

CHAPTER I INTRODUCTION

1.1 Object Overview

1.1.1 Company Profile

PD. ASH Jaya is a rice manufacturing company that has been in business for nineteen years since 2001 by Mr. Asep Saepudin. PD. ASH Jaya is located in *Kp. Jati, Desa. Cikembulan, Kec. Kadungora, Kab. Garut, West Java, Indonesia*. PD. ASH Jaya has produced several types of rice that are IR 64, IR 42, *Pandan Wangi, Ketan Putih*. Currently, PD. ASH Jaya has 45 employees, including officer assistants, driver, technician, rice cleaner staff, production, and chaff controlling staff. PD. ASH Jaya focuses on marketing their product at Cipinang Central Market and has collaborated with PT. Tjipinang Food Station.

1.1.2 Products

In doing their business, PD. ASH Jaya is noted to have produced several types of rice, those are:

1. IR 64

IR 64 or also recognize as *Setra Ramos* rice, this type of rice has a long and oval shape, it also has a fluffier texture when processed.

2. IR 42

IR 42 or also recognize as *Pera* rice, has a slightly hard and dry texture with an oval and short shape, usually used in preparations such as fried rice, *ketupat*, and so forth.

3. Pandan Wangi

Pandan Wangi is a type of rice that gives off a soft *pandan* aroma, this rice has a round shape and is slightly brownish in color with a fluffier texture when processed.

4. Ketan Putih

Ketan Putih is a type of rice that has a slight transparency color, this type of rice has high amylopectin content, this content causes the *Ketan Putih* rice has a sticky texture when processed.

1.1.3 Human Resources

PD. ASH Jaya has about 45 employees, consisting of 12 drivers, 3 officer assistants, 6 technicians, 6 people in charge of rice cleaner, 14 people in production, and 4 people in chaff controlling.

Table 1.1.1: Workforce Detail of PD. ASH Jaya

Source: PD. ASH Jaya Labor Documents of PT. ASH Jaya

No.	Job Description	Number of Employees
1	Officer Assistant	3
2	Production	14
3	Driver	12
4	Technicians	6
5	Rice Cleaner	6
6	Chaff Controlling	4

PD. ASH Jaya operates from Monday to Sunday except for Friday, with a work schedule that has been arranged as follows:

Operational Time : 08.00 am - 05.00 pm

Break Time : 12.00 pm – 01.00 pm

PD. ASH Jaya has arranged scheduling so that the company's operational activities can operate properly. Operational activities performed outside of these regulations are classified as overtime.

1.1.4 Organizational Structure

In order to support the implementation of business strategies, as well as to simplify operational activities, PD. ASH Jaya has separated duties and responsibilities into several divisions. Following is the organizational structure of PD. ASH Jaya:

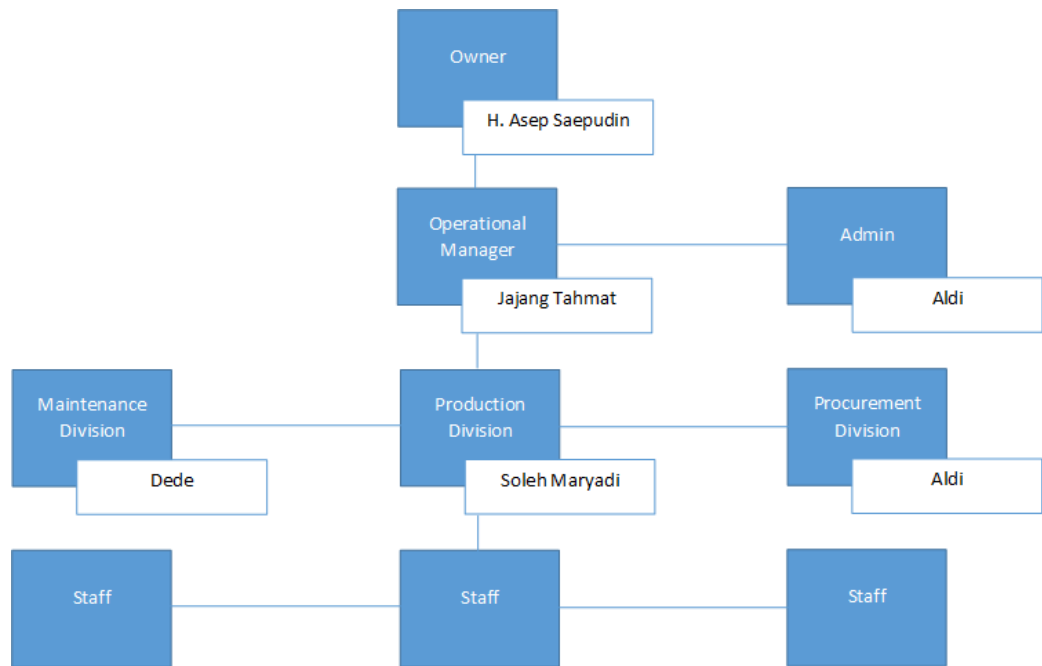


Figure 1.1.1: Organizational Structure of PD. ASH JAYA

Source: PD. ASH Jaya

1.2 Research Background

Improving the welfare and quality of life of the people is the responsibility of every country. Nowadays, it is not uncommon for many countries to believe that economic growth is the main determinant of welfare and quality of life.

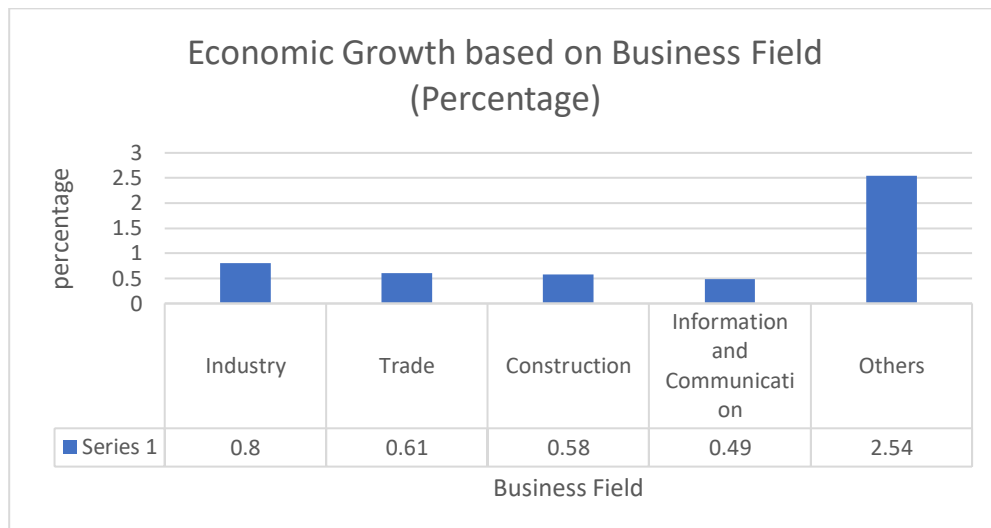


Figure 1.2.1: Economic Growth Based on Business Field

Source: Badan Pusat Statistik (2020)

According to data obtained by Badan Pusat Statistik (2020), Indonesia's economy grew by 5.02% in 2019, which covers all business areas such as industry, trade, construction, information and communication. The processing industry business segment became the largest source of growth, with an increase of 0.80%, followed by wholesale and retail trade, auto and motorcycle repair shops, with an increase of 0.61%, the construction industry at 0.58%, and the information and communication industry at 0.49%. 2.54 percent.

Table 1.2.1: Production and Consumption Data of Rice

Source: Badan Pusat Statistik

Year	Production (in million ton)	Consumption (in million ton)	Surplus (in million ton)
2018	32.42	29.57	2.85
2019	31.31	29.78	1.53
2020 (January-September)	26.91	22.28	4.63

In terms of processing industry studies, the development of the rice processing industry has experienced a positive increase from 2018 to September 2020. In 2018, Indonesia experienced a surplus in rice production of 2.85 million tons with a total production of 32.42 million tons and consumption of 29.57 million tons (Subdirektorat Statistik Tanaman Pangan, 2018). Furthermore, in 2019 Indonesia experienced a surplus of 1.53 million tons of rice with a total production of 31.31 million tons and consumption of 29.78 million tons (Subdirektorat Statistik Tanaman Pangan, 2020). From January 2020 to September 2020, it is estimated that Indonesia has produced 26.91 million tons of rice and the total consumption during that period is estimated at 22.28 million tons of rice, so it is known that a temporary surplus is estimated at 4.63 million tons (Kementerian Pertanian Republik Indonesia, 2020).

The phenomenon of economic growth that occurs creates a dynamic business environment. In accordance to be able to survive in a dynamic business environment, a company must constantly update its competencies and strategies to achieve sustainable competitive advantage.

A company is said to have a sustainable competitive advantage when it has implemented a strategy that is not yet owned and cannot be duplicated by competitors or potential competitors (Barney, 1991). Many business people are competing to make innovations in order to create a sustainable competitive advantage. It is not uncommon for innovation to be considered as a concept of economic growth. However, innovation can only survive in an environment of fierce competition, it is not sufficient to survive in dynamic market conditions (Chau & Witcher, 2008).

In a dynamic changing environment, the dynamic capability is the most appropriate strategy. From the results of research conducted by Putri & Mustamu (2014), it can be seen that companies that use dynamic capability as a competitive strategy can achieve a sustainable competitive advantage.

In other research conducted by Sanberg & Abrahamsson (2011), it is known that in order to achieve a sustainable competitive advantage a company must run all components of dynamic capability. If the company operates only on one of the components, a sustainable competitive advantage will not be formed.

In this research, the author chooses to analyze the implementation of dynamic capability in PD. ASH Jaya, which is a rice manufacturing company. Currently, PD ASH Jaya sells its products to 5 customers in Cipinang Central Market (*Pasar Induk Cipinang*).

Based on the income report of PD. ASH Jaya it is known that the revenue of PD. ASH Jaya continues to experience positive growth from 2015 until 2019.

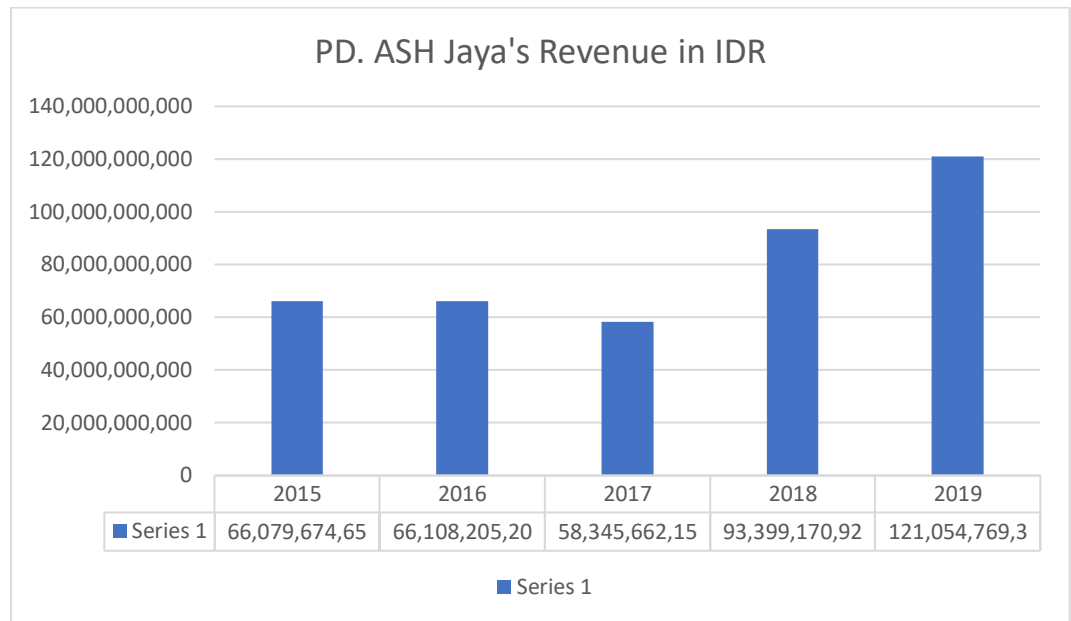


Figure 1.2.2: PD.ASH Jaya's Revenue from 2015 until 2018

Source: PD. ASH Jaya's Income Report (2020)

From Figure 1.2.2, it can be seen that, in 2015 PD. ASH Jaya generated revenue of IDR 66,079,674,652. In 2016 PD. ASH Jaya generated revenue of IDR 66,108,205,200. Furthermore, in 2017 PD. ASH Jaya generated revenue of IDR 58,345,662,150. Then in 2018 PD.ASH Jaya generated revenue of IDR 93,399,170,920. And in 2019 PD. ASH Jaya succeeded in generating revenue of IDR 121,054,769,303.

Based on the result of the pre-interviews that have been conducted with Mr. Asep Saepudin as the owner, PD. ASH Jaya has the desire to become the most superior rice manufacturer in Cipinang's main market (*Pasar Induk Cipinang*). Moreover, according to the results of the pre-interview, it is also known that PD. ASH Jaya has implemented a dynamic capability strategy. PD.ASH Jaya collects information and knowledge from outside the company and then share it internally. PD. ASH Jaya also continues to innovate. One of them is currently PD. ASH Jaya is designing a machine capable of producing 100 tons of rice per day. However, currently PD.ASH Jaya still cannot control its management properly, based on the results of the pre-interview with Mr. Asep Saepudin as the owner, even though PD. ASH Jaya has divided tasks into each division that has been listed on the

organizational structure, but Mr. Asep Saepudin still feels a lack of control over their management. Mr. Asep Saepudin said that, although PD. ASH Jaya has divided the tasks into each division and each division has done its job, but Mr. Asep Saepudin as the owner must continue to supervise every operation, and company operations cannot function if they are not under the supervision of the owner. PD. ASH Jaya still marketed their product traditionally, there is no market innovation in PD. ASH Jaya, and there is no website to market their products. Mr. Asep Saepudin said there is a decline in revenue experienced by the company, during the pandemic. Asep Saepudin also said that the company's marketing reach is also limited.

Based on the phenomenon of dynamic environmental changes and the company's desire to become the most superior rice manufacturing company in the Cipinang main market (*Pasar Induk Cipinang*), the author is interested in researching the implementation of dynamic capability in PD ASH Jaya. As discussed briefly above, the dynamic capability is the most appropriate strategy to create a sustainable competitive advantage in dynamic environmental changes. This research was conducted to find out whether the implementation of dynamic capability that has been done by PD.ASH Jaya has achieved a sustainable competitive advantage or not. Therefore, the author is interested in conducting research entitled "Implementation of Dynamic Capability in Achieving Sustainable Competitive Advantage: A Case Study at PD. ASH Jaya".

1.3 Problem Statement

The phenomenon of economic growth that occurs creates a dynamic business environment. In accordance to be able to survive in a dynamic business environment, a company must constantly update its competencies and strategies to achieve sustainable competitive advantage.

Dynamic capability is believed to be the most suitable strategy for creating a sustainable competitive advantage in dynamic environmental changes. There are three main components in dynamic capability, namely adaptive capability, absorptive capability, and innovation capability (Wang & Ahmed, 2007).

Based on the result of the pre-interviews that have been conducted with Mr. Asep Saepudin as the owner, PD. ASH Jaya has the desire to become the most superior rice manufacturer in Cipinang's main market (*Pasar Induk Cipinang*). And based on the result of the pre-interviews it is also known that PD.ASH Jaya has implemented a dynamic capability strategy. PD.ASH Jaya collects information and knowledge from outside the company and then share it internally. PD. ASH Jaya also continues to innovate. One of them is currently PD. ASH Jaya is designing a machine capable of producing 100 tons of rice per day. However, currently PD.ASH Jaya still cannot control its management properly, based on the results of the pre-interview with Mr. Asep Saepudin as the owner, even though PD. ASH Jaya has divided tasks into each division that has been listed on the organizational structure, but Mr. Asep Saepudin still feels a lack of control over their management. Mr. Asep Saepudin said that, although PD. ASH Jaya has divided the tasks into each division and each division has done its job, but Mr. Asep Saepudin as the owner must continue to supervise every operation, and company operations cannot function if they are not under the supervision of the owner.

Based on this background the author is interested in researching the implementation of dynamic capability in PD ASH Jaya. The author would like to know whether the implementation of dynamic capability in PD ASH Jaya has achieved a sustainable competitive advantage or not.

Based on the problem statement above, the author has formulated three questions, which are:

1. To which extent is the role of adaptive capability in creating a sustainable competitive advantage on PD. ASH Jaya?
2. To which extent is the role of absorptive capability in creating a sustainable competitive advantage on PD. ASH Jaya?
3. To which extent is the role of innovation capability in creating a sustainable competitive advantage on PD. ASH Jaya?
4. How is the implementation of dynamic capability in creating a sustainable competitive advantage at PD. ASH Jaya?

1.4 Research Objectives

Based on the research question that has been formulated above then, the research objectives in this research are:

1. To find out the extent of the role of adaptive capability in creating a sustainable competitive advantage at PD. ASH Jaya
2. To find out the extent of the role of absorptive capability in creating a sustainable competitive advantage at PD. ASH Jaya
3. To find out the extent of the role of innovation capability in creating a sustainable competitive advantage at PD. ASH Jaya
4. To find out how the implementation of dynamic capability in creating a sustainable competitive advantage at PD. ASH Jaya

1.5 Research Benefits

This research is expected to provide benefits to the observers of dynamic capability and sustainable competitive advantage, entrepreneurs and potential entrepreneurs, marketers, and among other students and researchers.

1.5.1 Theoretical Aspects

The result of this research expected to be able to provide insight into Dynamic capability and its implementation in the company, as well as being able to become a reference for further research related to issues of dynamic capability and sustainable competitive advantage.

1.5.2 Practical Aspects

The results of this research are expected to provide benefits for the company, as additional information about the implementation of dynamic capability related to sustainable competitive advantage. The results of this research are also expected to be able to help companies to evaluate and to consider strategy, as well as to help companies to improve their sustainable competitive advantage.

1.6 Writing Structure

Writing structure is arranged to provide a general overview of what will be done in this research. Research performed with the following structure:

CHAPTER I: INTRODUCTION

This chapter contains an overview and concise description of the research. Which consist of an overview of the research objects, research background, problem statement, research question, research objectives, the benefit of the research, and research writing structure.

CHAPTER II: LITERATURE REVIEW

This chapter contains an explanation of the theories used in this research. This chapter also contains the framework of this research.

CHAPTER III: RESEARCH METHODOLOGY

This chapter contains a discussion and explanation regarding the methods used in this research, types of research used, approaches, and analysis techniques used to explain and answer problems.

CHAPTER IV: RESEARCH RESULT DISCUSSION

This chapter contains discussion and explanation regarding the research results in accordance with what has been discussed in previous research. This chapter also contains about how data attained and gathered, then analyzed.

CHAPTER V: CONCLUSION AND SUGGESTION

This chapter consist of a restatement of the problem, brief descriptions and procedures, principal findings and conclusions obtained based on all the data analysis discussed in the previous research, and suggestions for further researc