Determination of Competitive Advantage and its Impact on Marketing Performance

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Abstract: SOEs are still not able to achieve the desired performance. The lwo of marketing performance due to lack of SOEs featured in competing with other companies (competitive disadvantage), inaccuracies in the innovation, both product innovation, process innovation and market, the coordination of cross-functional product value creation. Method that will used: descriptive and survey method explanatory survey. The unit of analysis is the entire state Enterprise (141 companies). Analytical methods used are structural equation modelling (SEM). According to the results of the reseach, (1) state-owned Enterprise is already innovated, cross functional coordinated, and had value creation. But still in week to conduct product value creation and market innovation; (2) Innovation has prove to have link with cross-functional coordination; (3) Innovation and coordinating cross-functional effect on product value creation. However, innovation dominantly infuenced by value creation rather than coordination across functions; (4) Innovation committed SOEs can not créate a competitive advantage. Although innovation, cross functional coordination, but has significant influence; (5) Programming, coordinationg cross-functional coordination, and value creation affect the marketing performance.

Keyword: Innovation, Cross-Functional Coordination, Value Creation, Competitive Advantage, and Marketing Performance

1. INTRODUCTION

State-Owned Entreprises are locomotives of the economic development and Becomes a MainStay of the national economy as well as in Determining the direction of economic development in the future Indonesia. The position of State - Owned Entreprises in developing long term increasinglu stage II will be difficult, Because It will Compete with private company.

State - Owned Entreprises still difficult, to increase of competitivness Because they are competitive for some time lulled use various facilities, the lack of innovation and lack of ability to anticipate the market, which also caused less significant autonomy from the government (Dibyo, Reflection SOE 1993-2005).

The performance of state in 2004 s / d in 2006 is still decreasing, especially the value of the company (ROA and ROE) despite an increase in 2006, it is seen that the performance of SOEs is still not in accordance with the targets set, especially marketing performance.

The performance of state in 2004 s / d in 2006 is still decreasing, especially the value of the company (ROA and ROE) despite an increase in 2006, it is seen that the performance of SOEs is still not in accordance with the targets set, especially performance marketing.

The objective of research: (1) to produce research that encompasses innovation, cross-function coordination, and value creation in SOEs, (2) to understand the relationship between innovation with a SOE cross-functional coordination, (3) to get the result of the effect of innovation and coordination across functions to value creation SOE products, (4) the effect of innovation , cross-functional coordination, and value creation on competitive advantage SOEs in Indonesia

The following figure shows the marketing performance of SOEs, which direpleksikan by sales results, are relatively low. The decline in the performance of marketing itself tends to be caused by the inability of the company to have a competitive advantage, as stated by Bennett and Smith (2002: 75); competitive advantage is an advantage that is achieved through superior customer value by creating a competitive strategy to achieve profitability and growth through correspondence between the internal capabilities that are owned by companies with market demands. Based on the above statement, it is clear that the low performance of marketing thought to be caused by lack of featured competing (competitive disadvantage).
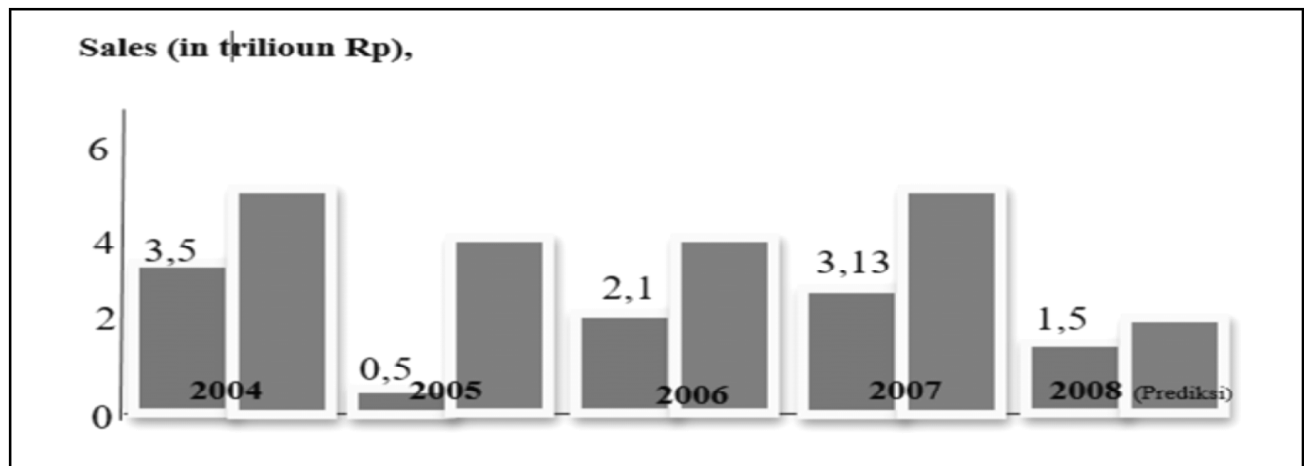

Figure 1: Target and Realization of Sales in 2004 s/d 2008

Source: BUMN's Annual Report

Low competitive advantage SOE allegedly because value creation is not good, as stated above Bennett and Smith.

2. LITERATURE REVIEW

Kotler and Keller (2009: 42) states; the creation of value is a company's ability to provide new benefits for customers, utilizing the core competencies that diimiliki, and manage their business partners. But in reality the state-owned enterprises have not been able to provide new benefits for pelanggannnya.

Kholil (2000) states that the innovation will improve the marketing performance of a company. Innovation as the basis for the creation of a product, service or process that is new to an organization, introduced to the market through the utilization and commercialization of the product, service or process, it is not to be something new to the world (Aiken and Hagen, 1979), Whether or not ides has been Adopted by other organizations (Nord and Trucker, 1987). An innovation can change practice in the industry, which can improve productivity (Schumpeter, 1928).

Joe Todd (2000) in the book "Managing Innovation" Innovation that help capture and retain market share and increase of profitability. Based on the above statement, it is clear that the performance of SOEs in Indonesia that have not nemcapai sales target is also suspected due to lack of appropriate innovations, covering both product innovation and process innovation. Furthermore Khalil (2000) also states that the Innovation is done in order to create value (value cration) and satisfaction of customer needs. Heskett, Sasser, and Schlisinger (1997) stated that the Concept value will determine the revenue and profit for the company which will improve the marketing performance of a company. This makes it clear that the marketing performance of a company is determined by the value creation of a product.

Based on the report the performance of SOEs (2007) there are some permasalahanyaitu still low productivity of assets, maih low earnings, financial structure and capital was inadequate, yet terimplementasinya principles of Good Corporate Governance (GCG), yet the imbalance between quality and quantity of human resources, lack of cooperation and synergistic activity between enterprises, and in terms of innovation, the state also can not be the main actors in the innovation effort.

Roger and Paterson (2001: 32) states that the success of an organization in achieving its marketing performance depends on the extent to which the organization is able to utilize the advantages of the right resources on the target consumers by coordinating any managerial functions. thus, decreasing the performance of marketing SOE also tend to be less precise internal improvement in the coordination of cross-functional managerial.

This is reinforced by the statement Kotler and Keller (2009: 75): Czinkota and Kotabe, (2001: 57) states that the sources of corporate excellence, which is a strength of the company in the form of superior skill, superior resources, and superior control that is base in innovation (internal sources of innovation) by managing principal activities include the production, finance, human resources, marketing, and research and development (cross functional coordination). The fifth main activities of this company is an internal environment that determine the performance of marketing.

Based on the statements above, it is important to investigate the effects of innovation, cross-functional coordination, and value creation in SOEs in Indonesia and its influence on competitive advantage and performance marketing.

Objective: to produce a study on innovation, coordination across functions, and value creation is done SOE, getting the closeness of the relationship between innovation by coordinating cross-functional state-owned enterprises, to get the test results: the effect of innovation and coordination across functions to value creation products SOEs, influence innovation, cross-functional coordination, and value creation on competitive advantage state-owned companies in Indonesia, influence innovation, cross-functional coordination, and value creation to the marketing performance of SOEs, the effect of the competitive advantage of the performance of marketing at SOE.

3. RESEARCH METHODOLOGY

Method is used that: metode survei deskriptive survey method dan eksplanatory survey.

The object of research into the independent variable in this study is the innovation that includes product innovation, process innovation and market innovation. Cross-functional coordination and value creation. While the dependent variable is a competitive advantage and performance marketing

This study is a verification and descriptive. The unit of analysis in this study were 141 state-owned enterprises with the involvement of each company leaders. Time horizon in this study was cross-sectional, where research is done in one time simultaneously.

The population in this study were 141 SOEs. Questionnaire given to the head of state-owned enterprises or competent in the problems that exist in writing. In this study the variables to be tested the hypothesis can not be measured directly, so necessary to make a measurement model called the linear structural relationships (LISREL) introduced by Karl Joreskorg in 1973 (Cooper: 2001: 585), except for variable marketing performance measured with sales results, because the size is a ratio. Based on the research paradigm described that some variables have an indirect relationship, so it needs to be described in the path diagram.

To test whether the relationship is in accordance with the research results conducted path analysis (path analysis). Paradigm study made its path analysis can be used as a model called by Structural Equation Modeling (SEM). In selecting the input matrix and estimation models, Structural Equation Modeling (SEM) only uses a matrix of the variance / covariance matrix due to better meet the assumptions of the methodology compared using a correlation matrix as suggested by Hair et al. (1998: 603). Whole of structural equation model are as follows:
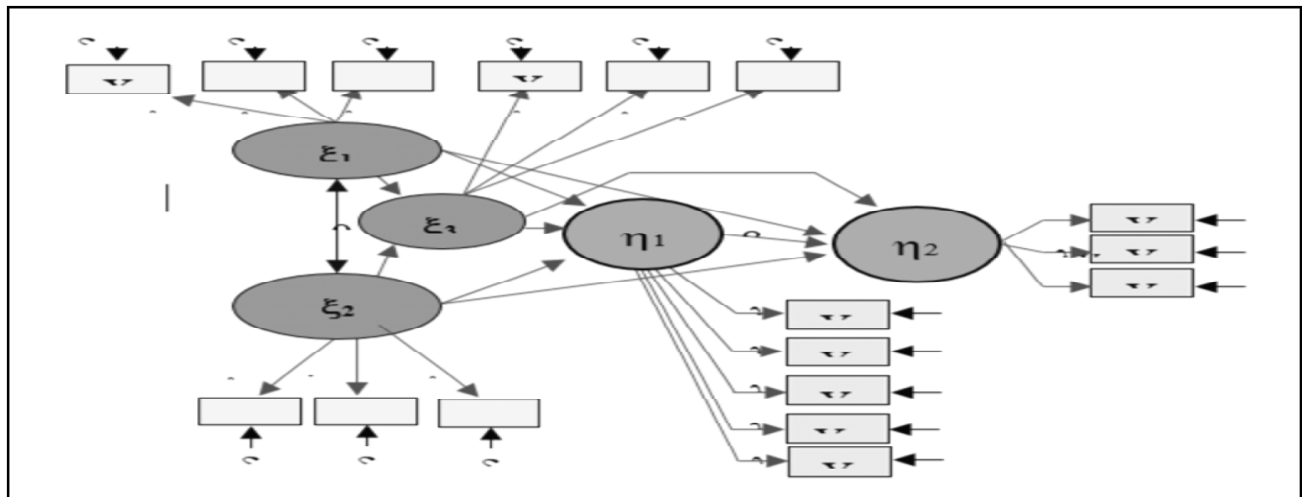

Figure 2: Conceptual (SEM) Framework

Hypothesis 1: Innovation, coordination across functions, and value creation has been done by the state through the development of products, processes, and markets as well as the transformation of resources in order to provide new benefits for customers, utilizing the core competencies, and managing business partner.

Hypothesis 1 above were tested by looking at the average score of each variable studied (Zikmund, 2000; 45). The logic of calculating the average score of the smallest is when all respondents answered "1", then the score is 1 x 141 (population size) is 141, as well as the average score of the biggest is when all respondents chose "5", then the score 5 x 141 (population size) is 705. it can therefore be grouped when the average score of the variables studied was 141 s / d 352.5 descriptive then the hypothesis is rejected, and if the score of 353 s / d 705, then the hypothesis is accepted.

Hypothesis 2: Innovation has a relationship with a cross-functional coordination SOEs. The equation is:

$$\xi_1 = \theta\,\xi_2 + \zeta_1$$
$$\xi_2 = \theta\,\xi_1 + \zeta_1$$

Hipotesis 3: Innovation and coordinating cross-functional effect on value creation SOE products.

The equation is:

$$\xi3 = \Gamma_1\,\xi1 + \Gamma_2\,\xi2 + \zeta_2$$

Hypothesis 4: Innovation, coordination across functions, and value creation affect the competitive advantage of SOEs. The equation is: $\eta_1 = \Gamma_3\,\xi1 + \Gamma_4\,\xi2 + \Gamma_5\,\xi5 + \zeta_2$

Hypothesis 5: Innovation, coordination across functions and value creation affect the performance of marketing at SOE Structural Equation: $\eta_2 = \Gamma_6\,\xi1 + \Gamma_7\,\xi2 + \Gamma_8\,\xi5 + \zeta_3$

Hypothesis 6: Competitive advantage effect on marketing performance of SOEs. The equation is: $\eta_2 = B\eta_1 + \zeta_4$

THE RESULTS OF RESEARCH

Table 1
Innovations made by the state-owned company in Indonesia

No.	Innovation Indicator	Quantity	
		Total	Score
1	The launch of new products or services	141	531
2	Product Diversification	141	488
3	How it works (business process) which is applied in producing products	141	499
4	Provision of services or new products	141	485
5	Train staff with something new	141	508
6	Marketing communications that do SOE.	141	473
7	The distribution system is made of SOEs	141	542
8	Bringing top-ranked and prestigious on the products published on the public / customers	141	537
	Score Average	141	505,7

From the table above it is clear that in general, SOE has the highest score (542) in the innovation system of distribution / transportation / shipping, because SOEs have been innovating the market, produce

products according to customer needs, and build a distribution network wider making it easier for customers get it, the efficiency of the operating costs, lower product cost so competitive prices and can increase sales, profit and market share. While the lowest score is the state-owned enterprises to innovate in marketing communications (473) because the product markets and national scale SOEs still tend captive market so many SOEs that have not felt the need to communicate Marketing.

The above test results show that the eight indicators that can be used to measure the innovation of products, processes and markets in all groups of state-owned enterprises (manufacturing, services, genetic, extraction). Monzano, Kuster and Villa (2005: 444) filed on 10 indicators of innovation of products, processes and markets. The ten indicators can be used only manufacturing company.

Table 2
Cross Functional Coordination in state-owned companies, 2008 (n = 141)

No.	*Traffic Coordination Function (KLF1)*	*Quantity*	
		Total	*Score*
1	Efforts in Product Development	141	497
2	Information marketing is precise, fast, and accurate	141	500
3	The involvement of all functions in the preparation of marketing programs	141	538
4	Integrating all functions	141	407
5	Strength Interaction between managerial functions	141	542
6	The accuracy of the company's direction	141	537
7	The accuracy of the Human Resources owned SOEs	141	507
8	The accuracy of technology used SOE	141	532
9	The strength of the financial resources of SOEs	141	480
10	Frequency of R & D activities	141	488
	Score Average	**141**	**502,8**

Based on the above shows overall coordination across functions performed by state-owned companies in Indonesia, was the closeness of the interaction between the managerial functions have the highest score (542), and the integration of activities across functions has the lowest score (407). This shows that the closeness of the interaction between functions is not necessarily coherent / synergistic interaction between these functions.

Tabel 3
Value Creation in SOEs in Indonesia, 2008 (n = 141)

No.	*Value Creation (VAT)*	*Quantity*	
		Total	*Score*
1	Efforts to provide new benefits required by the customer	141	494
2	Efforts to provide new benefits desired by customers	141	495
3	Efforts to utilize the core competencies	141	428
4	Efforts to minimize the time of delivery of products	141	490
5	Efforts to select and manage a business partner	141	558
	Score Average	**141**	**493**

Based on the above, it appears that the highest score is the SOE efforts in selecting and managing a business partner (558), while the lowest score is the SOE efforts in utilizing core competencies (428).

Descriptive Hypothesis Testing.

Tabel 4
Descriptive Hypothesis Testing

No.	Variable	Average	
		Total	Score
1	Innovation	141	505,7
2	Cross-Functional Coordination	141	502,8
3	Value Creation	141	493,0
	The average of the average scores	141	500,5

In the table above shows that the innovation made by the state have the highest score, while the creation of value have the lowest score, it is seen that the innovation made by the state in general has not been fully oriented to the market and provide superior value for its customers.

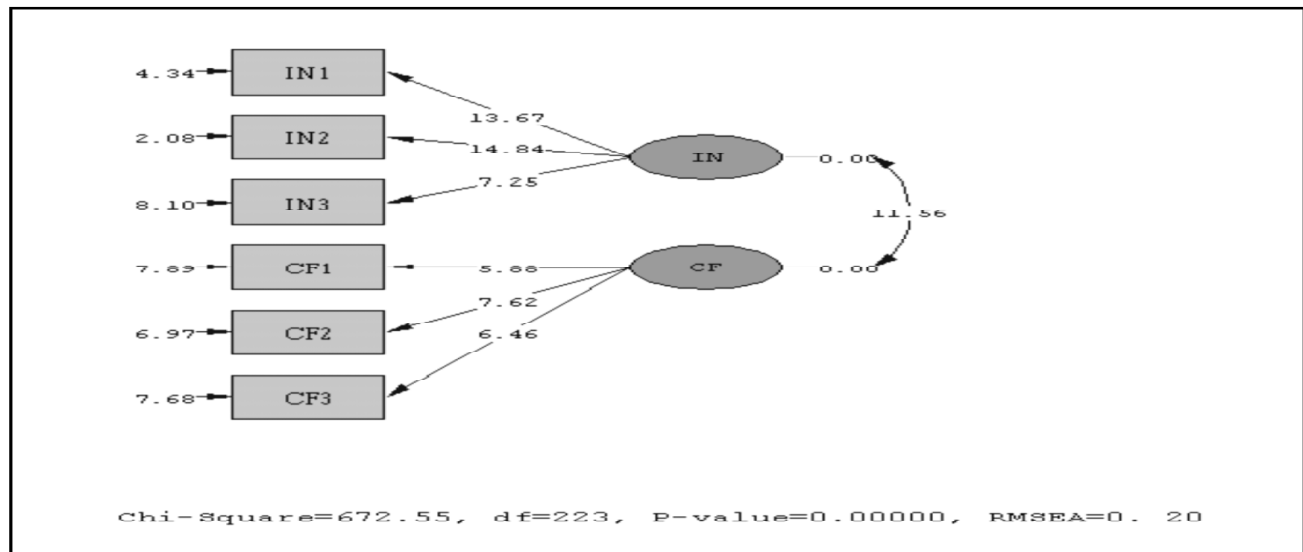**Hypothesis 2:** Correlation between Innovation and Cross-Functional Coordination

Figure 3: Output 1 SEM in Lisrel

From the picture above it is known that all values of t (11.56> 2) is significant, so it can be concluded that the influence of the indicators and the latent variables and the relationship between exogenous latent variables namely innovation with proven positive cross-functional coordination and were significant (second hypothesis is accepted).

Hypothesis 3: Innovation and Coordination Cross Functional Product Value Creation affect the state-owned company in Indonesia.

Effect of innovation to the creation of value has a value of t (2.36> 2) Significant However the influence cross-functional coordination to value creation has a value of t (0.32 <2) means insignificant.

Innovations proved a significant influence on the creation of value, while the cross-functional coordination is not proven effect on value creation. This indicates that the innovations made by SOE affecting value creation, as something of a novelty created by state-owned companies will increase the value for the customer, if these innovations are based on predictions of future market needs. While the cross-functional coordination does not affect the creation of value, because the state-owned enterprises are still weak in product development and preparation of marketing programs, as well as the transformation of its resources as a result of which the descriptive analysis above.

As for the influence of innovation and coordination across functions simultaneously to value creation can be seen in the following equation:

$$VC = 0.52*IN + 0.08*CF, Errorvar. = 0.65, R^2 = 0.35 \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots(1)$$
(0.22)   (0.24)   (0.16)
2.36   0.32   4.18

(*Source:* output LISREL 8.80)

From the above table also equation (1) above, it appears that the impact of innovation and coordination across functions simultaneously to value creation with a contribution of 0.35 or 35%, of which the value (4.18> 2), then the hypothesis of two received / proven , so that innovation and coordination across functions simultaneously proved significant effect on value creation, but when viewed in partial turns innovations dominant influence on value creation.

Hypothesis 4: Innovation, Coordination Cross Functional, and Creating Value affect the SOE Competitive Advantage

From the above it is known that innovation is parisial had no significant effect on competitive advantage, as well as the partial value creation has no significant effect on competitive advantage. While a partial cross-functional coordination significantly influence competitive advantage.

As for the influence of innovation, cross-functional coordination and simultaneous value creation on competitive advantage can be seen in the following equation:

$$CA = 0.04*VC + 0.06*IN + 0.59*CF, Errorvar. = 0.75, R^2 = 0.25$$
         (0.17)   (0.50)   (0.59)   (0.28)
  0.23   1.74   2.69   2.12

From the equation above data known to influence innovation, cross-functional coordination, and value creation on competitive advantage is 25% and the balance of 75% influenced by other factors not included in the study. This means that innovation and value creation which is partially not significant effect on competitive advantage, it turns out when it is supported by a cross-functional coordination proved a significant influence on competitive advantage. Because it is state-owned companies in Indonesia so that innovation and value creation is able to increase the competitive advantage it must be supported by cross-functional coordination synergistic and competent.

These findings are contrary to the research Bennett and Smith (2002: 73) that competitive advantage is built through penciptan superior value for customers.

Hypothesis 5 : Innovation, coordination across functions, and value creation affect the marketing performance of SOEs.
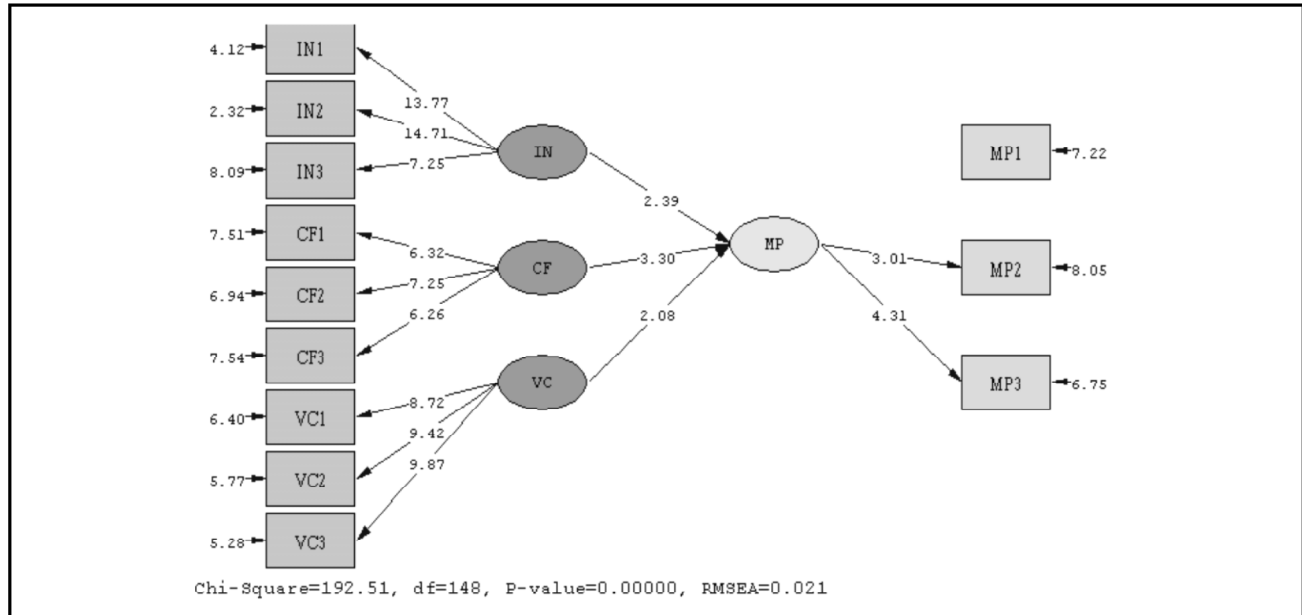

Figure 4: Output 2 SEM in Lisrel

From the table above it is known that innovation is parisial have a significant effect on marketing performance, as well as value creation partially have a significant effect on the performance marketing. Similarly, partial cross-functional coordination significantly influence marketing performance.

As for the influence of innovation, cross-functional coordination and simultaneous value creation to marketing performance can be seen in equation 3 below:

$$MP = 0.46*VC + 0.19*IN + 0.74*CF, \text{ Errorvar.} = 0.46, R^2 = 0.54 \tag{3}$$
$$(0.17) \quad (0.50) \quad (0.59) \quad (0.28)$$
$$2.08 \quad 2.39 \quad 3.30 \quad 2.54$$

From the equation above data known to influence innovation, cross-functional coordination, and value creation on the performance marketing is 54% and the balance of 46% influenced by other factors not included in the study.

Hypothesis 6 : Competitive Advantage affect the marketing performance of SOEs

From the above table it is known that the competitive advantage of significantly affect the performance of marketing

The equation is:

$$MP = 0.47{*}CA, \text{Errorvar.} = 0.78, R^2 = 0.22$$

$$(0.15) \qquad (0.16)$$

$$3,22$$

The effect of competitive advantage on the performance marketing is 22% and the balance of 78% influenced by other factors not included in the study.

CONCLUSION

Based on the analysis, it is obtained a finding as follows: (1) state-owned companies utilize the resources advantages in innovation, cross-functional coordination, and value creation. However, state-owned enterprises do not optimal product value creation and market innovation; (2) Innovation proven to have a positive and significant linkages with cross-functional coordination at state-owned enterprises in Indonesia; (3) Innovation and coordination across functions together proven to influence positively and significantly to the creation of value for the company's products SOE in Indonesia. But innovation dominant influence on value creation rather than coordination across functions; (4) Innovation committed SOE can not create a competitive advantage. Although innovation, cross-functional coordination, and value creation affect the competitive advantage at state-owned companies in Indonesia. However, cross-functional coordination dominant influence on competitive advantage rather than innovation; (5) Programming, coordinating cross-functional, and value creation proved positive and significant effect on the performance of marketing at SOE. However, cross-functional coordination dominant influence on the performance of marketing than innovation and value creation. Likewise, competitive advantage proved positive and significant effect on the performance of marketing at state-owned companies in Indonesia.

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