

# Strategic Management, Competitive Advantage and Community Empowerment

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**Abstract.** This study aims to examine relationships among strategic management, competitive advantage and community empowerment. The determination of community empowerment strategies has been drawn based on potential of local resources that are very unique and provide feasible value-added. This is a conceptual paper attempting to examine theory of strategic management, competitive advantage, and integrate it to community empowerment strategy. Theoretical contribution of this research is to expand knowledge in the field of strategic management and social sciences. Meanwhile, managerial implications of this research can be applied by decision makers and entrepreneurs in empowering people to improve their lives.

**Keywords:** strategic management, competitive advantage, community empowerment

## INTRODUCTION

There have been numerous previous studies investigating strategic management, specifically competitive advantage [1]-[3]. Meanwhile, many other previous studies have investigated community empowerment [4]-[6]. Most of those theories have been studied partially without linking each other into one holistic research investigation. Based on this research gap, this paper aims to analyze, integrate and build relationship among strategic management, competitive advantage and community empowerment.

Strategic management includes all process of managing, planning, and analyzing in order to reach goals [7]. One of the goals is how to win competition in order to enhance performance using competitive advantage approach. As pointed out by [8] that competitive advantage is condition that allow a company or a country to provide product outperform its competitors. The concept of strategic management, specifically competitive advantage can be utilized by entrepreneurs and other stakeholders to empower community. This is in line with the argument of [9] that many government officials, civic leaders, and academics have embraced the notion of community empowerment as a component of a strategy for revitalizing and strengthening communities.

The field of strategic management is complex and multi-faceted [10]. Numerous definitions have been proposed in an attempt to prescribe the essential elements

of management strategy. Strategic management has been defined in many different ways based on the organization's mission, policies, sector, structure, objectives, strengths, weaknesses, opportunities, threats, key success factors or decisions, capabilities, planning, implementation, and sustainable competitive advantage [11].

According to [3] strategic management combines the art and science of business management. In line with this argument, [10] defines strategic management as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. Strategic management helps an organization see where it currently stands, where it will be in the future staying on the current course, and where it would like to be in the future. Strategic management takes advantage of organizational resources to create a strategy that helps get closer to or reach their goals. Furthermore, [1] points out that strategic management process is a method by which managers conceive of and implement a strategy that can lead to a sustainable competitive advantage. In parallel with this argument, [3] argue that strategic management is not a source of competitive advantage in and of itself, it can, however, allow a firm to create a competitive advantage. A competitive advantage may include access to natural resources, such as high-grade ores or a low-cost power source, highly skilled labor, geographic location, high entry barriers, and access to new technology [8].

Empowerment is a complex issue [12]. According to [13], empowerment may be viewed on different levels: individual, organizational or community. These levels are closely linked. In empowered communities, empowered organizations exist, and an empowered organization is reliant on the empowerment levels of its members. The current study focuses on community empowerment. The real meaning of empowerment of rural communities can be understood as a process of increasing the capacity utilization of the autonomy of every individual for utilizing local resources in a productive and creative way in the rural community. Every community development effort based on local resources need to be oriented to favor the interests of poverty alleviation in various typologies of rural areas. The empowerment of rural communities which are pro poor and sustainable requires

systematic planning in order to avoid the effects of culture shock.

The term 'empowerment' is often used in the context of community-based regeneration where involvement of local populations in the regeneration process is seen as 'empowering' [14]. Generally, this is seen as a rebalancing of power between the state sector and the community and voluntary sectors, and is linked to intentions of promoting community-led change. In the context of community development, empowerment refers to the mechanisms that individuals, organizations and communities gain to control over life and issues related to them in the economic, social, psychological and political aspects.

#### METHOD

This study is a conceptual paper which attempts to link and integrate the concept of strategic management, specifically competitive advantage. Therefore, this research employs library study from secondary data and information. The analytical method used in descriptive qualitative analysis that provide a comprehensive description of investigated constructs.

#### RESULT

Global competition requires businesses to have a competitive advantage to survive in long term development. The Resource-Based View (RBV) model assumes that each organization is a unique set of resources and capabilities that are the basis for the strategy and the main source of achieving probability [15]. Company resources include all assets, capabilities, competencies, organizational processes, company attributes, information, knowledge, etc. that are controlled by the company so that the company can implement strategies to improve efficiency and effectiveness [16]. According to [15], resources are differentiated into tangible resources and intangible resources.

The application of theory to the research conducted by [17], explains that local resources are measured from tangible and intangible resources. Tangible resources are measured based on indicators of physical, financial and natural resource resources; while intangible resources can be measured by indicators of human capital, organizational capital and relational capital. Meanwhile, the community empowerment strategy employs five indicators, namely awareness, organization, cadre formation, technical support, and technical management. The results of the study are in line with the resource-based model (Resources Based View - RBV) stating that RBV is a method for analyzing and identifying the strategic advantages of a company based on a review of the combination of assets, expertise, capabilities and intangible assets that are specific to the company.

Furthermore, the RBV concept states that resources and capabilities are the basis for forming strategies. The chosen strategy must enable the company to use its core

competencies for opportunities in its external environment. The problem is that not all resources and capabilities of the company have the potential as a basis for sustainable competitive advantage. Most writers argue that intangible resources are better as it is able to produce sustainable competitive advantages [15].

The application of the RBV concept to the research conducted by [18] resulted in a research model that stated that the right strategy through community empowerment was based on local resources to reduce poverty. The results of the study are also supported by [19] mentioning management control systems is a process where managers influence other organizational members to implement organizational strategies. Two important notes raised by [20] on resource-based strategy theory are that there are differences in the resources that can be controlled to implement the strategy and the differences in resources are relatively stable. This means that the business in determining and implementing a strategy is based on resources and the resulting strategy will vary due to differences in resources owned (local resources). In line with these thoughts, among others, from [21]-[23] suggest that heterogeneous resources cause a variety of strategies implemented and the benefits obtained by the company. This means that the meaningfulness of the strategy in producing competitive advantage can be realized if the determination and implementation of the strategy are based on the strength of local resources so that the power of resources will have the meaning of producing regional performance derived from community income.

Community empowerment based on the conditions and potential of a region, including the development of human capabilities. Empowerment and development of human abilities related to aspects of business, employment, and increased income. Furthermore, the results of the research of [24] explain that the potential of a region consists of tangible resources (natural resources and financial or physical resources) and intangible resources (human capital, organizational capital and relational capital). Both of these resources can create core competence of a region. Research conducted by [25] found that local commodity of Central Sulawesi, especially Donggala district, is deep coconut and its by-products (coconut fiber and coconut shell). In general, results of Wahyuningsih et al's research found that local resources (coconut charcoal) where value added to briquettes, with empowerment strategies, is one of the solutions to improve income of coconut farmers in Central Sulawesi, Indonesia. Therefore, it is in line with the explanation that strategic resources are a set of assets and capabilities that are used as core competencies for companies to produce competitive advantages. The strategic resources in question consist of tangible resources and intangible resources. These resources will form capabilities, which will produce core competencies by meeting the criteria of sustainable advantages in creating value [26]. The logical framework of this discussion can be shown in Figure 1.

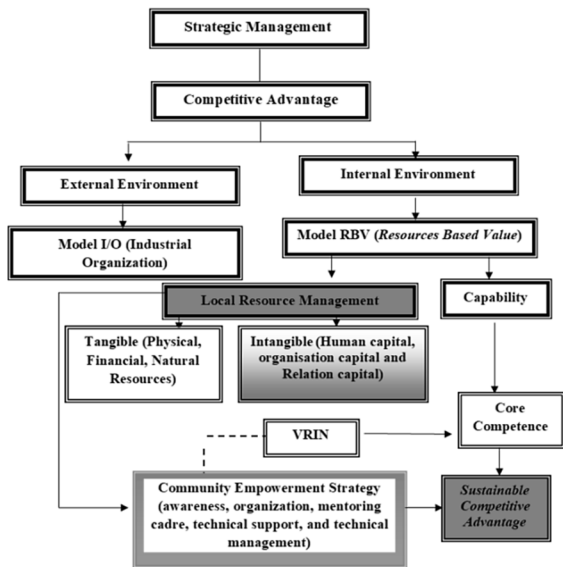


Figure 1. Community Empowerment Strategy based on Sustainable and Competitive Local Resources

CONCLUSION

To conclude, community empowerment needs to be managed strategically utilizing competitive advantage of a region or organization. This study has examined strategic management of community empowerment based on local resources. Therefore, it shows that strategic management of rural community empowerment have strong links with policy makers, government officials, civic leaders, and academics to work together in utilizing tangible and intangible assets as a competitive advantage. Culture shock can be reduced in a planned manner through social adjustments between the problems and the real needs of the poor in the rural development program goals and objectives. Evaluation and monitoring objective and are required to determine the achievement of goals and predict the chances of a culture shock as early as possible. The partnership and mutual trust among various parties have contributed to the empowerment pro-poor. Beside economic improvement, it can be showed that social cohesiveness can be better and culture shocks are able to be reduced. Pro-poor development activities based on local resources must be integrated and projected to minimize cultural shock. Nevertheless, the implementation of strategic management requires systematic steps to all aspects and accommodate social, cultural, political and technological interests. To achieve SCA (Sustainable Competitive Advantage), each region must have unique resources and provide value added to its products as a competitive advantage for long-term better performance.

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