

Role of Blue Ocean Strategy (BOS) Implementation in Improving Performance of and Competitive Advantage of Products (Studies on Smis – Small and Medium-Sized Industries in Bali)

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ABSTRACT: *The purpose of this research was to understand the process of implementation of the Blue Ocean Strategy (BOS) on SMIs in Bali, the role of the implementation of the BOS to improve product performance, and the implications for SMIs increase competitive advantage. The approach used in this research was qualitative approach with case studies. Informants of the research (key persons) are 15 stakeholders who know clearly about the process of implementation of the BOS which conducted by SMIs in Bali. These stakeholders consist of: the owners / managers of SMIs in Bali, administrators of Apindo, and academicians / SMIs observers, as well as officials of the Department of Cooperatives and SMIs of Bali Provincial Government. The results showed the following findings: 1) the process of implementation of the BOS on SMIs in Bali is conducting by developing creativity and innovation in the design and appearance of products, to save the cost of raw materials, use of environmentally friendly materials, always eliminate product features that are not essential for consumers, and also improve services in a sustainable manner; 2) implementation of the BOS can improve product performance in terms of product quality, product design, product display, the image of the product, lower prices, and outstanding service; 3) improvement of product performance can improve competitive advantage in terms of being able to offer better quality products, competitive prices, faster service, and the image of environmentally friendly products.*

Keywords: *Blue Ocean Strategy, competitive advantage of SMIs, product performance*

I. INTRODUCTION

Implementation of AFTA in 2015 make economic competition more sharply. Competitiveness of Small and Medium-Sized Industries (SMI) becomes very important. In order to win the competition, SMIs should have a competitive advantage, such as product quality, unique product, always innovative, better service, lower prices and a variety of interesting offers. Therefore, intention in improving the competitive advantage, particularly the performance of the product, especially to SMIs in Bali, to be so important.

Improved product performance can be achieved through the implementation of the right SMI business strategy. According to the experience so far, the variables that can make performance of existing SMI products in Bali improved are creativity and innovation, differentiated services, and efficiently perform so that the price of the product can compete with the others, always adopt the values of local wisdom, and also using environmentally friendly raw materials. Business program that has been implemented is actually a competitive strategy known as the Blue Ocean Strategy (BOS). So entrepreneurs are always required to make improvements to the performance of the product in accordance with market demand. In addition, because of the number of players in this industry are so large, each employer is also required to make the product better than other competitor's products. Thus, the products can be said having a competitive advantage. This was revealed in the results of research conducted by [10, 11]; [2]; and [21].

BOS is a strategy by developing a new product or service to market with innovation, improve product quality, and cost efficiency. BOS is usually run by the company due to several factors: 1) improve the quality of its products, 2) keep its position in the market as the prime company, 3) give satisfaction to the consumer, and 4) improve performance while gaining a competitive advantage. Application of the BOS would be able to improve the performance of the company's products, as evidenced in a study [15] ; [10] as the father of BOS also agreed with that.

Therefore, BOS as a competitive strategy also had to be developed into a corporate culture, so that the behavior of creativity, innovation, and cost savings become company's habit. Implementation of BOS will affect the performance of the company's products. The products offered by the company to the market becomes more qualified, has an attractive appearance, strengthen the image of a product or company, and tend to be able to

provide benefits to the market. All forms of performance improvement will ultimately deliver products companies achieve competitive advantage [16].

It is also occurred to many SMIs in Bali that implements the BOS. BOS is conducting through increasing creativity and innovation in products by adopting the values of local wisdom, saving cost, and looking for environmentally friendly materials. All of these strategies cannot be separated from the skills of employees who work there, which is unique in the form of artistic ability and creativity of the employees themselves. This makes the products of SMIs in Bali has a unique performance compared to other competing products.

Based on the issues of AFTA in 2015 which meant SMIs is going to face increasingly intense competitive pressures. It is encouraging SMIs in Bali to improve the performance of its products. A similar condition or similar business issues faced by SMIs in Bali has been studied by [17] and [16]. The study examines the role of implementation of BOS to improve the competitive advantage of SMIs. Further research need to be conduct because the previous research only showed the role of competitive strategy as a cost leadership strategy and differentiation strategy for competitive advantage. This study intended to determine further the role of the implementation of the BOS to provide increased product performance and ultimately achieve competitive advantage.

Based on the business phenomenon experienced by SMIs in Bali and the results of previous studies, then focus of this study are: 1) examine business issues faced by SMIs in Bali in facing AFTA 2015; 2) the persistence of the contradictory results of previous studies. Most research on the effects of company performance which implement BOS showed both significant and insignificant; and 3) develop research [12], which states that the role of BOS is limited to providing improved performance, whereas this study examined the implementation of the BOS which are adopting the values of local wisdom that can improve product performance and ultimately achieve competitive advantage.

Based on the background and the formulation of research problems, goal of the study are: 1) Understand and interpret the process of implementation of the BOS in SMIs in Bali; 2) Understanding the role of the implementation of the BOS that impact product SMIs performance improvement; also 3) Understand and interpret the performance improvements that can deliver the product to achieve competitive advantage.

II. LITERATURE REVIEW

BOS is one of the competitive strategy that can be implemented effectively. BOS is the development of competitive strategy. [17] states that every company should choose one of the competitive strategy, whether the cost leadership strategy or differentiation strategy. [7] combines the concept of Porter in the chain and the related impact on cost reduction, increase creativity, decrease costs, and increase service better. BOS is also based on innovation, because the emphasis of this concept is lay on creativity that produce innovative products.

Implementation of BOS tend to improve the performance of the product in terms product quality, product display, innovative product design, cheaper product cost, better service, and stronger product image. Therefore, the higher performance of the products ability, the ability of products to compete in the market is also improving. Products with high performance certainly adds value to consumers so that consumers feel more valued and satisfied. This condition would help the company greatly to achieve greater market share and ultimately achieve competitive advantage.

III. METHODS

The research approach was using a case study approach. According to [22], there are five reasons to use a holistic single case study, namely: 1) the case chosen is able to be a proof of the theory that has been built. The theory is constructed to have a clear proposition, which correspond to the selected cases that can be used to prove the truth, 2) the selected case is an extreme or unique case. The case may be circumstances, events, programs or activities that are enough rare, so it deserves to be studied as a case, 3) Cases which have been a case of typical or representative of other similar cases. Basically, there are many cases similar to the case of the chosen, but with a view to save time and costs. Research can be conducted only on one case, which is deemed capable of being representative of the other cases, 4) Case chosen because it is a special occasion for researchers, and 5) Case chosen because it is longitudinal, which occurs in two or more at a time. Thus the approach used in this study is qualitative case study.

This study was conducted on SMI in Bali province engaged in the craft sector. Reasons for using SMIs in Bali as a setting for SMI's research which has become the greatest contributor to the economy of Bali.

Informants in qualitative research are the ones that provide information on matters under investigation [5]. According to [3], for the case study, the sample is purposive. This means that the sample was adjusted to the objectives and research needs. The focus of this research is a process of implementation of the BOS which are adopting the values of local wisdom and raises the performance of the product. This turned out causing SMIs able to achieve competitive advantage. In this study, informant research is the stakeholders who know clearly

about BOS implementation process undertaken by SMIs in the province of Bali. Key persons consisting of stakeholders SMI entrepreneurs, academician / observers SMIs, the employers' association, and the government.

Table 1: Research Informant Keys

No	Internal	Quantity
1	Entrepreneurs	9
2	Academicsians	2
3	Associates	2
4	Government	2
	Total	15

Source: Analyzed data, 2016

Table 1 illustrates that the number of stakeholders who became informants which consisted of nine entrepreneurs of SMIs, two people from the academicians / observers, two employers' association board, and two people from the government. Data collection techniques in this research is conducted through participant observation, unstructured observation, and in-depth interviews.

Researchers act as an instrument, equipped with a research protocol that contains the procedures and themes of research questions which have been prepared as a guide or a research instrument. Researchers as a research instrument is guided by research focus in the form of the formulation of the problem and research objectives. Based on the protocol, the informant was asked to reconstruct, not to remember [18]. Short descriptive question has been given to fishing informants in order to tell it long, detailed experience in the implementation process of BOS which led SMIs in Bali achieving competitive advantage. Researchers act as a listener to listen to what the informant told. So that the interview can be recorded properly. Researchers collected evidence from the informant as a source of information, used aid in the form of: 1) notebook, 2) a tape recorder, and 3) camera.

Analysis of the data in this study followed by the analysis of data from [13] which states that the data analysis is conducted interactively through: data collection, data reduction, the data display, and data verification.

IV. RESULTS AND ANALYSIS

Qualitative research using case study provides in-depth overview of the implementation process of the BOS which are adopting the values of local knowledge to improve the performance of the product in achieving competitive advantage.

BOS on SMI Implementation Process

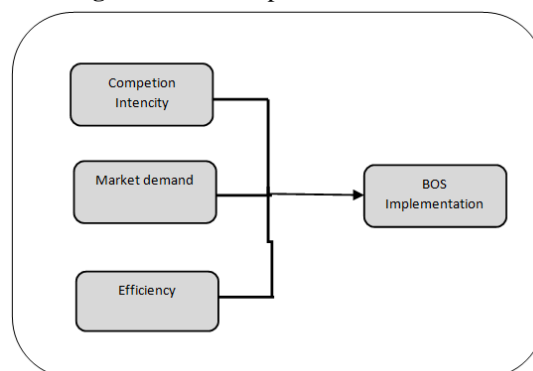
Selection of companies including SMIs to implement BOS as one of the strategies certainly stimulated by several factors. Broadly speaking, there are two factors that encourage the implementation of this BOS, namely: external and internal factors. External factors mainly due to the increasing intensity of competition in the industry and the dynamic demands of the market, while the internal factors mainly due to efficiency to be improved.

Those were based on information compiled from all interviewed informant that illustrate the various factors that encourage innovation strategy and other factors that support the BOS so it can be implemented. Therefore, minor proposition can be formulated as follow:

BOS implementation process is driven by the circumstances of the intensity of the increasingly fierce competition, market demand, and the desire to achieve efficiency.

Proposition above is presented in Figure 1.

Figure 1: BOS Implementation Process



Source: Analyzed data, 2016

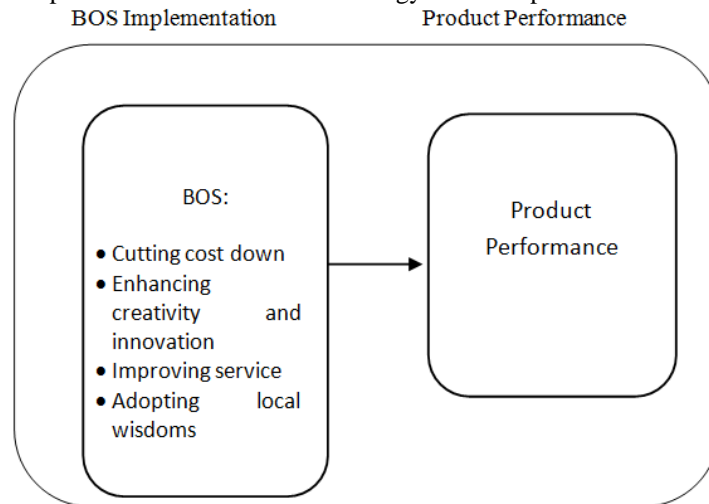
BOS Models that Improve Product Performance

BOS models implemented by SMIs in Bali consists of four dimensions, namely: save production costs, improve creativity and innovation, improve service, and adopt the values of local wisdom like trying to find environmentally friendly materials. From analysis of interview result, one thing can be concluded. Model innovation strategies can be implemented by adopting the values of local wisdom. It might raises high enough product differentiation. Based on this phenomenon, minor proposition can be formulated as follows:

Implementation of BOS by SMIs by adopting the values of local wisdom can improve product quality, product display, product differentiation, product image, and the value of the product.

Proposition above is presented in Figure 2.

Figure 2: Implementation of Inovation Strategy which Improve Product Performance



Source: Analyzed data, 2016

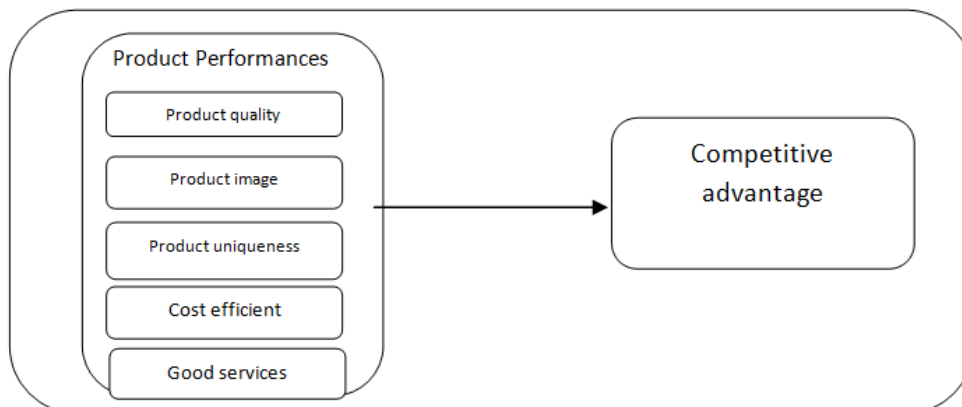
Improved Products Performance Bring SMIs Achieve Competitive Advantage

BOS models implemented by SMIs in Bali by adopting the values of local wisdom in the area are capable of improving the performance of the product into better quality, higher the level of product differentiation, stronger product image, and the greater the value of the products. From analysis of interview result, one thing can be concluded. BOS model applied by adopting the value of local knowledge can improve the performance of the product so that the higher the performance of the product will bring its capability goes up, better competence, and ready to compete with competitors' products. Based on this phenomenon, minor proposition can be formulated as follows:

Improved product performance will affect product capability and product competence which have competitive advantage.

Proposition above is presented in Figure 3

Figure 3: Product Performances Improving Affect Competitive Advantage



Source: Analyzed data, 2016

V. DISCUSSION

Based on the results obtained that the implementation of the BOS is able to provide product performance enhancement that eventually led SMIs to achieve competitive advantage. Implementation of BOS influenced by the intensity of competition, dynamic market demands, and the desire to achieve efficiency by SMI businesses itself. This is consistent with the results of research conducted by [6]; [14]; and [19]; and [4]. This study emphasizes that BOS which implemented by SMIs is closely related to increasingly intense competition and the desire to improve the quality of products, and get a cheaper cost.

Improved performance of SMIs products shown on improvement of product quality, attractive appearance, the use of environmentally friendly materials, and cheaper cost. Improved product performance which resulted from innovation will be able to bring the to achieve competitive advantage in the market, both local and global markets. This is consistent with the results of research conducted by [20]; and [9]. Both of this study stated that innovation is one of the dimensions of the BOS which help the business achieve competitive advantage.

VI. RESEARCH IMPLICATION

The results of this study have implications for the development of theoretical concepts of BOS associated with the adoption of values of local wisdom and improved product performance. In more specific, it can be described as follows: (1) This research has contributed to the theory of strategic management and competitive strategy theory; (2) The results of this study provide a different perspective by finding that implemented BOS made SMIs in Bali have competitive advantage. With the successful implementation of BOS as an activity that can provide value-added products, it is expected that the adoption of local wisdom values will develop more value to products manufactured. Adopting the values of local knowledge of each region is also become a basis for improvement of product performance.

VII. CONCLUSION REMARK

Based on the development of the phenomenon exists in SMIs, data analysis, and discussion of this study, it can be concluded as follows: 1) the process of implementation of the BOS originated from a change in more competitive industry environment, and subsequently also the desire to achieve efficiency for small-medium sized enterprise, 2) Implementation of BOS influence the performance of SMI products in the form of product quality, product uniqueness, product image, and the price, and 3) the SMI performance ultimately provide its own value in the market that have an impact on achieving competitive advantage.

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