

Collaboration of Blue Ocean Strategy and White Ocean Strategy in Challenging ASEAN Economic Community 2015 (Qualitative Approach in Indonesia's Small Enterprise)

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ABSTRACT---- *Countries in Southeast Asia agreed on the establishment of the ASEAN Economic Community (AEC) which implemented by the end of 2015. One of the countries involved in AEC 2015 is Indonesia. This free market agreement has a great influence not only for large companies, but also for SMEs. This study aims to determine whether through the application of white ocean strategy and blue ocean strategy, Alin Jaya, a small enterprise in Indonesia, is able to face the five challenges of ASEAN Economic Community (AEC) 2015.*

Keywords---- Blue Ocean Strategy, White Ocean Strategy, SMEs

1. BACKGROUND

The free market is a concept that has been known long enough in international trade. The concept of free market that offers freedom for the parties in it to take economic decisions, including price, goods, and services, is arranged in such a way without force and is approved by the seller and the buyer. In this case, government intervention in price regulation is minimized, even eliminated. This concept has been implemented in many countries, some of which are European Union which involves countries in Europe and NAFTA which comprises countries in North America. Following the success of the European Union and NAFTA, countries in Southeast Asia agreed on the establishment of the ASEAN Economic Community (AEC) which implemented by the end of 2015.

One of the countries involved in AEC 2015 is Indonesia. Indonesia is a developing country with Micro, Small and Medium Enterprises (SME) as one of the pillars of its economy. The opening of free market has a great influence not only for large companies, but also for SMEs. The shadows of direct competition with imported products require SMEs to find a way out. One solution is to implement blue ocean strategy so that SMEs can leave direct competition with imported products. With blue ocean strategy, SMEs can create and seize new demand, break exchange of value and cost, and pursue differentiation and low cost simultaneously to create value innovation.

Meanwhile, the Indonesian government is also promoting the development of creative economy to address short and medium term problems. Creative economy has the principle to use ideas and human creative thinking as the main resource, replacing limited natural resources. This concept is expected to be able to answer other challenges for Indonesia such as the issue of global warming, new energy utilization, deforestation, and reduction of carbon emissions. It is expected that the direction of creative economy will evolve towards environmentally friendly industrial pattern and the creation of added value originated from the intellect of human resources (Affif, 2012).

Based on the concept of creative economy, it turns out that blue ocean strategy alone is not enough to face arising competition. A company can strengthen its position in the industry by applying white ocean strategy as a side strategy. The concept of white ocean strategy which is based on the principles of morality and preserving natural resources and the environment is more or less in line with the concept of creative economy.

One of growing creative industries in Indonesia is snack food industry typical to a region. In this study, one of the small businesses in snack food industry will be analyzed, namely Alin Jaya which is located in Batu, East Java. So far Alin Jaya has applied the principles of blue ocean strategy and white ocean strategy in its efforts. This study is aimed to describe the application of these strategies and clarify whether the implementation of those strategies will make small business able to face the challenges of AEC 2015.

2. LITERATURE REVIEW

White Ocean Strategy

According to Chanchaochai (2012), white ocean strategy (WOS) is a strategy in which employers manage the company as a whole, starting from setting the vision, policies, mission, and strategic plan covering the operational methods of each division of the company, including human resources management system, marketing and sales, administration, and advertising. WOS requires companies to conduct business by upholding the values of morality in order to increase benefits for the environment. WOS is a flexible strategy that is applicable in a variety of situations, and can help strengthen the company's position and improve competitiveness by building an image through an emphasis on moral values.

The principles in operating WOS that can be applied by the company are:

- 1) The emergence and existence of a white ocean company should be directed towards a positive impact on the society
- 2) Establishing a long-term goal
- 3) Finding the balance between the human factor (people), the environment (planet), profit, and passion
- 4) Maintaining company concepts related to the abundance of natural resources in this earth and that every person can eventually becomes a winner
- 5) Setting up a company on the basis of ethics, truth and sincerity
- 6) A white ocean company acquires its strength from within itself through individual social responsibility
- 7) Establishing a benchmark for white ocean strategy in the business sector.

Blue Ocean Strategy

Blue ocean strategy (BOS) is a business strategy that implements control of the market space which is not contested (uncontested market space), thereby making competition irrelevant (Kim and Mauborgne, 2005). This strategy rests on value innovation and it challenges companies to leave competition by simultaneously making differentiation and low cost through a four-step framework (eliminate, create, improve, and reduce). In addition to creating equivalence between value and innovation, the combination of value and innovation demands measures which benefit consumers. The approach of value and innovation is based on six principles of BOS, i.e.:

- 1) Reconstruct market boundaries
- 2) Focus on the big picture, not the numbers
- 3) Reach beyond existing demand
- 4) Conduct a series of strategy appropriately
- 5) Overcome major obstacles in the organization
- 6) Integrate execution into strategy

Comparison Between Red Ocean Strategy, Blue Ocean Strategy, and White Ocean Strategy

Red Ocean Strategy	Blue Ocean Strategy	White Ocean Strategy
Competing in the middle of an existing market	Creating a market share without a rival.	Making market share arena is no longer relevant.
Striking the competitors.	Making the competition irrelevant.	Everyone can be a winner.
Utilizing existing demand as many as possible	Creating and capturing new demand.	Accommodating all requests.
Making price and cost analysis.	Does not require price and cost analysis.	Creating a balance between price and cost
Balancing the entire system related to company's activities with some choices of strategy in the form of product differentiation or cost saving.	Balancing the entire system related to company's activities in an effort to increase product differentiation or cost saving.	Balancing company's activities in order to share the benefits to society as a whole as well as the reasonable profit and the longevity of the company

Source: Danai Chanchaochai (2012: 49)

Differences Between White Ocean Strategy and Corporate Social Responsibility (CSR)

According to Chanchaochai (2012: 102), CSR is a concept that is generally applied after a company is successful, but when economic conditions are unfavorable, the company's CSR activities will be trimmed. Even worse, perhaps all CSR activities will be canceled. While at WOS, social responsibility is started ever since the company is built, integrated in every activity of the company, and is sustained by paying attention to the balance of the factors of people, planet, profit, and passion. At the level of organization, WOS should be directed towards the creation of quality goods; orientation to environmentally friendly process production; careful management of natural resources; practicing good marketing strategy; encouraging rational consumption; while implementing CSR activities on an ongoing basis.

Provided that WOS companies need to implement social responsibility in every process, it means each individual as the executor of the process needs to have a social responsibility. This is then referred to individual social responsibility (ISR). In other words, every individual in the organization is required to have a social responsibility as a contribution in operating company strategy.

Asean Economic Society (AEC) 2015

Asean Economic Society (AEC) has been the objective of regional economic integration for 2020 by ASEAN leaders since ASEAN Summit in Bali, which was held in October 3, 2003 (Bali Concord II). In particular, the leaders agreed to accelerate the establishment of AEC by 2015 and to transform ASEAN into a region where there is a free flow of goods, services, investment and skilled labor, and freer flow of capital.

According to Dipta (2012), the main characteristics of AEC 2015 are: (1) a single market-based production, (2) a highly competitive economic region, (3) a region with equitable economic development, and (4) a region fully integrated with global economy.

SME as one of the pillars of Indonesian economy is facing major challenges. A lot of improvements need to be made to face an increasingly open market behavior in the future. The 2015 AEC challenges that will be faced by Small Medium Enterprises (SME) according to Dipta (2012) are:

- 1) Improving the quality and standard of products

- 2) Improving access to finance
- 3) Improving the quality of human resources and SME's entrepreneurial spirit
- 4) Strengthening and improving access and transfer of technology for SME for innovative SME development
- 5) Improving access to information and promotion abroad. In facing these challenges, not only the government that needs to strive, but SMEs must also support proactively.

3. RESEARCH METHODS

The method used is descriptive exploratory study. According to Arikunto (1993), descriptive exploratory research is a method of depiction or data interpretation concerning the situation in the field or in the research site. Descriptive exploratory method is chosen because the researcher wants to make a systematic and accurate description of the facts, properties, and relationships among aspects being studied both quantitatively and qualitatively.

The approach used is field research. Field research is one of the qualitative research approaches that does not require a deep knowledge of literature used and specific capabilities of the researcher (Neumann, 2006). According to Harrison and List (2004), field research is also commonly conducted to decide the direction of a research based on context.

This study was conducted using case study as the data collection technique. The method of data collection is by taking some elements of Alin Jaya in which each of them is investigated in depth. The data obtained from Alin Jaya is focused on the areas of strategy management, particularly the implementation of the strategy with BOS and WOS approach as the preparation in facing the challenges of AEC 2015. The technique used is triangulation, or a combination of several methods of data collection, including interviewing the owners, employees, staff, neighbors and consumers, and also documentation and literature review.

To answer whether Alin Jaya is able to answer the five challenges of AEC 2015, some steps of data analysis technique are performed: (1) describing its vision and mission; (2) applying the seven principles of WOS; (3) linking the application of WOS with the principles of business ethics and entrepreneurial spirit; (4) analyzing external and internal environment through SWOT analysis; (5) analyzing BOS four-step framework; (6) applying the three characteristics of a good strategy; (7) applying the six principles of BOS; (8) linking the application of WOS and BOS with elements of organizational culture; and (9) combining WOS and BOS to face the challenges of AEC 2015.

4. RESULTS AND DISCUSSION

Alin Jaya is a small enterprise located in Batu, East Java, Indonesia. This business is running in snack industry, especially typical Batu snack for gift such as *carang mas*, various vegetables and fruit chips. With 20 employees, this business can generate a turnover of up to Rp 200.000.000, - per year. Being in the environment of dynamic agribusiness and tourism industry, Alin Jaya is targeting middle and lower class markets such as Malang citizen and tourists in Batu. Alin Jaya has a vision for "Contributing to improve employee welfare, especially those who are neighbors of the owner, promote Batu snacks in order to be known nationally, and support agribusiness by using local ingredients". Meanwhile, its missions are: (1) to expand market share in Batu and Malang; (2) to reach the market to other cities by developing branches; and (3) to introduce products at fairs and expos by cooperation with the government of Batu City.

Based on the environmental analysis which has been done using SWOT analysis, Alin Jaya's strengths are in the field of good quality raw materials, high customization flexibility, varied supply of materials, extensive networking, and highly motivated employees. The weaknesses of Alin Jaya are: some of the employees who are still studying do not have a fixed work schedule, it does not have good financial management, marketing is not organized yet, and unprofessional attitude sometimes arises since it is a family business. Meanwhile, the main opportunities Alin Jaya has are: the high number of tourists visiting Batu, the yearly influx of new students in Malang city, good cooperation with suppliers, the plan to increase minimum salary in Batu, and many resellers. But there are also threats such as the proliferation of new similar business, snacks from Thailand and Malaysia entering market, increase in fuel prices, and many competitors in the same industry.

In its strategy formulation, Alin Jaya maintains the principles of white ocean strategy. In this case Alin Jaya has implemented seven principles of WOS, namely: (1) giving a positive impact on the environment by providing jobs to women who live around the neighborhood; (2) having a long-term goal by starting to invest with the intention of building

a warehouse and factory; (3) balancing the factors of people, planet, profit, and passion; (4) practicing the principle of sharing; (5) running a business based on the values of morality; (6) having the awareness of individual social responsibility; and (7) creating a benchmark of achievement of the strategy through turnover target.

The application of seven principles of WOS supports five principles of business ethics, i.e. the principle of autonomy visualized in individual social responsibility, the principles of honesty, fairness, and moral integrity which are described in the principle of "running a business based on the values of morality", and the principle of mutual benefit which is described in the principle of sharing with the surrounding community, resellers and farmers.

Meanwhile, the analysis results of BOS four-step framework showed that Alin Jaya eliminated stores and online stores' exclusivity and reduced the stock of finished goods, processing time, and waste production to reduce operating costs. In addition, Alin Jaya also improved the quality of materials, material variations, and customization flexibility, as well as adding offers for new industry, such as return facility for resellers, friendly service, and the concept of open workshop in the form of agri-tourist education as a differentiation. With the application of the four-step framework, Alin Jaya has created innovation and value, and this shows the enterprise is at the blue ocean. The owner also made a study tour "Eduwisata", an agribusiness village tour combined with the open kitchen manufacture of typical Batu city snacks for tourists and students. This brings a positive impact on consumer interest to buy and bind their memory about the products and Alin Jaya brand because consumers are involved in history process and production.

In entering the blue ocean, Alin Jaya has implemented six principles of BOS that encourage the implementation of BOS strategy, namely: (1) reconstructing market boundaries; (2) focusing on the big picture, not number; (3) reaching up to the level of non-consumer market; (4) running the strategic sequence accurately; (5) overcoming organizational barriers; and (6) running strategy execution.

Based on the blend of both strategy implementation (WOS and BOS), Alin Jaya organizational culture has the character: (1) risk-taking; (2) creative; (3) results-oriented; (4) having pressure; (5) stimulating; and (6) challenging. The characteristics of this organization are consistent with the characteristics of an innovative organization which is suitable to be in a dynamic environment.

Through the application of BOS and WOS concepts, Alin Jaya has addressed three of the five challenges of AEC 2015 faced by SMEs. Three expected challenges Alin Jaya able to deal with are: (1) improving the quality and product standards; (2) improving the quality of human resources and entrepreneurial spirit; and (3) strengthening and improving access to technology transfer to develop innovative SME. While the two challenges in which Alin Jaya has not been able to address with its current condition are: improving access to finance and access to information and promotion abroad.

5. CONCLUSION

This study aims to determine whether through the application of WOS and BOS, Alin Jaya, a small enterprise, is able to face the five challenges of AEC 2015. The following is the conclusion of the research that has been carried out:

In entering the blue ocean, Alin Jaya has implemented six principles of BOS that encourage the implementation of BOS strategy, namely: (1) reconstructing market boundaries; (2) focusing on the big picture, not number; (3) reaching up to the level of non-consumer market; (4) running the strategic sequence accurately; (5) overcoming organizational barriers; and (6) running strategy execution

Based on a blend of both strategy implementation (WOS and BOS), Alin Jaya's organizational culture has the characters: (1) risk-taking; (2) creative; (3) results-oriented; (4) having pressure; (5) stimulating; and (6) challenging. Three challenges of AEC 2015 for SMEs which have been addressed are: improving the quality and standards of products, improving the quality of human resources and entrepreneurial spirit of SMEs, and strengthening and improving access to technology transfer to develop innovative SME. While the two challenges in which Alin Jaya has not been able to address with its current condition are: improving access to finance and access to information and promotion abroad.

6. SUGGESTION

In relation to the research, some advices can be given as follows:

1. Application of WOS in the organization should be emphasized more, especially on the principle of individual social responsibility. Business owner can give example to his employees directly, and urge the employees to apply the policies.
2. For SMEs to be able to face all the challenges of AEC 2015, Alin Jaya as a small enterprise that applies BOS should continue to enhance the value of innovation by applying the appropriate four-step framework. Anticipating threats and weaknesses related to employment also needs to be done.
3. To address the unmet challenge, i.e. improving access to finance, a more disciplined financial records and establishment of a corporation to facilitate access to funds from the bank can be the solution.
4. Another unanswered challenge, specifically, improving access to information and promotion abroad, can be overcome by increasing promotion both offline and online. It is necessary to be confirmed because the key to face the global market is the use of e-commerce as a media campaign. If Alin Jaya is not able to manage its own online marketing, it can enroll to recognized e-commerce sites like Kaskus, OLX, etc. so that the promotion can be done more efficiently and the enterprise can get the chance to get resellers from regions outside Batu city.
5. Researchers who will conduct further research on the implementation of WOS and BOS are advised to seek a research object with a larger scale. In addition, the study can also be done in public and government sector since there have not been many studies regarding the execution of their strategy. Literature enrichment related to BOS and WOS should also be performed.

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