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The Impact of Covid-19 Pandemic on the Competitiveness of Footwear Industry between Indonesia and Vietnam, and How to improve Indonesia's Competitiveness in Footwear Industry for Export with Human Capital Management's Strategy and Innovation

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ABSTRACT

Like other industries, the footwear industry is trying many efforts to achieve and maintain sustainable competitive advantages (SCA) for the firms' sustainable growth and various outside factors such as international trade relations and government regulations are influencing on competitiveness between countries in the same industry. In this study showed that the changes in export competitiveness of Indonesia and Vietnam's footwear industry was brought by the government's reaction on COVID-19. However Vietnam is still one of the most competitive country as production base but the competitiveness of Indonesia was increased significantly. The objective of the research is to find what kind of efforts Indonesia should make to further enhance the competitiveness of the footwear manufacturing and exporting in the scope of Human Capital Management. Competitive profile matrix and SWOT/TOWS analysis is used for finding the effective and practical strategies. Findings from our study revealed that human capital development is crucially important in increasing competitiveness in the footwear industry in Indonesia, and the innovation in human resource system would keep sustainable competitive advantages maintained.

Keywords: Sustainable Competitive Advantage, Human Capital Management, Footwear Industry, Covid-19,

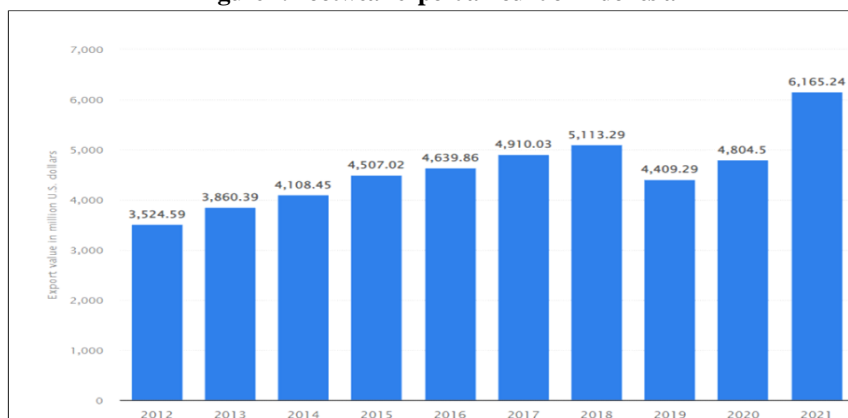
BACKGROUND

Almost global brand like Adidas, Nike and New Balance, are sourcing their products in the way of global outsourcing from China, Vietnam, Indonesia and other countries. You may know that China is number 1 and Vietnam is number 2 as global supply chain of footwear. Indonesia is struggling to overcome the big difference between China/Vietnam and Indonesia. But in 2021 export of footwear from Indonesia grew up 28% compared with the previous year as Figure1. It was a big surprise because Indonesia has been regarded as less competitive country as global supply chain. This is done Even in the middle fo Covid-19 pandemic.

At 2021 Vietnam had a big covid-19 infection wave and Vietnam government imposed strict measure that resulted in disrupting production and export in almost all industries. And also there was bad relation between China and US because of US-China trade war, it made a lot of factories in China move to Southeast Asia to avoid high tariff. Fortunately the Indonesian government took action against Covid-19 well, and released the government instruction which could let industries operate their factories even partilly and export products. So A lot of footwear orders moved to Indonesia from Vietnam and China. If the political situation become normal in Vietnam and Covid-19 pandemic is finished, what is going to happen in footwear industry in Indonesia? Can Indonesia keep the export growth continuously ? If strengthes of Vietnam’s footwear industry is mentioned comparing with Indonesia’s footwear industry, Vietnam has the strength like they have the Trans-Pacific Partnership(TPP), an Asian-Pacific trading bloc built upon the pre-existing Trans-Pacific Strategic Economic Partnership Agreement among Brunei, Chile, New Zealand and Singapre. And footwear industry in Vietnam is a strategic industry with the fact that low wages are a key driver of the production cost advantage. Considering that Vietnam is a member of TPP economic agreement, World wide brand like Nike, Adidas and New balance, may be likely to place orders to Vietnam. Or They may continue to increase orders in Indonesia in order that they have sustainable and strong / safe global supply chain. The political and global economic situation is not easy to expect and anticipate.

If the political and global economy condition is the same to Indonesia and other countries, what is important in making sustainable competitive advantage in footwear industry ? At this point, I will focus on Human Capital Development and Management, and the purpose of this research is to reveal what effort in Human Capital Management is essential in creating and maintaining sustainable competitive advantage in footwear industry in Indonesia.

Figure 1. Footwear export amount of Indonesia



Source : <https://www.statista.com/statistics/> / in millions USD

Research Question and Hypothesis

Through the literature review, human capital development is a mediation can give the impact on competitive advantage sustainability. And I have 5 research questions and the research framework are seen as below;

- How is the effect of Human Capital Development to Performance in Footwear industry?
- How is the effect of Technical Training to increase performance in footwear industry?
- How is the effect of Behavior Training to increase performance in footwear industry?
- How is the effect of Competency Training to increase performance in footwear industry?
- How is the effect of Human Capital Development to a sustainable competitiveness ?

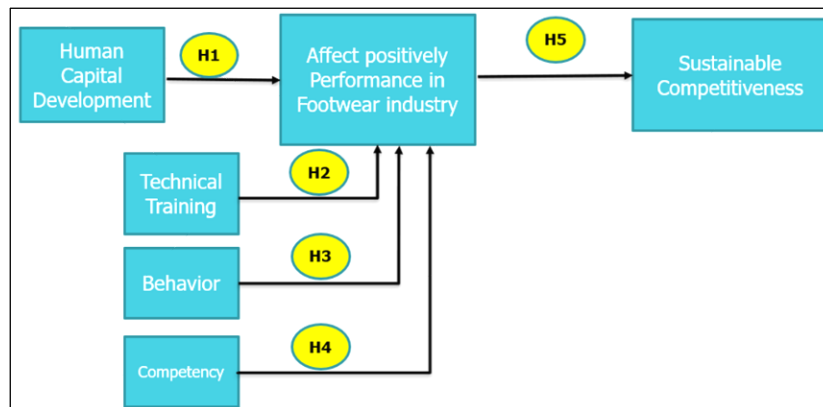


Figure 2. Research Frame work

Strategic human resources management(HRM) is viewed as a planned structure of human resouces for achieving the organizational goals. HRM is the ability of a organization to influence its performance with the management of its human resource. The numerous studies are supporting of the significant relationship between HRM and the performance of the organizaiton. Based on the above thought, the five hypothesis are formulated as below;

H1 : Human Capital Development has a significant effect to Performance in Footwear industry

H2 : Technical Training has a significant effect to Performance in Footwear industry

H3 : Behavior Training has a significant effect to Performance in Footwear industry

H4 : Competency Training has a significant effect to increase performance in footwear industry?

H5 : Human capital development has a significant effect in creating sustainable competitiveness in footwear industry

RESEARCH METHODOLOGY

The literature review will be conducted and the scope of review will be about the relations between the competitive advantage and humna resource development, relations between human resource development and the organization's performance. The Questionnaire will be conducted in order to prove that 5 hypothesis are right. In the proces of this questionnaire, the related questions will be asked to several HR managers in sports shoe manufacturers producing global brand like Nike, Adidas in Indonesia. Structural equation modeling (SEM) will be developed and Smart PLS will be used to analyze the

collected data from questionnaires. And Analysis of the results from the questionnaires is the next step after Smart PLS process. At the end, the conclusion and suggestion will be followed.

CONCLUSIONS

If the hypothesis could be proved to be correct, findings from this research will reveal the below conclusion.

- Footwear industry in Indonesia is facing some challenges in the dynamic and complex competitive business environment.
- To keep the internal competitiveness and to improve it, Human Resource Development is crucial in footwear industry as a labor-intensive industry.
- Competitive advantage through HR development related with behavior, technical and competency training has a significant effect to the performance in footwear industry especially for the production efficiency.

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