Establish and Develop Regional Core Competence on the Basis of Superior Product of Small Scale Industries: Evidence From Makassar City, Indonesia

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Abstract
The purpose of this study is to identify and establish regional core competence on the basis of superior products of small scale industries (SSIs) in Makassar City, Indonesia and formulate strategy to develop the competencies. Key informant of two groups of samples (expert and entrepreneurs of SSIs) selected by purposive sampling method. Data and information collected using interview, observation, documentation, and two series forum group discussion (fgd). A five-step analysis is employed in this study, namely: matrices ranking, Tree Diagram and Expected Value (TEV), value chain, regional core competence, and SWOT. Analysis by TEV and then validated through fgd, concluded that core product of Makassar City is marquisa juice-sirup product. Then, analysis the value chain activity in the core product suggest that core competence is distinctive aroma and flavor and its medical content. Therefore, the core competence are concluded in fgd as the regional core competences of Makassar City due to the core competence is generated from the collective learning of farmers and entrepreneurs for a long time so difficult imitated by other regions, having potential access to various market, can be developed to new products or services, and giving social economy benefit. The Strategy to develop industrial core competence is designed by SWOT method. The priorities of selected strategy are strengthening entrepreneurial capital, building effective supply chain collaboration, and developing network cooperation with universities and government.

Key words: core competence, regional core competence, superior product, small scale industries, makassar city

Introduction
The core competence concept was originally designed for large industry, big companies, but we lack understanding on core competence issues in the context of small scale industry (SSIs) (Ghannad and Ljungquist, 2012). More over, there is little evidence of attempts (conceptual or in practice) to link superior product of
SSIs and regional core competence. It is very important for Indonesia and other developing countries, where the SSIs faced many challenges, mainly how SSIs with their uniqueness are able to build regional competitiveness. Therefore, this study aims to identify and establish regional core competence on the basis of superior products of the SSIs in Makassar City, Indonesia and formulate strategy to develop the core competencies.

**Literature Review**

The concept of core competencies evolved from the resource-based view of the firm which emphasized the fact that competitive advantage rests on the firm’s possession of unique difficult to imitate skills, knowledge, resources and competencies (Srivastava, 2005). Core competence can also more loosely be defined as the "collective learning comprising tacit and explicit knowledge, skills and technologies, which an organization has that gives it a competitive advantage (Horton, 2000). Prahalad dan Hamel (1990) suggest that three factors are important to identify core competencies in any firms and business: (a) provides potential access to a wide variety of markets; (b) makes a significant contribution to the perceived customer benefits of the end product; and (c) difficult for competitors to imitate. In a regional economic perspective, according to Djamarias (2007) regional core competence are uniqueness possesd by a region, covering aspect of skills, natural resources, culture, and prospects market, both for primary products and the processed products. Thus, three characteristics of regional core competence: (a) having potential access to various market- regional core competence should be can be developed to new products or services,(b) regional core competence should be creating contribution significantly to get benefit from the final product, and (c) regional core competence should have something with difficulty to be imitated by other regions, in other words, is unique.

**Methodology**

This type of study is a qualitative descriptive case study approach, that focused on the issue of superior product and regional core competence in Makassar City, Indonesia. Sampling technique to determine the key informant of two
groups of samples conducted with purposive sampling. The first one was experts and the second one was the entrepreneurs of SSIs. The number of expert was 12 actors, i.e., 3 actors in each academics, researches and local government staffs who selected according to their expertise in regional and industrial core competences. Thus, the number of the respondents from entrepreneurs sample was 20 firm owners of the SSIs who selected according to their products categorized as superior products.

Data obtained by interviews, observation, documentation and two series forum group discussions (fgd). A five-step analysis is employed in this study, namely: (1) Matriks Ranking to select superior product of the SSIs, (2) TEV analysis to determine indicator measurement for selecting core product from the fifth superior product, (3) Value chain analysis (Porter, 2011) to identify and establish core competence from the core product; and (4) Regional core competence analysis (Djamaris, 2007) to establish whether the core competence of the core product is eligible to be regional core competence of the Makassar City, and (5) SWOT analysis (Porter, 1979) to select priorities of strategy for developing the regional core competence.

Result and Discussion

In depth interview conducted with the staff member of the Makassar’s Industrial and Trade Department, there were five products of the SSIs which established as superior products and all of them are agro base small scale industries, namely marquisa Juice-Syrup, noodle, cowhide leather, furniture, and frozen shrimp and fish. Further, the fifth superior products analyzed by Tree Diagram and Expected Value (TEV) analysis based on interview by experts and entrepreneurs are provided on Figure 1 and Table 1.

The result of TEV analysis, indicator which assisted important by experts are raw materials with weight value 0.20; followed by human resource 0.18, facilities and infrastructure 0.14 respectively, technology and innovation are considered unimportant 0.09. Meanwhile, assessment by entrepreneurs, there are three indicators below the average and need to be improved, i.e. human resource (2.27), competitiveness (2.20), and technology and innovation (2.14). Indicators that have
the highest value is business environment (3.94) and infrastructure (3.19). Comparison of expected value on the fifth superior product suggest that the highest value was cowhide leather product (3.18) which is supported by business environment condition (4.00), policies supporting (3.87), and facilities and infrastructure (3.76) that categorized as a good. However, it also has weakness is human resources (2.37) and technology and innovation (2.35) and both are categorized as a below average. The lowest expected value was furniture product (2.49) which has lower competitiveness (1.87), technology and innovation (1.74) and policies supporting (2.17).

To validate the findings from the case study above, the first FGD with key informant was undertaken. By using scoring method on the important indicators, participant of the first FGD suggest that the highest rank value is marquisa juice-syrup product and followed by cowhide leather product, and the lowest rank is furniture product. Hence, marquisa juice-syrup are established as a core product of Makasar City (see Table 3). This considered on several reasons, such as (a) the industry was exist for a long time; (b) the product already famous both at home and abroad, (c) the industry is supported by availability of raw marquisa fruit, and (d) market demand for the product is very high. Furthermore, the second FGD conducted to identification and establish core competence of the core product.

Analysis result of the value chain activities of the core product as shown in Figure 2. Participant of the second FGD suggest that core competence of marquisa fruit industry (juice-syrup product) was distinctive aroma and flavor and medical content. Then, analysis result of the regional core competence, the participant of the second FGD concluded that the core competence of the core product has met four requirements needed to become regional core competence of Makassar City, i.e. its product is multi-product which can be developed to be lunk head and marquisa cocolate products and ingredients of yoghurt, cake, jelly, or any other products, its industry gives social economy benefit in absorbing labors, farmers or other sector labors. It can grow and encourage other sectors; raw supplier industry, machine and tools, transportation, education and training, banking, food etc; and its
core competence is difficult to be imitated by other regions, in other words, the core competence can be source of competitiveness of the region.

The strategy to develop the regional core competence designed by participant of the second fgd using SWOT analysis. The priorities of selected strategy for developing regional core competence of Makassar City are strengthening entrepreneurial capital, building effective supply chain collaboration, and developing network cooperation with universities and government.

**Conclusion and Recommendation**

The key findings from this study are: firstly, based on case study by TEV analysis and validated through the first fgd suggest that marquisa juice-syrup product is a core product in Makassar city. Second, value chain analysis was conducted in the second fgd found that core competence of the juice-syrup product is on its operational activities, namely distinctive aroma and flavor and its medical content. Hence, the core competence established as regional core competene of Makassar City. Third, the priorities of selected strategy to develop the core competence are strengthening entrepreneurial capital, building effective supply chain collaboration, and developing network cooperation with universities and government. This study was only case of the regional competence in Makassar City and future researchers can use for establish and develop a regional competence on the other cities. We also recommend further research to validate in what core competence of SSIs are linked to regional competitiveness since very little has been written on the concepts in the SSIs context. However, we believe that the findings reported here should be giving our understanding on application core competence concept for regional core competence. For practically, the findings should be important information for developing SSI’s in a region.

**References**


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Figure 1. Weight Value of Five Superior Product Indicators at The SSIs in Makassar City By Expert’s Judgement
Table 1. Perception of SSIs Entrepreneurs on Indicator Levels of Five Superior Product at The SSIs in Makassar City

<table>
<thead>
<tr>
<th>Indicators</th>
<th>SSIs Products</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Marquisa Juice-Syrup</td>
</tr>
<tr>
<td>Raw material</td>
<td>3.04</td>
</tr>
<tr>
<td>Human resource</td>
<td>2.34</td>
</tr>
<tr>
<td>Competitiveness</td>
<td>2.08</td>
</tr>
<tr>
<td>Facilities and infrastructure</td>
<td>3.02</td>
</tr>
<tr>
<td>Technology and Innovation</td>
<td>1.87</td>
</tr>
<tr>
<td>Institutional support</td>
<td>2</td>
</tr>
<tr>
<td>Business environment</td>
<td>4</td>
</tr>
<tr>
<td>Expected Value (EV)</td>
<td>2.63</td>
</tr>
</tbody>
</table>

Note: Good (Nilai > 3.25), Average (2.50 – 3.25), Below Average (1.75 – 2.49), Poor (< 1.75)

Figure 2. Identification and Establishing Core Competence of The Core Product at Marquisa Fruit Industry in Makassar City