FUNCTIONAL STRATEGY COMPARISON BETWEEN STARTUP AND ESTABLISHED COMPANIES ON 'KONVEKSI' AND 'SABLON' BUSINESS IN BANDUNG

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Abstract *- 'Konveksi' and 'Sablon' services is one of the types of businesses that grow and spread in Bandung city. Popularity on this business primarily due to two things. First, because the products produced by this industry, namely clothing is one of the basic human needs, so the market for this business will always exist. Second, this business became popular because the entry barrier to start the business is not too big. Most of these companies have similar business strategy and provide same kind of services. With big potential market and potential profits, many businessman now want to starts this business. Because of that, the competition in this kind of business increase more rapidly in Bandung. Against the competition, those companies need to use better functional strategy. Functional strategy helps smaller businesses to evaluate the effects of plans and goals specific to the industry they operate within. This paper is made to determine how the application of functional strategy in 'konveksi' and 'sablon' business in order to survive in the competition and develop their business in Bandung. Comparison also will be made to determine the similarities and differences of functional strategy between startup (less than 5 years) and established company (more than 5 years). After determine the research problem and research questions, exploratory research is used to gain a deeper understanding of the issue or situation. In this research the exploratory research are relies on literature review, observations, and in-depth interview. Purposive and snowball sampling is used to determine the key informants of this research. The result from comparisons shown that in general, startup and established company have same opportunity and face same threat in the industry. Therefore, established company have more advantages (strength) compare to startup company. Comparison about the functional strategy also shown that there are 9 similarities and 6 differences strategy. For the similarities, most of these companies have undifferentiated (mass market) target market, used cost based pricing, provide almost same variant products, mostly made periodic financial report, mostly divided profits into several posts, mostly already have rules or SOPs, mostly chose to loyal at specific supplier, performed maintenance periodically, and most employees being paid based on project. For the differences, some startup companies advance in technology (using website and BBM broadcasting message) for their promotion while established companies mostly depends on conventional marketing via word of mouth. Second, most of startup companies have financial problem for developing their business, while the established companies have no financial problem for their improvement. Third, most of startup companies have small production capacity due to their limited resources, while most of the established companies have large production capacity. Most of startup recruit skilled and experienced people for their employees, while most of established companies chose to recruit people with less / have no skill and have no experience in the industry then trained them. Most of startup companies have employees less than 10 people, while most established companies have more than 10 employees. Then, startup companies usually still have lack on internal control that make turnover employees happened many times, while the established companies have employees with high loyalty. For recommendations, all owner of 'konveksi' and 'sablon' business in Bandung should pay more attention on the functional strategy application, think about some innovations, and follow the advances in technology to stand in the competition. Then, always try to understand the potential market and calculate the potential customers to build the right size of the company.*

Keywords: Functional Strategy Comparison, 'Konveksi' and 'Sablon' Business, Start Up and Established Companies

Introduction

Research Background
Bandung is a creative city with potential creative human resources. With creative human resources, creative industry and business also exist in Bandung. 'Konveksi' and 'Sablon' services is one of the types of businesses that grow and spread in Bandung city. Popularity on this business primarily due to two things. First, because the products produced by this industry, namely clothing is one of the basic human needs, so the market for this business will always exist. Second, this business became popular because of the entry barrier to start the business is not too big (Nurdin, 2014). Most of this companies also have similar business strategy. Most of them serve and provide same kind of services. Not only person in personal, many consumers such as companies, communities, and educational institutions looking for 'Konveksi' and 'Sablon' business services. With big potential market and potential profits, many businessman now want to start this business. Because of that, the competition in this kind of business increase more rapidly in Bandung (kaoskaosbandung.com, 2014).

In this kind of situation, those companies need to use better functional strategy. Functional business strategy enables a company to deal with the nuts and bolts of its long-term organizational plan and short-term goals and objectives. Functional strategy helps smaller businesses to evaluate the effects of plans and goals specific to the industry they operate within (Bradley, 2014). This final project is made to determine how the application of functional strategy in 'konveksi' and 'sablon' business in order to survive in the competition and develop their business in Bandung. This research will compare between established companies that already stand more than 5 years with startup companies that was stand less than 5 years. It is to see how the functional strategy similarities and differences on the company that already have enough experience and not. Strategies that being studied include marketing, financial, operational, and human resource strategies.

Research Objectives
The objectives of this research is to know the functional strategy that being applied on startup and established 'konveksi' and 'sablon' business in Bandung. Second, the objective is determine the similarities and differences of functional strategies between startup (less than 5 years) and established company (more than 5 years). Then, know how the right strategy should be applied in this business for facing intense competition.

Research Limitations
The scope of this research is only in Bandung city. This is because in this city there are many 'konveksi' and 'sablon' entrepreneurs, both startup and established one. Bandung is also famous for the center of 'konveksi' and 'sablon' business. In this research respondents will be divided based on the time of business establishment, which are less than 5 years and more than 5 years. Research will only focus on interviewing business owner or leader of the company. Researchers will focus on the functional strategy that ever applied, being implemented and will be implemented by 'konveksi' and 'sablon' business in Bandung. It includes marketing, operational, financial, and human resource strategy.

Literature Review

Business Model
Business model describes the rationale of how an organization creates, delivers, and captures value. The business model is like a blueprint for a strategy to be implemented through organizational structures, processes, and systems. A business model can best be described through nine basic building blocks that show the logic of how a company intends to make money. The nine blocks cover the four main areas of a business: customers, offer, infrastructure, and financial viability. The nine building blocks are customer segment, value propositions, channels, customer relationships,

revenue streams, key resources, key activities, key partnerships, and cost structure (Osterwalder and Pigneur, 2010).

Porter's Five Industry Analysis

Porter's five forces analysis represents the competitive environment of the firm. It is a strategic foresight to avoid putting the competitive edge at risk and ensure the profitability of products on a long term. For the company this vision is quite important because the firm is able to direct its innovations in terms of choice of strategies and investments (Porter's 5 Forces Analysis, 2008). Porter's approach to industry analysis are analyzing tools based on threat of new entrants, rivalry among existing firms, threat of substitute products or services, bargaining power of buyer, and bargaining power of supplier (Wheelen and Hunger, 2006).

SWOT Analysis

SWOT analysis refers to Strength, weakness, opportunity, and threat analysis. This is an examination of an organization's internal strengths and weaknesses, its opportunities for growth and improvement, and the threats the external environment presents to its survival (Strategic Planning and SWOT Analysis, n.d.). SWOT divided into 2 elements which are internal and external. Internal analysis of the organization should include its culture, resources, and unique qualities within the market place. The extent to which the organization could adapt to changing circumstances is also a factor that need to be considered. Then the external analysis include the environment of the organization operates in, its market, economic system, and all of the third parties involved (free-management-ebooks.com, 2013).

Functional Strategy

Functional strategy is the approach a functional area takes to achieve corporate and business unit objectives and strategies by maximizing resource productivity. It is concerned with developing and nurturing a functional capability to provide a company or business unit with competitive advantage (Wheelen and Hunger, 2006). Small and medium enterprises operating in developing markets often tend to have simpler organizational structures and focus on a finite set of products and services, at least at the very beginning. In this situation, functional-level strategy is particular important to management (Gutterman, 2011). The strategic issues at the functional level are related to business processes and the value chain. Functional level strategies consist strategy in marketing, finance, operations, and human resources involve the development and coordination of resources through which business unit level strategies can be executed efficiently and effectively (Quickmba.com, 2010)

Marketing

Marketing is the management process responsible for identifying, anticipating, and satisfying customer requirements profitably (The Chartered Institute of Marketing, 2009).

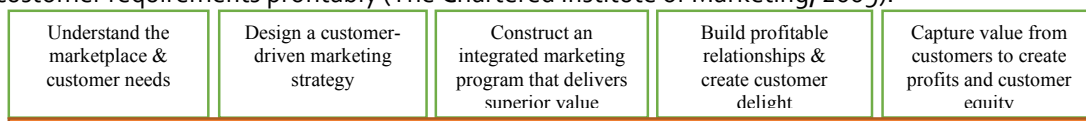| Understand the marketplace & customer needs	Design a customer-driven marketing strategy	Construct an integrated marketing program that delivers superior value	Build profitable relationships & create customer delight	Capture value from customers to create profits and customer equity

Figure 2.1 Simple Model of the Marketing Process (Kotler and Armstrong, 2012)

The process of dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviors, and who might require separate products or marketing programs is called market segmentation. A market segment consists of consumers who respond in a similar way to a given set of marketing efforts. Market targeting involves evaluating each market segment's attractiveness and selecting one or more segments to enter. A company should target segments in which it can profitably generate the greatest customer value and sustain it over time. Positioning is arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers. Marketers plan positions that distinguish their products

from competing brands and give them the greatest advantage in their target markets (Kotler and Armstrong, 2012).

After knowing the STP (Segment, Target, Positioning.) of the market, company should make integrated marketing mix. The marketing mix is a set of controllable variables that the company can use to influence the buyers responses. Thus marketing manager decides the level of marketing expenditure in order to achieve marketing objectives of the firm. Marketing decisions are categorized into four main category which are Product, Price, Place, and Promotion (Singh, 2012).

Financial
Financial strategy examines the financial implications of corporate and business-level strategic options and identifies the best financial course of action. It can also provide competitive advantage through a lower cost of funds and a flexible ability to raise capital to support a business strategy. Financial strategy usually attempts to maximize the financial value of a firm (Wheelen and Hunger, 2006).

Capital budgeting is the process that company should consider in order to optimize their resources of fund. This process determines whether projects such as building a new plant or investing in a long-term venture are worth pursuing. Oftentimes, a prospective project's lifetime cash inflows and outflows are assessed in order to determine whether the returns generated meet a sufficient target benchmark (Investopedia.com, n.d.).

After chose the best strategy through the right capital budgeting, a firm should make statement of cash flow or financial report. Financial report provides information on the cash receipts and payments for a specific period of time. This document reports the cash effects of a company's operations during a period, its investing transactions, its financing transactions, the net increase or decrease in cash during the period, and the cash amount at the end of the period. With this kind of report, a company will have measurement tool for company financial performance (Weygandt, 2011).

Operation
Operations strategy determines how and where a product or service is to be manufactured, the level of vertical integration in the process, the deployment of physical resources, and relationships with suppliers. It should also deal with the optimum level of technology the firm should use in its operations processes. To make integration and desire process, an enterprise should have rules or SOPs. Then, to have good supply of raw materials, purchasing strategy should be made (Wheelen and Hunger, 2006).

Human Resources
Recruitment, as a human resource management function, is one of the activities that impact most critically on the performance of an organization. While it is understood and accepted that poor recruitment decisions continue to affect organizational performance and limit goal achievement, it is taking a long time for public service agencies in many jurisdictions to identify and implement new, effective hiring strategies (Richardson, 2014).

HRM strategy, among other things, addresses the issue of whether a company or business unit should hire a large number of low-skilled employees who receive low pay, perform repetitive jobs, and most likely quit after short time or hire skilled employees who receive relatively high pay and are cross-trained to participate in self-managing work teams (Wheelen and Hunger, 2006).

After recruitment, employees usually get training to improve their knowledge and skill. Training refers to a planned effort by a company to facilitate employees' learning of job related

competencies. These competencies include knowledge, skills, or behaviors that are critical for successful job performance (Noe, 2010).

Control Process
The control process involves carefully collecting information about a system, process, person, or group of people in order to make necessary decisions about each. Managers set up control systems that consist of four key steps which are establish standards to measure performance, measure actual performance, compare performance with the standards, and then take corrective actions (Cliffsnotes, n.d.).

Methodology
This research is developed in six stages. It begins with problem identification. In this stage researcher search the problem that really happening at the 'Konveksi' and 'Sablon' business. The comparison of functional strategy between startup and established companies becomes interesting topic for researcher. The second stage of this study is determine research question. The third stage is conduct exploratory research. This stage contains literature review, observation, and interview. Then fourth stage is data processing analysis. Five stage is about validity and reliability test about the research. Then, the last stage is about conclusions and recommendations from the research.

Comparison Analysis
There are 5 startup and 5 established companies that being object in this research. List of the startup companies are In Clothing 82, Sutisna Jaket, Cut.Inc, Massagi, and Bandung Indah Garment. Then, list of established companies are Pajar Mulya, R.I.Z. Corporation, Angel Production, Madame, and Syndicate. All of them are in Bandung area.

SWOT Comparison
Based on the SWOT analysis that were obtained from each business model and industry analysis by Porter's, we can do a comparison of how the SWOT from startup company and established company on 'konveksi' and 'sablon' business in Bandung. The comparison between the two are as follows

Table 4.1 SWOT Comparison

	Startup	Established Company
STRENGTH	- nough experienced in the industry - ave a good production scheduling and capacity control - Affordable price - Some choose to specialize either on 'konveksi' or 'sablon' - ave skilled employee - n time production - ood at after sales service	- ery experienced in the industry - ost of them specialize on both 'Konveksi' and 'Sablon' - n time production - ost of them have big production capacity - nfamous Brand / Company name - xperienced with good quality control - ost of them own the standard resources (ie. machine and building) - ood at after sales service

		• ost of them have loyal and skilled employees
WEAKNESS	• ost of them have small place and small production capacity • ost of them not owned the standard machine • ost of them have problem with internal management (especially with employee) • ost of them have financial problem (need more investment) • ome of them have passive marketing • ost of them still lack of control and don't have standard evaluation system	• ome of them still need money for more improvement • ost of them have passive marketing • ome of them still have problem with employee control • ome of them still lack of control and don't have standard evaluation system
OPPORTUNITY	• otential market is wide open (especially outside Bandung) • ashion world continues to grow • lot of community, school, organization, company, and clothing store • any other 'konveksi' and 'sablon' companies in Bandung	• otential market is wide open (especially outside Bandung) • ashion world continues to grow • lot of community, school, organization, company, and clothing store • any other 'konveksi' and 'sablon' companies in Bandung
THREAT	• lot of companies with same business exist • here are many companies in this industry that already establised • esources scarcity and rising in price • elayed or void payment from customers	• lot of companies with same business exist • esources scarcity and rising in price • elayed or void payment from customers

Based on SWOT comparison table above can be seen that the startup company and established company in the business of 'konveksi' and 'sablon' has different characteristics. However, not only the differences, similarities between the two companies does exists.

In the startup company strength, because most of them do not have standard resources in the production (ie. machine and building), some of them choose to specialize or focus either in 'konveksi' or 'sablon'. While the established company strength, they can focus on both because most of them already have the standard resources in the production. In addition to the difference, established companies have other advantages when compared with the startup companies. These advantages such as big production capacity, have more experience in the industry, have infamous brand, and have loyal employees.

There are also some aspects for the similarities such as has same basic knowledge in terms of experience, since most of the owner was a former worker in the same industry. Then they are also similar in terms of service to consumers, every company seeks to be on time and always try to responsible for their production results. They are also have their own system on how to control the production process and production capacity.

For weaknesses, startup and established companies also have differentiations. For example, for the startup, most of them would not have a standard machine because of unsufficient funds. As a result they have a small production capacity. As for the similarities, some of them still have internal problems, especially in employee management. Then most of them also have a passive marketing as they are just waiting for orders to come, despite the fact that the order still come and can be overwhelmed sometimes. However, as a result of passive marketing, the number of new customers is not increase too significant. Most of the startup and established companies also still have lacks in terms of evaluation system.

For opportunity and threat, startup and established companies generally face the same situations. Some of the opportunity are about the market that wide open especially outside Bandung, fashion world that continues to grow, and a lot of community, school, organization, company, and clothing store. Some of the threat that exist in the industry are about the existence of the same business, delayed or void payment from customers, resources scarcity and rising in price.

Functional Strategy Comparison
Based on functional strategy analysis that has been done on the startup and established company of 'Konveksi' and 'Sablon' business, the results can be compared. The comparison are as follows

Table 4.2 Functional Strategy of Startup Company

	STARTUP COMPANY
Marketing	• Some companies advance in technology (using website and BBM broadcasting message) • Mostly have undifferentiated (mass market) target market • Cost-based pricing strategy • Mostly provide many variant product of 'konveksi' and 'sablon'
Financial	• Mostly made periodic financial report • Mostly divided profits into several posts, first for the salaries of employees, second for the cost of the family, the third for maintenance, and after that for savings. • Most of them have financial problem develop their business

Operation	• Mostly already have rules / SOPs for their operational process • Mostly chose to loyal at specific supplier • Repairing and maintenance performed periodically, adapted to the size of the profits. • Most of them have small production capacity
Human Resource	• Mostly recruit people with skill and experience in the industry • Mostly have employees less than 10 people • Most employee being paid based on the project • Lack of internal control make turnover employees happened many times

Table 4.3 Functional Strategy of Established Company

	ESTABLISHED COMPANY
Marketing	• Mostly depends on conventional marketing via word of mouth through friends, customers, and family • Mostly have undifferentiated (mass market) target market • Cost-based pricing strategy • Mostly provide many variant product of 'konveksi' and 'sablon'
Financial	• Mostly made periodic financial report • Mostly divided profits into several posts, first for the salaries of employees, second for the cost of the family, the third for maintenance, and after that for savings. • Most of them already have stable income and have no financial problem for improvement.
Operation	• Mostly already have rules / SOPs for their operational process • Mostly chose to loyal at specific supplier • Repairing and maintenance performed periodically, adapted to the size of the profits. • Most of them have large production capacity
Human Resource	• Mostly recruit unskilled people and not experienced in the industry • Mostly have employees more than 10 people • Most employee being paid based on the project • Turnover employee at the current stage is small compare to the beginning condition of the business

Based on the table above, we can see functional strategy similarities and differences between startup and established 'Konveksi' and 'Sablon' business in Bandung. The results are as follows

Table 4.4 Functional Strategy Similarities and Differences

	Startup and Established 'Konveksi' and 'Sablon Company
SIMILARITIES	• Mostly have undifferentiated (mass market) target market • Cost-based pricing strategy • Mostly provide many variant product of 'konveksi' and 'sablon' • Mostly made periodic financial report • Mostly divided profits into several posts, first for the salaries of

	employees, second for the cost of the family, the third for maintenance, and after that for savings. • Mostly already have rules / SOPs for their operational process • Mostly chose to loyal at specific supplier • Repairing and maintenance performed periodically, adapted to the size of the profits. • Most employee being paid based on the project
DIFFERENCES	• Some startup company advance in technology (using website and BBM broadcasting message) for their promotion while established company mostly depends on conventional marketing via word of mouth through friends, customers, and family. • Most of startup companies have financial problem for developing their business, while the established company have no financial problem for their improvement. Established companies have known brand that make them easy to get customers and use the profits for savings. • Most of startup companies have small production capacity due to their limited resources, while most of the established company have large production capacity. • Mostly startup recruit skilled and experienced people for their employees, while most of established company chose to recruit people with less / have no skill and have no experience in the industry then trained them. • Mostly startup company have employees less than 10 people, while most established company have more than 10 employees. Based on Mr Ali and Mr Bram statement, number of employees can represent the stability and the current condition of the company. • Startup company usually still have lack on internal control that make turnover employees happened many times, while the established company have employees with high loyalty.

Conclusions and Recommendations

Conclusions
Based on the sequence of data and comparison analysis, the conclusions about this research are:
1. In general, startup and established company have same opportunity and face same threat in the industry. Each companies now trying to optimize their strength and overcome their weakness with right functional strategy to win the competition.
2. Established company have more advantages (strength) compare to startup company. Some of this advantages are resources establishment (i.e place and machine), so they will have big production capacity. Then, most of established company also have more experience in the industry, have company name reputation, and have more loyal customers compare to the startup company.
3. Each owners of 'konveksi' and 'sablon' business that being object of this research have different perspectives on the competition. Some business owners think other business owner as a potential partner for makloon orders. And some business owners think other owner as threatening competitors.
4. There are 9 similarities and 6 differences on the functional strategy application between startup and established company on 'konveksi' and 'sablon' business in Bandung.

5. The established company also had the same stage process like the startup company current state. So, basically if we set up a similar business from 0 stage (low to average initial investment) and build it gradually, then we will also experience the same phase.
6. Startup and established company still lack of evaluation and control process. So the assessment of the success and effectiveness of functional strategy that has been applied will be difficult to measure.

Recommendations

Based on the research and conclusions above, researcher have recommendations as follows

1. Researcher wants to recommend for further research to make more comparisons. Researcher realized that 10 key informants is not enough to know the real problems and the real functional strategy applications in the 'konveksi' and 'sablon' business in Bandung.
2. Researcher also want to recommend all owner of 'konveksi' and 'sablon' business in Bandung to pay more attention on the functional strategy application, think about some innovations, and follow the advances in technology to stand in the competition.
3. Understand the potential market and calculate the potential customers, than build the company with the same size of the calculating results. Then never cheat, lie, and valued every customers. With these, gain customers loyalty will be easier.
4. If you want to become success entrepreneurs of 'konveksi' and 'sablon' business, as the owner you must have strong mentality. If you got a big order and got big profits, don't use the money for personal needs, use it for business development and savings.
5. The business owner must know how the production process is done in order to gives proper order and control the employee performance.

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