



Building the Competitiveness of Traditional Retail Supply Chain Management Through the Actualization of Pancasila Values (Empirical Evidence of Traditional Javanese Retail in Kediri, East Java, Indonesia)

Ema Nurzainul Hakimah^(✉), Armanu Thoyib, Noermijati, and Risna Wijayanti

Brawijaya University, Malang, Indonesia
emahakimah@unpkediri.ac.id

Abstract. The purpose of this research is to find out a new perspective to build and create competitiveness for MSMEs businesses in the field of supply chain management as well as grounding the values of Pancasila awareness towards a solid, advanced and independent Indonesian economy. This study's findings show that the supply chain management policies implemented by traditional Javanese retailers in Kediri implement the first precept, "Belief in the one and only God", the second precept, "Just and Civilized Humanity", and the fifth precept, "Social justice for all Indonesian people" become the foundations to create and maintain relationships between suppliers and buyers.

Keywords: Pancasila values · retail supply chain management · traditional retail

1 Introduction

Indonesian individually and socially was quite depressed at the beginning of the Covid-19 pandemic. However, this depressed period did not last long, as economic and social pressures are now more acceptable; thereby, in general, the psychology of the Indonesian people is now entering the growth power phase [1]. The government data survey showed that MSMEs in East Java showed a decline in sales of 64–71% [2]. However, some MSME actors can adapt to change at the practical level and continue to run their businesses, grow as usual, and even increase their business assets during the Covid-19 pandemic [3].

A business must be managed with profit maximization principles to create sustainability and competitiveness. Businesses based on the noble philosophy of the Indonesian nation, namely Pancasila, are different because they involve the values of religiosity, kinship, local culture, and mutual partnership, which are the personality of the Indonesian people [4, 5]. One of the essential activities in a business is logistics and supply chain management. SCM includes "the planning and management of all activities involved in procurement, conversion and all logistics management activities, including coordination and collaboration with channel partners (suppliers, intermediaries, party service providers, and customers), the essence of which is integrating supply and demand management" [6].

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W. R. Murhadi et al. (Eds.): INSYMA 2022, AEBMR 223, pp. 903–911, 2023.

https://doi.org/10.2991/978-94-6463-008-4_113

The business systems and logistics and supply chain management applied to traditional retail MSME businesses are different from the SCM theory developed in Western economic societies. The necessity of making materialistic profits does not fully underlie the MSME business mechanism, especially traditional retail [7–9], because their business applies the strong foundation and roots of the Indonesian nation's philosophy of personality. The implementation of Pancasila values which are the strength of the people's economy, has been proven to solve business problems such as determining selling prices, paying taxes, investing, and profit-sharing [3–5, 10].

2 Research Methods

This study used the archipelagic paradigm, known as a perspective on the phenomenon of the archipelago. A pluralistic archipelago has cultural diversity, which later becomes one at the peak of national culture. As the philosophy of national and state life, Pancasila has a strong ontological, epistemological, and axiological basis in guiding human interactions and activities individually and in groups. Each Pancasila precept has justified its historicity, rationality, and actuality. Ontologically, the God Almighty value or religiosity is a source of ethics and spirituality in Indonesian society [11].

This study is qualitative research that cannot be generalized. However, it can allow researchers to be directly involved in collecting scientific data in logistics and supply chain management practices that seek to become a competitive advantage for Indonesian traditional retail MSMEs.

This research method was chosen to solve the classic problems faced by MSMEs, namely limited capital/finance and logistics and supply chain management, and evidence of the researchers' awareness to respect and appreciate that Pancasila is the philosophical foundation of policy, not just jargon. The perspective of the holistic archipelagic paradigm sees that integrally, spiritual material is the driving force for the application of nationality and culture [12, 13].

Data were collected by observation and in-depth interviews with informants. The research theme began with the general view of traditional retail MSME players regarding business and logistics and supply chain management. The next theme was bringing traditional retail MSME actors into human beings who have Pancasila awareness. The last theme realized competitive business management based on awareness of the actualization of Pancasila. The period of observations, interviews, and the closeness of researchers with research informants indirectly proves the validity of the data [14, 15]. The informants of this research were traditional retail MSME actors who live in Blabak village, Kandat sub-district, Kediri district. This village was chosen as the research site because of its location in the sub-urban area (the suburbs of the district bordering the Kediri city area), with the majority of the community being Javanese and having the growth of traditional retail MSMEs, and the most traditional markets [16]. The list of names of informants and roles in this study is shown in Table 1.

Furthermore, the research discussion was carried out by balancing the perspective of objectivity with the subjectivity of traditional retail MSME actors on business practices that actualize the values of Pancasila.

Table 1. List of Research Informants (Nicknames)

Informant Name	Role
Puk (Informant 1)	Traditional Retailer
Er (Informant 2)	Traditional Retailer

3 Results and Discussion

3.1 General Views of Traditional Retail MSMEs About Business Chain Management

Bookkeeping of business activities, financial administration, attitudes, and motivation in managing a business, especially in purchasing activities and supply chain management, is a must because it will be a source of information in making business policies [17]. Therefore, traditional retail MSMEs should not ignore it. Different motivations or reasons for starting a business encourage implementing different business management. The meaning of “helping” relatives, neighbors, and “pity” conveyed by traditional retailer MSME business actors is different from the theory and business philosophy of capitalism which puts forward the reasons for profit.

In receiving merchandise, informant 1 said, “no matter how much I deposited my money, I never count as I believe what is billed the next day”. The theory of financial management and accounting conveys the importance of financial and accounting information in MSME, and accounting will always be attached even though it is limited to being applied [18]. As for the logistics and supply chain management system, the statements from these two traditional retail MSME actors are different because they have different beliefs and backgrounds in different situations or conditions. In the anti-fragility P&SCM (Purchasing & Supply Chain Management) literature, MSME actors are required to have the ability to take advantage of irregularities rather than avoid these irregularities. The irregularity of the P&SCM system and the traditional retail business system, which take a negative approach away from the irregularities that result in risk [19, 20], are differently treated based on the perspectives of the two informants (Fig. 1).

The different perspectives of the two traditional retail MSME actors are in line with the introduction of the P&SCM management system in the last 25 years, where the editor conveyed that based on the editors’ reflections regarding the supply chain, there are three things that are the subject of discussion, namely suppliers, relationships, and networks.

The business perspective and logistics and supply chain management system that was built against a background of lack of knowledge and uncertain conditions due to the Covid-19 pandemic by traditional retail MSME actors can provide positive confidence in the business being run and provide enrichment of experience and competence in managing P&SCM in a difficult situation.

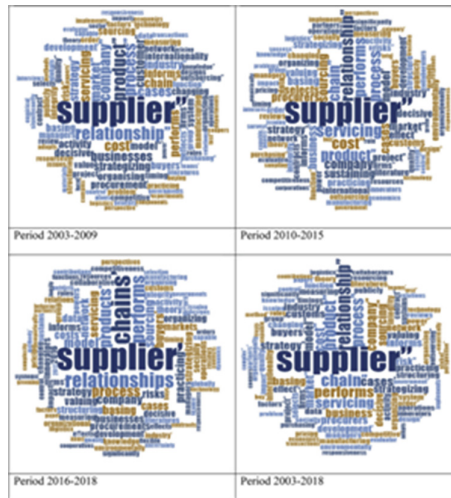


Fig. 1. Word Cloud by Period for Publication of the Journal of Purchasing and Supply Chain from 2003 to 2018.

3.2 Delivering Traditional Retail MSME Actors to Humans Who Have Pancasila Awareness

Modernization negates the existence of God, individualistic, and powerful, certainly not in line with basic human assumptions and the values of Pancasila as a way of life and the legal basis/economics of the Indonesian nation, which researchers will present in this study, namely the implementation of Pancasila values to complete classic problem of traditional retail MSME business. The condition of full of disorder and uncertainty must be controlled and turned into opportunities for profit [20, 21].

Culture, philosophy, and ethics, which are aspects of life closely related to individual behavior in living their lives, become the fundamental values of Pancasila formulation. Pancasila is the basis of all laws [4, 5, 22, 23]. The values of Pancasila, which must be the legal basis and guide for Indonesian human activities, are derived from the core values of each of the Pancasila precepts. The first precept becomes the spirit of the second precept, the third precept, the fourth precept, and the spirit of the fifth precept. Furthermore, vice versa, the fifth precept is based on the previous precepts. From the historical formation of the first precept, which is the basis of all the precepts in Pancasila, it is depicted that all of the founding figures of the Indonesian nation aspire to the philosophy of the state and the basis of the Pancasila state, which upholds the existence of pluralism and diversity of culture and religion in Indonesia, in order to defend the Unitary State of the Republic of Indonesia (NKRI) [24, 25].

3.3 Competitiveness of Logistics and Supply Chain Management Based on Awareness

The subsequent discussion is based on observations and in-depth interviews with informants 1 and 2 in managing the traditional retail MSME business, especially the logistics

and supply chain management system (P&CSM), which is practiced daily. Although experiencing difficulties and reciting the precepts in Pancasila, especially the points in the precepts of Pancasila, it does not mean that the Indonesian people, especially Generation Z, expect Pancasila to be lost or even replaced with other philosophies [26].

Based on Tirto.id research 93.94% indicates that Generation Z disagrees that Pancasila as the basis of the state/state philosophy is replaced [27]. What about the millennial generation or Generation Y (born 1981–1994) in understanding and grounding the values of Pancasila in life? The two informants who work as traditional retail MSME actors, where MSMEs embody the Pancasila economy, then how the implementation of Pancasila values can be interpreted from the results of observations and in-depth interviews with the two informants.

Figure 2 shows how the representation of logistics management and supply chain management of informant 1 visually shows the increasingly complete availability of merchandise. The testimony of informant 1 proved that even though he recited the precepts backward and forwards, he was able to mention the five precepts in Pancasila. At the same time, in practice, he emphasized that it was believed that the values in the Pancasila precepts from the first to the fifth precepts were like the teachings of his belief as a Moslem (Islam people), which must be carried out to get blessings from Allah, in return for carrying out Allah's commands.

The statement quoted in the interview could be interpreted that the value of *'ta'awun'* (helpful) [28], mutual partnership based on belief in God, is the implementation of the first, the second, and the fifth precepts of Pancasila. Each answer always begins with the *'kalimah thoyibah'* (a good sentence), mentioning greatness and expressing gratitude for the presence of God; it reflects the mental attitude and primary motivation for running a traditional retail business and managing P&SCM, not only fulfilling the necessities of life (material values) but also reflect the high spiritual value of the informants.

Figure 3 illustrates that there has been a very positive development of traditional retail MSMEs, informant 2, even though for approximately two years, they have been in a period of disorder and uncertainty due to the Covid-19 pandemic.

The interview results show that the informant is very aware and full of confidence in running his traditional retail MSME business, especially the strategy of managing logistics and supply chain management (P&SCM) based on personality values that come from his country's philosophy of life, namely Pancasila. Implementing the first precept,



Fig. 2. The Information 1's shop condition in the early pandemic at the end of 2019 and the current condition in 2022.



Fig. 3. The Informant 2's Shop Condition in the Early Pandemic at the End of 2019 and Current Condition in 2022.

which is proven by expressions of gratitude and belief in praying for each other with partners/suppliers, shows that informant 2 believes in God's involvement in every success of his business. The implementation of the second precept is reflected in the supplier's attitude that giving excess scales is a manifestation of tolerance, and informant 2 is willing to help fellow human beings (helpful and kinship). The attitude of working hard, realizing prosperity with suppliers (maintaining good relations with suppliers), and a positive spirit of running a business even during a pandemic reflect the fifth precept.

Suppose the P&SCM theory states that logistics and supply chain management are about maintaining suppliers, relationships, and networks [29]. In that case, the Javanese ethnic traditional retailer, based on the observations and in-depth interviews above, proves that they have been able to survive and change it. This is a lucrative opportunity during the Covid-19 pandemic. By implementing and grounding the values of Pancasila in the management of its P&SCM, it can create competitiveness to overcome financial constraints and manage logistics and supply chain management. In unstable and risky conditions that threaten the survival of their business, traditional retail MSMEs prove that their business still exists and even grows.

4 Conclusion

The results of data analysis and discussion show that the perspective of Javanese traditional retail SME actors, when starting and managing their business, have positive thoughts because they present the existence of God and trust with partners (suppliers) and their networks so that everything is addressed with positive thoughts and enthusiasm. This personality and business principle reflects the personality and mental attitude of the Indonesian people, which is the embodiment of the first, second, and fifth precepts of Pancasila.

The most important conclusion from this research is that the implementation and action of grounding the values contained in the Pancasila precepts can be a solution. Mental attitudes, beliefs, and personalities that always present the values of Pancasila make the human resources who manage it tough and able to create a unique and competitive P&SCM management. So that the results of this study can be implemented on MSMEs in Indonesia, especially in Java. The willingness to keep trying and work hard is an option to survive and control uncertain things. The implementation of the first precepts of God Almighty always believes in the existence of God, as a Muslim believes

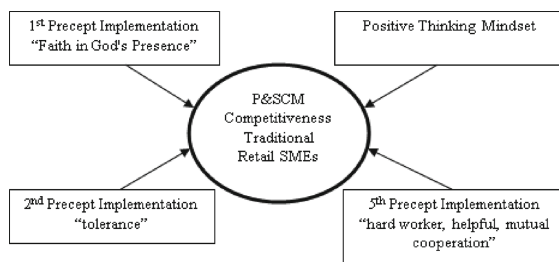


Fig. 4. The P&SCM Competitiveness of Traditional Retail SMEs.

in ‘QS: Al Insyirah, verse 6’ “Indeed with difficulties there is always ease”. So it is appropriate for a human being who has a religious nature to continue to think positively and continue to work hard, followed by gratitude and patience. Thus, we can illustrate a summary of the findings of this study (Fig. 4).

This study has limitations in the number of informants and the breadth of informants’ coverage, so it is highly recommended to examine the implementation of Pancasila values in other business practices and management fields.

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