

## THE INFLUENCE OF BUSINESS STRATEGY IN INCREASING THE COMPETITIVENESS OF MEDIUM AND LARGE-SCALE MANUFACTURING COMPANIES IN MEDAN

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### Abstract

Medium- and large-scale manufacturing firms play an important role in the regional economy. However, in the face of increasing competition, these firms must have strong competitiveness in order to survive and thrive. One important factor in improving the competitiveness of manufacturing companies is business strategy. The purpose of this study is to identify the effect of business strategy on the competitiveness of medium and large-scale manufacturing companies in Medan. This research uses quantitative research methods. Data collection techniques in this study were documentation studies and questionnaires. The data were then analyzed using SPSS, namely validity, reliability and linear regression tests. The results showed that business strategy has a significant effect in improving the competitiveness of medium and large scale manufacturing companies in Medan.

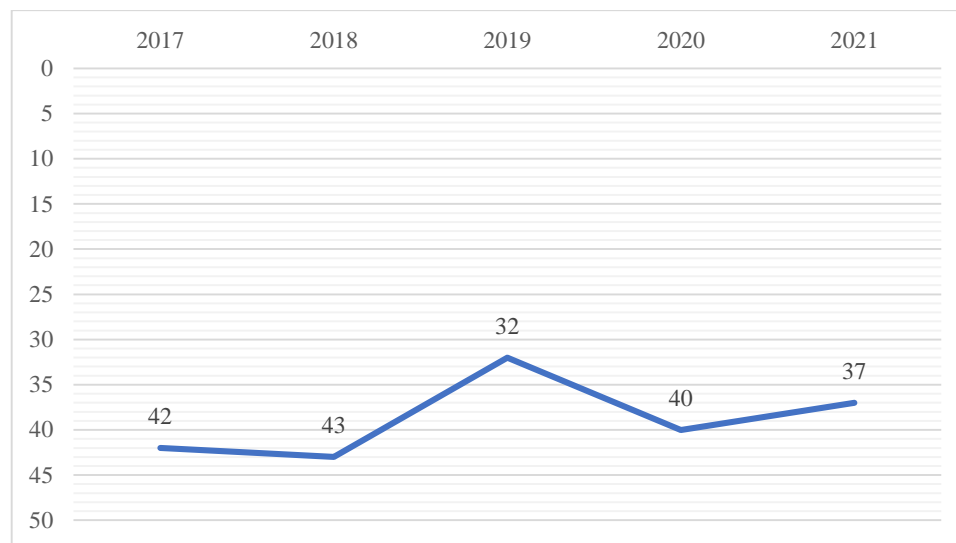
**Keywords:** Business Strategy, Competitiveness, Manufacturing Company.

### INTRODUCTION

Rivalry due to economic globalization has prompted high attention to competitiveness between countries. Competition due to economic globalization is a challenge for ASEAN countries, including Indonesia. Attention to competitiveness in Indonesia cannot be separated from Indonesia's low competitiveness internationally. According to *the World Competitiveness Ranking 2021* organized by the *Institute for Management Development (IMD)*, Indonesia's competitiveness ranking has fluctuated over the past 5 years.

Based on Figure 1, it can be seen that Indonesia's competitiveness ranking in 2018 decreased compared to 2017 at position 43, but experienced a significant increase in 2019 to rank 32. In 2020, the ranking then decreased by 8 places to rank 40 and increased in 2021 to rank 37 out of a total of 64 countries. This condition shows that Indonesia's competitiveness is still unstable.

The indicators used as the basis for competitiveness assessment consist of 4 (four) main components which include Economic Performance, Government Efficiency, Business Efficiency, and Infrastructure. Based on the survey results, Indonesia's ranking improvement can be seen in the components of Government Efficiency and Business Efficiency. For 2021, there are several highlights related to Indonesia's competitiveness that need attention, including related to deeper inequality driven by the shock of the COVID-19 pandemic to the business climate, especially faced by the SME sector, government policies in various sectors that can hamper future competitiveness resources (World & Yearbook, 2021).



**Figure 1: Indonesia's Competitiveness Ranking based on *World Competitiveness Ranking* 2017 – 2021**

Source : World & Yearbook, 2021

This competitiveness can at least be determined from 2 directions, namely national policy (Kemenkeu, 2021) and integration of regional competitiveness (BRIN, 2020). In terms of national policy, the government plays an important role in increasing competitiveness through the implementation of tax incentives as a fiscal instrument in supporting national economic recovery and strengthening economic transformation, encouraging national export programs to strengthen the competitiveness of domestic goods and services in the international market and accelerating infrastructure development to increase investment and export competitiveness (Kemenkeu, 2021).

Amidst the high demand to be able to compete globally, the integration of regional competitiveness in Indonesia as a whole is a determinant for increasing national competitiveness (BRIN, 2020). Increasing regional competitiveness is one of the important components in strengthening the domestic economy. In an effort towards economic transformation to become a developed and competitive country, improving the domestic economy both nationally and regionally will be the main capital to maintain development momentum and efforts to accelerate economic development. Each region is required to be able to identify determinants of competitiveness and strategies to increase its competitiveness.

The demand for each region to be able to create a conducive business climate, creative new ideas and various improvements that can encourage the emergence of new businesses as well as new industries and jobs is needed to support regional and national economic growth. In addition, it is necessary to map business competitiveness by region in Indonesia, especially to face the increasing strengthening of economic globalization and opportunities that allow the entry of imported products into various regions as a result of the opening of the free market (BPS, 2019).

North Sumatra Province as one of the regions in Indonesia, plays an important role in contributing to the national economic growth rate. Unique geographical characteristics make North Sumatra an attractive research area because of the ethnic heterogeneity of the population and the superiority of each Regency / City as the potential to improve economic performance in various sectors (BPS, 2021).

One indicator to describe the economic development of a region is the Gross Regional Domestic Product (GRDP), one of which is Medan City.

The dominant sectors found in North Sumatra include the processing industry (manufacturing) in addition to economic sectors such as agriculture and mining, construction, financial institutions, services and other sectors. Industry is a locomotive of growth towards developed countries, making industry the center of transformation. The creation of added value in the economy through the absorption of a lot of labor can be a source of foreign exchange fundamentally (Ridwan et al., 2015). Based on previous research that has been conducted, there are various variables and internal company resources that have the potential to contribute to building and maintaining company competitiveness. However, one of the most influential influences competitiveness is allegedly business strategy (Agyapong & Boamah, 2013); Tambade et al., (2019).

Research limits the samples to be taken. The sample in this study was limited to medium and large-scale companies in Medan, North Sumatra Province. Especially companies engaged in the processing industry (manufacturing), considering that manufacturing companies are one of the sectors that make a considerable contribution to competitiveness in Medan, North Sumatra Province.

The description above starts from real phenomena in the business world and the results of various previous studies that make researchers interested in conducting research with the title "The Influence of Business Strategy in Increasing the Competitiveness of Medium and Large-Scale Manufacturing Companies in Medan". The purpose of this study is to identify the effect of business strategy on the competitiveness of medium and large manufacturing companies in Medan.

## LITERATURE REVIEW

### Business Strategy

Strategy is a way to achieve long-term goals, business strategy can be in the form of geographical expansion, differentiation, acquisition, product development, market penetration, employee rationalization, divestment, liquidation, and joint venture (Poluan et al., 2019). According to (Rangkuti, 2015) strategies can be grouped based on the types of strategies, including management strategies, investment strategies, and business strategies. Business Strategy is a plan or steps planned and carried out by a company to achieve its long-term business goals. Business strategy involves selecting and using available resources in an optimal manner, identifying market opportunities, building competitive advantage, as well as organizing the necessary steps to achieve long-term success. Business strategy serves as a guide

in directing company activities and making decisions that support the achievement of business goals (Ahmad, 2020). Here are some examples of business strategies that can be used by companies to improve their competitiveness:

### **1. Differentiation strategy**

A differentiation strategy is a business strategy that focuses on the difference in products or services that a company offers from other companies. Companies can differentiate by improving product quality, improving customer service, or creating a strong brand.

### **2. Low cost strategy**

A low cost strategy is a business strategy that focuses on reducing production costs to produce products at a lower price than other companies. Companies can carry out low-cost strategies by using more sophisticated technology, improving employee skills, or optimizing production processes.

### **3. Focus strategy**

A focus strategy is a business strategy that focuses on a smaller market segment than other companies. Companies can carry out focus strategies by targeting more specific customers, offering more specific products or services, or using more specific distribution channels.

## **Competitiveness**

A company's competitiveness means its ability to produce and sell products and services of superior quality and lower cost than its domestic and international competitors. Competitiveness is the long-term profit performance of a firm and its ability to compensate its employees and provide superior returns to its owners (Buckley et al., 1988). Corporate competitiveness is the ability of a firm to maintain or improve its position and competitive advantage (Camisón & Forés, 2015). The concept of competitiveness shows that companies need to be able to meet consumer demand and be able to do so sustainably and always connected to the latest relevant market information (Falciola et al., 2020). Company competitiveness is a company's ability to be superior to competing companies as measured through performance, processes and long-term oriented potential.

The concept of competitiveness has been studied through various approaches, such as one-dimensional measurement, as well as multidimensional (Fischer & Schornberg, 2007). Competitiveness is a complex subject that includes a wide range of studies at various levels. Competitiveness has been conceptualized and measured at the country, regional, industry and firm levels. At the international level, it is measured through *the Global Competitiveness Index (GCI)* published by the *World Economic Forum*, which includes 12 indicators of competitiveness pillars, namely institutions, infrastructure, macroeconomic environment, health and basic education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation. Ambastha & Momaya (2004) distinguish three measures of Competitiveness namely assets, processes and performance. The process of corporate transformation is guided by a competitive process that relies on managerial

performance to translate the company's competitive potential into performance through management processes (Buckley et al., 1990). The World Competitiveness Report by the World Economic Forum considers competitiveness as a dynamic function of competitive assets and processes (Man et al., 2002).

The right and effective business strategy will help companies create a competitive advantage that differentiates them from competitors. Conversely, strong competitiveness will also help companies in formulating the right business strategy. When companies are able to compete effectively in the marketplace, they can use that competitiveness as a foundation for designing more aggressive business strategies, such as offering more competitive pricing or improving operational efficiency. Therefore, business strategy and competitiveness support and complement each other. A good business strategy will increase the competitiveness of the company, while strong competitiveness will enable the company to implement a more effective business strategy and succeed in a competitive market. Based on this description, a hypothesis is obtained that business strategy affects competitiveness.

## RESEARCH METHODS

This research is causality research. This type of research is quantitative research. The location of this research was conducted in Medan from December 2022 to June 2023. The population used in this study were all medium and large scale manufacturing companies in the form of Limited Liability Companies (PT) operating in Medan. The sample used in this study is the entire population or saturated sample totaling 139 companies. The selection of saturated samples is considered on the basis of limited data related to the number of medium and large scale manufacturing companies.

**Table 1: Manufacturing Industry**

Manufacturing Industry	Company Type
Food and Beverage	20
Textile	17
Leather and Footwear	10
Wood and Furniture	7
Paper and Cardboard	7
Chemistry	6
Base Metals	8
Machinery and Equipment	10
Electronics	5
Transportation	8
Energy	5
Construction	12
Consumables	5
Service	15

Data collection techniques in this study are documentation studies and questionnaires. The data was then analyzed using SPSS, namely validity, reliability and linear regression tests.

## RESULTS AND DISCUSSION

### Result

#### Validity Test

Validity Test is a statistical procedure used to measure the extent to which a measuring instrument or measuring instrument can measure the concept or variable in question accurately (Novikasari, 2016).

**Table 2: Validity Test**

		<b>Business Strategy</b>	<b>Competitiveness</b>	<b>Total</b>
Business Strategy	Pearson Correlation	1	.618**	.862**
	Sig. (2- Tailed)		.000	.000
	N	139	139	139
Competitiveness	Pearson Correlation	.618**	1	.931**
	Sig. (2- Tailed)	.000		.000
	N	139	139	139
Total	Pearson Correlation	.862**	.931**	1
	Sig. (2- Tailed)	.000	.000	
	N	139	139	139

Based on the data in table 1 it can be seen that all instruments have pearson correlation values greater than  $r_{Table} = 0.131$  ( $N = 139$ ) and Sig. (2-tailed) correlation values for all .000 items are smaller than 0.05 so that it can be concluded that all statement items are declared valid, so the questionnaire is declared valid for use.

#### Reliability Test

Reliability Test is a statistical procedure used to measure the consistency and reliability of measuring instruments or measuring instruments (Darma, 2021).

**Table 3: Reliability Test**

No.	Variable	Cronbach Alpha	Information
1	Business Strategy (X)	0.738	Reliable
2	Competitiveness (Y)		Reliable

Based on the reliability test in table 3, a Cronbach Alpha value of 0.738 was obtained which is greater than 0.600 so that the questionnaire was declared to have a good level of consistency and reliability to be used in future research.

#### Linear Regression Test

Linear regression is a data analysis technique that predicts unknown data values by using other related and known data values. Mathematically models unknown or dependent variables and known or independent variables as linear equations (Gunawan, 2019).

**Table 4: Regression Test**

Model		Unstandardized B	Coefficients Std. Error	Standardized Coefficient Beta	t	Itself.
1	(Constant)	1.703	2.575		.661	.509
	Business Strategy	.861	.094	.618	9.195	.000

Based on table 4 regression test results, a significance value of  $0.000 < 0.05$  is obtained, which means that business strategy has a positive and significant effect on increasing competitiveness.

### Discussion

Research has shown that business strategy has a significant influence in increasing the competitiveness of medium and large-scale manufacturing companies in Medan. An effective business strategy can help companies to achieve competitive advantage and survive in an increasingly competitive market. A good business strategy involves careful market analysis and a deep understanding of customer needs and preferences, by understanding the market well, companies can identify new opportunities and develop effective marketing strategies to reach the target market. This will help companies to optimize customer satisfaction and expand their market share. One important aspect in business strategy is product and service differentiation (Sayudin, 2023). Companies need to develop products or services that are unique and have added value for customers, by providing products or services that are different from competitors, companies can create competitive advantages and attract customers. This will help companies to gain a larger market share and increase their competitiveness (Ariza & Aslami, 2021).

Previous research was carried out by (Ernawati et al., 2021) its business strategy in the form of developing Purun woven crafts, the results of the study showed that Purun woven crafts in Purun Village, Banjarbaru City have considerable potential to be developed because they are superior products. Improving aspects of production, labor, marketing, capital, business management, and organization are important aspects in the management of Purun woven craft business development. While political and regulatory, social and cultural aspects as well as technology are aspects that can be opportunities for the development of Purun woven craft business. The development strategy so that Purun woven crafts become superior products and can compete in the market is with incentive strategies, namely market penetration strategies, business strengthening strategies and product development strategies.

Similar research conducted by (Fathoni, 2022) business strategy is formulated by outlining the expectations of a company with the aim of getting greater revenue opportunities compared to other company competitors, the results of the study revealed an increase in sales data from the last 3 years, namely 2018 to 2020 which experienced a significant increase in growth. In 2018 to 2019 the growth rate touched 11.7%, while in 2019 to 2020 the growth rate touched 16.5%. This increase can occur due to the implementation of appropriate and disciplined marketing strategies and marketing mix by the manufacturing company Sinar Jaya Convection.

In the hotel industry, business strategies can be done with customer relationship management (CRM) strategies in segmenting. Customer Relationship Management (CRM) strategy in

segmentation is an approach used by companies to divide or sort their customers into groups that have similar characteristics or needs. Customer segmentation is a strategy that allows companies to better provide services tailored to the needs and preferences of each customer segment. In CRM segmentation strategies, companies collect and analyze customer data to identify patterns or similarities in customer behavior, preferences, and characteristics. Based on such analysis, companies can create different groups of customers, known as segments. Each segment will then get a service approach that suits their profile and needs (Alfian et al., 2021).

A strong business strategy also involves efforts to improve operational efficiency. Companies must continue to look for ways to reduce production costs, increase productivity, and optimize the use of resources, by doing this, companies can face competition better and offer products or services at more competitive prices (Rifai & Yulianto, 2022). A successful business strategy also involves collaboration and partnership with relevant external parties. Companies can establish partnerships with suppliers, distributors, or other business partners to gain access to additional resources, expand market reach, and optimize supply chains. This will help companies to improve their competitiveness and achieve sustainable growth.

Business strategy has a very important role in increasing the competitiveness of medium and large-scale manufacturing companies in Medan. These influences can be described specifically as follows:

### **1. Increase production efficiency**

Manufacturing companies can improve their production efficiency by using more advanced technology, improving employee skills, optimizing production processes and improving product quality

### **2. Improve product quality**

Manufacturing companies can improve the quality of their products by using quality raw materials, improving production processes, carrying out strict quality control, and increasing product prices.

### **3. Increase product prices**

Manufacturing companies can increase the price of their products by improving product quality, improving customer service, creating a strong brand and increasing market share

### **4. Increase market share**

Manufacturing companies can increase their market share by reaching a wider market, improving product quality, improving customer service and creating a strong brand.

A good business strategy can help medium and large-scale manufacturing companies in Medan to improve their competitiveness in the ways mentioned above. By increasing its competitiveness, medium and large-scale manufacturing companies in Medan can more easily survive and thrive in the midst of increasingly fierce competition.



## CONCLUSION

Research conducted shows that business strategy has a significant influence in increasing the competitiveness of medium and large-scale manufacturing companies in Medan. These findings confirm that companies that implement effective business strategies are able to gain a competitive advantage and achieve sustainable growth. An effective business strategy can help companies to achieve competitive advantage and survive in an increasingly competitive market. A good business strategy also involves careful market analysis and a deep understanding of customer needs and preferences. One important aspect of business strategy is the differentiation of products and services. Companies need to develop products or services that are unique and have added value for customers.

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