

THE IMPLEMENTATION OF INNOVATION STRATEGY IN CHEMICAL DISTRIBUTION COMPANIES (Case Study: PT Marodi Sinergi Karya)

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ABSTRACT

In the current era, tight competition within business world is something that cannot be avoided. With the existence of competition, companies are faced with many opportunities and threats, both from outside and within the country. Therefore, every company is required to always understand what is happening in the market and what consumers want, as well as various changes that happen surrounding its business environment so as to be able to compete with other companies. This situation encourages the researcher to conduct a study entitled

“The Implementation of Innovation Strategy in Chemical Distribution Companies.” The purpose of this study is to find out the current situation and condition of the company, changes that can be made with the current business model, and innovation strategies that are suitable to be applied by the company. A qualitative approach is used by the induction method as a way to collect the data. To retrieve the data, the researcher conducted interviews to five respondents, consisting of company owners, business experts, regular consumer and prospective consumer. Data analysis was done via the Business Model Canvas, four-step framework, and Blue Ocean Strategy. The result of this study shows a number of changes that must be made by the company and the need for innovation strategies in order to improve the competitiveness of the company

Keywords: business, company, distribution

Introduction

The increasing amount of tight competition within the business world is something that cannot be avoided. With the presence of competition, companies are faced with opportunities and threats, both from outside and within the country. Therefore, every company is required to always know and understand what is happening the market and what consumers want, as well as various changes that exist surrounding its business environment so that they can compete with other companies. Companies should minimize its weaknesses and maximize its strengths. In addition, they are required to choose and establish innovation strategies that can be used to face the existing and upcoming competitions.

Innovation plays an important role in the survival and the success of new ventures in the tough competition (Chang *et al.*, 2012). To increase their level of competitiveness in the market, some new businesses or companies realize the need to always come up with innovative ideas in offering their products or services. In this case, both knowledge and social network entrepreneur play an important role for the companies to develop and maintain their innovation capabilities (Krstic and Petrovic, 2012). According to Svetina and Prodan (2008), source of knowledge can be classified into internal and external source. Both sources will make a positive contribution to the company's innovation performance. The company's fear of implementing innovation is the amount of money that they must be invested. The fear is actually unwarranted because innovation does not have to start from creating a sophisticated and costly ideas, but more importantly institutionalized, consistent and sustainable. In creating innovation strategies, companies need to develop a formal and comprehensive strategy. This strategy reveals the company's goals in making innovation, namely by explaining what things will be innovated and how technical they are. Some innovation variables include leadership orientation, process innovation, product innovation, sources of internal innovation, sources of external innovation, implementation of innovation, and level of investment. This study will include the following hypothesis:

- Big player in the industry are those who are more innovative than the competitors and innovation can create competitive advantage as a vital component for the company to survive (Pelsler, 2014)

Research Methods

In order to identify innovation strategies that are suitable for a chemical distribution company, the research method is using a qualitative descriptive with an inductive approach. The data sources used in this study are primary and secondary data. The primary data includes the result of interviews with company leaders, heads of department of production, marketing, finance, and purchasing. In addition, the researcher conducted in-field observations and collect the data in the form of notes about situations and events that happened in the field. In addition, the researcher obtained secondary data, which are sources that do not directly provide data to the data collection, for example by examining documents. In this study, the secondary data are obtained from the company's financial statement report, production reports, and company sales reports. Furthermore, a literature study, which includes literatures that discuss about the topics related to this study, is also used to support the findings. While the data collection techniques include interviews, observation and documentation. This study uses triangulation to check the data, and the method of triangulation used in this study is triangulation of resources and techniques. source triangulation is done by checking data that has been obtained through various sources, namely company leaders, marketing managers, administration and finance, and consumers. While technique triangulation is completed by checking the data to the same source via different techniques, namely interview, observation and documentation. The analytical tool used are Business Model Canvas and Blue Ocean Strategy.

Results

The situation and conduction of the company prior to the changes can be explained in the summary of the Business Model Canvas obtained from interviews as follow: customer segments, namely the corporate market that can produce large margin and quantum values, including industries in East Java, especially around Gresik and Surabaya. The value proposition offered by the company are competitive prices, fast complaints, and fast delivery service. Company's channels are obtained from word-of-mouth and events/ exhibitions. Customer relationship companies are good personal approach to the customer and prospective customer, either corporate or retail customers. Revenue streams of the company comes from the product sales. The company's key product resources are physical (office buildings, operational vehicles, and other supporting equipment), intellectual (good name and knowledge about business process), human (field and administrative personnel) and finance (capital).the company's partners are the suppliers of raw materials (PT Petrokimia Gresik, PT Bumi Tani Subur and PT Lautan Luas), milling service (PT Formitra Multi Prakasa), and transportation and shipping services (Fleet off the coast of Gresik and Lamongan). The company's cost structure is divided into two types, namely fixed costs (operating costs) and variable costs (costs of purchasing raw materials and milling cost).

Blue Ocean Strategy analysis shows several changes that can be made by the company. There are a number of factors, namely factors that must be eliminated, reduced, enhances, and created. From the result of the analysis, there are no factors that need to be eliminated, while the factors that must be reduced are product losses and other operational and supporting costs (sacks, transportation, etc.), factors that must be improved are offline channels (word of mouth, events/ exhibitions, etc.), services, quality and customized products and market share. Last, the factors that must be created are channel/ online media promotion (web, social media), promotion programs, and innovation products.

The company can implement innovation strategy to enable them to increase the competitiveness of the company by doing simple things that are still within reach, such as utilizing technology, creating unique products/ innovation products, improving their service, establishing partnerships with other business and increasing the skills of human resources.

Discussion

The research findings of this study support the hypothesis that big industry players are those who are more innovative than their competitors. Besides, it can be seen that innovation is proven to create *competitive advantages* and acts as a vital component for the company to survive in the market. Furthermore, there are a number of suggestions that can be developed by the company, including maintaining competitive prices, making attractive promotional programs, improving product quality, and expanding the users' market share. It is recommended that future research can raise similar topic and conduct interviews with the competitors that are engaged in similar industries. The research findings serve as information to deepen an analysis to understand factors of supply to customer. In addition, future research can add a

variable, which is company performance, so that the innovation strategies can be linked to the impact on the company's performance.

Through the research findings, future research is also recommended to evaluate the implementation of innovations. It will be beneficial as it helps researchers to identify how much positive impact can be generated from the result of implementing the innovations in the company. Innovation planning must still be carried out continuously (not just once) due to the dynamic and changing conditions surrounding the company.

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