

ANALYSIS OF SUSTAINABLE COMPETITIVE ADVANTAGE AT PT. X: APPLICATION OF THE VRIO APPROACH

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Abstract. *This study discusses the sustainable competitive advantage of the company's oil palm nursery division (PT. X) with the application of the VRIO approach (Value, Rarity, Immitate, Organization). PT. X is an international oil palm plantation company in Indonesia that continues to grow and shows very good company performance in terms of revenue. PT. X faces ongoing competitive challenges from various factors that disrupt the process of growing oil palm seedlings, one of which is the problem of drought during the dry season. As it is known that oil palm has a shallow root system (fibrous roots) so it is easy to lack water availability, even though in the seedling phase it has an important need for sufficient water availability. This research is expected to assist PT. X in conducting an analysis using several strategic management starting from tracing the company's vision, mission and goals, then carrying out internal analysis to choose the right strategy to be able to achieve a sustainable competitive advantage. Researchers use a resource-based view (RBV) to analyze and identify combinations of resources (tangible and intangible) and to be able to determine organizational capabilities through the application of the VRIO approach (Value, Rarity, Imitability, Organization). Researchers use questions as a form of application of the VRIO approach which aims to measure how much strength the combination of resources and organizational capabilities has so that it can be used to determine the company's competitive advantage. The results of determining the competitive implications for the physical capital owned by PT. X, indicate that a sustainable competitive advantage is caused by the conditions of the oil palm nursery watering installation, watering technology aimed at maintaining the quality of the seedlings, and optimizing the implementation of watering the seedlings, while the types of seeds cultivated are only classified as competitive as competitors. The results of determining competitive implications for human capital show that sustainable competitive advantage is caused by work experience, work loyalty, and deepening expertise of PT. X employees starting from the employee level to the Nursery Assistant, while decision-making skills, interpersonal relationships and teamwork are classified as competitive advantages. temporarily because this position will be the same if competing companies are able to imitate it. The results of determining competitive implications for organizational capital indicate that sustainable competitive advantage is caused by optimizing methods for implementing seed irrigation, infrastructure support activities, and human resource management.*

Keywords: *Sustainable Competitive Advantage, Applications of the VRIO Approach, Competitive Implications*

1. INTRODUCTION

Oil palm (*Elaeis Guinensis* Jacq) is one of the plantation crops that plays an important role for Indonesia as a mainstay commodity for export as well as a commodity that hopes to increase income for those who cultivate it. Oil palm is a plant that has shallow roots with a fibrous root type, with this physiology it makes it susceptible to drought stress. Several things can cause plants to experience drought including high transpiration followed by limited availability of groundwater during the dry season. Oil palm nursery is a stage of activity that begins with preparing plant material which includes preparation of planting media, maintenance and care of seedlings, selection of quality seeds so as to obtain good seeds of oil palm plants for planting later in the field. In general, oil palm seeds need water to carry out photosynthesis, maintain the protoplasm and also to support the translocation of nutrients or photosynthate which takes place continuously. The main thing that needs to be considered in this watering activity is the quality and amount of water given and the watering system used must be in accordance

with the needs of each seed.

From year to year there are always changes in carrying out the business wheel in the oil palm plantation sector, especially in the oil palm nursery division. These changes include an unstable climate and increasingly stringent company rules, especially in terms of efficiency and also the management of company assets. Since the change occurred, PT X has faced significant competitive challenges, including the increasing fuel costs for the watering machine and there is also an oil palm nursery division in each company which is a business competitor of PT. X.

Facing these conditions, the management of PT X must have a good company performance through the implementation of the right management strategy. This research is important to assist PT X in conducting analysis using a series of strategic management processes that depart from tracing the company's vision, mission and goals, followed by internal analysis to choose the right strategy to achieve sustainable competitive advantage. Resource-Based View (RBV) is used by researchers to analyze and identify combinations of resources (tangible and intangible) and organizational capabilities that form the basis of sustainable competitive advantage for companies through VRIO applications (Value, Rarity, Imitability, Organization) .

The VRIO application which is manifested in the form of a question is used by researchers to measure how much strength the combination of resources and organizational capabilities has to determine a company's competitive advantage, namely competitive parity, temporary competitive advantage, or sustainable competitive advantage.

2. LITERATURE REVIEW

Corporate strategy is a theory of how a company runs its operations to achieve the best level of performance. Choosing a strategy requires an understanding of the economic logic in which the strategy will be implemented (Barney (2007)).

For managers, strategy is a large-scale plan with a future orientation to interact with competitive conditions in order to achieve corporate goals, namely to provide satisfactory returns to shareholders (Pearce and Robinson (1994)).

Strategic management as two main elements First, strategic management requires 3 (three) continuous processes, namely analysis, decision and action. Second, the essence of strategic management is to study why companies are able to have performance that outperforms other companies. Kuncoro (2006)

The strategic management process is a series of successive analyzes and can provide options for companies to select and implement strategies that provide competitive advantage. Companies can have a competitive advantage if the company is able to create better economic value than its competitors. The company's competitive advantage can be in the form of a competitive advantage that is only temporary or can also be in the form of a sustainable competitive advantage.

Temporary competitive advantage is a competitive advantage that can expire in a short period of time. Competitive advantage that is equal to competitors is referred to as competitive parity or competitive parity. Companies that produce lower economic value than their competitors are known as competitive disadvantage.

2.1 Resource Based View (RBV)

A resource-based view of a company is used to analyze and identify a company's competitive advantage based on a review of a combination of tangible assets, intangible assets and also on capabilities as an organization.

The resource-based view (RBV) approach of a company is a model that can be used to analyze the strengths and weaknesses of a company, which focuses on features, resources that are very expensive to imitate, resources that can be exploited. which is to generate a competitive advantage.

An approach used in studying a company's internal strengths and weaknesses is guided by two basic assumptions. First, which is built from work results, assuming that companies can be perceived as a collection of productive resources and each of these different companies has a different set of resources. This is the assumption of heterogeneous corporate resources. Second, based on an approach that assumes that

some of the resources are very expensive or difficult to imitate or the supply is unstable or elastic. This is the assumption of an immobility resource. If a company's resources are able to enable the company to take advantage of opportunities or neutralize challenges, and these resources are only owned by a small number of competing companies, and if these resources are very expensive or difficult to imitate or their supply is inelastic, then those resources are natural resources. strength of the company and is a resource that has the potential to generate sustainable competitive advantage. The resource-based view argues that core competence is the basis of a company's competitive advantage, strategic advantage, and the ability to earn above average profits.

The resource-based view (RBV) identifies several characteristics called isolation mechanisms, which make resources difficult to imitate and valuable (Pearce and Robinson (2003)):

- a. Competitive superiority, can the company meet customer needs better than competitors with existing resources?
- b. Scarcity of resources, is the supply of existing resources relatively limited?
- c. Ease of imitation, are existing resources easy to imitate or easy to obtain?
- d. Appropriability: who actually gets the benefits created by these resources? Supposedly the resources developed and controlled by the company will be more valuable than other resources that are easily bought, sold, or transferred from one company to another.
- e. Endurance, how fast will the resources used shrink? The more slowly a resource depreciates, the more valuable the resource is. In general, visible assets are usually more susceptible to depreciation than invisible assets.
- f. Substitutability: are there any other alternatives besides the resources that are owned?

2.2 Concept of Resources (Organizational Assets and Capabilities)

A business view based on competitive advantage (RBV) arises so that the concept of core competencies becomes more focused and measurable to carry out more meaningful internal analysis. The essence of the RBV model is based on the identification of three basic resources which are the main foundation in finding and developing core competencies, which include:

a. Tangible Assets

Tangible assets are the assets that are most easily identified and are often found on a company's balance sheet. Included in these assets include owned production facilities, raw materials used, financial resources, owned buildings, and computers. Visible assets are generally physical and financial assets that companies use for the purpose of providing value to their customers.

b. Intangible Assets (Intangible Assets)

Intangible assets are assets that cannot be seen or touched by the naked eye. As for what includes this type of assets include brands, reputation, organizational morale, technical knowledge, patents, trademarks, and accumulated experience of a company.

c. Organizational Capability

Organizational Capabilities are not specific inputs such as visible or invisible assets, but are skills in the form of abilities and ways to combine assets, people and processes, which can be utilized by companies to transform inputs into outputs.

2.3 General Categories of Resources according to Barney

Barney (2002) explains that in general the company's resources include all assets, capabilities, competencies, organizational processes, company attributes, information, knowledge controlled by the company to develop and implement strategies to increase efficiency and effectiveness. In general, resources can be categorized as follows:

a. Financial Capital

Financial capital includes all sources of currency that can be used by companies to develop and implement strategies.

b. Physical Capital

Physical capital includes the physical nature of the technology used by the

company, its factories and machines, geographical location, and access to raw materials. Another specific example is the use of watering intensity measuring devices in oil palm nurseries

c. Human Capital

Human capital includes training, experience, judgment, intelligence, relationships, and deepening of the respective managers and employees of the company.

d. Organization Capital (Organization Capital)

Organizational capital is an attribute of a group of individuals who make up the organization, formal and informal planning, control and coordination systems, reputation and culture, informal relations between groups within companies, between companies.

2.4 Value Chain Analysis

The value chain describes a way of viewing a company as a chain of activities that transforms inputs into outputs that have value for customers. Value to customers comes from three basic sources: activities that can differentiate products, activities that can lower product costs, and activities that can quickly meet customer needs. Value chain analysis (VCA) seeks to understand how a business creates value for customers by examining the contribution of the different activities in the business to that value.

VCA takes a process perspective, which divides or divides the business into groups of activities that occur within the business, starting with the input received by the company and ending with the company's products (or services) and after-sales service for customers. VCA seeks to look at costs across the range of activities the business performs to determine where there is a low cost advantage or a cost weakness. Proponents of VCA argue that this analysis allows managers to better identify a firm's competitive advantage by viewing the firm as a process chain of activities that actually occurs in the business rather than viewing it along organizational lines or historical accounting protocols.

The value chain divides activities within a company into two general categories: primary activities and support activities. Primary activities (primary activities) are activities involved in the physical creation of products, marketing, and transfer to buyers, as well as after-sales service. Support activities (support activities) help the company as a whole by providing infrastructure or inputs that enable primary activities to be carried out on an ongoing basis.

2.5 Application of the VRIO Approach

A set of criteria is applied to the resource based view to determine which resources produce core competencies which are sources of sustainable competitive advantage. The definition of company resources and capabilities, and the 2 (two) assumptions of heterogeneous resources and immovable resources, are very abstract and cannot be directly used for an analysis of the company's strengths and weaknesses.

For this reason, the VRIO approach is used with a structure of 4 (four) questions related to business activities used by companies serially, namely questions about value, questions about rarity, questions about immitability, questions about organization. The answer to this question explains whether the company's resources or capabilities are strong or weak.

Table 2.1 Questions for Application of the VRIO Approach

Empirical indicators	RBV Question
Value	Do the company's resources and capabilities enable the company to respond to environmental challenges and opportunities?
Rarity	Is the resource currently controlled by a small number of competing firms?
Immitability	Are competing companies that do not have the same resources experience cost constraints in obtaining or developing the same

	resources?
Organization	Are other company policies and procedures organized to support the exploitation of a valuable, scarce, and expensive resource to imitate?

Source: Barney, (2007)

a. Questions about value (Value)

Do the company's resources and capabilities enable the company to be able to respond to challenges and opportunities that come from the environment ? To create strong resources and capabilities and competitive superiority, resources and capabilities must better meet customer needs than the company's main competitors. Pearce and Robinson (2003).

RBV Question: Are these resources and capabilities critical to meeting customer needs better than competitors?

b. Questions about rarity

The more companies that have the same resources or capabilities, the less these resources or capabilities become a source of sustainable competitive advantage for the company.

Pearce and Robinson (2003) argue that when scarce, resources become increasingly valuable.

RBV Question: Are resources scarce? Is it in limited supply or not easily replaced?

c. Questions about Immitability

A company's valuable and rare resources and capabilities can be a source of sustainable competitive advantage only if competing firms do not yet own these valuable and rare resources and are facing financial difficulties in acquiring them. Lipman, Rumelt and Barney refer to him as imperfectly imitable. This observation regarding immitability is represented by the question: Do competing companies that do not have the same resources experience and face cost constraints in acquiring or developing the same resources? What if a competitor finds and develops valuable but unrecognizable resources and capabilities or creates causal ambiguity that can be used to respond to opportunities and neutralize threats?

In general, imitation by competitors can be done in two ways, namely duplication and substitution. Duplication occurs when competitors create the same resources. Substitution occurs when competitors replace some resources with alternative resources to gain the same competitive advantage. Imitating companies can directly imitate a resource, if another company's competitive advantage is in the form of advantages in terms of research and development then the imitating company can focus on building their own research and development, if the advantage is marketing expertise, then the imitating company must develop marketing expertise. If the copycat company does not experience losses or cost constraints in building and developing the system, the company will experience a temporary competitive advantage.

There are four reasons why copying might get so expensive.

a) Unique Historical Conditions

It is possible that lower acquisition costs or resource development costs for some firms depend on unique historical circumstances. The company's ability to acquire, develop and utilize resources often depends on place, time and space.

b) Dependency path

The firm's resource dependency path is very difficult to imitate because it is difficult for other firms to create causal ambiguity. Causal ambiguity is a situation where it is difficult for competitors to understand exactly how a company creates the benefits it already enjoys. Competitors cannot describe the uniqueness of these resources and how to combine resources to produce competitive advantage. There are three causes of causal ambiguity which are:

- 1) It's possible that organizational resources and capabilities create advantages out

of thin air, too much of the daily experience of managers in companies, so they don't know which resources are causing those advantages.

- 2) Managers may have many hypotheses about which resources and capabilities create competitive advantage for firms, but they are unable to evaluate which resources and capabilities are the source of a firm's competitive advantage, resources alone or which are combinations of resources that create superiority.
 - 3) Social complexity, that the company's resources and capabilities are very expensive to imitate is a phenomenon of social complexity.
- c) Patent
Patents can make a product or service very expensive to imitate. In the chemical industry, patents prevent other companies from producing the same pesticide for a certain period until the patent expires.
- d). Questions about the Organization (Organization)
Observation through questions: Are other company policies and procedures organized to support the exploitation of valuable, scarce, and expensive resources to imitate? a number of components of the company's organization are very relevant to the above questions including the formal reporting structure, management control systems, and several compensation policies.

2.6 Strategic Implications

In a condition where organizational resources and capabilities are valuable, and as long as the number of companies that have valuable resources and capabilities is less than the number of companies that create perfect dynamic competition in their industry, the company's resources and capabilities can be categorized as rare and have the potential to become a source of from competitive advantage. Valuable and scarce resources are sources of temporary competitive advantage. In conditions where organizational resources and capabilities are scarce because only a few other companies have them, and the cost of imitation is greater than the cost of developing the original, a sustainable competitive advantage will be created.

Table 2.2 : Basis for Assessment of Competitive Implications

No	Worth ?	Rare ?	Is the cost of imitation expensive?	Has been used by the company?	Competitive Implications
1	Yes	No	No	No	Competitive Parity
2	Yes	Yes	No	No	Temporary Competitive Advantage
3	Yes	Yes	Yes	No	Sustainable competitive advantage

Source: Barney (2007)

2.7 Alternative Strategies to achieve Competitive Advantage

How the organization to get a sustainable competitive advantage is the essence of competitive strategy. There are 2 (two) approaches that try to define competitive strategy, namely competitive advantage strategy According to Kotler (2008), and Porter's (1980) generic strategy. The following is a description of each of these strategies:

- a. Competitive advantage is an advantage possessed over its competitors which is obtained by offering greater value to its customers compared to competitors' offers. This strategy positions the company strongly to be able to face its competitors and also provides the strongest strategic advantage for the company. Kotler (2008)
- b. According to Porter (1980) Generic Competitive Strategy, competitive advantage will only be obtained through one of two sources: it can be from the advantage of creating low costs (cost leadership), or from the ability of the organization to be different (differentiation) compared to competitors.

The combination of these two factors forms Porter's generic strategy, namely:

- i. Cost leadership, in this strategy, the company becomes a low-cost producer

in the industry.

- ii. Differentiation. In this strategy, the company wants to be unique in its industry with a certain number of dimensions.
- iii. Focus (cost-based or differentiation-based), this strategy chooses to compete within a narrow range of competition (focus on serving the specific needs of a market niche) within an industry.

2.8 Framework of thought

The strategic management process begins with determining the company's mission, namely obtaining unique goals that differentiate a company from other similar companies and to be able to identify the scope of its operations in terms of products, market determination, and the technology it applies. This is followed by determining what goals the company will achieve, namely to ensure the survival of the company concerned.

The next two phases are internal analysis, and external analysis. External analysis is carried out by the company to be able to identify critical challenges and opportunities in a competitive environment. The hope is that internal analysis can help companies recognize their strengths and weaknesses, identify which organizational resources and capabilities are sources of competitive parity/competitive parity, which are temporary competitive advantages, and which can be sustainable.

internal analysis can be used by companies to identify alternative competitive strategies that can create a competitive advantage for the company itself. The process begins with a value chain analysis at company X to find out which resources and activities are organizational capabilities and choose which ones have distinctive/unique and superior characteristics. Furthermore, an assessment of each asset and activity is carried out using the application of the V, R, I, O approach. The results of the analysis can be used to determine the level of PT. X's competitive advantage, so that it can then be used to determine strategies to achieve sustainable competitive advantage.

3. RESEARCH METHODS

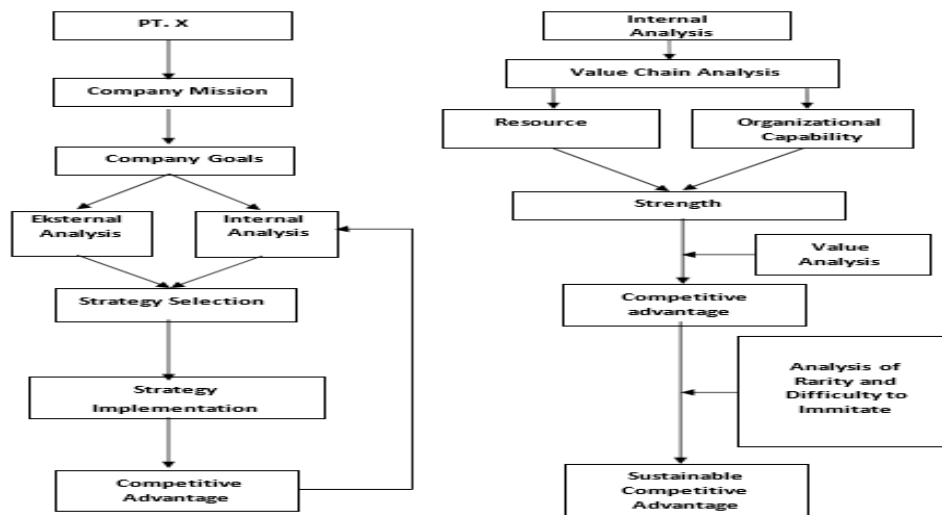


Figure 3.1 Thinking Framework

A. Profile of the company under study

PT. X is a company engaged in the cultivation of oil palm which has a division of oil palm nurseries. The role of the oil palm nursery is to produce high quality seedlings in sufficient quantity once the preparation of the land for planting has been completed. Nursery categories that are managed well are shown to have efficient cultivation costs and not a lot of wasted expenditure.

B. Research Plan

This research will be carried out during the 1 month period of PT. X. It aims to be able to know directly how the business process runs in each administration period
In general, this research considers the time, cost, and ease of access to the data

needed, so researchers must have a structured research plan.

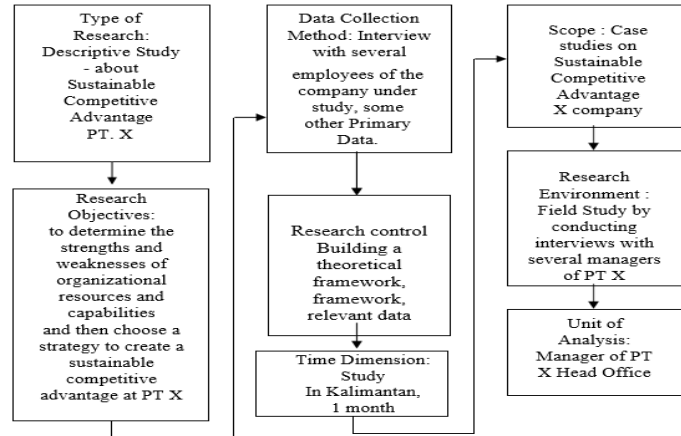


Figure 3.2 General Structure of the Research Plan

Research data were obtained from field observations, then followed by data collection through interviews with respondents who are responsible for running the business of PT. X who is a company staff of PT. X from the estate manager level, assistant oil palm nursery, then foreman of the oil palm nursery. Organizational structure of PT. X is led by a manager who is assisted by assistants, foremen and several employees who have duties and responsibilities for each job as follows:

1. Manager

The manager is in charge of managing the company which includes the fields of plants, administrative engineering and human resources. Managers are obliged to provide input, opinions and suggestions regarding improvements, policies or improvements to company management.

2. Assistant for oil palm nurseries

The oil palm nursery assistant is tasked with assisting the manager in making a strategy or annual work plan, making quick and precise decisions on all issues that require input, coordinating and supervising the workforce or third parties and ensuring the availability of equipment so that the daily work plan runs smoothly and also monitors results work of subordinates and ensure that all work is carried out in accordance with predetermined SOPs.

3. Oil palm nursery foreman

The foreman in charge of coordinating the implementation of activities, directly supervises the nursery and checks work techniques in accordance with applicable regulations.

4. Employees

Employees or workers are tasked with carrying out maintenance activities for oil palm nurseries that have been arranged or have been scheduled.

The interview aims to be able to provide an assessment of the resources and capabilities of the organization in the value chain of PT. X with the application of the VRIO approach, determines the level of competitive advantage and ends with the selection of strategic alternatives. The research plan is shown in Figure 3.3.

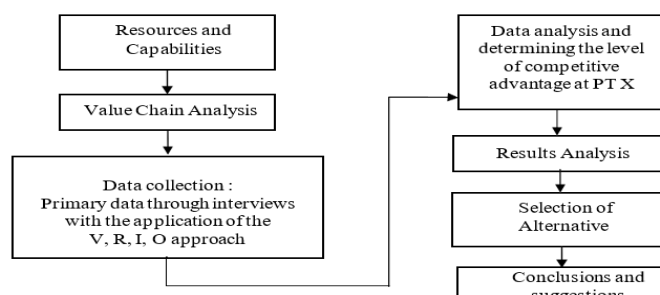


Figure 3.3 Research Plan

1. *Value Chain of PT. X*

Value chain analysis shows the organization as a continuous process of value creation activities. Value chain analysis is described by Michael Porter as "the building blocks of competitive advantage". Porter explained that there are two main value chain activities, namely primary activities and supporting activities.

Primary activities consist of procurement of inbound logistics (in bound logistics), operations (operation), procurement of outbound logistics (out bound logistics), services (services).

Supporting activities are company infrastructure (infrastructure), human resource management (human resource management), technology development (technology development), procurement of goods (procurement).

PT. X is engaged in the business of cultivating oil palm plantations in this study specifically for the division of oil palm nurseries, so that its primary activities can be derived as follows:

a. Primary Activity

i. Primary Logistics Activities in bound, are organizational activities which include:

- 1) Activities to determine land for oil palm nurseries
- 2) Use of facilities and infrastructure for watering the oil palm seedlings, namely the installation of a mist system and a water meter in the form of a portable ombrometer.

ii. Operational Primary Activities

Operational activities are all activities related to the process of cultivating oil palm seeds from the process of sorting sprouts, planting sprouts, pre-nursery nurseries and main nursery nurseries.

iii. The primary activity of out bound logistics, in the form of preparing the main nursery seeds ready for planting in the field

iv. Primary Activity Services (Services)

These service activities include all activities that provide services to maintain and increase product value, including replacing damaged or unfit seeds due to seed damage during the transportation or distribution process to the field.

2. *Conducting Interviews using the VRIO Approach Application*

After breaking down the resource activities and organizational capabilities, filling out the VRIO framework was carried out by conducting interviews with PT. X manager, assistant and foreman level staff as Subject Matter Experts (SME's), including those from:

- a. Agronomy division
- b. Administrative division
- c. Oil palm nursery section
- d. Logistics department

The interview mechanism for informants was carried out separately because it was adjusted to the time of each informant and the most free and possible opportunity.

Application of the VRIO approach, compiled by the authors based on the order of the dimensions of physical capital, human capital and organizational capital or organizational capabilities. Each dimension is evaluated against indicators sequentially starting from Value (value) then Scarcity (rarity), followed by the indicator Difficulty to imitate (costly to immitate) and finally by the indicator of the ability of the organization to exploit (exploited by Organization).

The dimensions assessed cannot be continued to be assessed by further indicators if the previous assessment was declared not to meet the criteria requirements.

4. **RESULTS AND DISCUSSION**

A. Research Results

Based on the VRIO criteria, the competitive implications for physical capital are determined by the geographic location of the oil palm nursery, the technology used to guarantee the quality of the seedling, the area of the nursery area, the hardware and

software for employee work tools, the information system application for seed stock available, the results of determining competitive implications are obtained. as follows :

- 1) In Using a portable watering meter become a Sustainable Competitive Advantage
- 2) In using a Software for Employee Working Tools become a Sustainable Competitive Advantage
- 3) In the subject of Employee Superior Capability become a Sustainable Competitive Advantage
- 4) PT. X Brand Reputation analyzed a Sustainable Competitive Advantage
- 5) Organizational capability in carrying out supporting activities in the form of infrastructure analyzed a Sustainable Competitive Advantage
- 6) Organizational ability to plan placement of oil palm nursery locations with sufficient water to water the plants analyzed a Sustainable Competitive Advantage
- 7) Inventory control capabilities, scheduling become a Sustainable Competitive Advantage

CONCLUSION AND SUGGESTION

A. Conclusion

The results of determining the competitive implications of the physical capital owned by PT. X, indicates that a sustainable competitive advantage is caused by the geographic location of the oil palm nursery, the technology used to guarantee the quality of the oil palm seedlings, and the application of a seed stock information system available, while other types of physical capital such as the area of the oil palm nursery, hardware and software for employee work tools as well as IT Corporate applications are only classified as competitive parity.

The results of determining competitive implications for human capital (human capital), indicate that sustainable competitive advantage is caused by factors of work experience, work loyalty, and deepening expertise of employees of PT. X. While the ability to make decisions and interpersonal relationships and teamwork is classified as a temporary competitive advantage because this position will be the same if competing companies are able to imitate it.

B. Suggestion

The ability of some intangible assets and organizational capabilities represented by organizational capital is the dominant factor in creating a sustainable competitive advantage at PT. X, the organizational capital is PT. X's brand reputation, the legality of the oil palm nursery, the main activities in the form of in-bound logistics, operations, services, supporting activities in the form of infrastructure, human resource management, and technology.

Alternative competitive strategies that can be carried out by PT. X include:

- 1) Differentiation Strategy, providing seed supply services for third parties or not one parent management.
- 2) Cost leadership strategy, optimizing watering intensity measuring devices, using machines with a better level of efficiency, implementing an integrated watering installation system.

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