



# COMPETITIVE DYNAMICS ON MICRO BUSINESS: ANALYSIS OF COMPETITIVE PERCEPTION BY HEARING IMPAIRED BUSINESS GROUP MEMBER IN SURABAYA

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## *Abstract*

**Purpose of Study:** The purpose of this study is to explore the process of small and micro business in dealing with their competitors and competitive power in the market. This study uses an information-processing approach that examines three activities, scanning competitive environments, interpretation of competitive actions, and reactions based on those assessments. This research is motivated by the low competitiveness of micro-business, especially deaf businessmen in Surabaya.

**Methodology:** This research is qualitative research with a phenomenological approach, where researchers try to explain or reveal the meaning of the concept or the phenomenon of experiences based on the awareness that occurs in subjects. In this study, the researchers collect, summarize and interpret the data obtained, which then re-processed so as to obtain a clear picture, directed and comprehensive of the problem that became the object of research. The phenomenological approach is used to analyze the original data collected from interview questions and dialogue with informants. The structure of an experience is illustrated by the researchers' interpretation of the participant description.

**Results:** The final results of this study are expected to enhance the competitiveness of micro business actors, especially those engaged in the culinary field.

**Implications/Applications:** The result of the analysis of Competitive Environment Scanning can be concluded that the deaf business group gets enough threat from numbers of new food and beverage traders that keep emerging in Surabaya. In addition, competitors have a good concept of starting services, outlet design, marketing management, and financial management. Competitors are also promoting more vigorously.

**Keywords:** *Competitive Dynamics, Hearing Impairment, Micro Business, Perception of Competitive, Phenomenology.*

## INTRODUCTION

SMEs are always described as sectors that have important roles in economic development in Indonesia because most of the population lives in small business activities in both traditional and modern sectors. The role of small-scale enterprises is an important part of every development planning stage that is managed by two departments, the Ministry of Industry and Trade and Cooperatives and SMEs Department. However, the development effort that has been implemented still not satisfying, because in fact, the progress of SMEs is very small compared with the progress that big multinational businesses have achieved.

The existence of SMEs can be the backbone of the community's economy that plays an important role in growing the economy of a region. As an example in East Java Province which has a number of small and medium enterprises in East Java, in 2008 there were about 4,211,562 units, the number is increasing when re-surveyed in 2010, which increased until 5,095,989 business units ([Setiono, 2012](#)).

Surabaya SMEs are also growing rapidly. BPS data shows that over the last 12 years the number of small and medium business units in the city of Surabaya continues to increase to two times. Where in early 2000 the number of SMEs in Surabaya only about 2369 units with the number of workers who are able to absorb only 56,595 inhabitants. Four years later SMEs grew more than 3000 units with total employment of 63.690 people absorbed. While in 2012 the number of SMEs in Surabaya has reached 4835 business units ([Setiono, 2012](#), [Borisova, U. S., & Parnikova, G. M. 2016](#)).

In facing the increasingly fierce competition, as the opening of MEA, it is a threat to SMEs with the increasing number of goods and services coming from outside as the impact of globalization. Therefore, the development of SMEs today is urgent and very strategic to lift the economic condition. Therefore, the independence of SMEs can be achieved in the future. With the development of the economy condition, it is expected to increase people's income, open employment opportunities, and prosperity of the community as a whole.

According to [Laforet, and Tann \(2006\)](#), the main obstacles faced by small business are the great dependence on the customers, the lack of skills and knowledge gained through training, low learning attitudes and network because of their own autonomous tradition.

[Vaaland and Heide \(2007\)](#) added that small and medium-sized businesses pay little attention to planning and control methods compared to large companies. Small companies are often dissatisfied with the methods they applied, lacking focus on system integration with other business actors in the supply chain, and are less interested in the use of information technology. Small businesses need to understand that they will compete not only among themselves but also larger and medium sectors. In this case, the competitive capacity of small business is very limited which then affects the sales. The low power of small business offerings makes them forced to sell their products by following the terms and conditions of the buyer. Small businesses cannot perform well because of their lack of practice and strategies.

Deaf community business group formed as an effort to improve entrepreneurship spirit to build and run their own business. However, this cannot be found in individuals with hearing impairment in Surabaya. This is evident from the results of interviews with some people with hearing impairment, in which they prefer to work as laborers in the company. Yet income as a laborer is not sufficient to support their lives. This is because they do not have the knowledge and desire to start a business.

Business constraints faced by hearing impaired groups are generally classical problems faced by informal business groups such as a) procurement aspect, b) technological aspect, c) marketing aspect, d) employment aspect, e) capital aspect, f) facilities and infrastructure, g) capital aspect. These seven aspects have not gotten an integrated solution. Therefore, it is necessary to do holistic research to formulate the right strategy to develop and empower the hearing impaired business group in Surabaya.

The various strategic management literature that study about the competition pay close attention to the process behind competitive strategies and competitive decision-making processes at the company's level of analysis. According to the dynamic competitive approach, an important role in the competition is played by key decision makers who monitor rival organizations and formulate strategies for achieving competitive success ([Porter, 1980](#)). According to [Porac, and Thomas, \(1990\)](#), since the primary key is in corporate decision-makers, it is necessary to study the psychological factors that influence how the decision maker sees a competitive environment and understands the nature of competitive perception. An important element of this view is how companies perceive their competitive environment and react based on that perception.

A widely used approach to study competitive perceptions is the information-processing approach that consists of (a) observing information, (b) interpretation of information, and (c) reaction based on that interpretation ([Kiesler, and Sproull 1982](#); [Daft, and Weick 1984](#)). The approach is widely used in strategic management as well as marketing literature ([Chernatorny, Daniels, and Johnson 1993](#); [Lang, Calantone, and Gudmundson 1997](#); [Clark, and Montgomery 1999](#); [Waarts and Wierenga 2000](#); [Jenaabadi, H., & Shad, E. M. 2013](#); [Suleri, J., and Cavagnaro, E. 2016](#)). Nevertheless, various authors emphasize that much empirical research is still needed. This research studied the perception of small micro business actors especially from the hearing impaired group to the competition environment.

## LITERATURE REVIEW

### Micro and Small Business

According to [Menteri Koperasi dan Usaha Kecil dan Menengah Republik Indonesia \(2010\)](#), Micro and Small Business Enterprises are a business entity owned by Indonesian citizens, both individuals and legal entities with net assets (excluding land and buildings) as much as Rp. 200 million and or have a turnover/output value or average sales per year as much as Rp. 1 billion and the business stands alone.

While the World Bank gives a definition of Micro Small Business is non-agricultural business (including animal husbandry and fisheries) which employs at most 10 workers, including business owners and family members, has the most sales of Rp. 100 million per year, and have assets outside the land and buildings at most Rp. 25 million.

### Competitive Perceptions

There are two perspectives explaining the competitive perception of firm driven perspective and event-oriented perspective.

#### 1. Firm Driven Perspective

This perspective is rooted in cognitive psychology in categorizing competitive environments (Porac, and Thomas 1990). The basic assumption is that the company's business strategy and vision determine how competitive environments will be perceived (Porter, 1980, Bernasconi, Andrés, and Emilio Rodríguez-Ponce. 2018). The company's competitive strategy can be seen as a "stable focusing device" presented as a point in the center of the company (see Figure 1). The chosen strategic focus will direct the company's manager's attention to certain competitive topics and actions from other companies deemed to be major competitors. For example, companies with cost reduction strategies will focus attention on competitors who have the same strategy, low-cost suppliers, and so on. Consequently, the same company will form a strategy group that has the same perception of competition. They identify the same company as a competitor and the same event as a competitive threat. In Figure 1, the arrows from the center show the direction of scanning that symbolizes the company will focus its scanning activities on the basis of the business strategy used.

## 2. Event Oriented Perspective

This second perspective is more market-oriented and rooted in marketing literature. This perspective explains how entrepreneurs and managers perceive events in the market, such as price changes, new product introductions or new market participants, as a threat to the company's business. The illustrations are as follows: Company A as a leading company in the market to introduce product innovations (action), while company B as the target company scans the environment and heard about celebrities for advertising contracts with company A. After brief research, company B perceives information as a threat because it affects the profitability of the company. As a reaction to that interpretation, firm B accelerates its product innovation, which should be two months to two weeks only. Sooner or later, company A will hear about it and plan more intensive advertising. If company B does not perceive company A's actions as a threat, then they will not take any action.

### Scanning

Scanning is the collection of information about events and relationships within the company's external environment to gain knowledge that will guide top management in determining the company's actions in the future (Aguilar, 1967). Choo (1998) scanned the scanning activity into four aspects (Figure 2).

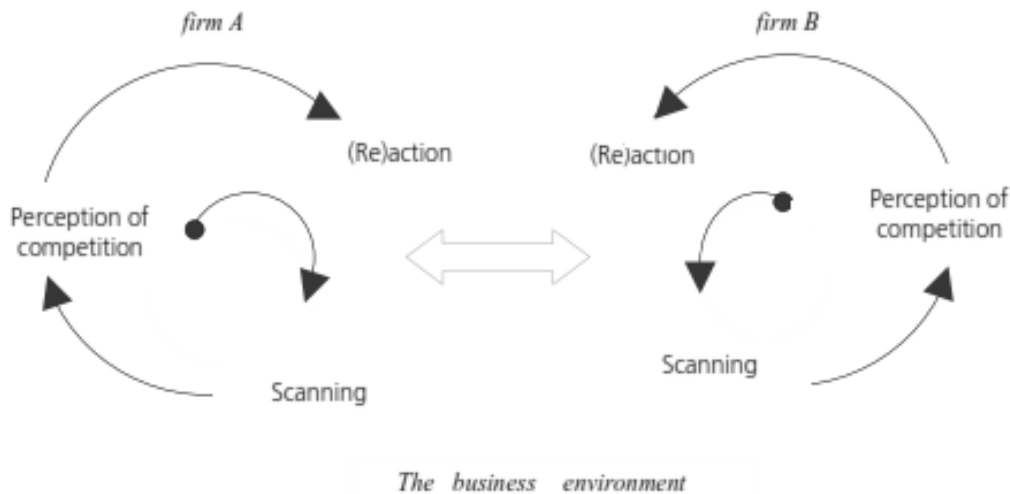


Figure 1: An illustration of the conceptual scheme of competitive perception

Source: Kemp and Hanemaaijer (2004)

Undirected viewing aims to gain broad coverage to detect any movement of change or competitive actions. There are various sources and forms of information used (eg internet, business magazines, conferences, business meetings, etc.). In conditioned viewing, the scanning process is narrowed down to certain standardized topics and information sources, such as external reports, or sources of information widely used in the industry. The goal is to monitor the environment and to evaluate the significance and effects of the competitive information found.

In an informal search, entrepreneurs actively seek more information to learn about specific issues. The search is informal because it is not a formal analysis, but tends to be more limited and unstructured (eg visiting competitor stores). The goal is to get information about the things that affect the competition, such as the time and effort required. Informal search, entrepreneurs make a planned effort to get specific and sensitive information. Procedures for obtaining more

standardized information (such as SWOT analysis, benchmarking). The goal is to get more detailed information as an adequate strategic decision-making base.

		Undirected viewing		Informal search	
		Many sources used Minimal effort Broadly scan a diversity of sources Take what is easily accessible "Noticing"		Few sources used Medium effort Search on a specific issue or event Good search is satisfactory "Exploring"	
Environmental analysability	Unanalysable	Conditioned viewing		Formal search	
	Analysable	Few sources used Low effort Browsing in commonly used sources Scan of pre-specified topic or subject "Following"		Many sources used High effort Systematic search on a target Retrieve significant information "Discovering"	
		<i>Passive</i>		<i>Active</i>	
		<i>Organizational intrusiveness</i>			

Figure 2: Activity scanning model

## METHODS

This research is qualitative research with a phenomenological approach, where researchers try to explain or reveal the meaning of the concept or the phenomenon of experience based on the awareness that occurs in individuals. In this study, the researchers collect, summarize and interpret the data obtained, which then re-processed so as to obtain a clear picture, directed and comprehensive from the problem that became the object of research. The phenomenological approach is used to analyze the original data collected from interview questions and dialogue with informants. The structure of an experience is illustrated by the researchers' interpretation of the participant description. After data has been collected and researched to reveal the structure, configuration of meaning, coherence, and the occurrence of informant circumstances, clustering of the theme/topic is confirmed (Moustakas, 1994, Baroughi, E., & Zarei, M. H. 2013).

The subject as the key informant in this research is Deaf Business Group in Surabaya. Data collection in this research is done by using an interview technique, literature study, and documentation. Interviews were conducted with the deaf and Headmaster of SMPLB Karya Mulia V Surabaya as the main informants and consumers as regular informants.

Analysis of research data is done by qualitative descriptive strategy. In this study, data obtained from the interview. The results of interviews obtained from the respondents presented in the form of the table containing the answers of respondents to the questions posed, so that researchers understand the tendency of respondents' answers to be analyzed based on logical arguments. Meanwhile, the data obtained through literature study, and documentation used as supporting data related to the aspects studied.

## RESULTS AND DISCUSSION

The Headmaster of SMPLB Karya Mulia V Surabaya explained that during this time the school has taught technical skills through skill lessons, such as sewing, hair cutting, beauty class, typing, computer, and catering. So far, the problems observed include communication, self-development, and social life issues. For communication problems and social relationships have been dealt with mentoring activities but there is no specific activity that trains students in the field of entrepreneurship. Currently, there is a deaf business group available outside of the school programs that regularly organizes and follows the bazaar or trade fair to foster self-confidence and entrepreneurship motivation for deaf people in Surabaya.

## Scanning Competitive Environment

In collecting information about the competitive relationships in the company's external environment, researchers use the Porter's Five Forces Model: rivalry-between competitors, potential entry of new competitors, potential development of substitute product, bargaining power of suppliers, and bargaining power of customers. The results of the analysis that has been done by researchers about the scanning of a competitive environment can be described as follows:

### 1. Competition among Rival Companies

The threat from rival companies comes from the number of traders who also sell food and beverages that make it easier for customers to move to other traders. This makes the number of customers demand to decline as the number of competitors from fellow traders increased. Moreover, the products offered by traders in some bazaars and trade fair in Surabaya tend to be the same i.e. local food and beverages.

### 2. Potential Entry of New Competitors

To open a new business culinary field in Surabaya is very easy, proven whit the fast emergence of new places to eat. Especially in Surabaya, the government began to build many places to eat, starting from stalls, depot, coffeehouse, until the restaurant. The number of new eating places that keep emerges certainly will make the competition in the culinary business becomes tighter. The threat from new competitors makes it increasingly difficult to attract consumers to become regular customers.

### 3. Potential of Replacement Products

The threat of replacement products faced by the deaf business group is fast food vendors are scattered all over Surabaya. Not to mention the existence of inter-food services such as Go Food (GoJek product) makes consumers become easier to find a favorite meal even though located far away, but they can easily and quickly get it. Of course, the potential of this replacement product will make the culinary business competition in Surabaya becomes more severe.

### 4. Supplier's Bargaining Power

For the bargaining power of these suppliers is not too much of a threat for deaf business groups in Surabaya. Traders can make a sustainable ordering of raw materials by making payment according to the contract that has been determined. Supported by the ease of information technology and transportation makes the relationship of cooperation with suppliers become easier.

### 5. Consumer Bargaining Power

Consumers have a higher bargaining position compared to deaf business group traders in Surabaya. Consumers have many choices to determine the menu and place of food desired. Consumers can also switch to replacement products that offer better quality, taste, and price. In addition, with the advancement of information technology, transportation and service between foods make consumers have more choices. This is what causes traders bargaining power to be lower than consumers.

## Competitive Perceptions

Researchers observed that the deaf business group in Surabaya using the competitive perception of Event Oriented Perspective in which traders have a tendency to more market-oriented perception. This perspective explains how entrepreneurs and managers perceive events in markets, such as price changes, new product introductions, or new market actors, as a business threat. To analyze this Competitive Perception, researchers analyze the strengths, weaknesses, opportunities, and threats that exist for traders in the Deaf Business Group in Surabaya.

### 1. Strength

(S1) There is a strong desire for traders to continuously improve the quality of products and services.

(S2) Merchants always maintain the quality of their food by purchasing raw materials every day.

(S3) The price of the products sold is very affordable, especially for students who are the largest market share in the business group of deaf people in Surabaya.

(S4) Strategic location as it is close to school, campus, housing, and highway.

### 2. Weakness

(S1) The financial management system is still very traditional that is done manually

(S2) There is no specific marketing strategy yet

(S3) Pricing depends on competitors.

(S4) There is no analysis of customer satisfaction evaluation or consumer.

### 3. Opportunity (Opportunity)

(S1) The market is very large because it is surrounded by many junior high schools, high schools, and universities.

(S2) Many cheap promotional media such as through social media

(S3) Consumer purchasing power increases.

(S4) Choice of suppliers quite a lot.

### 4. Threats

(S1) Number of new competitors emerging in Surabaya

(S2) Competitor's business is well concepted from outlet to management (eg fast food outlet)

(S3) At certain time raw material prices increased.

(S4) Competitors do promotion vigorously.

The four elements are incorporated into the SWOT matrix to find alternative strategies that can be used:

#### 1. S-O Strategy

A. Increase sales turnover by improving services to consumers/visitors.

B. Increase sales turnover by improving communication with consumers through effective promotional concepts.

C. Increase sales turnover by improving services through the concept of food delivery services.

D. Improve the taste and food quality to build customer loyalty.

E. Improve the relationship of cooperation with suppliers through the ordering of food raw materials that are done periodically.

#### 2. W-O Strategy

A. Mobilize promotion through social media.

B. Improving services through interpersonal services.

C. Improve marketing strategies such as discount promos to get better known.

D. Create a computer program to facilitate accountable accounting.

#### 3. S-T Strategy

A. Maintain customer satisfaction by improving services.

B. Improve taste and food quality to maintain customer loyalty.

C. Creating a menu package concept so that the price offered can be more efficient.

#### 4. W-T Strategy

A. Optimizing management systems, especially marketing and finance.

B. Creating the concept of a frugal package with alternate menu variants so that consumers have a lot of menu choices sparingly.

### Reaction from Competitive Perception

By using SWOT analysis above, the researcher can conclude that the reaction in business management on competitive perception by using the Big Strategy Matrix with Quadrant I position is in rapid market growth and weak competitive position. Its rapid market growth happens because the food and beverage industry has a high growth with the emergence of many newcomers, especially from elements of SMEs. The second indicator shows that the competitive position is weak because the traders in the deaf business group in Surabaya do not have the concept of good marketing and financial



management with proves of low promotional activities, price determination is still determined by competitors and financial records are still done manually.

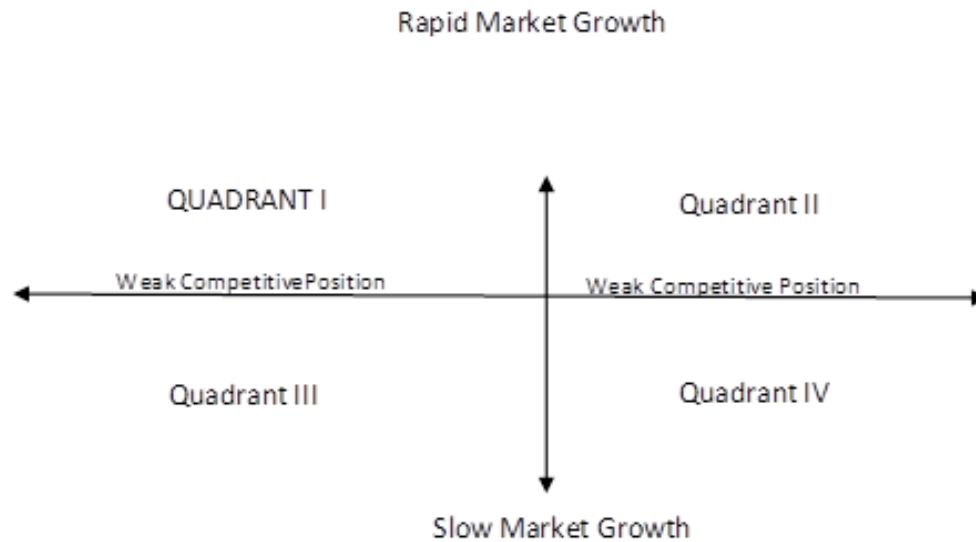


Figure 3: Big Strategy Matrix

As a reaction to competitive perception, the deaf business group used two strategic concepts: Formulation Strategy and Implementation Strategy. At this stage of the Formulation Strategy, the deaf business group is able to identify external opportunities and threats, determining internal strengths and weaknesses, and establish long-term goals. From the identification can be generated several alternative strategies for the next selected and applied to achieve long-term goals that have been determined.

While at this stage of Implementation Strategy, the deaf business group is able to choose alternative strategies to be applied in achieving its long-term goals. This stage is considered very difficult because it requires a lot of sacrifices for changes that will be made according to the strategy that has been selected to apply.

Group of deaf businesses should begin to implement market development strategies by intensifying promotion through social media to introduce products and variants of the menu. In addition, some marketing strategies such as creating a frugal package so that consumers have a menu variant with a more efficient price, increased service to improve customer loyalty and improve the quality of taste and menu offered.

## CONCLUSION

From the result of the research and discussion of Deaf Group business in Surabaya can be concluded that:

1. From the result of analysis of Competitive Environment, Scanning can be concluded that the deaf business group gets enough threat from numbers of new food and beverage traders that keep emerging in Surabaya. In addition, competitors have a good concept of starting services, outlet design, marketing management, and financial management. Competitors are also promoting more vigorously.
2. From the analysis of Competitive Perceptions of deaf business groups through analysis of strengths, weaknesses, opportunities, and threats that exist in the Group of Deaf Persons can be concluded currently located in Quadrant I, which is rapid market growth and competitively weak position.
3. From the results of Competitive Perception Reaction analysis, the deaf business group can be concluded that it is necessary to implement market development strategy by intensifying promotion through social media to introduce products and variants of the menu. In addition, some marketing strategies such as creating a frugal package so that consumers have a menu variant with a more cost-efficient, improved service to increase customer loyalty and improve the quality of taste and food menu offered.

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