 1985 and Min & Min, 2011). In addition, the way of presentation also drives up buying behavior (Hanaysha, 2016). The quick delivery time is believed to affect the decision of buyers (Hanaysha, 2016).

H1. The more innovative and attractive the product, the higher the reputation of business.

A business reputation comes from its ability to promote the products produced. The reputation is a result of a combination of products and business characteristics (Rubio, Oubiña & Villaseñor, 2014). Attractive attributes of a product drive up an effort of customer behavior to use or consume directly the products produced (Han, Nguyen, & Lee, 2015 and Tong & Wong, 2014). Product attributes are crucial factors in food and beverage businesses (Tong & Wong, 2014). Indicators of taste, product attractiveness (Han, Nguyen, & Lee, 2015), low cost (Yim, Lee & Kim, 2014), and products appetizing (Han, Nguyen, & Lee, 2015; Mutunga & Minja, 2014 and Tong & Wong, 2014), and quick delivery time (Hanaysha, 2016) will increase brand which in turn drive up business reputation.

H2. The more innovative and attractive the product, the more possible to have sustained competitive advantage.

In food and beverage products, customers are very interested in the looking and taste attached to a product. When the appearance is attractive, there is the possibility to taste the product and it will, in turn, increase the possibility to consume regularly (Han, Nguyen, & Lee, 2015; Tong & Wong, 2014 and Min & Min, 2011). It will lead to increase the sustained competitive advantage of business (Min & Min, 2011). Differently, a common food and beverage product may have customers, but the frequency of purchasing behavior may be lower compared to attractive and tasty food. Besides both factors given previously, the delivery time is also an important note on food and beverage products. Food and beverage are served in a quick time could lead to attracting customers (Hanaysha, 2016). Customers generally do not want to spend the time to wait for foods, when they come, they need to have the served right on the time. When a business could pay attention to the delivery time, it could create an impression that may not be forgotten by customers (Untaru, Ispas & NEACȘU, 2012). The impression will increase the desire to consume the products and services more often. This, in turn, lead to the sustained competitive advantage of the business.

The Process – Specific Condition. One source of the sustained competitive advantage is related to processing activities within a business. It is related to the deployment and the use of resources. Attention to the process makes it possible to produce high and different quality products and services. Hofer and Schendel (1978,p 25) noted that the unique position of a business developed against other business through resource deployment in the process activity.

Many things can be managed in the processing activities to have favorable product suiting with customer preferences. Mytelka & Farinelli (2000) and Sarkar & Costa (2008) emphasize the importance of innovation on the process activities. It is a new method resulting from competencies of people (Rastogi, 2000 and Man, Lau, & Chan, 2002), new materials used (Johnson and Scholes, 2002), and the use of technology to reduce costs and/or produce high-quality food (Buckley, et al. 1988). It could also a way to provide attention to hygiene processing activities (Wang & Yue, 2017).

H3. The better the process, the more favorable the business-specific condition.

The relationship between activities on the process and the business condition has been recorded widely by numbers of literature. Attention provided in the process activities lead to improving the position of products in the eyes of consumers (Ray, Barney, & Muhanna, 2004). A business that pays attention to the process could produce high-quality foods and beverage that will increase customer

preferences (Covin & Miles, 1999). Customers are able to identify the quality product through attribute attached in the products. Activity in the process is a source of putting the attribute in the product that will, in turn, produced innovative and unique food and beverage compared to other (Verhees & Meulenberg, 2004).

H4: The better the process, the more sustained competitive advantage the business.

A business that pays attention to organizational process activities will have products that are sustained competitive advantages. Attention to processes is the way most companies do to increase competitiveness in the market (Ray, Barney & Muhanna, 2004). Attention to the process can be emphasized on aspects of knowledge from human resources (Rastogi, 2000 and Man, Lau, & Chan, 2002), technology (Piccoli & Ives, 2005 and Buckley, et al. 1988), raw materials and auxiliary materials (Johnson and Scholes, 2002) and product hygiene (Chen, Lai, & Wen, 2006).

H5: The better the process, the more innovative and attractive the product.

The Business-Specific Condition. Every food and beverage business have its own different characteristics between one business and another. The existing business tend to have a reputation better than a new one. A reputable business certainly has customers with a high frequency of purchasing behavior (Kang'ethe & Wanambiro, 2016 and Lu & Wang, 2016). The reputation not only built through product and processing activities but also it can be obtained from the business-specific condition. It is obviously different between the business accessible with various modes of transportation than those not easily accessible. In addition, the distinctive business from others can also be obtained convenient facilities provided since it could bring new customers and increase purchase frequencies (Min & Min, 2011). It also occurred when a business to have various promotion mode through the internet. Customers will easily access and perceive company products from complete information obtained through the internet (Castleman & Chin, 2002). Website and social media could be a way to disseminate product attributes to increase sales (Cetinkaya, 2009 and He, Zha & Li, 2013).

Reputation of a food and beverage business can be separated from the business location. Some customer may prefer with a business that has adequate and convenient facilities (Porter, 2000 and Min & Min, 2011).

H6: The Better the Business-Specific Condition, the more sustained competitive advantage the business is.

Business conditions can also affect sustained competitive advantages. Reputable businesses can generate high levels of sales on an ongoing basis compared to businesses that have no reputation (Kang'ethe & Wanambiro, 2016 and Lu & Wang, 2016). Reputation makes customers be loyal to products (Terblanche, 2014). Besides, the condition of the business place is also a concern by consumers. Consumers tend to buy food and beverage products in businesses that provide pleasant and comfortable facilities (Kozak & Rimmington, 1998). In addition, the ease of access to business premises is likable by consumers. the consumers can come in anytime when accessible by transportation (Min & Min, 2011). This could lead the frequency of purchasing behavior.

Information on products offered by food and beverage businesses also has a high influence on business continuity. New consumers will find it easy to recognize company products from internet information (Rousseau, 2012; Castleman & Chin, 2002 and Cetinkaya, 2009). Consumers who have consumed company products can use the internet to make reorder of company products if they are satisfied (Castleman & Chin, 2002;). This will increase business performance and in the long run, it will lead to sustained competitive advantages.

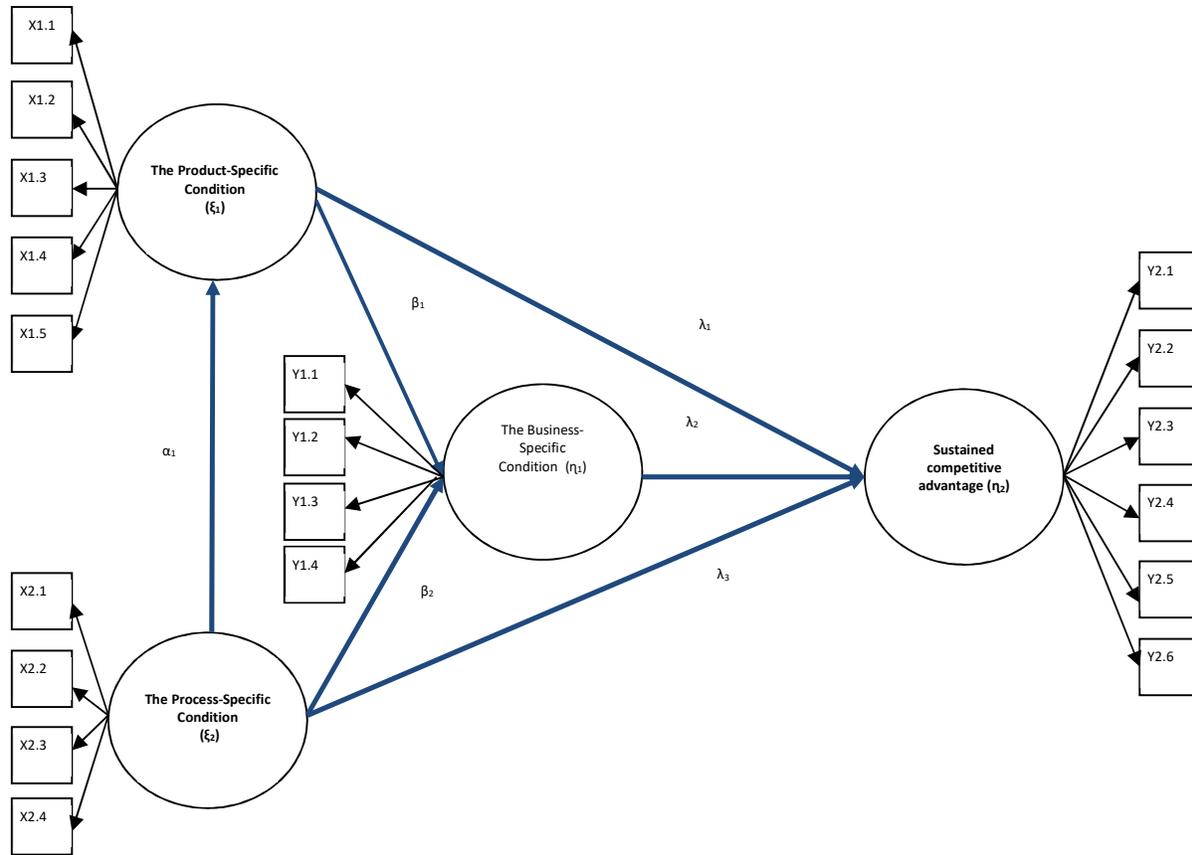


Figure 1. The Conceptual Proposed Model for SMEs of Food and Beverage in South Sulawesi

Conclusion

The condition of SMEs business competition of food and beverage in South Sulawesi is quite high. This is indicated by the number of existing businesses operating in that area, the ease of establishing a new business, the ease of exit from the business activity. These conditions reflect continuity problems faced by food and beverage business in the South and West Sulawesi. The issues are very crucial since SMEs of food and beverage provide a high contribution to the region. SMEs of food and beverage have a high connection with various businesses in the downstream, trader in the traditional market, commodity suppliers, and farmers. It is therefore, the study conducted a conceptual model with the use of literature and empirical evidence to build an integrated model.

On the basis of literature and empirical evidence, the study found that three construct latent variables that could affect sustained competitive advantage of SMEs food and beverage. The three variables are found to result six path hypotheses built to develop an integrated model of sustained competitive advantage. Each construct is measured by a number of indicators and the whole construct latent variables are reflected by 19 measurable variables.

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