THE EFFECT OF CHAIN VALUE CREATION ON INCREASING THE FASHION INDUSTRY BUSINESS PERFORMANCE IN BANDUNG CITY

S. Syahyono

Universitas Islam 45 Bekasi
Syahyono@unisma.ac.id

ABSTRACT

The era of globalization causes increasingly competitive competition towards the creative economy. This creative economy is driven by an industrial sector called the creative industry. Creative industries that have optimal business performance are creative industries that apply value chains to each of their business processes. The value chain provides value delivery that offers superior value to the creative industries. However, this value chain is not owned or fully functional as it should be in the creative industry of the Binong Jati UMKM knitting center in Bandung. This article discusses aspects of business performance that are affected by value chain creation. This study uses descriptive-verificative survey research. The sampling technique used is probability random sampling. The results showed the influence of the value chain on business performance. So it can be concluded that the better the value chain, the higher the business performance at Binong Jati Knitting Center, Bandung City, and vice versa.

INTRODUCTION

Globalization leads to increasingly competitive competition. This situation requires companies to find ways to keep costs as small and efficient as possible. This has led to a change in industrialization through a new economic era by intensifying information and creativity, known as the creative economy, which is controlled by the industrial sector, namely the creative industry.

The creative industry is an industry that utilizes the talents, skills, and creativity of actors in realizing prosperity and creating jobs from the results of their creations and creativity (Ministry of Trade, 2008). All forms of utilization of all these resources are expected to improve business performance in the creative industry. However, in reality, some of the creative industries are experiencing problems faced by the creative industries, especially the issue of declining business performance which has not shown the expected increase in performance.

Creative industries in the fashion sub-sector in Bandung that are engaged in creative industries must be able to understand their position in the series contained in this creative industry. This can help creative industry players create value in the creative industry to improve optimal business performance. Creative industries that have optimal business performance are creative industries that apply value chains in every business process (Ministry of Trade of the Republic of Indonesia, 2008). In the following, an illustration of the creative industry generic value chain is presented.

Source: Ministry of Commerce, 2008
Figure 1. Percentage of Creative Economy Sub-sectors Conducting Research and Development

The description of the value chain above is a general description; it may not fully occur in the entire value creation process in the creative industry. Therefore. The value chain that applies to each creative industry will be different and in more detail adjusted to the creative industry sub-sector where there is a more contextual description of the situation/condition or the actual conditions that exist in each of these industrial sub-sectors.

Strategies in understanding the position of the creative industry can be described through the value chain. In creating a product, the value chain in the creative industry prioritizes designs with limited production volumes. It requires creative innovation from business actors as the primary input in creating value.

The value chain delivers value delivery that provides superior value to the creative industries. The Binong Jati knitting center in Bandung, as one of the creative industries, has different value chain characteristics; in particular, some value chains do not yet have or function fully as they should. These factors become a significant obstacle, especially in determining the position of competitiveness to achieve business performance. This happens because the supporting elements in the value chain are not yet optimal, such as the use of information and communication technology, infrastructure utilization, logistics efficiency and reliability, high trade constraints, relatively high wage rates when compared to ASEAN countries, as well as tight requirements on access to banking financing. In addition to this, business actors have difficulty meeting international product criteria in Indonesia due to problems in obtaining local raw materials that meet global consumer demand criteria.

In this study, the condition of the knitted MSMEs of Binong Jati in Bandung has not yet achieved the expected business performance because they are still facing various obstacles related to the lack of high competitive advantage, primarily related to the value chain implemented in the MSMEs, especially in the aspects of value creation, value delivery, and value communication. Based on existing studies, there is no research that examines all aspects of business performance that are affected by value chain creation. Therefore, this research can bridge the research gap that has existed so far in a research framework.

LITERATURE REVIEW

Creative Economy

The main focus of the creative economy is the creative industry, as stated by UNTACD and UNDP (2008). The main core of the creative economy lies in the process

that carries out a series of value creation processes through continuous research and development.

The creative industry by UNESCO is defined as an industry that combines creation, production, and commercialization, both intangible and cultural, that is created naturally. According to the Ministry of Trade of the Republic of Indonesia (2009), the creative industry is an industry that utilizes the talents, creativity, and skills of business actors in creating prosperity and creating jobs. This industry focuses on empowering the creative power and creativity of actors. As the core of the creative economy, the creative industry takes a role in realizing prosperity so that it can open up jobs that impact reducing unemployment. The creative industry also plays a role in improving business performance by increasing income to create economic equity, which affects reducing poverty. The financial gap will be condensed, which will spur reforms that prioritize raw materials originating from within the country.

The scope of activity of the creative economy can consist of various aspects. The Ministry of Trade of the Republic of Indonesia (2008) divides the creative economy into 16 sectors, namely the craft sector, printing and publishing, photography, video, film, performing arts, fashion, design, architecture, software, interior design, design, visual communication, advertising, radio, and television, as well as research and development.

Chain Value

The chain value is a chain value analysis based on the series of activities needed to create a product or service starting from the conceptual stage, then followed by several sets of production, up to distribution to the final consumer and destroying it after its use (Kaplinsky 2010).

According to Porter, value is the total availability of payments made by buyers for goods or services obtained from the company in the context of competitiveness. The measurement of value is based on total revenue, which illustrates the units that can be sold and the company's cost of goods. A company is said to be profitable if the value passed on to consumers is higher than the cost of making the product.

According to Suryana (2016), the creative industry value chain is a value chain that creates value in production and creation. Through the value chain, these values are communicated and delivered. And the value chain requires a creative economic climate. That is given the impetus by clarity in regulatory, legal, socio-cultural, and economic acknowledgment guarantees. There will be supply/demand for creative economy products from the value chain, which is realized from an economic climate driven by clarity in regulatory, legal, socio-cultural, and economic acknowledgment guarantees. Business activities must be in the form of a value chain to generate and increase the company's competitiveness, added value, and higher opportunities. It is starting from the input-production-distribution process to goods or services to buyers. This is a series of processes to generate competitiveness and added value (Suryana, 2016).

RESEARCH METHODOLOGY

This research is based on the type of problem being studied, using a descriptive-quantitative approach, and using a descriptive verification survey research. In this study, the research population was the entrepreneurs of the Binong Jati knitting center. The sampling technique used a probability random sampling technique.

DISCUSSION

The percentage score indicates that the overall value chain at the SME knitting center of Binong Jati, Bandung City, is low (with a low score of 60.1%). This means that the MSME actors have not succeeded in creating a good Value Chain in their field. Based on the calculations, it can be seen that the "Value Delivery" dimension is the dimension with the highest achievement compared to other measurements in this Value Chain variable, followed by the "Value Communication" dimension. Finally, the dimension with the lowest achievement in this variable is "Creation. Mark".

The response of business actors to MSMEs regarding the Value Chain variable and each dimension based on the percentage score can be presented as follows. The table shows the achievement of the percentage score for the low-value chain latent variable (with a low score percentage of 60.1%). All dimensions in this Value Chain are also common (Value Creation, Value Delivery, and Value Communication).

In this case, the dimension of "Value Creation" in MSMEs in Binong Jati Knitting Center, Bandung City is low (30.1%), which indicates that business people have not been fully able to create specific values (ideas or creations) regarding businesses in the fashion sector, develop ideas for the concept, or also produce a product that has a high selling value. In other words, business actors do not fully understand the flow of production, transformation, marketing, and distribution to final consumers, nor can they bridge and coordinate distributors, traders, processors, producers, and providers of raw materials for a particular product.

Furthermore, the dimension of "Value Delivery" in the MSMEs in the Binong Jati Knitting Center in Bandung City is low (46.9%). This condition shows that half of the business actors in the fashion sector have been able to convey value to customers, and some have not been able to bring this value effectively to consumers.

Finally, the "Value Communication" dimension in MSMEs in Binong Jati Knitting Center in Bandung City is low (42.6%). This condition shows that some fashion SMEs in Bandung have understood how to convey information to consumers about the added value of an item, both regarding the novelty and benefits of the thing, and some of them are still not very effective in conveying information.

Overall, the value chain at the MSMEs in the Binong Jati knitting center, Bandung City, is low and has not been implemented by the sequence of processes. A production process can be stopped because the input does not exist. The allocation of financial capital is also sometimes uncontrollable. For example, if there is an order, the giver of the order gives a down payment (down payment). Still, unfortunately, the money is not allocated to buy raw materials, so the production process is also hampered. At the time of billing goods, the entrepreneur cannot fulfill it so that the order giver is not satisfied with the performance of the MSME. The breakdown of this value chain makes MSMEs unable to produce product value according to their capacity.

In this case, the company uses the value chain to understand its cost position and identify various ways that can be applied to provide its business-level strategy. The value chain shows how a product moves from the raw material stage to the consumer (Hit, Ireland, Hoskisson, 2001). According to Dess et al., (2004), value chain analysis shows the organization as a protracted process in creating value. The research is carried out by studying the potential for value creation. To increase competitiveness and add value, each business activity carried out must be in the form of a value chain. Each value chain must create higher corporate opportunities, competitiveness, and added value. It is starting from the provision of inputs, the production process, distribution to the goods and services

to the buyer. This series of value processes can create competitiveness and added value (Suryana, 2016:70). It is understood that the competitive advantage and business performance of MSMEs can be determined by implementing the overall value chain.

The results showed that the description of Business Performance at MSMEs in Binong Jati Knitting Center in Bandung City was deficient (with an achievement of 24.8%). All dimensions on this Business Performance range from very low to low, none high.

It is necessary to measure work performance. In general, the measure commonly used is called a balanced scorecard. This balanced scorecard is a management tool to measure and assess a company's improving its financial performance in a sustainable manner (Kang et al., 2015). The balanced scorecard is more of an effective tool in planning strategies, such as translating the vision-mission and organizational strategy into action plans. The vision-mission and system of the organization have a final goal that is viewed from four perspectives: customers, finance, internal business processes, and learning and growth. If the four perspectives can work by the objectives, business performance will inevitably increase. On the other hand, if there is no synergy, business performance will be challenging to improve. Furthermore, Marchi et al. (2013) emphasize the importance of environmental and social-based value chains. Various challenges and opportunities from environmental and social aspects can be used as new drivers in achieving competitive advantage. Indeed, the main goal of a company's value chain is to increase growth and profit. Still, the involvement of environmental and social aspects can have a more positive impact on achieving competitive advantage.

And found the influence of the value chain on business performance. This condition indicates that the better the value chain, the higher the business performance at the Binong Jati Knitting Center, Bandung City, and vice versa. This finding is in line with the research results by Johnson & Templar (2011), which states that there is a relationship between the value chain and company performance. The value chain directly affects the differentiation and cost of a company's products and services and the ability to anticipate possible risks. The study uses secondary financial data to explore the relationship between a value chain and firm performance by developing an integrated proxy for value chain enforceability. Improvements in value chain management have a positive impact on improving company performance.

This finding also confirms the results of research by Cao & Zhang (2011) related to the influence of the value chain on competitive advantage and business performance. This research emphasizes value chain collaboration to increase the resources and knowledge of suppliers and customers so that the impact of value chain collaboration can achieve company performance based on a collaborative, competitive advantage paradigm. The results show that supply chain collaboration enhances collaborative advantage and does have a bottom-line influence on company performance, and collaborative advantage is an intermediate variable that enables supply chain partners to achieve synergies and create superior performance. Further analysis of the moderating effect of firm size reveals that collaborative advantage fully mediates the relationship between supply chain collaboration and firm performance for small firms. In contrast, it partially mediates the relationship for medium and large firms.

The novelty of this study is based on the results of the analysis of the interrelationships between the variables, namely the value chain, competitive advantage, and business performance, in one research model. The findings of this study confirm that the value chain has a positive effect on competitive advantage. The novelty of this study

shows that competitive advantage can be a mediating or intervening variable of the value chain.

CONCLUSION

The conclusions that can be drawn from the results of research and discussion related to the influence of the value chain on business performance at the Binong Jati Knitting Center, Bandung City, is that it can be stated that the value chain and business performance are still low. And the value chain also affects business performance. This means that if the value chain increases, the business performance will also increase. On the other hand, if the value chain decreases, business performance will also decrease. The influence of the value chain on business performance can be increased through high dimensions, namely value delivery and value communication.

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