Business Strategy Based on Opportunity and Unique Competency to Improve Competitive Advantage of Tourism Business in West Java

Santo Dewatmoko, Meydia Hasan, Sucherly, Hilmiana
Doctoral Program in Management
Faculty of Economic and Business, Universitas Padjadjaran
Bandung, Indonesia
santo.dewatmoko@gmail.com

Abstract

The role of regional creative industries is an integral part of nationwide creative economic development. The creative economy plays a strategic central role and a significant contribution to creating the added value for the national and regional economy. However, products of creative industries have not been the prime attractiveness of West Java. Hence, the region requires some uniqueness as an identity of the attractiveness of tourism in order to be competitive to other regions. In this sense, West Java needs a business strategy to leverage its competitive advantage. The purpose of this study is to investigate the influence of the developing and exploiting an opportunity and competency, business strategy, and competitive advantage of the tourism sector in West Java.

This research is a literature review for building literature background for the next phase of research, which will be an empirical research. The empirical research will be conducted in 27 regencies and cities in West Java. The expected outputs of this research are some hypotheses about the influence of creative economy, which consist of developing and exploiting opportunity and unique competency on business strategy and competitive advantage of the tourism sector in West Java.

Keywords: Business Strategy, Competitive Advantage, Creative Economy, Opportunity, Tourism, Unique Competency.

Introduction

Indonesia is a country that has many potential scattered throughout the archipelago. Creativity and innovation in national development are required to optimize these potentials, including natural resources, cultural diversity, and human resources. In line with the trend of the world today, the Indonesian government has initiated the concept of the creative economy to support local, national, and global economic development.

The terms of ‘creative’ and ‘economy’ are relatively not new. Howkins (2014) asserted that the newness is the nature of the relationship between them. In this sense, the creative economy is an evolving concept (Wijngaarde, 2015) from the cultural to creative industries (Garnham, 2005; Cunningham, 2002), based on creative assets potentially generating socio-economic growth (Santos-Duisenberg, 2015). As emphasized by DeNatale & Wassall (2007), creative economy is represented by the ‘cultural core’ that includes occupations and industries that focus on the production and distribution of cultural goods, services and intellectual property.

Santos-Duisenberg (2015) highlighted that creative economy is a new source of economic growth that needed to promote. At the heart of the creative economy is the creative industry. The creative industries are among the most dynamic sectors in the global economy. They embrace economic, cultural and social aspects interacting with technology, information, and tourism sectors.

Tourism in Indonesia, along with creative economy and creative industries, is a potential renewable sector to be developed. In this regard, the tourism sector, from year to year, has increased significantly. The tourism sector in general can be a trigger for economic growth and social welfare. The tourism sector is able to provide a positive impact on the socioeconomic conditions of society.

In Indonesia, in recent years, the tourism industry ranks 4th or 5th as foremost income for the country. Meanwhile, other business sectors such as oil and gas, coal, rubber, and textiles, which rank 1st to 4th, tend to decrease in accordance with their character as “non-renewable” products. It is believed that those sectors will be exceeded...
by the tourism sector in 2019, with a target of 275 millions of tourist arrivals (foreign and domestic). Therefore, the government sets tourism as one of the five leading sectors and provides significant budgets to the achievement of the main targets of tourism development (Ministry of Tourism of Indonesia, 2016).

The issuance of Presidential Decree No. 92/2011 formally initiate creative economic activity in Indonesia, because it has strategic value for Indonesia: providing significant economic contributions, creating a positive business climate, raising the image and identity of the nation, using renewable resources, encouraging the creation of innovation, and providing positive social impact. Aside from creating value-added, creative economy also employs many workers. Creative economy is also creating high foreign exchange. In relation to tourism, creative economy is able to improve the quality of tourism as an attraction in the tourism destinations as well as a media campaign for tourism.

National creative economic development cannot be separated from the role of the regional creative economy. Development of the creative economy in regional areas is characterized by several conditions. These conditions are the commitment of regional leaders to develop the creative economy in the region, where public areas are utilized by people to develop into a creative, sustainable infrastructure to support the creative process, the presence and activity of the creative community, events as media appreciation of the creative industries, support from local government, the existence of formal education institutions that support creative industries, and the creative industry development planning document. Public areas that can be developed are cultural park, square, youth centers, malls or plazas, sports arenas, museums, galleries, or other places that can be used as gathering places for the perpetrators creative in a city or county, or even at the district level.

West Java is one of the provinces in Indonesia which has a great tourism potential. West Java has a natural condition with a complex geological structure. West Java has beaches, mountains, forests, rivers, waterfalls, agro, lakes, caves, springs, islands, national parks, wildlife sanctuaries and nature reserves. The biggest attractions of West Java are the natural sector, as many as 335 attractions, then the cultural sector with only 121 attractions and special interest sectors with 158 attractions. It shows that the culture, which is part of the creative economy product, is still not the main attraction in West Java. Based on data from the Department of Tourism in West Java in 2012, it is known that the highest number of visits, both foreign tourists and domestic tourists are to the object natural attractions, namely to Ciater (Subang Regency), Tangkuban Perahu (Subang Regency), Pondok Bali (Subang Regency), and Taman Safari Indonesia (Bogor Regency).

West Java has a lot of natural tourism potential, but when compared with other regions, such as Bali, West Java is not a priority tourist destination. In a study of committee drafting team of creative economic development in five areas of West Java in 2011, it is known that the bureaucrats in the area are facing difficulty to implement the Presidential Instruction No. 6/2009, which became the basis of creative economic development policy. The team also found that the economic potential of creative-based arts and culture is the basic capital that needs to be developed systematically. The main issues facing the region are the problem of financial capital, infrastructure, promotion, marketing, and the minimal knowledge capital.

As a consequence, West Java requires a specific characteristic or uniqueness as the identity of the tourism attraction of the object to be competitive in the other provinces. To improve competitiveness, it needs a business strategy in supporting competitive advantage, which is the company’s ability to display one or more ways in which competitors are not able to match it. Competitive advantage is built and maintained by adding value for the customer (Dirisu et al., 2013). Competitive advantage is a collection of strategies to determine the benefits of a company from the competition between other companies. Measuring competitive advantage, according to Bharadwaj et al. (2008), is the uniqueness of the product, rare, not easily replaced that does not have a similar replacement.

Almost in all organizations, there is a good association between the company’s competitive advantage and its performance. These advantages lead the company towards attaining high profits. According to Rose, et al. (2010), it is inspected that the organizational edge from the resource based view is as vital as it can be. It is used as conceptual guideline for business organization for enhancing their differential advantage position. The performance via appliance and manipulation of known internal resources of companies are also increased by using competencies. Morgan, et al. (2004) asserted that general work has shown a considerable association
between these two variables. Porter (1980) gave us the hypothesis of sustainable competency that was strongly established as the prime account of sustained superior performance (Rose, et al., 2010).

Business strategy in the tourism sector is influenced by external and internal factors. External factors associated with developing and exploiting opportunities, while internal factors associated with developing and exploiting the unique competence. If the competitive advantage is not optimal, then the performance of businesses in the tourism sector will be hampered. It is due to the lack of business strategy implementation based on opportunity and unique competency.

This article explores the implementation of business strategy in tourism sector based on opportunity and unique competency in a creative economy framework to improve the competitive advantage of the tourism sector. It is a preliminary study to further analyze the business performance in tourism in West Java.

Literature Review

Strategic Management and Business Strategy

Strategic management is a set of managerial decisions and actions of long-term decision making in the company. This includes the analysis of environmental (external and internal), strategy formulation, strategy implementation, and evaluation and control (Wheelen and Hunger, 2012). It is something that made the manager to set the company's strategy to achieve the goal of the company (Robbins & Judge, 2012). It is also an art and knowledge in formulating, implementing, and evaluating decisions of a cross-functional organization to achieve its objectives (David, 2013). It can be concluded that strategic management is an art and knowledge in formulating and evaluating decisions in order to achieve the objectives of an organization, as well as strategic management is used to refer to the formulation, implementation, and evaluation of strategies.

The purpose of strategic management is to exploit and create a variety of new and different opportunities for long-term planning. The strategic plan is a tactic for a company and strategic planning is also widely believed as the answer to all problems. Strategic management is a set of decisions and actions that are used to formulate and implement strategies that are highly competitive and appropriate for the company and its environment to achieve organizational goals. Strategic management tried to organize qualitative and quantitative information in a way that permits the adoption of effective decisions under conditions of uncertainty that surrounded him. In essence, strategic management is about how to obtain and sustain a competitive advantage, and a strategic plan is a tactical game of a company.

The company's strategy can be seen as a theory of managers about how to obtain and sustain a competitive advantage. A company can achieve a competitive advantage by improving internal resources, capabilities, and relationships to the opportunities in the external environment. Strategy as a theory about how to compete gives managers a map that is used as guide directions in the area of competition. The more accurate the map, the more strategic is the decision making of managers. In a competitive world, managers test their theory in the market. The relative performance of a company in a competitive market to provide feedback required managers to assess how well the strategy is to achieve a competitive advantage. Thus, the strategic management process is a never-ending cycle of analysis, formulation, implementation, and feedback of business strategy.

This paper utilizes the concept of business strategy from Porter (2008). It is the art, science, and craft of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives. It is the process of specifying the organization’s vision, missions, and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives and then allocating resources to implement the policies, and plans, projects and programs. Strategic management seeks to coordinate and integrate the activities of the various functional areas of a business in order to achieve long-term organizational objectives. A balanced scorecard is often used to evaluate the overall performance of the business and its progress towards objectives. The dimensions of business strategy are the entry of competitors, the bargaining power of buyers, the threat of substitutes, the rivalry among the existing players, and the bargaining power of suppliers.
It is inevitable that tourism is an alternative form of economic development (Wilkinson, 1989). The involvement of government and related industries in tourism may create possible business strategies to develop tourism. It is important to formulate an integrated business strategy in tourism, especially in developing human resources through integrated strategy for education and training in tourism sector (Pollock and Ritchie, 1990). In this information era, the information technology (IT) is a central part of tourism business strategy (Mutch, 1993), including information and communication technology, telemarketing, and media. In many countries, business strategy in tourism has been embraced to reduce poverty and enhance economic development (Croes & Kubickova, 2013). A strategy to enhance the competitiveness of company should be oriented towards creativity and innovation. In this sense, the creative economy is indispensable to the tourism business.

Creative Economy and Creative Tourism

Economic orientation evolved; experienced a shift from the era of agricultural economy, industrial economy, until now the creative economy. Developed countries began to realize that this time they cannot rely on the rule in the industry anymore, but must rely more on human resources creativity, so that in the 1990s it began a new economic era that intensifies information and creativity that has been popularly called creative economy (Ministry of Trade of Republic of Indonesia, 2009).

Development in the tourism sector has a very important meaning in terms of various aspects. Tourism has contributed to foreign exchange earnings, employment creation, expanding business opportunities in the formal and informal sectors, increasing revenues to the central government and the regions through various taxes and levies, increasing people’s income, and the distribution of development which is reflected in the Gross Domestic Product (GDP) each year.

Creative tourism is considered to be a new generation of tourism that supports the creative economy. The first generation was “beach tourism,” in which people come to a place for relaxation and leisure; the second was “cultural tourism,” oriented toward museums and cultural tours. “Creative Tourism” involves more interaction, in which the visitor has an educational, emotional, social, and participative interaction with the place, its living culture, and the people who live there. They feel like a citizen. This third generation requires that managers also evolve, recognizing the creativity within their city as a resource, and providing new opportunities to meet the evolving interests of tourists. While creative tourism must be linked to culture, the particular cultural expressions will be unique to each place.

Creative economy within the scope of business in the tourism sector requires a particular business strategy, bearing in mind the strategic environmental analysis. In connection with that, the environmental analysis at least pays attention to external and internal factors. External factors associated with developing and exploiting opportunities (DEO), while internal factors associated with developing and exploiting the unique competence (DEC). This paper seeks to analyze the relationship of DEO and DEC as internal and external factors of creative economy with business strategy in tourism sector.

Conceptual Framework

The proposed framework integrates the develop & exploit opportunity (DEO) and the develop & exploit unique competency (DEC) as external and internal aspects of creative economy that influence the business strategy and competitive advantage in tourism sector. This framework can be summarized as follows:
The hypotheses of this study are as follows:
H1 The development and exploitation opportunity (DEO) has a significant influence on business strategy (BS).
H2 The development and exploitation competency (DEC) has a significant influence on business strategy (BS).
H3 The development and exploitation opportunity (DEO) has a significant influence on competitive advantage (CA).
H4 The development and exploitation competency (DEC) has a significant influence on competitive advantage (CA).
H5 The business strategy (BS) has a significant influence on competitive advantage (CA).

Research Methodology

The research will be conducted in West Java using all staff at Government tourism office in West Java with 27 Departments of Tourism in the District/City. Assuming the employee at any Department of Tourism in the District/City is in average of 50 people, the total population of staff employees is 1,350 people. Associated with hypothesis testing, a technique most appropriate sample size used is the technique of a priori sample size for SEM. The minimum sample size that should be taken in this study is 324 respondents. Data will be collected on a Likert type scale, where 1 indicated minimum agreement and 5 indicated maximum agreement. Then we will process the data using partial least square (PLS) method considering the flexibility given by the PLS method and the total respondent that we can collect during this modeling approach to SEM with no assumptions about data distribution (Vinzi et al., 2010). Thus, PLS-SEM becomes a good alternative to CB-SEM when the following situations are encountered (Bacon, 1999; Wong, 2013): 1. Sample size is small. 2. Applications have little available theory. 3. Predictive accuracy is paramount. 4 Correct model specifications cannot be ensured. We will apply Cronbach’s Alpha reliability method to check the reliability of all items in the questionnaire using SmartPLS.

Discussion

This paper is descriptive and verification. Descriptive research is usually designed to present some aspects of the temporary from an environment when a hypothesis is said to be tentative and speculative in a coverage or discussion. Verification research will basically test the truth of a hypothesis which is implemented through data collection in the field. This study is a pilot study, which will test the effect of the development and exploitation opportunities (DEO) and the development and exploitation of competence (DEC) through the business strategy (BS) on the competitive advantage (CA) in tourism sector in West Java.

The study of literature and field study will be developed in this research. The technique of collecting data is questionnaires. Locations of the research are on various tourist destinations in the District/City throughout West Java. The descriptive analysis will be used using SPSS and structural equation modeling (SEM) to test the hypotheses.

The variables refer to the all variables and sub-variables in main hypotheses, supporting hypotheses, and sub-
hypotheses. Decision to exploit an opportunity represents a commitment to market entry. To gain a greater understanding of this decision we refer to the entry strategy literature in which the success of a pioneer has been explained primarily in terms of its first mover advantages. Develop & Exploit Opportunity (DEO) is the first independent variable (X1) that explores five dimensions: (1) Government participation (X11), (2) Private sector participation (X12), (3) Social capital, civil society (X13), (4) Education/training in arts and culture (X14), and (5) Media and communications (X15) (Carpenter & Nakamoto, 1989; Lieberman & Montgomery, 1988; UNDP, 2013).

Distinctive to exploit competency is a set of unique capabilities that certain firms possess allowing them to make inroads into desired markets and to gain advantage over the competition; generally, it is an activity that a firm performs better than its competition. To define a firm’s distinctive competence, management must complete an assessment of both internal and external corporate environments. When management finds an internal strength that both meets market needs and gives the firm a comparative advantage in the marketplace, that strength is the firm’s distinctive competence. Taking advantage of an existing distinctive competence is essential to business strategy development. Develop & Exploit Competency (DEO) is the second independent variable (X2) that explores five dimensions: (1) Creative Workforce (X21), (2) Creative Business (X22), (3) Cultural Institutions (X23), (4) Heritage Building and Sites (X24), and (5) Intangible Cultural Heritage (X25) (Snow et al, 1984; UNDP, 2013).

Business strategy (BS), as intervening and dependent variable, explores five dimensions: (1) The entry of competitors (Y1), (2) The bargaining power of buyers (Y12), (3) The threat of substitutes (Y3), (4) The rivalry among the existing players (Y4), and (5) The bargaining power of suppliers (Y5) (Porter, 2008).

Competitive Advantage (CA) as intervening and dependent variable, explores four dimensions: (1) The tourism performance and impacts (Y21), (2) The ability of a destination to deliver quality and competitive tourism services (Y22), (3) The attractiveness of a destination (Y23), and (4) The policy responses and economic opportunities (Y24) (Dupeyras, & MacCallum 2013).

Data will be collected through questionnaires. Enclosed questionnaire contains questions about the characteristics of the respondent, the respondent experience, the respondents’ assessment, and response to the variables studied. Validity and reliability of the instrument will be used to determine the extent of the measuring instrument. In this study, two types of analysis are used (1) descriptive analysis to measure the performance of each variable and (2) analysis of verification of testing the hypothesis by using statistical tests. The descriptive and verification will analyze the objective of research: to examine the influence of the development and exploitation opportunity (DEO) and the development and exploitation of competence (DEC).
through business strategy (BS) on competitive advantage (CA) of tourism business in West Java. Using SEM, each dimension of a variable will be explained. The simultaneous and partial effect of DEO and DEC through business strategy (BS) on competitive advantage (CA) will be analyzed, including the direct and indirect effects.

In DEO, it can be seen how the dimensions of government and private sector participation can reflect the external factors that must be anticipated, as well as the social capital, civil society, education/training in arts and culture, and media and communication. Tourism sector as a part of creative industry may promote the creative economy as a new source of growth. The government and private sectors will cooperate in some initiative for integrated public policies and institution-building in the area of the creative economy and industries. Liaising with governments, artists, creators, academia and civil society will strengthen the creative economy in developing countries, such as Indonesia.

In DEC, it can be seen how the dimensions of creative workforce, creative business, cultural institution, heritage building and sites, and intangible cultural heritage can reflect the internal factors that must be strengthened. In this sense, tourism sector as a part of creative industry can foster income generation, job creation, and export earnings, as well as social inclusion, cultural diversity and human development. It embraces economic, cultural and social aspects interacting with technology and tourism objectives. The DEC may produce tangible products and intangible services able to generate revenues through trade and intellectual property rights.

In business strategy (BS), it can be seen how the dimensions of the entry of competitors, the bargaining power of buyers, the threat of substitutes, the rivalry among the existing players, and the bargaining power of suppliers can reflect the formulation and implementation of business strategy in tourism sector. The right business strategy of tourism business may facilitate understanding of the key issues underlying the emerging creative economy and its development dimension. It may further identify target investment, business opportunities and competitive advantages to strengthen creative industries.

In competitive advantage (CA), it can be seen how the dimensions tourism performance and impacts, ability of a destination to deliver quality and competitive tourism services, attractiveness of a destination and policy responses and economic opportunities can reflect the formulation and implementation of competitive advantage in tourism sector. The competitive advantage will describe how the tourism competition sector as a subject to determine economic factor.

The relationship between DEO and DEC is expected to be relatively high, as both variables affect each other. It is also expected that DEO and DEC have significant influence on CA through BS, which indicate the DEO and DEC have a significant impact on competitive advantage of the tourist business in West Java through business strategy. This is consistent with theories that are used to build hypotheses and framework of thinking, that the DEO and DEC have a positive and significant impact on competitive advantage (CA) through business strategy (BS) partially and simultaneously.

Each dimension may have reflected the dominant effect on the latent variables. To that end, the business entities in tourism sector in West Java should focus on the prevailing aspects of the dimensions studied. Simultaneously, if the tourism business in West Java wants to be successful in achieving competitive advantage, the business strategy must pay attention to the influential independent variables (DEO and DEC). It is interesting to note that the role of media and communication in effective way may strengthen the positioning of a tourism agency to gain a specific competitive advantage. Creative application made by tourist agency of tourism destination can facilitate the tourist to book hotels or restaurants, or to visit attractive tourist destinations. In sum, it creates a new kind of creative rivalry to promote the tourism.

**Conclusion and Recommendation**

It is expected that the independent variables of creative economy will have a significant influence on competitive advantage through and business strategy of tourism business in West Java. The main hypothesis substantiates that the development and exploitation opportunity (DEO) and the development and exploitation of competence (DEC) have a significant influence on competitive advantage through business strategy partially and simultaneously. The sub-hypotheses also substantiate that the development and exploitation opportunity (DEO)
has a significant influence on competitive advantage through business strategy, the development and exploitation competency (DEC) has a significant influence on business strategy. The development and exploitation opportunity (DEO) and the development and exploitation of competence (DEC) have a significant influence through business strategy (BS) on competitive advantage (CA), and the business strategy (BS) has a significant influence on competitive advantage (CA).

Thus, this paper presumes that by developing and exploiting opportunity, the tourism business can respond to external environmental factors and to strengthen internal environmental factors so that any tourism business in West Java can formulate and implement business strategies to achieve competitive advantage to improve business performance. Future research may also adopt a more dynamic approach to examine the influence of DEO and DEC on business strategy, competitive advantage, and business performance of tourism business in West Java. By involving other dependent variables, it is expected to have an integrated model as a dynamic process to optimize business performance in tourism business in general.

References


