STRATEGIC ASSESSMENT OF INDONESIAN FURNITURE INDUSTRY

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Abstract. Indonesian furniture industry is known to be one of the most respective industry within Indonesia. Michael Porter introduce the theory of Diamond Model of a country competitiveness that includes 4 different aspects, which are firms structure, demand condition, supporting industry, and factor condition. Through This research author analyze the current industry condition of Indonesian furniture industry combined with the stakeholder analysis in order to determine the industry's stakeholders. The research has an objective to give clear figure of the current industry conditions and steps that recommended in order to develop the current industry. The research is held in cooperation that involve 8 interviews with furniture companies from different sub-sectors with the validation methods of triangulation to draw the repetitive results from correspondents. The result of this research reveals Indonesian furniture industry is still lack behind in several points. The home demand condition that currently growing with the low interest of home-made products combined with the international brand penetration, decreased the internationalization power of Indonesian market. The findings urge the Indonesian furniture industry to develop its' business process to be more adaptive and responsive to market and strengthen the current domestic market.

Introduction

Indonesia is acknowledged for its' natural resources. It has many varieties of trees which has been well known to the world since its' earlier age. Indonesia has landmark of wild and export of woods, woods as the raw material or any other processed goods from woods. However, one of the biggest threats that Indonesia has faced is illegal logging. Illegal logging has been the big issue in Indonesia since the late 1970's. With the wealth of forest landmarks in the tropical weather, Indonesia offers many resources of woods that laid in the nature. The high value of these woods pushes many people to get and sell these trees.

Indonesia is only has 1.34% of total trade value which is very small if compared to China which hold 28.58% of total trade value. However, Indonesia has excessive growth in 2014 trade value which reach to 96,13% growth from the previous years. Indonesia reach out these growth by integrated approach that related to several stakeholders, which consist of government, industry manufacturer, and designers.

Table 1.2 Indonesian Furniture Trade Value

Year	Trade Value
2014	USD 3,602,620,044
2013	1,216,624,089
2012	1,221,081,962
2011	1,165,113,093

Indonesia is targeting to enrich the 300% of industry growth in the next 5 years, which every year Indonesia is targeting 20% growth of industry for the next 5 year. However the industry of furniture is facing both of threats and weakness from production and market point of views.

Industry of furniture is facing a major threat, which is the competition landmark within international and domestic market. By the domestic market, nowadays there are more furniture retailer that penetrate the market of Indonesia. Big retailers such as Informa, ACE Hardware, and lately IKEA are threatening the domestic demand to Indonesian furniture industry. In terms of trading value it increase the number of Indonesian import value while the growth of export value is slowly increasing. On the other hand, In 2015 Indonesia and countries of ASEAN will facing the ASEAN Open Market. ASEAN Open Market might give a big impact to industry. As Indonesia facing others countries from ASEAN that has better trade value than Indonesia, such as Malaysia and Vietnam, there is major thread which Indonesia could push export while the domestic market are currently being targeted by many international players.

Literature Review

Strategic Management
Strategic Management is a part of company's action that has been done by top management, which consists of formulation and implementation of the major goals. Strategic management is extracting company's strategy based on the company's resources and assessments of the internal and external environment.

Strategic Management present the overall direction for company by involving organization's objective, policies, plans, and management of resource in the implementations of strategy. Since its' first beginning, Strategic management is always developing. Many of academics and practicing managers developed models and frameworks in an assistant to the decision making process.

Global Strategy
Global strategy is defines as the organization's strategy to globalization. The global strategy are having three main objectives which are to help company or organization in destine what to do in order to extend market presence, building necessary global presence, destine which is the optimal location for market expansion, and how to run the global presence strategy due to competitive advantages. In the current global marketplace, global strategy has been an interesting and important topic of company or organization as most of company expanding their market. The globalization effect not only pushes the private company sector but also the government. In order to help business on the industry government plays major roles which to loosen or tighten the export or import for the business industry.

Competitive Advantage of Nation : Porter's Diamond Model
Michael Porter introduce its' Diamond Model by his book *The Competitive Advantage of Nations*. Knowledge about cluster theory has advanced, and the publication of *The Competitive Advantage of Nations* (Porter, 1990) helped trigger a large and growing number of formal cluster initiatives in countries, states, cities, and even entire regions such as Central America.

The theory define the reasons of why particular industries become competitive advantage in particular locations to others locations.
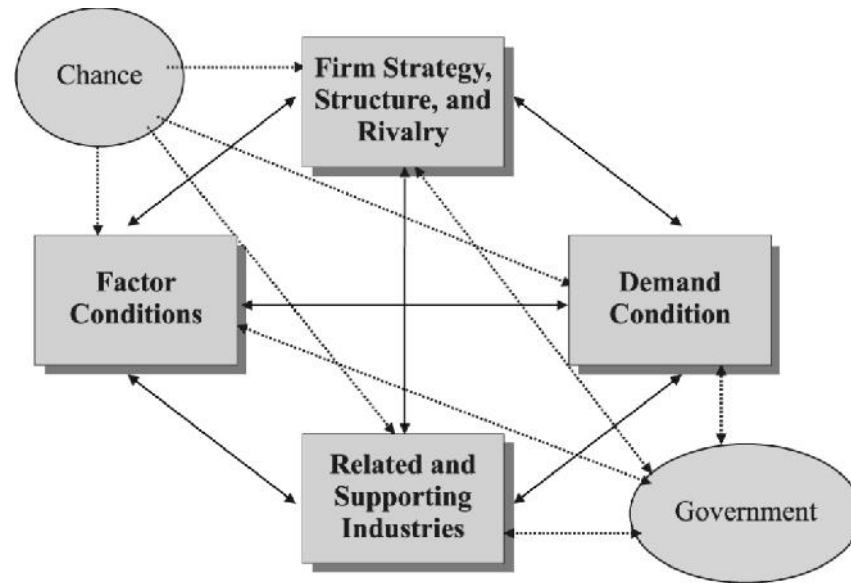
Source: Porter (1998, p.127)
Figure 2.1 Porter's Diamond Forces

The approach of theory looks at numbers of small industries, where the competitiveness of one company is related to the performance of other companies and other factors tied together in the value-added chain, in customer-client relation, or in local or regional contexts. The phenomena that are analyzed are classified into six broad factors incorporated into the Porter diamond, which has become a key tool for the analysis of competitiveness:

- **Factor conditions** is identified as company or organization's resource. There are human resources, physical resources, knowledge resources, capital resources and infrastructure. An industry are usually have a specialized resources which the key of their competitive advantage in their competition landscape.
- **Demand condition** is affecting the landscape of the industry. The home market can help company and organization create competitive advantage. Which if the demand condition of the home market is leading the others market preference and push company to innovate faster, it might lead the industry to make advanced products as the competitive landscape.
- **Related and supporting industries** can support the inputs process for innovation and internationalization. The supporting industry might lead the others industry to have a cost-effective process and also stimulating the rapid up-grading process of current product.
- **Firm strategy, structure and rivalry** is the most important and the determinant factors of the company or organization competitive advantage. The goals and how company manage itself is important in shaping the landscape, while the presence of rivalry is creating the pressure in a way the company develop itself.
- **Government** can influence the four determinants of competeveness. Government influence supply conditions, key production factors, demand conditions in the home market and competition condition.
- **Chance** is also identified as the opportunity of an occurrences that are outside of control of a firm. The chance create the discontinuities which might gain to competitive positions and might lead to lose in competitions.

Stakeholders Analysis
Stakeholder is a person, group or organization that has interest or concern in an organization. Stakeholders can affect or be affected by the organization's actions, objectives and policies. Some examples of key stakeholders are creditors, directors, employees, government (and its agencies), owners (shareholders), suppliers, unions, and the community from which the business draws its resources. Not all stakeholders are equal. A company's customers are entitled to fair trading

practices but they are not entitled to the same consideration as the company's employees. In business management, the growing realisation that stakeholders could affect the success of a firm led naturally to the development of approaches to analyse stakeholders, in order to understand their interests and influence, and how these could support or threaten the performance of the firm *(Varvasovsky and Brugha, 2000).*

Primary / Secondary Stakeholder Positioning
The Primary/Secondary stakeholder positioning is a theory that helps to destine classification stakeholders by their relation to the company or organization. Stakeholders are classified into two major categories to destine the positioning of the stakeholders. The stakeholders are identified into two classification, which are primary and secondary stakeholder.
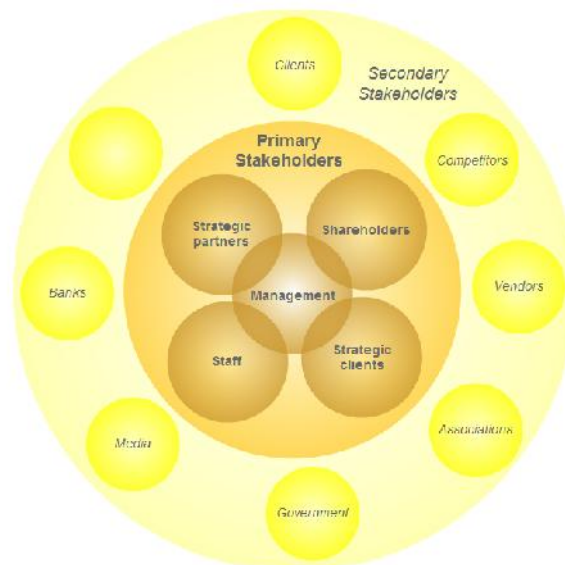

Figure 2.2 Primary & Secondary Stakeholders Circle

The Primary stakeholders are identified as the direct stakeholder of the management process, while the secondary stakeholders are the extension of which companies are connected. This classification help company to identify and manage the focus of managing stakeholders.

Alignment, Influence, and Interest Matrix (AIIM)
The AIIM tool is often used in a workshop setting and involves a diverse group of participants – each with insights into different actors or parts of the policy space. AIIM consist of two key elements which are the factor of alignment and interest. The alignment identify how stakeholder's personal opinion to company's objective, while interest shows how big and often the stakeholders are participate to the company. AIIM can help to clarify where some of the interventions' main policy audiences and targets stand in relation to its objectives and possible influencing approaches (Mendizabal, 2006).
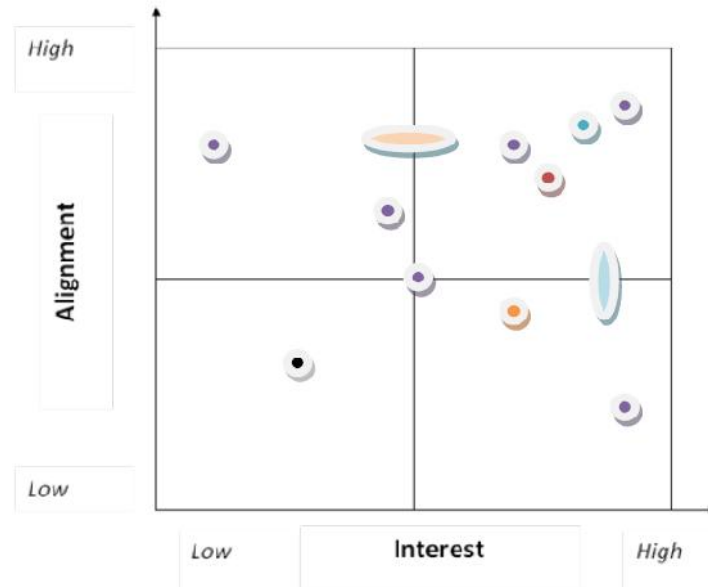
Figure 2.3 AIIM Matrix

AIIM in the use related to several steps, as listed below.

1.   Identify and list all the actors that may affect the policy outcome
2.   Map these actors onto the matrix according to their level of alignment and interest.
3.   Consider what to do.
4.   Prioritize and consider which of the actors identified are the most influential on the policy process.
5.   Develop a pathway of change for your target audiences.

Mendelow's Power – Interest Grid

The Mendelow's Power – Interest grid defining stakeholder's position in terms of power and interest of the stakeholders. The power defining how stakeholders could influence the company in terms of his personal influence power. The power could be represented by many different things, such as percentage of ownership, personal relation to company, or personal position in the company founding. Level of interest is defined by stakeholder's active participation to company or organization. The Power / Interest Grid divide 4 categories of stakeholders which are A, B ,C , and D class.

Power / Interest Grid (Mendelow, 1991)

		Level of Interest	
		Low	High
Power	Low	A Minimal effort	B Keep informed
	High	C Keep satisfied	D Key players

Figure 2.4 Mendelow's Power – Interest Matrix

A class is described as stakeholder that having low power of influence and low level of interest. Mendelow suggestion for A class is to spend the minimal effort in focusing these stakeholders. The

B class is described as stakeholder that having low power, while having high interest. It is suggested that an action to B class is to keep them informed due to the progress of the company or organization. The C class are those stakeholders with high level of power, but low level of interest. The suit treatment for this class is to keep them satisfied due to their need and expectations to their participations. The last but not least, is the D class, which stakeholders with high power and high interest. The D class is mostly noted as the boards of commissioner. These stakeholders are known as key players which needed to be more focused than other class. The D class plays significant and important rules within the corporation.

Methodology

Conceptual Framework

The conceptual framework of the analysis is adopting Wheelen's the strategic management (2000). According to Wheelen & Hunger (2000) The strategic management is consist of 4 main parts which are environmental scanning, strategy formulations, strategy implementations, and evaluations. Due to the research limitations, the research is derived from environmental scanning to strategy formulations.
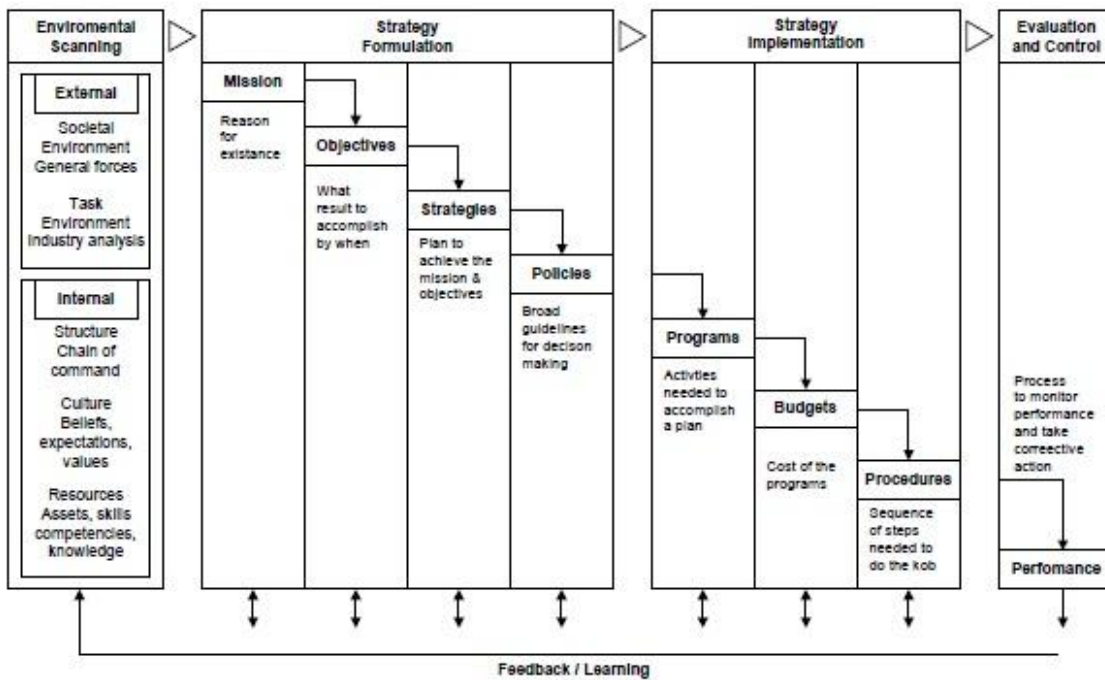
Figure 3.1 Wheelen's Strategic Management

The conceptual framework of strategic management by Wheelen is considerably accessible to be implemented in a country's industry development strategy. However according to Porter's Diamond model in Nations Competitive Advantages (1990) there are other factors that highly considered to affect the economy development in the scale of country's industry.

Research Design

The Research design of the research is involving approaches in several steps, which are secondary and qualitative data gathering. In Jenkins (1999) suggestions, the exploratory research within qualitative data would gather wider understanding in factors that affecting symptoms of hypothesis. The steps of this research is having a targeted purpose, which to build a comprehensive

understanding and relations to identify the environment conditions and elements that affect particular symptoms in environment.
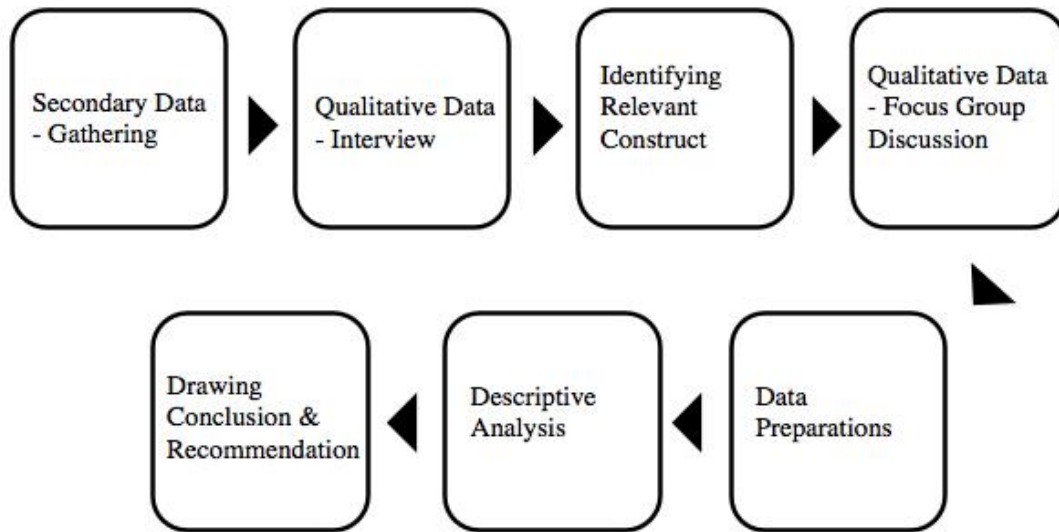

Figure 3.2 Research Design

The Research design consist of seven parts, which are secondary data gathering, Interview, Identify Relevant Construct, Focus Group Discussion, Data preparations, Descriptive Analysis, and Drawing Conclusion of research. The detailed descriptive of every step would be described in the following explanations.

Secondary Data – Gathering
The secondary data gathering is the first step in order to examine the current condition and performance of the industry. Secondary data gathering is highly related to the literature study in understanding the framework of industry. It consist of understanding for export value and trends in unit number of business, production value, employment rate, utilization, input value, output value, and added-value of the industry.

Qualitative Data – In-depth structured Interview
The Qualitative data is the second step within the research. The Interview is done to the targeted stakeholders of the industry that consists of government, private sector business, and others related stakeholders. The methods that will be further examined is the controlled in-depth interview. The targeted interview is to provide comprehensive understanding of the industry landscape with 8 business owners correspondents.The in-depth structured interview is the approach of qualitative data gathering that involve an interview approach with an objective to find in-depth knowledge of topics. In this research, the questions are open-ended questions that structured following the variables of the Porter's Diamond Models.

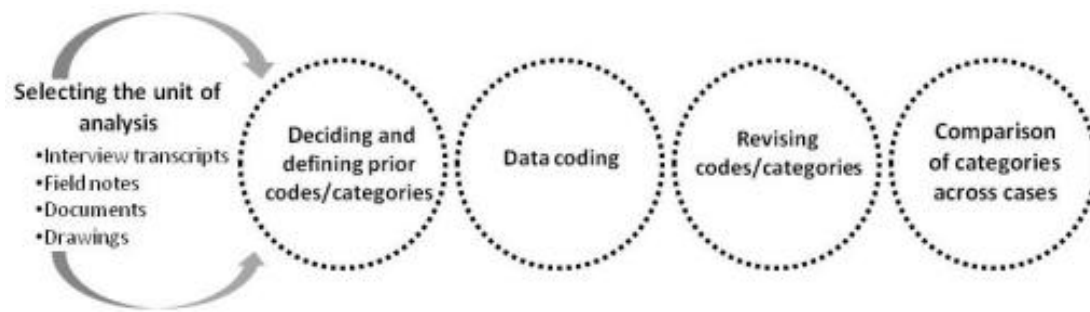*Data Reduction – Substantive and Theoretical Categories*

Figure 3.3 Theoretical Categories Validation

This approach to analysis has been developed over time by the National Centre for Social Research (Ritchie & Lewis:2003). The term 'framework' derives from the 'thematic framework' which is the central component of approach to data management and interpretative analysis. The thematic framework is utilised to classify and organise data according to key themes, concepts and emergent categories.

Each research study requires its own distinctive thematic framework comprising of a series of main themes, subdivided by a succession of related sub-themes or topics. These categories evolve and are refined (as an iterative process) through the researcher's familiarisation with the raw data and the subsequent cross-sectional labelling or 'tagging' (essentially the same process that was described in the discussion of AI above). Once the researcher judges that they have a comprehensive list of main and sub-themes, each is then 'charted' or displayed in its own matrix. The response of each research subject is then allocated a row with each column representing a separate subtopic. The final stage of this data management component of 'framework' involves summarising or synthesising the original data from each case (subject) within the appropriate parts of the thematic framework.

Data Validation – Triangulation
Triangulation facilitates validation of data through cross verification from more than two sources. It tests the consistency of findings obtained through different instruments and increases the chance to control, or at least assess, some of the threats or multiple causes influencing our results (Ritchie, Spencer and O'Connor:2003:229).

Triangulation is a validation method that used to deepening and widening one's understanding. It can be used to produce innovation in conceptual framing. It can lead to multi-perspective meta-interpretations. Triangulation is an attempt to map out, or explain more fully, the richness and complexity of human behavior by studying it from more than one standpoint.

There are four types of data triangulation. There are data triangulation, investigator triangulation, theory triangulation, and methodological triangulation. Data triangulation involves time, space, and persons. Investigator triangulation is involving multiple researchers in an investigation. Theory triangulation involves using more than one theoretical scheme in the interpretation of the phenomenon. Methodological triangulation involves using more than one option to gather data, such as interviews, observations, questionnaires, and documents.

Identifying Relevant Construct –Cross Case Analysis
The resulted qualitative data would later be examined by the relevant construct. The relevant construct will identify how a factor related to others factors in affecting the whole industry. The analysis that would be define on this step using the descriptive analysis of Cause-effect. Within this step, the relevant construct of elements that stated in the qualitative interview would be examined in a linkage of systems.

SWOT Analysis

The descriptive analysis is the last analysis to give the last comprehensive evaluations in the way evaluates the stakeholders analysis and industry frameworks. The descriptive analysis will inherent the strategy in inhering the strategic factors and desired stakeholders analysis. Within the descriptive analysis, the methods that approach to assign the analysis is combined with the strategic factor matrix which consist of the assessment of internal and external factors.

Analysis
Stakeholder Analysis

Based on the data results, there are key stakeholders that repeatedly has been mentioned by the correspondents in affecting their business model in the industry. The stakeholder analysis would help to analyze the connection between stakeholders and the effect of its' current performance to the current industry issue.

Primary – Secondary Stakeholder Analysis

Figure 4.1 Results of Primary & Secondary Stakeholder Mapping

On the primary stakeholder, there are five stakeholders that could directly affect the industry, which are Indonesian furniture business, international customers, local customers, Indonesian ministry of industry, and suppliers. On the secondary stakeholders there are eight key players that giving an indirect impact but having big influence to the industry, which are international brands competitors, Indonesian ministry of foreign trade, banking sectors, other countries competitors, event organizer industry, Indonesian ministry of forestry, Indonesian ministry of work force, and furniture business associations.

Alignment Influence – Interest Matrix

The Alignment Influence – Interest Matrix define the classification and categorization of different stakeholders based on its' level of alignment and interest. The categorization help to build the strategy in moving the stakeholders participation to industry.
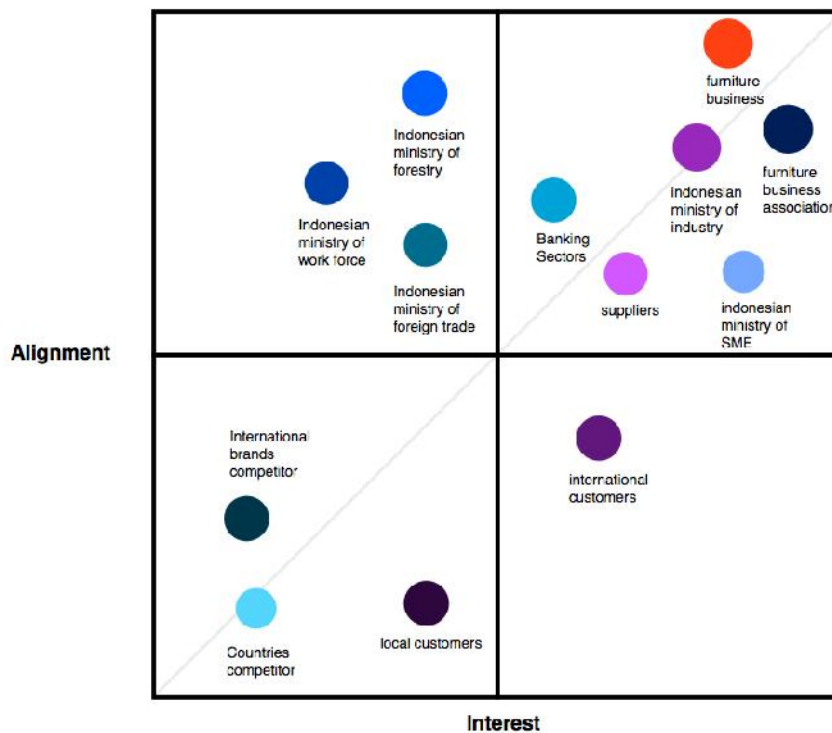

Figure 4.2 Results of AIIM Matrix

The first class with high alignment and high interest consist of six stakeholders, which are furniture business, furniture business associations, Indonesian ministry of industry, Indonesian ministry of small-medium enterprise, suppliers, and banking sectors. The first class is identified as the key players of the industry. The high interest and high alignment help the industry to reach its' strategy by the integration of stakeholders' vision.

The second class is the classification with high interest but low alignment. In this class there is international customers. The international customers is defined to have a high interest on Indonesian furniture which have high quality and competitive price in the market landscape. The low alignment define the low level of attachment between international customers to Indonesian industry, in which international customers are having wide choice as the product substitution to Indonesian furniture.

The third class is the high alignment with low level of interest. In this category there are three identified stakeholders which are Indonesian ministry of trade, Indonesian ministry of foreign trade, and Indonesian ministry of workforce. Three of the ministries are described as the supporting industry with good alignment. The ministries have been supporting the furniture industry on its' capacity, whether there are several legal that still put boundaries for furniture business to grow.

The last class is the stakeholders with low alignment and low interest to the industry. There are three classified stakeholders on this class, which are international brands competitors, countries competitors, and local customers. The domestic customers are having low interest to current furniture products. Due to the interview, the known reasons are the low relevancy to market's wants. However now there is increasing spend on furniture products which triggered by the penetration of international brands. Indonesian furniture businesses are having big opportunity in

gaining the domestic market. The current domestic market shows growth in economic level. The depending factor would be how the furniture business would take and manage the opportunity.

Power – Interest Matrix

Power and interest grid is an analysis tool that used to distinct the stakeholders by its' level of power and interest in order to determine current stakeholders position to the industry. There are 4 different class that differentiated by the differences of its' level on both variables.
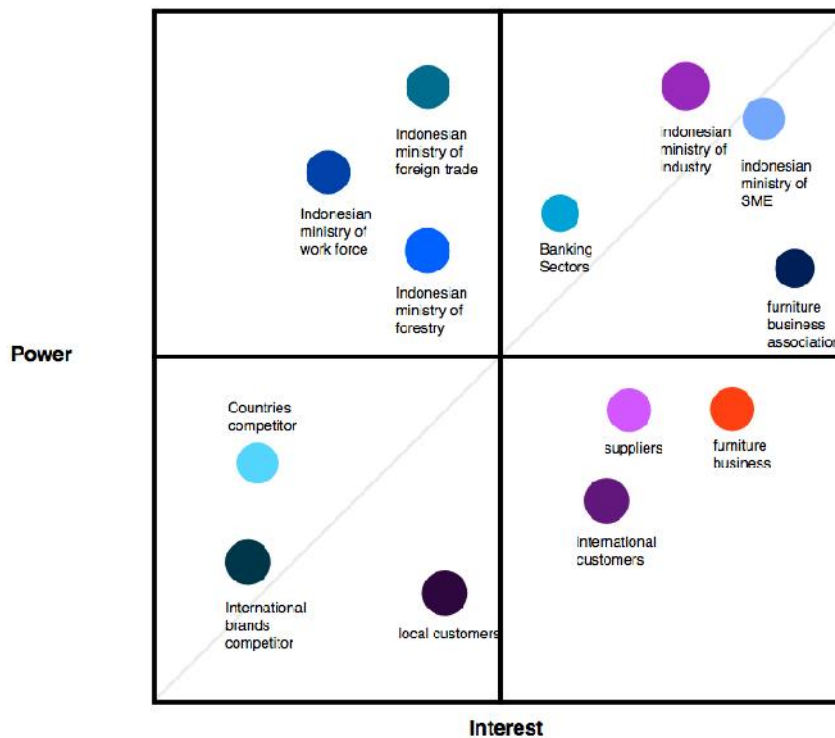

Figure 4.3 Results of Mendelow's Power – Interest Grid Analysis

The first class is the classification with high level of power and high level of interest. There are four stakeholders that classified into the first category. There are Indonesian ministry of industry, ministry of small-medium enterprise, the furniture business association, and banking sectors. This sector is significantly supporting the industry through its' integration.

The second classification is the high interest with low level of power. This class consists of three stakeholders, which are furniture business, suppliers, and international customers. Although furniture business has been the center to industry activity, the separated furniture businesses are having low power of level in affecting the industry.

The last classification is the stakeholders with low level of power and interest, there are countries competitors, international penetrated brand competitors, and local customers. Although the local customer show prospective opportunity, however due to the level of demand, the local customers are having less power to effect the industry landscape in the current years. This low level of power in the previous years that made many furniture business do not focus on the domestic market that now significantly growing.

Cross Case Convergence of Indonesian Furniture Industry

Firm Strategy, Structure, and Rivalry

Indonesian furniture industry is consisting of many creative business models that adopt different approaches in developing their business. These entrepreneurs modifying their business models and adapt in terms of analyzing the current industry and opportunity in the future. Despite the differences among the cases, there are highlighted points that could be drawn to represent the Firm's strategy, structure, and rivalry. Based on the analysis, there are lacks of awareness in developing company goals and long-term objective across the sample. In the current industry, most of the entrepreneurs are believed that they only need to work based on its' current performance and try to increase the efficiency and effective to increase the company revenue. The owner's motivation is one of the factor that determined the direction of business growth. Most of our correspondents describe the motivation for the future development of their business is to simultaneously grow their revenue. This motivation support the company to push itself to grab more potential market in its' process. In the ownership structure most of correspondents are family owned companies. Throughout this case it also represent the current industry landscape in which still many numbers of family owned company. There is no significant different that has been analyzed between both company from family owned and private owned company. There are two different significant corporate governance that has been shown due to the site seeing. The family adoption environment shown in some companies. This is defined by a less-strict environment. In some of cases company with family adoption environment shows higher level of tolerance in work place such as work time, absence, reporting bureaucracy, and level of authority. The company with this environment mostly are manufacturing based company, in which having low hierarchy. Across the correspondents there are same concerns that shared between furniture business. In the domestic rivalry there is no significant competition the company feels. The low of competitiveness are shown because there is no significant market leader in domestic market. Each business sees that they have their own market portion and satisfied to its' market share.

Factor Condition
Indonesian Furniture industry related with many resources on its' business process. The following are factors that affecting Indonesian furniture industry. Indonesia has many skillful crafters. Most of the skills are inherited from generations to generations and within friends and employees in same company. Within the range of correspondents, there are no qualification or standardization from government. Through the data that derived from correspondents the current cost of employee structure are shown above. In most of cases there are difference of top paid employee whether management employees or designers. This difference is analyzed based on company own preference. The raw material resources of Indonesian furniture is known to have the high quality among any others furniture in the world. The possibility of getting the best quality is generated by he availability of resources in Indonesia. In the last 3 – years there is growing concern which to have a sustainability resource management. There are many issues about deforestation and illegal logging in Indonesia. Most of the correspondents are having its' own area to get the resources. Since Indonesia having wide range of different plant and resource variation, the source for raw material is highly scattered. Most of the correspondents are working with vendors to manage their resources. Indonesian furniture business are having low cost in terms of its' basic needs. The basic needs are including water and electricity cost. The cost fluctuation is usually happened because the increasing of orders. The cost are low in furniture business, it resulted from low adoption of technology. All of the correspondents were stated themselves to be less scientific. Most of them are having a business background without depth science knowledge. Their scientific knowledge is limited on their knowledge of resources. In the current condition, they are looking for new materials or product development on science that has been ready in the market. Indonesian crafters are very experienced in knowing the technical knowledge of furniture making. The knowledge that has been fundamental are production knowledge and technical tools using. The production knowledge includes wood picking, crafting, and finishing. In this knowledge Indonesian crafters are experienced and well-known especially on crafting. Its' detailed and beautiful relief is one of the best in the world. The market knowledge determine how the business could adapt to fluctuating market. Most of the

correspondents realized that they lacked on the marketing knowledge. They currently do not implement any market research activity.. In several cases they usually only tracking the current trends in international market and implement by modifying the product. The correspondents are having limited knowledge in managing the capital. They barely understand how to value their current capital resource. However their capital resource is generated by sales income none of them are having the investors' investment. On the infrastructure characteristics, their infrastructure resource are mostly factory and inventory sites. The factory are used in order for the production activity, includes furniture making and finishing process. The raw materials for productions are kept in the inventory along with the finished goods. All of their infrastructure are currently owned by the company. They develop their infrastructure mostly from small sites to the current size.

Demand Condition
The Demand Condition is defines as a condition that would trigger the business in industries to innovate and compete each others as a catalyst. Indonesian furniture industry divides the demand both for international and domestic demand. The following are current condition on demand. The local demand are consists of three different types, which are business-to-business, business-to-consumer, and business-to-government. In average, the business-to-business take 55% of segment structure followed by business-to-consumer with 42% and business-to-government by 1.2%. The business-to-business in Indonesian market are consist of demand to tourism industry and restaurant. Correspondents gain demand for hotels, apartments, restaurant, and office supplies. The business-to-business demand are having big amount in terms of quantity, however the price is lower than business-to-consumer. In the other side, business-to-consumer is relatively low in terms of quantity of sales but high value on price with average 200% - 450% than business-to-consumer. The sophisticated product are mostly generated to business-to-business segment and business-to-consumer segments. In business-to-business most of the clients are asking for the modification on products, whether the design, the color, or the details of the product. Each of correspondents have different insight on the home demand anticipatory needs. The lower cost is a general needs of customers. In case of shaniqua bamboo, their local customers are tend to search for the most cheap furniture that they can get but with a reasonable quality. Indonesian market is still very low in terms of internationalization. Most of the market still adopt the current trends in international market. In many industries including furniture, the businesses are following the international trends to predict the home demand market interest. This low internationalization is related as an effect of immaturity of local demand to local products within Indonesia.

Related and Supporting Industries
The Indonesian furniture industry has grown its' business functions and highly dependent to other related and supporting industries. The following are lists of related and supporting industries that affect the industry. Issues among suppliers in furniture business is to having a sustainable management resources and qualification certification for raw material resources. The implementation of international regulations is still very limited to be implemented in Indonesia. There are certain factors such as un-readiness of government, the complicated supply chain, to illegal oligopolistic market under the industry. However government could support the supply chain by being clear on its' legal authority and implement the authority. The technology development in Indonesia especially on supporting furniture business is very low. Most of the technology needed to be imported and adopted from others countries. In manufacturing based company they tend to not following the current technology and use the old technology. All of the correspondents are facing the same problems in terms of manufacturing assets. The lack of easy access to manufacturing access force the to import the manufacturing machinery from others countries and resulted to high cost. The current distribution industry that consists of logistics are support the ecosystem very good. The correspondents are experiencing the easy access, responsible vendors, and affordable price for the last 3 years. Due to the extended analysis, the logistic companies are experiencing sales decrease among the mineral transportation, this resulted in higher logistic distributor to change to

exporting goods. In addition there is growing number of local logistics company and international logistics companies. With the supporting of several big harbor planning across Indonesia such on Kalimantan, West Java, and Sumatra it would have bigger and easier access of industry. In terms of supporting industry in marketing and promotions attempt, the key industry is event management. The furniture business sees the event of furniture expo that held every year is a significant effective marketing activities for furniture business. In addition there are growing media exposure from interior magazines and international online reviewer that help them in increasing their marketing activities. In terms of supporting industry in marketing and promotions attempt, the key industry is event management. The furniture business sees the event of furniture expo that held every year is a significant effective marketing activities for furniture business.

SWOT Analysis
Strength
Indonesian furniture has been a mature industry with the acknowledgment of the quality and competitive price in the recent decades. The strength of the Indonesian furniture industries are noted as follows,

- High technical knowledge (skillful crafters)
- Mature infrastructure resources
- Family adoption of company governance
- High accessibility of raw material resources

Weakness
The maturity of business landscapes in Indonesia has force several weakness to appears as the challenge for the industry ecosystems, to take care and managed. The followings are the weakness of Indonesian furniture industry.

- Unrevised and unevaluated company goals
- Less owner's motivation on product and company sustainability
- Low level of innovation
- No qualification and standardization across the industry
- Manufacturing-based employee structure (lack of management employee)
- Limited scientific knowledge
- Low marketing knowledge

Opportunity
Outside the Indonesian furniture industry, there are growing opportunity that might lead Indonesian furniture industry in sustainable development in the future. These are the opportunities for the furniture industries in the following years.

- Increasing demand on Business-to-business as result of increasing entrepreneurship activities and interests in Indonesia
- Increasing demand on business-to-customers
- Customers strong product preferences on design and quality
- Increasing domestic market size

In addition there are several opportunities that derived through interviews and secondary data analysis that classified outside the Porter's Diamond Model framework.

- Increasing numbers of young entrepreneurs that branding and marketing minded with better business foundation.
- Increasing numbers of business partnership with bank in loans and business development programs.
- Growing numbers of Indonesian young furniture and interior designers
- ASEAN Open Market 2015

Threat

There are series of threats that identified could threat the growing of furniture industry in the following years. These threats are identified both from domestic threats and international market threats to the sustainability of the Indonesian furniture industry.

- Growing number of international brands that penetrated the domestic market
- The low implementation of sustainable resource management
- Low technology development within country
- High cost in developing manufacturing assets

In addition there are threats that derived through interviews and secondary data analysis that classified outside the Porter's Diamond Model framework.

- Fluctuation of currency to others countries
- The moving economic conditions on targeted market country in international demand

Impact – Result Analysis

Based on the problems that has been found on the research we can analyze the impact-result analysis as the graph shown above. It indicates that the current weakness of the whole industry is on its' industry maturity as a manufacturing-based industries of furniture.
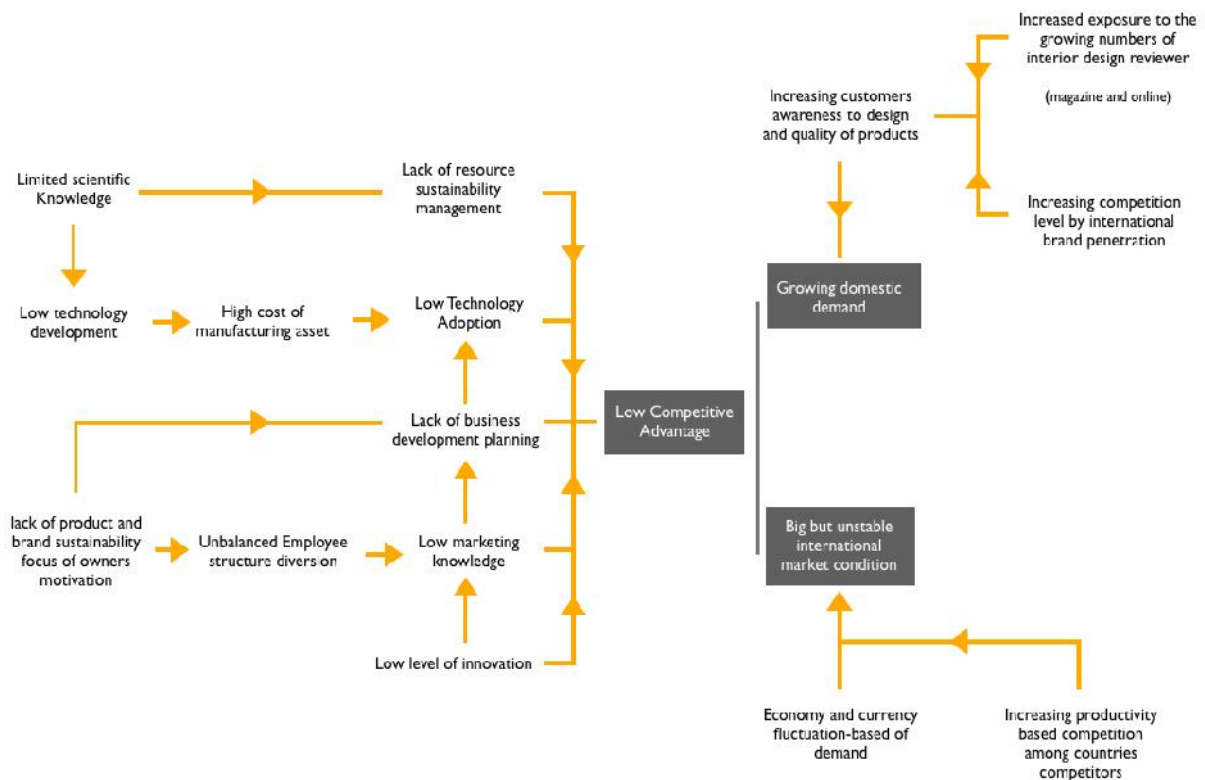

Figure 4.10 Impact and Result Analysis

There are 12 connected implication that has been found, below is the exploratory analysis on the implications that has been found due to the research results The exploratory is defining four main points of the causes of industry conditions, which are fluctuation of international demand, uncaptured domestic demand, low competitive advantage, manufacturing based business structures, small profit margin, and Indonesian numbers on manufacturing-based company.

 The fluctuation of international demand is affected by two major conditions, there are fluctuation of currency value and increasing competitiveness. Out of points that mentioned by the

correspondents there are one determinant variable which is there are certain legal and bureaucracy that has been made by Indonesian ministry of foreign trade in managing the current capacity of trade.

The un-captured domestic demand is shown on the described characteristics, in which the Indonesian furniture business describes that domestic market is have been unattractive market while on the other side, there are growing consumption on furniture in domestic market and there are international brands penetration that currently increasing the competition landscape. The determinant variable that impact the un-captured domestic is defined on low competitive advantage of Indonesian furniture business. The key stakeholders that involved on this point is local customers.

Indonesian furniture industry is defined to be low in its' competitive advantage. The low level of is' competitive advantage resulted the industry to face problems in the increasing competitive landscape. There are 4 determinant factors that impact Indonesian low competitive advantage, which are lack of marketing strategy responsiveness, lack of product development process, difficulties to access the machinery assets, and lack of sustainable resources management.

The manufacturing furniture has been growing in a sustainable stage, however the current analysis shows that most of the business are facing the sustainability of competitions when they are facing to be manufacturing companies. The Indonesian furniture industry need the balance proportion between the manufacturing and end-customer based companies. The balance will support the industry in the future. The collaboration between these two types of business will help the industry to be more sustainable and significantly increasing the value of the product. The key stakeholders that involved on this implication are Indonesian ministry of small-medium enterprise, and banking sectors.

Conclusion

Based on the research with approach of Porter's diamond model on countries competitive advantage we can conclude that there are several conditions that currently happened in the industry that might lead the industry in the future development. The current identified conditions of the porter's diamond model listed below.
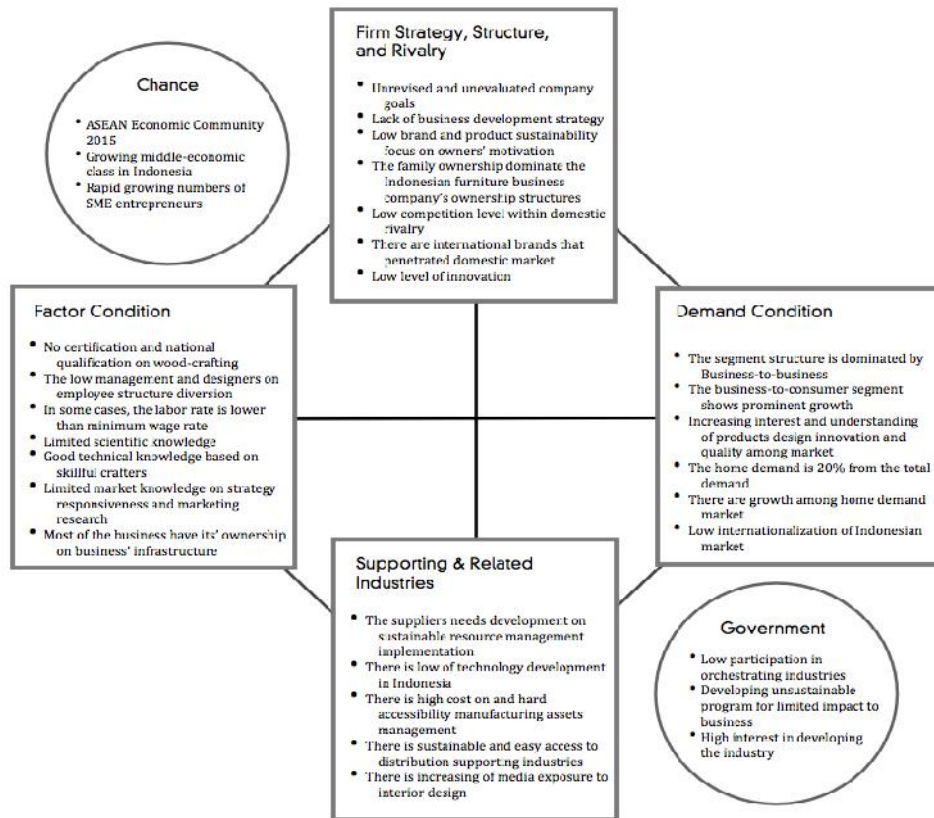
Figure 5.1 Porter's Diamond Forces on Indonesian Furniture Industry

Firms' Strategy, Structure, and Rivalry
- Unrevised and unevaluated company goals
- Lack of business development strategy
- Low brand and product sustainability focus on owners' motivation
- The family ownership dominate the Indonesian furniture business company's ownership structures
- Low competition level within domestic rivalry
- There are international brands that penetrated domestic market
- Low level of innovation

Factor Condition
- No certification and national qualification on wood-crafting
- The low management and designers on employee structure diversion
- In some cases, the labor rate is lower than minimum wage rate
- Limited scientific knowledge
- Good technical knowledge based on skillful crafters
- Limited market knowledge on strategy responsiveness and marketing research
- Most of the business have its' ownership on business' infrastructure

Demand Condition
- The segment structure is dominated by Business-to-business
- The business-to-consumer segment shows prominent growth
- Increasing interest and understanding of products design innovation and quality among market
- The home demand is 20% from the total demand

- There are growth among home demand market
- Low internationalization of Indonesian market

Related and Supporting Industries
- The suppliers needs development on sustainable resource management implementation
- There is low of technology development in Indonesia
- There is high cost on and hard accessibility manufacturing assets management
- There is sustainable and easy access to distribution supporting industries
- There is increasing of media exposure to interior design

Chances
- ASEAN Economic Community 2015
- Growing middle-economic class in Indonesia
- Rapid growing numbers of SME entrepreneurs

Government
- Low participation in orchestrating industries
- Developing unsustainable program for limited impact to business
- High interest in developing the industry
-

Author believes, if Indonesia could increase their numbers on furniture small medium enterprise that has focus on customer-end based company it would help the industry to retain its' capability in the future to compete, both for domestic demand and international demand. Since the increasing numbers of small-medium enterprise would help current manufacturer to increase their income by having higher price but lower cost on distributions. Later the manufacturing have opportunities to increase their productivity by having investment on machinery assets and gaining competitive advantage on the global industry landscape.

In addition, the following are several key points on the research conclusion.
1. There is growing domestic demand, in which could be a channel for Indonesian furniture business to grow their demands.

2. The improvement of fast-moving product development for the furniture industry has been a necessary needs. It is because the fast moving adoptions of both international and domestic market has pushed furniture business to innovate faster.

3. In order to increasing the trade value of Indonesian furniture industry, government could develop two different separated things. First is to increasing the current productivity rate of Indonesian furniture manufacturing companies or help the growth of end-customer based companies that would add bigger level of margin and more sustainable business competitive landscape.

This research frameworks could be done in various types of industries in different countries. However the analysis might results different results from one to another due the difference of research object, and time periods of this research. The author recommend to continue this assessment with bigger numbers of correspondent periodically in order to help the government in assessing and structuring the strategy of Indonesian furniture industry.

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