

DESIGNING BLUE OCEAN STRATEGY MODEL AT PT. NATURAL SOURCE INDOLESTARI

¹Ryan Pramuditya, ²Christina Whidya Utami*

Ciputra University Surabaya
INDONESIA

Email: ¹ryan.pramuditya@ciputra.ac.id, ²whidyautami@ciputra.ac.id

ABSTRACT

This study aims to identify Key Success Factor PT. Sumber Alam Indolestari and identify Key Success Factor that must Eliminate, Reduce, Raise, and Create in accordance with the rules of the Blue Ocean Strategy. The variables studied in this research is data internal and external conditions, which were analyzed using analysis tools VRIO, 5 Forces Porter's model, and can therefore be identified Pestle TOWS analysis of PT. SAI. Furthermore, the Strategy Canvas technique to determine the level of competition PT. SAI with two competitors in terms of the price, profitability, growth, sustainability, competitiveness, and operational project quality.

Based on the analysis that has been made known that Key Success Factor is the cost of office operations, avoid project waterproofing and floor hardener, product knowledge, market penetration, in cooperation with the applicator another, meeting coordination team, the innovation of new products, the relationship with the lab, a trading division and property..

Keywords: Key Success Factor, Blue Ocean Strategy, Innovation, ERRC, Strategy Canvas, Competition, Dan Diversification.

INTRODUCTION

The rise of existing construction projects in major Indonesian cities has triggered many new construction companies to emerge, leading to increased competition in the construction industry. Increased competition is felt in many high rise building projects, such as apartment / hotel projects.

Taken from the Central Bureau of Statistics, it is seen that there is a significant growth of construction projects from year to year, in 2011 to 2012 there is a growth of 18.19%, while 2012 to 2013 there is a growth of 15.39%. This indicates there is an enlarged market size.

PT. Sumber Alam Indolestari (SAI) is one of the companies engaged in the construction sector specialized in the field of concrete repair services as the core business is run. Along with the development of the construction industry in major cities of Indonesia, there is a growing demand for companies providing specialized construction services in the field of concrete repair. So many emerging new construction companies from year to year. It can be seen that in 2013, the number of construction companies in East Java is the largest of 15,954 listed companies. This large number of companies indicates the competition in the

construction field is very heavy and the future will be more severe, it needs an innovation applied to the company in order to survive in this construction industry.

Seeing such conditions, companies want to find opportunities in other projects that still have no competitors. This tight competition is a strong reason to use the Blue Ocean Strategy (BOS) approach. BOS is a business strategy used to find new spaces in the business that can improve process efficiency and performance. In the Blue Ocean Strategy theory created by Professors W. Chan Kim and Renee Mauborgne stated that the way to win intense competition in the Red Ocean zone is to look for Blue Ocean, which emphasizes the creation of a market space that has no competitors yet, focusing on The growth of demand and movement away from the competition. It is expected that the implementation of this strategy can improve the competitiveness of the company by using high technology in the work process, entering new market with high entry barrier supported by human resources and technology having special qualification

The result of business analysis resulted from BOS will be adjusted with business activities that exist in the company, expected to support management strategy in reaching company goal in face of existing competition

LITERATURE REVIEW

Previous research

The first research used as a reference was conducted by Wang Zhao and Yang Jinwei (2012) on "Application of Blue Ocean Strategy to Chinese 3G Mobile Telecom Industry." The Blue Ocean Strategy application is applicable to China Telecom industry.

The second study was "A blue ocean strategy explanation of the IMAX Move to Hollywood" by Hilary M. Becker (2014). This study discusses the move from IMAX from the educational film market to the Hollywood film market and evaluates against the Blue Ocean Strategy framework. The author observes that the growth and development of the home entertainment industry creates a change in market dynamics and draws viewers away from educational entertainment such as museums and zoos, which became IMAX's target market initially. IMAX made an important step to enter the Hollywood film market. The authors interpreted these steps using the BOS framework and tools such as the Six Paths Framework, ERRC Framework, and canvas strategy and concluded that with this strategic step IMAX is creating blue ocean with satisfying market and financial results.

The third study is "Design of Blue Ocean Strategy model at PT. Saptaindra Sejati - Adaro Energy Group "by Tengku Shahindra (2013). This research aims to design Blue Ocean Strategy model at PT. Saptaindra Sejati which aims to provide strategic direction for company management.

The fourth study "Evaluation of Blue Ocean Strategy on Television Station" by Asima Oktavia Sitanggang (2012). The purpose of this research is to describe market structure, market conduct, and performance in Indonesian broadcasting market.

The fifth research is "Blue Ocean Strategy Approach to Improve Drug Service Strategy at K-24 Pharmacy (Case Study of K-24 Pharmacy Antapani)". This study aims to create a new corporate strategy design that fits into the three blue ocean strategy traits in creating an unattended market space that is the focus, divergence, and alluring motto.

The conclusion of the above research is to provide strategic direction for company management by applying Blue Ocean Strategy, and to compile Blue Ocean Strategy required tools such as, BOS framework, Framework, ERRC Framework, and canvas strategy. From Sitanggang research result, described structure, market conduct, and performance on market.

Strategy

Porter (1996) as quoted by Shahindra (2013: 9) defines strategy is a formula that generally refers to how business will compete, what goals to achieve, and what policies are needed to achieve those goals. The main point of the competitive strategy formula is to connect the

company to its environment. So basically there needs to be a good strategy for the company to achieve its goals.

Kim and Mauborgne (2005: 65) regretted the phenomenon commonly done by industry players, who are generally reactive, followers (follower) or follow the tendency of other industrial actors. Industry players should create new business conditions, namely conditions that are Blue Ocean in the situation.

Strategic Management

Science management has a rapid development in accordance with the progress of the era. According to David (2006: 1), strategic management is the art and science to formulate, implement and evaluate cross-functional decisions that enable organizations to achieve their goals

To achieve corporate objectives through strategic management, according to David (2006: 1) the company needs to go through the stages of the strategic management process as follows:

- A. Strategy formulation.
- B. Implementation strategy.
- C. Strategy evaluation.

SWOT Analysis

According to Kurtz (2008: 45), SWOT analysis is an important strategic planning tool to help planners to compare internal strengths and weaknesses of organizations with external opportunities and threats.

According to Pearce and Robinson (2003: 134), SWOT analysis needs to be done because the SWOT analysis to match the "fit" between internal resources and the company's external situation. A good match will maximize the company's strengths and opportunities and minimize its weaknesses and threats. This simple assumption has strong implications for the design of successful strategies.

According to Wikipedia, SWOT analysis (abbreviation of strengths, weaknesses, opportunities, and threats) is a strategic planning method used to evaluate the strengths, weaknesses, opportunities, and threats in a project or a business speculation. This process involves specifying the specific objectives of business or project speculation and identifying internal and external factors that support and which are not in achieving that goal.

According to Bradford and Duncan (2007: 142), analyzing the internal and external environment is important in the strategic planning process. Internal environmental factors within the firm can usually be classified as Strength (S) or Weakness (W), and the company's external environment can be classified as Opportunities (O) or Threat (T). The environmental analysis of this strategy is referred to as the SWOT analysis.

A company does not always have to pursue a profitable opportunity because by developing competitive advantage, there is a better chance of success by identifying an upcoming strength and opportunity. In some cases, companies can overcome their weaknesses by preparing themselves for a definite opportunity.

To develop a strategy that considers the SWOT profile, the SWOT matrix (also known as TOWS Matrix) is shown in Figure 1.

Figure 1. SWOT / TOWS Matrix

	Strengths	Weaknesses
Opportunities	S-O strategies	W-O strategies
Threats	S-T strategies	W-T strategies

Blue Ocean Strategy

Since strategic management was introduced, the ultimate goal is to pursue competitive advantage in existing markets. Blue Ocean Strategy is a completely new strategy compared to others. Kim and Mauborgne (2005) were quoted by Shahindra (2013: 11), dividing the market into two parts: the Red Ocean and the Blue Ocean. The "red sea" is explained because of all the existing industries that are well known market spaces. The "blue ocean" refers to any industry that does not exist today which is an unknown market space.

Blue Ocean vs. Red Ocean

In the Red Ocean, market boundaries are clearly identified, crowded market space, limited prospects for growth and profit, competition in the red ocean turns into bloody competition. In contrast, blue oceans are defined as new spaces where market boundaries, and industrial structures are not supplied and can be reconstructed. In the Blue Ocean, competition is irrelevant because the rules of the game have not been set. This is a new outlook that has previously been the entire company strategy of Red Ocean Strategy.

Value innovation in BOS is not the same as technological innovation. Value innovation rejects the most commonly used dogma in a competition-based strategy that is: a tradeoff or cost tradeoff, as a consequence of an application of innovation. There, the strategy is seen as a maker of choice between differentiations and low cost. In contrast, BOS makes companies pursue differentiation at low cost simultaneously, or in other words get a low cost while obtaining value.

RESEARCH METHODS

This research will be a type of strategic plan. This study is directed to arrive at a strategic managerial strategy decision in a company supported by clear and logical analysis and argumentation. Decision of managerial strategy in this research in the scope of Strategic Business that is Blue Ocean Strategy. So the approach used this research to dig the information data in field is approach and qualitative research.

The object of this research will be PT. Sumber Alam Indolestari, is one of the companies engaged in the construction sector specialized in concrete repair services as the core business, headquartered in Surabaya. The selection of this research object is done purposively based on consideration of ability of power, cost, resources, and time owned by writer. In addition, the writer's understanding of the internal condition of the company and its industry can facilitate the depth of analysis and the accuracy of the recommendations produced.

The time of research will be done starting December 2015. After that proceed with thesis writing process.

This research using interview method and sampling method used is Saturation sampling. Where this method is a method with sample invitation by including all members of the population as research samples. This method aims to be able to obtain data effectively and accurately in accordance with the necessary requirements, so that the data obtained is really accurate and useful. In this research will conduct an interview to Mr. Ir. Setyo Poernomo as the owner of PT. Sumber Alam Indolestari, Mr. Dicky Soelistyo as Operational Manager of PT. SAI, Mr. Koento Wibowo as Marketing Manager of PT. SAI, and Mr. Bagoes selected as Finance Manager of PT. SAI.

The collected data will then be processed using descriptive - qualitative analysis. Descriptive - qualitative analysis is a technique to describe and interpret the meaning of data - data or processed data gathered, in order to obtain a general or comprehensive picture. The company's external data will be analyzed descriptively - qualitatively as well as the

company's internal data. The results of the analysis are interpreted to obtain TOWS Strategy as an initial strategy for the company.

Next is a new strategy re-formulation with Strategy Canvas analysis tool, Four Actions Framework, and ERRC grid according to Blue Ocean Strategy theory, in order to produce New Proposed Strategy that is Blue Ocean.

RESULTS AND DISCUSSION

In this section will be analyzed descriptively - qualitatively about the gap between proposed strategy with current strategy. Gap analysis is done to find out the suitability, similarity or difference between the strategy created (Strategy ST) with the existing strategy.

The ST strategy is formed based on analysis and synthesis, then compared with the existing strategy of Corporate Strategy SAI 2017 which has been established by the Board of Directors.

Figure 2 TOWS Matrix



Based on Figure 2, as a representation of the Cartesian chart of the TOWS strategy, the ST Strategy choice is located in the Diversification Strategy quadrant, which uses internal strength to avoid external threats.

To form an ST strategy item, each strategy matrix item needs to be linked in the form of realism, resulting in the synthesis of the strategy item. Wehrich (2010) as quoted by Shahindra (2013: 79), suggests to provide a relation of each item each condition to produce a relative strength relational approach.

Table 1 Synthesis relative strength relation Strategy S – T

Strategi S - T Strength - Threat		Strength									
		Internal	S1	S2	S3	S4	S5	S6	S7	S8	S9
Eksternal			Pengalaman 12 tahun	Memiliki lembaga pelatihan dan konsultasi untuk Concrete Repair yang bersertifikasi	Pekerja di lapangan sudah terbiasa dengan suasana kerja profesional, dan taat K3	Memiliki jaringan penyalam pekerja yang sudah bersertifikat	Satu - satunya aplikasi yang memiliki sertifikat sistem Low Pressure Injection (LPI)	Dipimpin oleh profesional yang berpengalaman di bidangnya	Memiliki track record kerjasama dalam penelitian dan audit struktur dengan lab gempa PUSLITKIM Bandung, PUSITBANG Binamarga, Sering diundang menjadi narasumber pada pelatihan pejabat lab beton politeknik se-Indonesia di Polban		Memiliki alat monitoring kerja bawah air
Threat	Tersedianya produk lokal dengan harga lebih murah	T1	1. Memberikan edukasi kepada <i>customer</i> tentang produk - produk yang memiliki kualitas bagus dan juga pelaksanaan harus oleh orang yang berpengalaman (S1, S2, T1)								
	Kompetisi dengan sesama kontraktor sejenis	T2	2. Memprioritaskan proyek - proyek <i>concrete repair</i> dan bawah air karena persaingan lebih ringan (S4, S6, S9, T2)								
	Nilai rupiah yang tidak stabil	T3	3. Fokus kepada <i>customer</i> yang memiliki kondisi finansial baik, agar menghindari risiko keterlambatan pembayaran (S1, T6)								
	Keterlambatan pengiriman material	T4	4. Melakukan negosiasi dengan <i>customer</i> ketika terjadi keterlambatan karena pengaruh cuaca (S1, S3, T5)								
	Pengaruh cuaca terhadap operasional proyek	T5	5. Berusaha mendekati <i>market</i> baru yang sulit untuk dijangkau oleh kompetitor (S6, S7, T2)								
	Risiko keterlambatan pembayaran dari customer	T6	6. Meningkatkan koordinasi antara pegawai SAI dengan pihak <i>supplier/principal</i> maupun <i>customer</i> agar tidak terjadi keterlambatan pengiriman (S1, S3, T4)								

From the synthesis according to table 1, 6 ST strategies were formed as the initial result of TOWS Matrix formation.

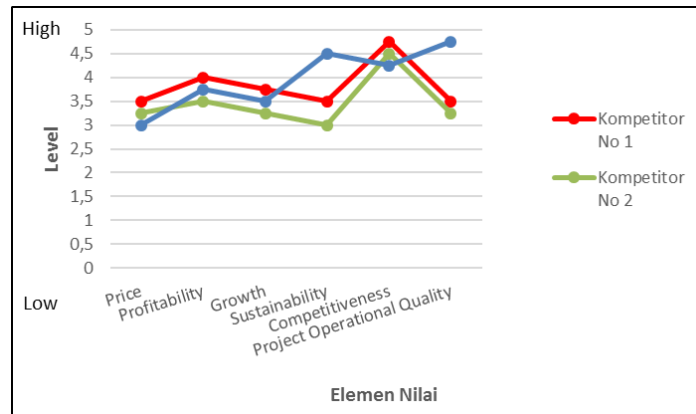
Canvas strategies are used to understand where competition is currently taking place, and understand what factors are being competed in construction chemicals' products or services and what clients get as competitive bids.

Measures of success of companies, especially construction service companies can be seen from the factors that indicate the company is a success. The company's indicators can be categorized into a successful construction company:

- A. Price, the ability of the company to compete with price.
- B. Profitability, the company's ability to earn profits.
- C. Growth, the ability to continue to grow and develop,
- D. Sustainability, ability to obtain sustainable projects.
- E. Competitiveness, the ability of the company to compete.
- F. Project Operational Quality, quality of work performed

Based on the results of interviews on key positions in the company, obtained SAI Canvas Strategy compared to main competitors No.1 and No. 2 in the services of construction chemicals presented in Figure 3

Figure 3 Chart of Strategy Canvas SAI with competitors no. 1 and 2



In this section is the re-formulation stage of making the Blue Ocean strategy with a four-step framework (4 Action Framework).

Creation of new values is done first by creating a four-step framework (4 Action Framework), which consists of:

- ERASE. What factors should be "wiped out" of the factors that have been taken for granted by the construction chemicals service industry, so that SAI can become a major player in construction chemicals services.
- REDUCE. What factors should be "reduced" from existing ones, so the SAI is able to bounce back and outperform its competitors.
- RAISE. What factors should be "upgraded" until the SAI can be above the existing construction chemicals service industry standards.
- CREATE. What factors have not been offered by other construction chemicals industries, so should be "created" by SAI in order to excel.

Table 2 ERRC Grid for PT. SAI

Eliminate - Hapuskan	Raise - Tingkatkan
Marketing Support Staff	Product Knowledge
Tax Staff	Market Development
	Cooperate with other field applicators
	Improve the quality of weekly meetings
Reduce - Kurangi	Create - Ciptakan
Floor Hardener, Waterproofing, and many other jobs that has too many competitors	Establish partnership with suppliers for new product innovations: antifouling paint for docks, and underwater coating
	Relationships with material research center and concrete

	technology
	Has a Concrete Repair Consultant
	Trading / Retail Division
	Property Division

Based on Table 2, a new canvas strategy can be constructed as shown in Figure 4.

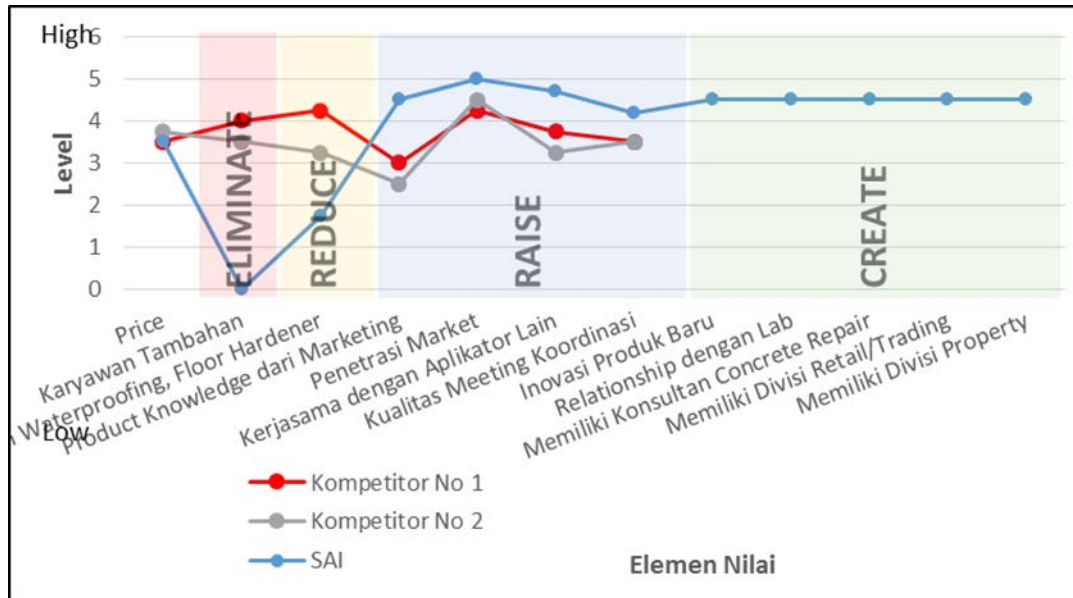


Figure 4 The new SAI Canvas Strategy Graph is to be in the ERRC

To be able to implement the new strategy hence needed some adjustment of managerial strategy. Because when companies reduce the number of employees to reduce costs and at the same time also adds a new division managerial strategy is required:

1. With the opening of a new division of trading and property division, it is necessary to add responsibilities to existing employees. Trading Division is under Marketing Director of PT. SAI, while the Property Division is under Operational Director of PT. SAI.
2. Implementation in the field will be outsourced in accordance with the project / existing customer later. So the cost to the company for additional divisions can be reduced, because the source of funds from outsourcing employee financing taken from the existing project.

CONCLUSION

Based on the results of research and discussion that has been done about "Design of Blue Ocean Strategy Model at PT. Sumber Alam Indolestari ", then obtained the following conclusions:

1. Based on the result of the analysis, it is concluded that 8 (eight) Key Success Factor PT. Sumber Alam Indolestari is:
 - a) Price, the ability of the company to compete with price.
 - b) Profitability, the company's ability to earn profits.

- c) Growth, the ability to continue to grow and develop,
 - d) Sustainability, ability to obtain sustainable projects.
 - e) Competitiveness, the ability of the company to compete.
 - f) Project Operational Quality, quality of work performed
2. Of the six Key Success Factors, points are obtained that correlate with Key Success Factor:
- a) The number of additional employees who inefficiently burden the office's operational costs (sustainability, project operational quality)
 - b) Product knowledge of new materials circulating in the market (competitiveness, growth).
 - c) Market development to new market segments (growth, sustainability).
 - d) Cooperation with other applicators who are still "inline" with the business of PT. SAI (growth, sustainability, competitiveness).
 - e) Reduces the jobs of many competitors (competitiveness).
 - f) Work with suppliers to develop new product innovation (profitability, growth, competitiveness).
 - g) Improve the quality of weekly meeting for time efficiency (profitability, project operational quality).
 - h) Relation with research centers of materials and technology of concrete (growth, sustainability).
 - i) Has own concrete repair consultant (competitiveness, sustainability, growth).
 - j) Creating a new division engaged in property (profitability, growth, sustainability)
 - k) Creating a new business division in the field of trading / retail that serves existing SAI customers as well as new customers. (Profitability, growth, sustainability).
3. Key Success Factor that must be in Eliminate, Reduce, Raise, and Create are as follows:
- a) Eliminate / Eliminate:
 - The number of additional employees who are inefficient burden the office's operational costs, ie marketing support staff, and office tax administration staff. The solution meengefisienkan existing employees and utilize tax consultants to help tax administration office.
 - b) Reduced / Reduce:
 - Reduce jobs - jobs that many competitors, namely the work of Floor Hardener, Waterproofing, and others. Because the jobs are burdening the operational due to overly tight competition and results that do not meet the needs of the office.
 - c) Enhanced / Raise:
 - Product knowledge of new materials circulating in the market.
 - Cooperation with other applicants who are still "inline" with the business of PT. SAI, such as painting applicators, epoxy flooring, firestop installation, welding and ship repair, cathodic protection, underwater services, and so on.
 - Quality weekly meeting. By always making minutes of meeting for the development of meeting results are always recorded and controlled.
 - d) Created / Create:
 - Work with suppliers to develop new product innovations, such as antifouling paint for docks, and underwater coatings.
 - Relation with research centers of materials and concrete technology. This relationship is necessary because it has never been done by other competitors, nor the whole company problems or agencies associated with the concrete must come here, so that by establishing relationships such as training or joint

research can instill the mindset to the market that PT. SAI is a competent company in the field of concrete repair.

- Has own concrete repair consultant. This consultant will support the performance of PT.SAI because every concrete repair work must be preceded by an initial structure audit, and PT.SAI already has the network and resources to implement this which is not owned by other competitors.
- Retail / trading division with existing SAI clients, customer benefits will be more loyal to SAI because it can meet their needs.
- Property division, beneficial to diversify source of income so that SAI is not too dependent on fluctuations in the ups and downs of the existing projects, also helps SAI from the financial side. Some customers are also not a few who ask the PT. SAI in the property field, but still can not be fulfilled. Now with existing resources and funders who want to fund this then there is no obstacle PT. SAI to start this division.

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