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INDONESIA SOEs BUILDING COMPETITIVE ADVANTAGE

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Abstract: This article argues that the State-Owned Enterprises (SOEs) are still incapable of Achieving the expected marketing performance. The low performance is due to the incapacities of the SOEs in competition with other companies, inaccuracies in innovation both in terms of products, processes, and market innovation, as well as lack of coordination in the creation of multifunctional product value. The article is based on an empirical survey involving 141 state-owned companies. The results of analyzes indicate that SOEs have created innovative, cross-functional coordination, and value creation, but still weak in making product innovation and market value creation. Innovation has proven links with cross-functional coordination, while the innovation and cross-functional coordination effect on product value creation. However, Innovation has a predominant influence on value creation in comparison with cross-functional coordination. Meanwhile, the innovation by the SOEs has not been able to create a competitive advantage, while cross-functional coordination has a dominant influence on competitive excellence, Compared to the effect of innovation and value creation.

Keywords: Innovation, Cross-Functional Coordination, Value Creation, Competitive Advantage, Marketing Performance.

INTRODUCTION

Characteristics of Indonesia's potential for the development of industrial sectors simultaneously followed by the development of the service sector. This simultaneous development as deemed appropriate as compared with the industry developed countries, industrialization Indonesia is still at an early stage so that the opportunity to develop very large. Indonesia is quite likely to be successful industrialization because achievements had been able to achieve, especially in the 1980s and 1990s. Moreover, Indonesia has a very solid

foundation, namely democracy and regional autonomy. To make it happen with a more targeted, precise strategy required for industrialization.

In the post-crisis, Indonesia can show the types of industries that have proven strong competitiveness are reflected in the value of exports and of the ability to compete in the country for the domestic market were largely tariffs are already low (0-5%) and without no tariff barriers. This competitiveness including also owned by Strategic Industries in the field of design and industry manipulation. This strategic industry in Indonesia in the form of State-Owned Enterprises (SOEs).

SOE is a locomotive of economic development and become a mainstay of the national economy and to help determine the direction of the economic development of Indonesia in the future. However, the position of state-owned enterprises in the Long-Term Development Phase II (PJPT II) will be increasingly difficult in the face of competition with the private world. SOEs still hard to spur competitiveness for some time asleep utilize a variety of facilities, lack of innovation and lack of ability to anticipate the market, which also caused less significant autonomy from the government (Diby, Reflection SOE 2008-2020). SOE performance in 2019 s / d in 2006 is still decreasing, especially the value of the company (ROA and ROE) although there was an increase in 2006, it is seen that the performance of SOEs is still not by the targets set, especially performance marketing.

Figure 1 below shows the marketing performance of SOEs, which are reflected by the relatively low sales results. The decline in the performance of marketing itself tends to be caused by the inability of the company to have a competitive advantage. Low SOE competitive advantage allegedly because of poor value creation. In this context, Bennett and Smith (2017: 75) explains that the competitive advantage is an advantage 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 poor performance of marketing thought to be caused by a lack of seed competes (competitive disadvantage).

LITERATURE REVIEW

Kotler and Keller (2009: 42) states that the creation of value is a company's ability to provide new benefits for customers, utilizing owned core competencies, as well as managing the company's business partners. Kholil (2015) stated that 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) from, whether or not ideas have been Adopted by other organizations (Nord and Trucker, 1987). Innovation can change practice in the industry, which can improve productivity (Schumpeter, 1928).

Todd (2015) explains that innovation helps to capture and retain market share and increase profitability. Based on the above statement, it is clear that the performance of SOEs in Indonesia who have not reached the sales target is also suspected due to lack of appropriate innovations, both include product innovation and process innovation. Furthermore, Khalil (2015) also stated that innovation is done to create value (value creation) and satisfaction of

customer needs. Heskett, Sasser, and Schlisinger (2012) stated that the concept value will determine the revenue and profit for the company which will increase a company's marketing performance. Making 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) several issues are still low productivity of assets, low income, financial structure, and capital are inadequate, yet implementation principles of Good Corporate Governance (GCG), yet the imbalance between quality and quantity of human resources, lack of cooperation and the 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 (2016: 32) states that the success of an organization in achieving its marketing performance depends on the extent to which the organization can exploit the advantages of the right resources at the target consumer to coordinate any managerial functions. thus, decreasing the marketing performance of SOEs also tend to be less precise to conduct internal improvements in coordination between managerial functions. This was reinforced by statements from experts (Kotler & Keller, 2009; Czinkota & Kotabe, 2016) that the sources of corporate excellence, which is a strength of the company in the form of superior skills, superior resources, and superior control that is the basis of innovation (internal sources of innovation) by managing principal activities include the production, finance, human resources, marketing, and research and development (cross-functional coordination). These five main activities of this company are the company's internal environment that determines the performance of marketing.

RESEARCH METHODS

The method used for this research is an empirical survey involving all state-owned enterprises amounted to 141 companies. The time horizon in this study was cross-sectional. For purposes of data analysis, researchers used Structural Equation Modeling (SEM) or the Structural Equation Model to test the causality relationship of various variables studied.

FINDINGS AND DISCUSSION

Do SOE Innovation

Table 1 below shows indicators measuring the innovation of products, processes, and markets all SOE groups in Indonesia. These data indicate that state-owned enterprises, in general, have the highest score (542) in innovation in the distribution system/ transport/ delivery. In this context, the state has been innovating the market, producing products according to customer requirements, and build up an extensive distribution network. Such activities enable customers to get the products, efficiency of operating costs, lower the cost of the product and can increase sales, profits, and market share.

Table 1. Innovation SOE

No.	Innovation indicators	Amount	
		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 a product	141	499
4	Provision of services or new products	141	485
5	Training of staff with something new	141	508
6	Marketing communications that do SOE	141	473
7	The distribution system is done SOEs	141	542
8	Bringing top-ranked and prestigious on the products published on the public/customers	141	537
The average scores		141	505.7

Table 1 also shows that the state-owned company has the lowest score in innovation marketing communications (473). This happens because the SOE product market is still at a national scale so that tends to be a captive market. Therefore, there are many SOEs have not felt the need to do a marketing communication. HOutcome analysis of the data in Table 1 illustrates the eight (8) 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). In this regard, Manzano, Kuster, and Villa (2020: 444) filed on 10 indicators of innovation of products, processes, and markets. The ten indicators can only be used by the manufacturing company.

Cross-Functional Coordination SOE

Table 2 below shows the overall coordination across functions performed by state-owned companies in Indonesia. Data show that the highest score associated with cross-functional coordination of the closeness of the interaction between the SOEs is a managerial function (542). In contrast, possessed the lowest score is Integrating all functions (407). The results of the data analysis imply that the closeness of the interaction between the functions is not necessarily coherent/synergistic interaction between these functions.

Table 2. Cross-Functional Coordination SOE

No.	Traffic Coordination Function (KLF1)	Amount	
		Total	Score
1	Efforts in product development	141	497
2	Marketing information correctly, quickly, and accurately	141	500
3	The involvement of all functions in the preparation of marketing programs	141	538
4	Integrating all functions	141	407
5	The closeness of the interaction between managerial functions	141	542
6	The accuracy of the company's direction	141	537
7	The accuracy of Human Resources owned SOEs	141	507
8	The accuracy of the technology used SOE	141	532
9	The strength of the financial resources of SOEs	141	480
10	Frequency of R & D activities	141	488
The average scores		141	502.8

Table 3. Value Creation in SOEs

No.	Creation of Value (PN)	Amount	
		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 the product	141	490
5	Efforts to select and manage a business partner	141	558
The average scores		141	493

Table 3 above shows that the highest scores in value creation are SOE efforts in selecting and managing a business partner (558), then followed by efforts to provide new benefits desired by the customer (495). Meanwhile, the two lowest scores are an effort to save time delivery of products (490) and attempt to exploit core competencies SOE (428).

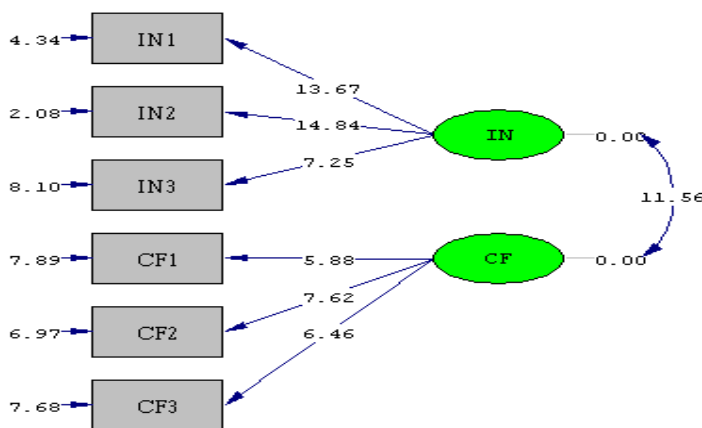
Innovation and Value Creation

Table 4. Innovation and Value Creation

No.	Variables	Average	
		Total	Score
1	Innovation	141	505.7
2	Traffic Coordination Function	141	502.8
3	Value creation	141	493.0
The average scores		141	500.5

Table 4 above shows that the innovation made by the state have the highest score (506), while the value creation has the lowest score (493). This data implies that the innovations implemented by the state, in general, have not been fully oriented to the market and provide superior value for its customers.

Hypothesis 1: There is the effect of innovation on coordination between SOE function



Chi-Square=672.55, df=223, P-value=0.00000, RMSEA=0.20

Figure 1 Relationship innovation with cross-functional coordination SOEs

Based on the analysis above is known that all the value 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 exhibited significantly (Hypothesis accepted).

Test hypothesis 2: Innovation and Impact of Cross-Functional Coordination Creation Product Value state-owned company in Indonesia.

Based on the analysis, the effect of innovation on the creation of value has a value of t ($2.36 > 2$) significant. But the effects of cross-functional coordination to the creation of value has a value of t ($0.32 < 2$) means insignificant. Innovations proved a significant influence on the creation of value, while cross-functional coordination is not a proven effect on value creation. This shows that innovation by SOEs influences the creation of value because something new 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 formulation of a marketing program,

As for the influence of innovation and coordination across functions simultaneously to value creation can be seen in the test results of the LISREL 8.8 equation shown below:

$$VC = IN + 0.08 \cdot 0.52 * * CF, \text{Errorvar.} = 0.65, R^2 = 0.35 \text{ The (1)}$$

(0.22) (0.24) (0.16)
2.36 0.32 4.18

Based on the above results it can be seen that the influence of innovation and coordination across functions simultaneously to the creation of value with a contribution of 0.35 or 35%, where the value ($4.18 > 2$), then the hypothesis is accepted/proven, so that innovation and cross-functional coordination simultaneously proved significant effect on the creation of value, but if it turns out innovation seen partially dominant influence on the creation of value.

Hypothesis 3: Innovation, Coordination Cross-Functional and influential Value Creation against SOE Competitive Advantage

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

$$CA = VC + 0.04 * 0.06 * 0.59 * IN + CF, \text{Errorvar.} = 0.75, R^2 = 0.25$$

(12:17) (0.50) (0.59) (0.28)
0.23 1.74 2.69 2.12

From the equation above data, it is known that the effects of innovation, cross-functional coordination, and value creation on competitive advantage is 25% and the balance of 75% influenced by other factors that are 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 cross-functional coordination proved a significant influence on competitive advantage. Therefore for innovation and value creation in the Indonesian state-owned company can increase the competitive advantage it must be supported by synergistic cross-functional coordination and competence.

These findings are contrary to the research Bennett and Smith (2017: 73) that the competitive advantage is built through the creation of superior value for customers. Based on the analysis, it is obtained a finding as follows: (1) state-owned companies have made use of 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 positive and significant linkages with cross-functional coordination at state-owned enterprises in Indonesia; (3) Innovation and cross-functional coordination jointly proven to affect positively and significantly to value creation company products SOE in Indonesia. But innovation dominant influence on value creation rather than cross-functional coordination; (4) Innovation committed SOE can not create a competitive advantage. Although innovation, cross-functional coordination, and value creation affect the competitive advantage in state-owned companies in Indonesia. However, cross-functional coordination dominant influence on competitive advantage rather than innovation.

CONCLUSION AND SUGESTION

Innovation, cross-functional coordination, and value creation turned out to have been done by state-owned enterprises through the development of products, processes, and markets as well as the transformation of resources to provide new benefits for customers, utilizing the core competencies, and managing business partner. However, state-owned companies still have innovation activity remains relatively weak market. Despite SOE utilize the resources of excellence (superior skills, superior resources, and superior control) held in the innovation, cross-functional coordination, and value creation, the state did not optimal value creation, thereby not creating superior value. Also, the state is not optimal for efficiency / operational performance improvement. This is reflected in a weak innovation process.

About cross-functional coordination, innovation does SOEs have relationships with cross-functional coordination. Activities are undertaken SOE innovation will more precisely match the needs of the target market if it is supported by synergistic cross-functional coordination and market-oriented. Given the closeness of the state-owned company has the interaction between high managerial functions, then this will support innovation in the distribution system by SOEs. In this context, the closeness of the interaction of the marketing function with the function of production/operations and distribution functions will be much easier for state-owned enterprises to innovate.

Likewise less fortunate SOEs to integrate the work of all managerial functions will hinder the company to innovate in marketing communications is done, because of the content and context marketing communications that are made highly related to the integration of the entire managerial functions, such as advertising program created by the marketing function is highly dependent on the budget coordinated by the finance function, personal selling created by the marketing function depends on the advantages and benefits of the products made by the production function/operation. Because of the weak integrate all managerial functions associated with the weakness of the innovation process and the market created by the state.

SOE company's product value creation is influenced jointly by the Innovation and coordination across functions. Innovation dominant influence on value creation rather than cross-functional coordination. Because it's a good innovation in the distribution system by SOEs SOE implicated in the high effort in selecting and managing business partner. So with the right distribution system innovation will require SOEs to choose and manage the right business partner as well. Cross-functional coordination less influence on the creation of

value, because business functions less effort in doing R & D (research and development of the low frequency) caused by not supported with adequate financial resources.

Competitive advantage in state-owned companies was influenced jointly by innovation, cross-functional coordination, and value creation. Cross-functional coordination dominant influence on competitive advantage rather than innovation. The closeness between managerial functions that have been built properly by the state becomes a foundation for state-owned companies to achieve competitive advantage. While the creation of value done by the state which attempts to select and manage a business partner it will increase the prominence of cooperative (instead of competitive advantage) because the influence value creation is relatively smaller than the cross-functional coordination to competitive advantage. Likewise, a good innovation by SOEs, namely innovation in the distribution system even more expensive superior in cooperation with distributors (cooperative excellence), because the influence of innovation is relatively smaller than the cross-functional coordination to compete excellence. Innovation committed SOE can not create a competitive advantage. SOE caused by business processes that are still not running properly (lack of / limited local support, limited technology capability in case disparity) so that high operation costs, innovation, and the price of more expensive products.

Marketing performance on the state-owned company was influenced jointly by Innovation, cross-functional coordination, and value creation. Cross-functional coordination dominant influence on the performance of marketing rather than innovation and value creation. The closeness of any managerial functions that have been able to be built by state-run effect on profits, sales, and market share of state-owned enterprises, but lack range of activities each function it will threaten decline in profits, sales, and market share, it is clear that coordination between the dominant functions affect the performance of marketing, Likewise, a good innovation which created SOE distribution system also will increase profits, sales, and market share, as so smooth distribution of products to consumers, it will be easier for consumers to buy the product that ultimately has implications for earnings, sales, and market share, although the effect is not as big as cross-functional coordination. Value creation is best built by the state, which attempts to select and manage partner business will maintain business continuity SOE itself, a good business relationship with the supplier (supply chain), as well as relationships with distributors (forward vertical integration) will have implications for the improved profit, sales, and market share despite the relatively lower than the cross-functional coordination (value chain).

Competitive advantage in the performance of marketing at state-owned companies in Indonesia. The stronger the competitive advantage of state-owned enterprises, increasing marketing performance. Competitive advantage is built through synergistic cross-functional coordination / integrated boost profit, sales, and market share of SOEs. On the contrary, if the competitive advantage that is built with the lack of activity around the function managerial alloy at an SOE lower profits, sales, and market share.

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