

Chapter 1

INTRODUCTION

1.1 Background of the study

This study will explore the family owned enterprise PT. Patra Jaya Texindo, established in 1998 in Jakarta, Indonesia. This company has grown to specialize in selling textiles as well as fostering collaborations with supplier factories for textile production, ensuring customers with quality textile products. This study will go in-depth on the challenges and successes this family firm encountered during its early performances and how it overcame competition in the textile sector. The textile sector, as one of Indonesia's major industries, has been essential to the country's economic growth and creation of employment. The size of Indonesia's textile industry accounts for such that the manufacture of textiles in Indonesia had drastically increased by 21 trillion Indonesian rupiah in comparison to 2021 statistics (Camarero & Camarero, 2023).

Family-run enterprises are a significant component to the economy, contributing to 70% of the Gross Domestic Product (GDP) worldwide (Nurunnabi, 2021). Statistics showed that more than 95% of the businesses in Indonesia are classified as family businesses, ranging from small to medium enterprises, relying on family expertise and abilities passed down from generations to generations (Post, 2019). Moreover, the large number of family-run firms are also big players of the textile industry in Indonesia. Family beliefs and customs have become the foundation for the majority of long term

successful enterprises (Suddaby & Jaskiewicz, 2020). Family runned firms create cohesion and a productive work environment, helping them overcome the challenges of a competitive textile industry in Indonesia. Furthermore, with the evolving market dynamics, many family owned businesses become open to collaborations and expansions that often fall upon the next generations, creating new sets of ideas and partnerships (Deloitte, 2016).

The textile industry has been posed with several challenges. Such as, experiencing intense competition through the saturated market of Indonesia's textile sector (James et al., 2003). In addition to the impacts of globalization, local textile firms are also faced with challenges from maintaining their market share (Hiba et al., 2021). Firms are competing on product quality, lower prices and distribution networks. Moreover, textile traders and supply factories had to adapt to the COVID-19 pandemic that has affected their performances and become a competitive disadvantage (Fairlie & Fossen, 2021). The textile industry had dropped product exports by 52% in May 2020 compared to the years before COVID-19 (Camarero & Camarero, 2023). Despite these challenges, many textile family businesses have proved to strive in challenging situations and gone through the competition throughout the years. Although it is still important for textile firms to be aware of the competitive challenges they face and how to manage them effectively in order to become successful (Bravo, 2022). Previous research related to the sustainable supply chain of Indonesia's textile & apparel industry's opportunity and challenges namely research from Sarasi, et al. (2023) requires in-depth interviews with relevant experts which needs to be conducted through this qualitative research.

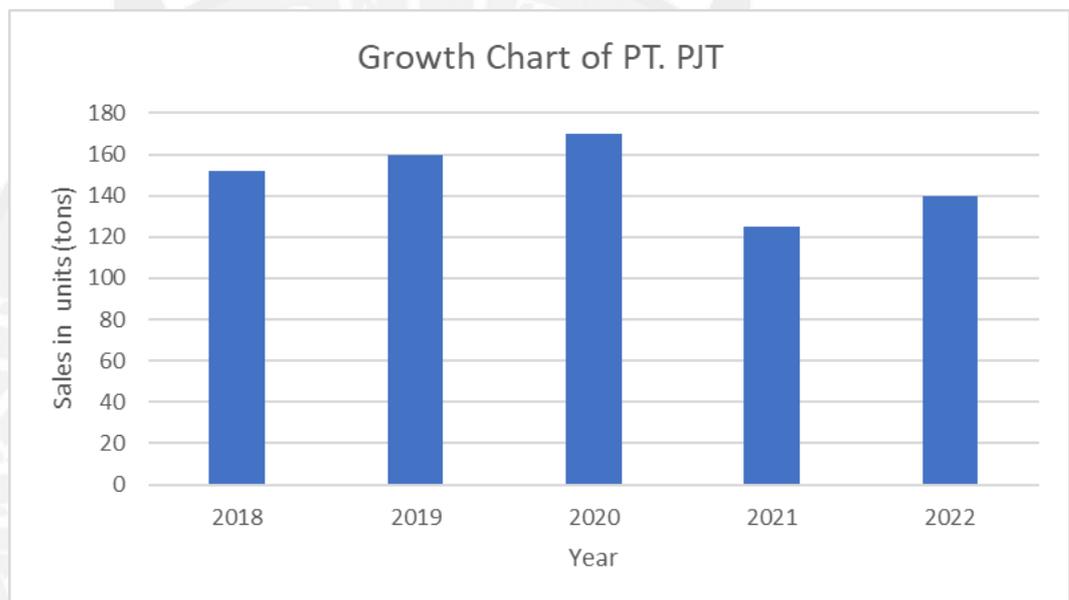
1.2 Research Problem

This study will conduct an in-depth analysis of PT. Patra Jaya Texindo focusing on the sales of the textile industry of Indonesia. As per the insight shared by the company's leadership, PT. Patra Jaya Texindo has faced a series of challenges, one of them being the navigation of sourcing textile parts and maintaining a strong and stable relationship with customers and suppliers. However, with the emergence of competitors that had vertically integrated their operations, controlling various stages of the textile production process had posed significant challenges (Kashiwagi & Iwasaki, 2023). These vertically integrated companies (competitors) not only produce textiles but also supply themselves that effectively reduce cost and increase their market control in the industry. As stated by the owner of the company, Then Tjhie Piau, because of the self-reliant control the competitors have over their supply chain, PT. Patra Jaya Texindo faces continuous challenges from maintaining their client/customer relationships in order to compete prices.

This posed a challenge for PT. Patra Jaya Texindo to create long standing supplier relationships in the textile industry. It becomes crucial to have a relationship centric approach, where the company has to please suppliers through making prompt payments of textile supply without expecting the same from the clients. While this creates trust and deepens relationships with suppliers, it also creates problems on the management of cash flow. The maintenance of swift payment practices poses a need for PT. Patra Jaya Texindo

to ensure a robust and healthy cash flow; a strong cash reserve just in case clients are unable to pay on time, payments can still be made to suppliers. The challenge lies in how PT. Patra Jaya Texindo can optimize their financial strategies to support its competitive advantage while keeping up with the dynamics of the textile industry.

Figure 1 : Revenue Quantity



Based on the table above, there has been a decrease in revenue during 2021 as difficulties arise from monopolistic competitors and the maintenance of strong relationships between customers and suppliers exists. The table above shows that PT. Patra Jaya Texindo has a stable revenue year to year compared to other businesses including the COVID-19 virus that impacted businesses in the year 2020 and 2021.

1.3 Research Questions

Based on the proposed research problem regarding PT. Patra Jaya Texindo's challenges in maintaining competitive advantage the textile industry, here are two research questions:

1. What strategies and factors can PT. Patra Jaya Texindo employs to retain and enhance its competitive advantage, as they face competitors that offer lower prices?
2. How can PT. Patra Jaya Texindo strengthens and applies their strategies to maintain its competitive advantage in the saturated garment industry?

1.4 Research Purpose

The research purpose of this study is to explore and understand the challenges faced by PT. Patra Jaya Texindo and how the company maintained relationships with both suppliers and customers in the textile industry.