

# Company Performance Improvement Throught The Development Of Competitive Strategy Driven By Resources And Attraction Market

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# COMPANY PERFORMANCE IMPROVEMENT THROUGH THE DEVELOPMENT OF COMPETITIVE STRATEGY DRIVEN BY RESOURCES AND ATTRACTION MARKET

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## ABSTRACT

The business performance of based-defense strategic industries which is not optimal yet today is believed due to the industry's weakness in the design of competitive strategy which tends to be not fully refer to the demands of the market, and not maximum in business performance of strategic industries, is also due to the inability of management in exploring market attractiveness in the area of operation, and many business opportunities that seem still difficult to exploit. This research aims to explore and assess data and information about the effect of market attractiveness, company's resources to competitive strategy, and the implications on business performance of based-defense strategic industries in Indonesia. As for the type of investigation used causality which test the relationship and effect between the independent variables and the dependent variable. Analytical approach and technical solutions used as a tool of analysis in this study is the Partial Least Square (PLS). PLS is an alternative method of analysis with Structural Equation Modelling (SEM) variance based and qualitative analysis for reaching in depth interview in relation to the result of the thesis. Verification of the hypothesis testing results reveals that the resource of based-defense strategic industries has a dominant effect when compared with the effect of market attractiveness in developing competitive strategy to support business performance.

**Keywords;** Market Attractiveness, Resources, Competitive Strategy and Business Performance.

## I. INTRODUCTION

## A. Research Background

The defense industry is an industry that has an important role to maintain the stability of national security and defense. Defense industry plays a role in supporting and strengthening the defense forces, especially in terms of technology that includes infrastructure and a main weaponry system. Along with the passage of time in which the condition of the Defence Industry in the period 2007 to 2011 experienced a period which is quite difficult in terms of gaining companies' profit income and its production process. It is essential to review how the development of Strategic Industry mainly after the enactment of Act No. 16 year 2012 on the Defence Industry in which includes the management of the defense industry in Indonesia, especially in the aspect of resource, market attractiveness, competitive strategy and company performance.

The industry of defense strategy must be promoted and enhanced for the needs of nation to create independence as a sovereign nation. Previously, Indonesia almost always buy main weaponry system from abroad, whereas beside it is expensive it is too intrusive as a sovereign state, such conditions related to the competitive strategy applied improperly.

According to Wheelen et al. (2015) aimed to outperform other companies in an industry, in which the three generic strategies include overall cost leadership, differentiation, and focus. Cost leadership is the ability of company or business unit to design, manufacture, and market products more efficiently than its competitors. Differentiation is the company's ability to provide superior value and unique to the buyer in terms of product quality, special features, or after sales service. Focus is a company's ability to provide superior value and unique to a particular buyer group, certain market segments, and specific geographic market.

If we observe the competitive strategy with the management capabilities in monitoring market attractiveness tend to have a strong correlation, where the competitive strategy is heavily influenced by the ability of management in monitoring market attractiveness, for example; one dimension of competitive strategy is move faster that in fact the speed of the management to anticipate and examine the condition of the business environment is still relatively low, so in other words the management is still relatively difficult to move faster when compared with the competitors in anticipation of market demands, technology change adaptation and the acceleration in developing organizational capabilities as well as speed of the production process.

On the dimension of intangible asset ownership tends to be weak, relatively low human resource capabilities. Work culture as a company that is not based on competence. Indonesia does not have the ability to test a weapon, in the form of technology-impermeable, ballistic test equipment, speed and pressure measurements, as well as international standard human resource in operational. Brands and patent rights owned are also not yet well-known. Some Indonesian companies are able to make Landing Ship Dock Warship, Fast Ship, Boat Patrol, Catamaran, et cetera. Unfortunately the product has not been the target crosshairs consumer countries, compared with Brazil and Korea or Spain whose products are well known. This is due to the products are not optimal in utilizing the exhibition or cooperation with other third parties in marketing the products.

Beside, the management has not been able to take advantage of market opportunities which is actually relatively large: in Indonesia alone primary user of the defense tools and weapons is consisted of TNI (army, navy and air force), police, BNPT, BNN, et cetera. The fact is, in the last 5 years military consumption on the domestic products of the defense industry has not been reached 10% of all main weaponry system utilized each year. In addition there are market opportunities in the Asian and South East Asian countries such as Nepal, Laos, Ceylon, Bangladesh, Vietnam, Cambodia, Myanmar, PNG and Timor Leste as well as Brunei and Malaysia which do not have classy defense industry. Not to mention the countries of the 3rd world in Africa and middle east, among others, Bahrain, Qatar et cetera as potential buyers so that the management need to design competitive strategy for entry in the broader market.

Based on the above phenomenon, it is very important and crucial for research on market

attractiveness and resources in improving the company's business strategy to enhance the performance of the defense industry in Indonesia.

## B. Literature Review

### 1. Market Attractiveness

According to Hubbard and Beamish (2011) market attractiveness can be analyzed through four factors namely: the condition of the company's competitors, customer demand, conditions of relation and infrastructure support, as well as supplier condition factor.

Meanwhile, according to Wheelwright et al. (2015) in observing the industry, companies must examine the importance of the six powers, namely: the threat of new entrants, rivalry among competitors, the threat of substitution product or service, the strength of buyers' bargaining power, the strength of suppliers' bargaining power, as well as the relative strength of the stakeholders which devoted to the company's success. The stronger each of the power, will lead to the weaker the company's ability to raise prices and earn greater profits.

Best (2013) explained that "market attractiveness is the relative attractiveness of a market based on market forces, competitive environment and market access" (p.411).

Walker, Jr. & Mullins (2011, p. 89) explains market attractiveness factor consists of:

- a. Customer behavior and customer needs that can be fulfilled;
- b. The size and growth rate of the market segment that includes market potential in unit, income levels, and the number of prospective customers, the possibility of the target segment establish a platform for expansion into related segments in the overall market;
- c. Macro aspects, namely: demographic, social, cultural, economic, political / legal, technological, and natural environment.

### 2. Company's Resources

Thompson et al. (2014) mentions that the company's resources and capabilities represent competitive assets and determinant of competitiveness and its ability to succeed in the market. Resources are productive inputs or competitive assets owned and controlled by the company. The capability or competence is capacity of the company to perform internal activities competently. Thompson divides resources into two main categories: tangible resources and intangible resources.

According to Hitt, Ireland, Hoskisson (2015), the resources, capabilities, and core competencies are the foundation of competitive advantage. Resources create organizational capabilities. While capabilities are the source of the company's core competence that become the basis for building a competitive advantage. Resources consist of tangible resources, and intangible resources.

David (2021) states that resources shall fulfill three requirements referred to as empirical indicators, namely rare, hard to imitate, and not easily substitutable.

Wheelen et al. (2015) says that resources are organization assets and become a basic building for the organization. The resources consist of tangible assets (plant, equipment, financial and location), human assets (the number of employees, employees' skills and motivation), as well as intangible assets (such as technology -patents and copyrights-, culture, and reputation), While capabilities refers to the ability of company to exploit the resources, ie business processes and routines that manage the interaction between the resources to transform inputs into outputs. While competence is coordination and cross-functional integration of capabilities.

Pearce and Robinson (2015) argues that each company has a unique set of resources that consist of tangible assets, intangible assets, as well as organizational capability in utilizing these assets.

### 3. Competitive Strategy



According to Thompson et al. (2014) related with the planning of the management game to compete successfully, that are specific efforts to serve customers, strengthen its market position, facing competitors' maneuvers, responds to the movement of market conditions, and to achieve a certain kind of excellence.

Wheelen et al. (2012) states that a business strategy focused on improving the competitive position of a product or service from a business unit or company in a particular industry or a particular market segment where the company or business unit to compete. The business strategy is important because research shows that the effect of the business unit has a double impact on the performance of the overall company rather than the influence of industry or company. Business strategy in the form of competitive strategies (competing against all competitors in excellence) and or cooperative strategies (in cooperation with one or more companies to achieve advantages over competitors).

Porter's three generic competitive strategies aimed to outperform other companies in an industry, in which the three generic strategies include:

- a. *Cost leadership*, is the ability of the company or business unit to design, manufacture, and market products more efficiently than its competitors.
- b. *Differentiation*, is the company's ability to provide superior value and unique to the buyer in terms of product quality, special feature, or after sales service.
- c. *Focus*, is the company's ability to provide superior and unique value to specific group of buyers, specific market segment, and specific geographic market.

Similar to Wheelen et al. (2015), Pearce and Robinson (2013) also suggests generic strategy as the core idea about how company can best competes in a market. Based on the scheme developed by Michael Porter, according to Pearce & Robinson (2015), any long-term strategy must come from the company's efforts to seek a competitive advantage based on one of the three generic strategies:

- a. Endeavor to overall low cost leadership in the industry;
- b. Endeavor to create and market unique products for varying customer groups through differentiation.
- c. Endeavor to have special attractiveness to one or more groups of consumers or industrial buyers, focusing on the issue of cost or differentiation.

Pearce and Robinson (2015) suggested several sources of competitive advantage that can be evaluated:

- a. *Low cost strategy*: build long-term competitive advantage by emphasizing and enhance the value chain of activities that can be achieved at a cost that is far below the cost that can be achieved by competitors, on an ongoing basis. This in turn allows the company to compete primarily with lower prices below competitors who still stay in business.
  - b. *Differentiation*: build long-term competitive advantage with products and services that is different than the existing competitors' products in terms of features, performance, or other factors not directly related to the price and cost. The difference is generally difficult to be created and difficult to be imitated.
  - c. *Speed based strategy*: build functional capabilities and activities that enable company to be faster than its main competitors in meeting customer needs, directly or indirectly.
  - d. *Market Focus*: generic strategy to employ differentiation strategy approach, or low-cost strategy approach, or a combination of both is only in a narrow market niche. The focus of the market can be defined geographically or defined by the features of the type of product, type of target customers, or some combination of both of these.
4. Company performance

Wheelen et al. (2015) suggests that performance is end result of an activity. In assessing performance, use the goals that have been formulated in the formulation of strategies as part of the strategic management process (ie related to profitability, market share, price reductions).

David (2013) suggested the financial ratios as quantitative criteria commonly used to evaluate strategy for three reasons: first, to compare the performance of companies in several periods; second, to compare the company performance with the performance of competitors; and the third, to compare the company performance against the average in the industry. Some financial ratios used to evaluate strategy are: return on investment (ROI), return on equity (ROE), profit margin, market share, debt to equity, earnings per share, sales growth, assets growth.

Hubbard & Beamish (2011) developed a performance measurement for different types of companies as follow:

Table 1. Type of Organization

Factors	Non Profit	State Owned Enterprises		Private Enterprises	Companies listed in the stock exchange
		Non commercial	Commercial		
Measurement Accuracy	Customer Satisfaction	Stakeholders Satisfaction	Sales	Market Share	Shareholder value
	Efficiency	Customer Satisfaction	Net profit	Sales	ROE
	Quality	Efficiency	Customer Satisfaction	Net Profit	Growth
	Break-even	Quality	Efficiency	Growth	Market Share
		Break-even	Quality	ROA	Sales
			Net Cashflow	ROE	Net Profit
			ROA	Customer Satisfaction	ROA
				Efficiency	Customer Satisfaction
				Quality	Efficiency
				Quality	

Source: Hubbard & Beamish (2011, p. 135).

Based on the concept of corporate performance above, and the results of discussion in form of in-depth interviews and focus group discussion (FGD) with elements of the users consisted of the leadership ranks of naval, air and army, the directors of the strategic defense industries companies, the Minister of Defense, TNI Commander, Assistant Logistics of Army, the Ministry of industry, Deputy Governor of LEMHANAS, TNI's KABABEK, as well as strategic industries experts and observers, then the dimensions of the company performance most suitable for measuring the performance of the company's business units defense industry is the aspect of sales volume, profitability, and market share.

**The construct** of company performance consisted of the following dimensions and indicators:

1. Sales is the total sales achieved within a specific time period.
2. Profitability, measured by the growth of profit in a particular period.
3. Market share, measured by the percentage of growth in market share.

### C. Research Objectives

The performance of defense industry companies is indicated as still low. The low performance of these companies allegedly caused by the weaknesses in the implementation of competitive strategies due to the weaknesses in the company's resources and adaptation of market attractiveness. Based on the problem theme above, then the problem examined in this study is formulated as follows:

1. How does market attractiveness, corporate resources, competitive strategy and company performance in the strategic defense industry in Indonesia.
2. How does the influence of market attractiveness and company's resources to the competitive strategy in the strategic defense industry in Indonesia either simultaneously or partially.
3. How does the influence of market attractiveness and company's resources on the performance of companies in the strategic defense industry in Indonesia either simultaneously or partially.
4. How does the influence of competitive strategy on the company performance in strategic defense industry in Indonesia either simultaneously or partially.
5. How does the influence of market attractiveness and strategic defense industry in Indonesia either simultaneously or partially through competitive strategy.

## II. METHODS

This study uses Mix Methods Research (MMR), a methodology that provides a philosophical assumption in showing the direction or giving instructions on how to collect and analyze data as well as a blend of quantitative and qualitative approaches through several phases of research process to find the better results than if using one approach only (Creswell, 2003).

This study used Mix Methods Research (MMR) with explanatory strategy design which is a design that uses two phases, namely quantitative research design as the key design and then the results of qualitative research used to explain and interpret the results of quantitative research (Creswell, 2003).

Explanatory research can be conducted to test the hypothesis with inferential statistics to generalize the sample data on the population by drawing a random sample from a population. Due to the type of research that consisted of descriptive and verificative through data collection in the field, this study applied two methods of survey namely descriptive survey and explanatory survey.

### A. Source and determination of Data

Unit of analysis according to Sekaran (2010; 132) "unit of analysis refers to level of aggregation of the data collected during the subsequent data analysis stage". The unit of analysis in this study is strategic defense industry where the unit of observation is the management of the company.

The type of data in this study consisted of data on the general characteristics of strategic defense industry as well as data about each variable studied, with sources of data used as follows:

Table 2. Types and Sources of Data

Type of Data	Explanation	Source of Data
Secondary Data	Profile of strategic defense industry	Ministry of Defence
Secondary Data	Growth of strategic defense industry	Ministry of Defence
Primary Data	Response of the management on the market attractiveness of strategic defense industries	Management of Company
Primary Data	Response of the management on the company's resources of strategic defense industries	Management of Company
Primary Data	Response of the management on the competitive strategy of defense industries	Management of Company
Primary Data	Response of the management on the company performance of the strategic defense industries	Management of Company

Unit of analysis in this study is strategic defense industries. Hence, the population in this study are all strategic defense industries. The following table is about ownership distribution of business unit in this study.

Table 3. Ownership Distribution of Business Unit



Ownership	Business Unit	%	Sample
Government	7	14.9	4
Private	41	85.1	39
<b>Total</b>	<b>48</b>	<b>100</b>	<b>43</b>

Source: Indonesia strategic industry companies, Ministry of Defence (2011)

Based on the above conditions, the number of samples taken is 48 companies drawn randomly based on the list. But in the reality (in the field) only 43 companies' data collected and 2 samples among it are in doubt so that the number of data processed is only 41 data.

### Data Collection Method

Primary and secondary data required in this research as well as to see the concept of this variable, the data collection method utilized can be obtained using the technique as follows:

**Questionnaire**, is a list of questions as the result of operationalization of variables and used to collect data and information directly from the object under study.

**Interviews**, are conducted to capture information from sources in-depth. Especially for qualitative methods to support research.

**Observation**, is directly observing activities in order to obtain more accurate information about the actual condition of the object under study.

### Data Analysis Technique

Descriptive analysis is the analysis that aims to obtain a description about characteristics and conditions of each variable (for the formulation of the problem No. 1).

Hypothesis 1 is tested using one sample average test. This test is used to figure out whether the average of a population equal to a certain value or if the average of the two populations alike / differ significantly from the mean of the data sample. This test is used on data that have a minimal scale interval (Walpole and Meyers, 1993).

The scale of answers in the questionnaire is Likert scale (a scale of 1 to 5), which is ordinal data. Ordinal data have character which can not be applied mathematical operations on it. It is then necessary to convert the ordinal data into interval data using software MSI (Method of Successive Interval).

### Quantitative Data Analysis

Hypothesis 2, 3, 4, and 5 is tested using Partial Least Square (PLS) model which is one of the multivariate techniques for checking dependency relationships series between variables that do not require the number of samples. PLS is also typically used when one dependent variable becomes independent variable in the next dependence relationship.

Here are described the steps undertaken in using Structural Equation Model with variant or components-based ie PLS (Vinzi *et al.*, 2010, p.50) as follow:

### Structural Model Specification with PLS

(Vinzi *et al.*, 2010, p. 50) explained that the path analysis model of all latent variables in PLS consists of three sets of relationships, namely (1) the outer model that specifies the relationship between latent variables and indicators or its manifest variables (measurement model), (2) inner model that specifies the relationship between latent variables (structural model), and (3) weight relations in which the case value of latent variables can be estimated.

In accordance with the paradigm of the research described in the framework, the draft analysis using PLS which indicates that the market attractiveness and resource companies can improve competitive strategy as well as have implications on the company performance, can be



seen in the structural equation model component or variant-based (PLS) which is visualized in the following diagram:

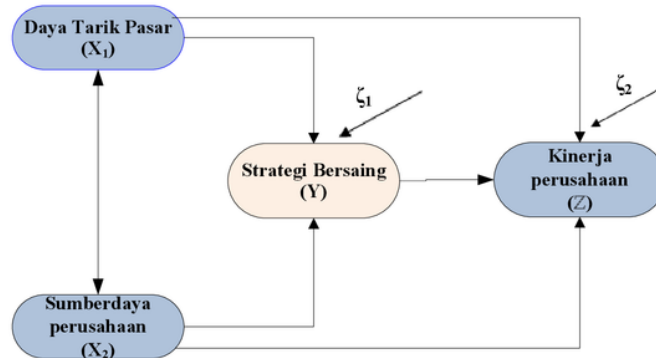


Diagram 1  
Structural Equation Model with Component or Variant Based (PLS)

#### F statistical test and student's t statistical test.

- 11 simultaneous testing utilized F statistical test using criteria:
1. 11 the value of  $F_{count} > F_{table}$  then  $H_0$  is rejected and  $H_1$  is accepted
  2. If the value of  $F_{count} < F_{table}$  then  $H_0$  is accepted and  $H_1$  is rejected

$$F = \frac{(n - k - 1)R^2_{y(x)}}{k(1 - R^2_{y(x)})}$$

As for the partial test, performed using Student's t-statistic, with criteria:

1. 11 the value of  $T_{count} > T_{table}$  then  $H_0$  is rejected and  $H_1$  is accepted
2. If the value of  $T_{count} < T_{table}$  then  $H_0$  is accepted and  $H_1$  is rejected

$$T = \frac{PYX_i}{\sqrt{\frac{(1 - R^2_{YX_i})C_{ii}}{(n - k - 1)}}$$

Furthermore, based on the structural equation model component or variant-based (PLS) in Diagram 1, then sub-structures is made in the path diagram of research variables and statistical hypothesis testing is established for testing of each research hypothesis.

#### B. Research Model 5

Regression method used to estimate an econometric model for the purpose of this study is to observe the influence of the independent variables on the dependent variable. From the results of hypothesis testing model can be concluded the relationship between the dependent and independent variables.

Econometric model used in this study is formulated as follows:

$$PBV_{it} = \beta_{02} + \beta_{2.1}ROA_{it} + \beta_{2.2}STDTA_{it} + \beta_{2.3}LTDTA_{it} + \beta_{2.4}Kurs_{it} + \beta_{2.5}INF_{it} + \beta_{2.6}BIR_{it} + \epsilon_{2it} \dots$$

Description:

KURS = Exchange rate

INF	=	Inflation
BIR	=	Interest Rate of Bank Indonesia (BI Rate)
STDTA	=	Short Term Debt to Total Asset
LTDA	=	Long Term Debt to Total Asset
ROA	=	Return on Asset
PBV	=	Price Book Value
$\beta_n ; \gamma_n$	=	Regression Coefficient
$\varepsilon$	=	error
	=	1,2...N
t	=	1,2...T

### III. DISCUSSION

The average index of all research variables have not yet reached the index value of 4.00 as shown in Table 4, so that it can be concluded that in general the market attractiveness is not attractive, the company's resources have not been good, competitive strategy is not appropriate, and the company performance has not been optimal within the strategic defense industries in Indonesia. Competitive strategy reach the highest index (3.774), while the company performance obtained the lowest index, or equal to 3.488.

#### Hypothesis testing

**Ho:  $\mu_i = 4$**

- Market attractiveness within strategic industries in Indonesia has been attractive
- Companies' resources within strategic industries in Indonesia has been unique.
- Competitive strategy within strategic industries in Indonesia has been appropriate.
- Companies' performance within strategic industries in Indonesia has been good.

**Ho:  $\mu_i < 4$**

- Market attractiveness within strategic industries in Indonesia has not been attractive.
- Companies' resources within strategic industries in Indonesia has not been unique.
- Competitive strategy within strategic industries in Indonesia has not been appropriate.
- Companies' performance within strategic industries in Indonesia has not been good.

Table 4. Average Testing Result

Variable	Average	SE	t <sub>count</sub>	Conclusion
Market attractiveness	3.757	0.0210	-11.546	H <sub>0</sub> rejected
Companies' resources	3.768	0.0258	-8.997	H <sub>0</sub> rejected
Competitive strategy	3.774	0.0274	-8.241	H <sub>0</sub> rejected
Companies' performance	3.488	0.1462	-3.503	H <sub>0</sub> rejected

#### Conclusions:

- Market attractiveness within strategic industries in Indonesia has not been attractive.
- Companies' resources within strategic industries in Indonesia has not been unique.
- Competitive strategy within strategic industries in Indonesia has not been appropriate.
- Companies' performance within strategic industries in Indonesia has not been good.

#### Compatibility/Fitness Test of Model

This section will discuss about research results verficatively through hypothesis testing using the Partial Least Square. Prior to discuss the hypothesis, we will analyze the fitness test results of the

models. In PLS, evaluation of model estimation conducted through two analysis, namely inner model and outer model.

### Analysis of Structural Model (Inner Model)

To indicate whether the overall model can be accepted or not, we conduct goodness of fit model. Goodness of fit model is to prove the hypothesis that the theory used is in accordance with empirical data, or the theories are supported by the data (model fit to the data).

Inner model is evaluated using Goodness of Fit Model (GoF), which shows the difference between the observed values and the values predicted by the model. Value of R Square is the coefficient of determination on the endogenous constructs. According to Chin (1998), the value of R square of 0.67 (strong), 0:33 (moderate) and 0:19 (weak). Prediction relevance (Q square) or known as the Stone-Geisser's. This test is performed to determine the predictive capabilities with blindfolding procedure. If the value obtained 0.02 (low), 0:15 (medium) and 0:35 (high). Can only be performed for endogenous constructs with reflective indicators. Here is the value of R square, GoF and Q-Square on the constructs:

Table 5. Structural Model Testing (Inner Model)

Variable	Communality	R Square	GoF	Q-Square
Market attractiveness	0.565		0.628	0.835
Companies' resources	0.691			
Competitive strategy	0.654	0.626		
Companies' performance	0.747	0.560		

Source: Primary data, processed using Smart PLS 2.0

The table above gives so value of  $R^2$  on strong criteria (to be around 0.6 = strong), and the value of Q-square above large ( $> 0.35$ ), so it can be concluded that the research model supported by empirical conditions or model fit.

The following diagram shows the results of testing the model using Smart PLS 2.0 as follows:

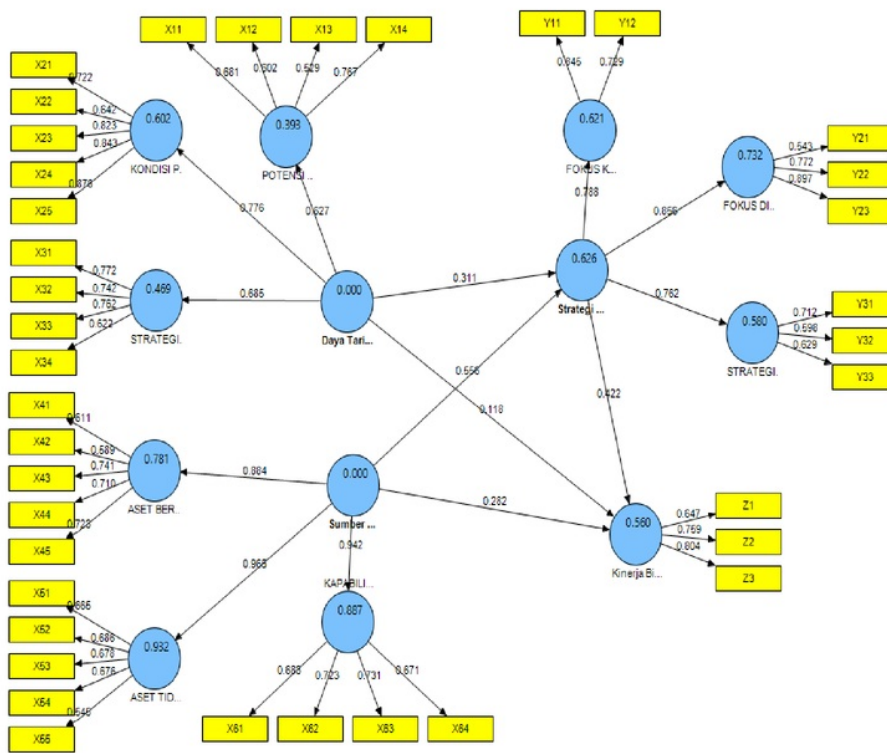


Diagram 2. Test Result of Research Model

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**a. Analysis of Measurement Model (Outer Model)**

The measurement model shows a relation model between manifest variable (indicator) and latent variable. Measurement model analysis aims to analyze the validity of the dimensions and indicators used in measuring each research variable that is construct. Measurement model analysis involves the value



of discriminant validity, loading factor, construct validity and composite reliability. The methods to figure out the discriminant validity is to look at the value of the square root of average variance extracted (AVE) > 0.5. Chin (2000) said that if loading factor of the measurement model is higher than 0.50 or the value of  $t_{count}$  of the loading factor is higher than  $t_{table}$  at the 5% significance, the dimensions can be declared as valid in measuring variables. Composite Reliability and Cronbachs Alpha is used to view the reliability or the level of reliability in measuring the dimensions of research variables. If value of Cronbachs Alpha is higher than 0.70 (Nunnaly, 1994) then the dimension and its indicator is declared as reliable in measuring the research variables.

The following is the measurement model testing in this study:

Table 6. Analysis of Measurement Model (Outer Model)

Variable	AVE	Composite Reliability	Cronbachs Alpha
Market attractiveness	0.265	0.816	0.753
Companies' resources	0.391	0.899	0.879
Competitive strategy	0.340	0.800	0.714
Companies' performance	0.547	0.782	0.586

Source: Primary data, processed using Smart PLS 2.0

From the table above can be seen that the root of AVE value > 0.5, it shows that all variables in the estimated model fulfills the criteria of discriminant validity. Composite reliability of each variable > 0,70 thus can be concluded that all variables have good reliability.

### Dimensional Measurement Model Analysis on the Indicator

Analysis of dimensional measurement model on the indicators carried out to determine the extent of the validity of the indicators in compiling dimension that constructs research variables. The following table presents the results of the analysis of the measurement model for each dimension on the indicator.

Table 7. Analysis of Measurement Model Indicator-Dimension

Indicator <- Dimension	Loading Factor	Varians error	SE	$t_{count}$	Remark
X11 <- POTENTIAL MARKET OPPORTUNITIES	0.681	0.536	0.155	4.404	Valid
X12 <- POTENTIAL MARKET OPPORTUNITIES	0.602	0.637	0.134	4.505	Valid
X13 <- POTENTIAL MARKET OPPORTUNITIES	0.529	0.721	0.177	2.994	Valid
X14 <- POTENTIAL MARKET OPPORTUNITIES	0.767	0.412	0.078	9.848	Valid
X21 <- COMPETITION CONDITION	0.722	0.479	0.065	11.103	Valid
X22 <- COMPETITION CONDITION	0.642	0.587	0.075	8.613	Valid
X23 <- COMPETITION CONDITION	0.823	0.323	0.066	12.484	Valid
X24 <- COMPETITION CONDITION	0.843	0.290	0.060	14.086	Valid
X25 <- COMPETITION CONDITION	0.876	0.233	0.061	14.332	Valid
X31 <- MARKET ACCESS STRATEGY	0.772	0.405	0.077	9.957	Valid
X32 <- MARKET ACCESS STRATEGY	0.742	0.450	0.168	4.411	Valid
X33 <- MARKET ACCESS STRATEGY	0.762	0.419	0.165	4.613	Valid

X34 <- MARKET ACCESS STRATEGY	0.622	0.613	0.136	4.591	Valid
X41 <- TANGIBLE ASSETS	0.611	0.626	0.072	8.441	Valid
X42 <- TANGIBLE ASSETS	0.589	0.654	0.080	7.330	Valid
X43 <- TANGIBLE ASSETS	0.741	0.451	0.059	12.642	Valid
X44 <- TANGIBLE ASSETS	0.710	0.496	0.083	8.527	Valid
X45 <- TANGIBLE ASSETS	0.723	0.477	0.076	9.564	Valid
X51 <- INTANGIBLE ASSETS	0.665	0.557	0.065	10.158	Valid
X52 <- INTANGIBLE ASSETS	0.686	0.529	0.060	11.350	Valid
X53 <- INTANGIBLE ASSETS	0.678	0.541	0.065	10.437	Valid
X54 <- INTANGIBLE ASSETS	0.676	0.544	0.065	10.445	Valid
X55 <- INTANGIBLE ASSETS	0.545	0.703	0.097	5.604	Valid
X61 <- ORGANIZATIONAL CAPABILITIES	0.683	0.534	0.063	10.768	Valid
X62 <- ORGANIZATIONAL CAPABILITIES	0.723	0.478	0.055	13.203	Valid
X63 <- ORGANIZATIONAL CAPABILITIES	0.731	0.466	0.057	12.922	Valid
X64 <- ORGANIZATIONAL CAPABILITIES	0.671	0.549	0.066	10.229	Valid
Y11 <- COST LEADERSHIP FOCUS	0.845	0.287	0.042	20.070	Valid
Y12 <- COST LEADERSHIP FOCUS	0.729	0.469	0.066	10.963	Valid
Y21 <- FOCUS DIFFERENTIATION	0.543	0.705	0.097	5.611	Valid
Y22 <- FOCUS DIFFERENTIATION	0.772	0.404	0.054	14.291	Valid
Y23 <- FOCUS DIFFERENTIATION	0.897	0.195	0.021	41.965	Valid
Y31 <- FAST-MOVE STRATEGY	0.712	0.493	0.066	10.859	Valid
Y32 <- FAST-MOVE STRATEGY	0.598	0.643	0.121	4.945	Valid
Y33 <- FAST-MOVE STRATEGY	0.629	0.605	0.087	7.230	Valid
Z1 <- COMPANY PERFORMANCE	0.647	0.581	0.065	10.010	Valid
Z2 <- COMPANY PERFORMANCE	0.759	0.423	0.049	15.447	Valid
Z3 <- COMPANY PERFORMANCE	0.804	0.354	0.037	21.870	Valid

Source: Primary data, processed using Smart PLS 2.0

The result of the measurement model analysis of indicators forming the dimensions indicates that the indicators are valid with loading factor value higher than 0.50 and the value of  $t_{count}$  is higher than the value of  $t_{table}$  (2.02).

25

### Analysis of Latent Variables Measurement Model on Dimensions

The analysis of latent variables measurement model on the dimensions is carried out to determine the extent of the validity of the dimensions in measuring the latent research variables. The following table presents the result of analysis of the measurement model for each latent variable on its dimension.

Table 8. Analysis of Research Variables Measurement Model on its Dimensions

Variable <- Dimension	Loading factor	Varians error	SE	$t_{count}$	Remarks
Market Attractiveness -> Competitive Condition	0.776	0.398	0.085	9.084	Valid
Market Attractiveness -> Potential Market Opportunities	0.627	0.607	0.100	6.297	Valid

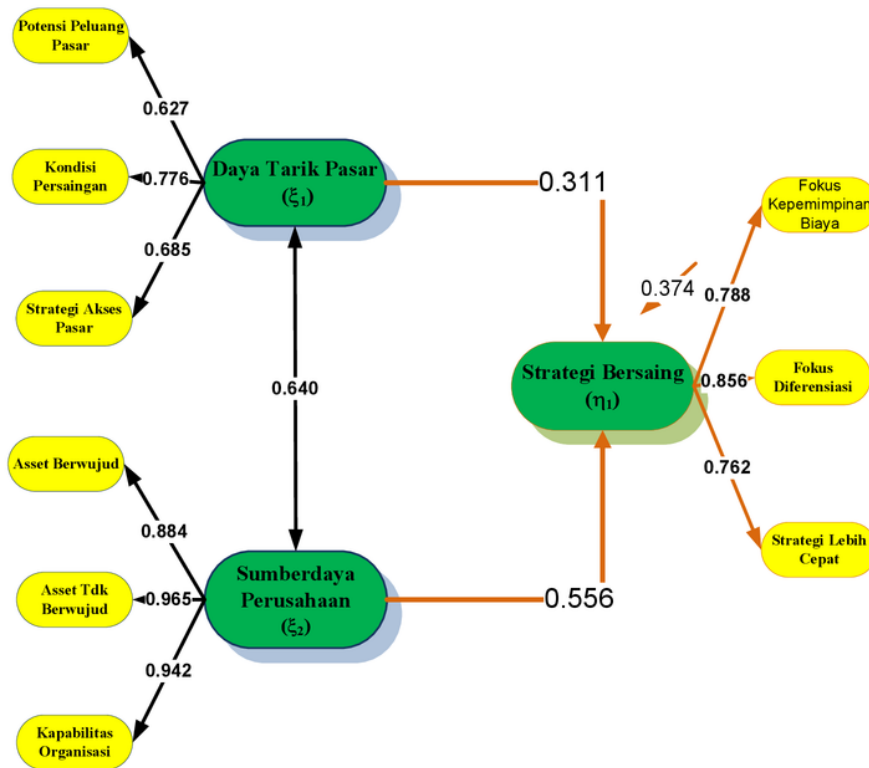
Market Attractiveness -> Market Access Strategy	0.685	0.531	0.055	12.528	10 Valid
Company's Resources -> Tangible assets	0.884	0.219	0.020	43.404	Valid
Company's Resources -> Intangible assets	0.965	0.068	0.007	138.931	Valid
Company's Resources -> Organizational Capability	0.942	0.113	0.010	92.609	Valid
Competitive Strategy -> Focus Differentiation	0.856	0.268	0.020	42.788	Valid
Competitive Strategy -> Cost Leadership Focus	0.788	0.379	0.040	19.591	Valid
Competitive Strategy -> Fast-move Strategy	0.762	0.420	0.041	18.496	Valid

Source: Primary data, processed using Smart PLS 2.0

Result of the outer model (measurement model) analysis to the research variables on its dimensions shows that all of the dimensions can be declared as valid because the value of t count is higher than the value of t table (2.02) and the value of loading factor is higher than 0.50 which strengthen the declaration that all of the dimensions are valid.

#### 4.5. Effect of Market Attractiveness and Company's Resources to Competitive Strategy

The second hypothesis testing, conducted to examine the effect of Market Attractiveness and Company's Resources on Competitive Strategy within the Strategic Defence Industry in Indonesia. The following diagram shows the path diagram of the second hypothesis testing results.



### Diagram 3. Hypothesis 2 Testing Result

Structural model for the diagram above is:

$$\eta_1 = 0,311\xi_1 + 0,556\xi_2 + \zeta_1$$

#### a. Simultaneous Testing

For more detail, the result of data processing either simultaneously or partially presented in the table as follows:

Table 9a. Hypothesis 2 Simultaneous Test

Relation	R-Square	F <sub>count</sub>	Remarks
Market Attractiveness and Company's Resources → Competitive Strategy	0.626	34.366	Hypothesis is accepted

The test results show that simultaneously there is influence of market attractiveness and corporate resources on the competitive strategy (F<sub>count</sub> > 3.226). The coefficient of determination R<sup>2</sup> shows that the market attractiveness and the company's resources have an influence on the competitive strategy equal to 62.6% and the remaining 37.4% influenced by other factors.

#### b. Partial Testing

The table below displays partial testing of hypothesis 2 as follows:

Table 9b. Hypothesis 2 Partial Test

Relation	Inner Coefficient (γ)	Standard Error	Value of t-statistic	R-Square
Market Attractiveness → Competitive Strategy	0.311	0.089	3.501*	0.207
Company's Resources → Competitive Strategy	0.556	0.093	5.968*	0.419

\*Significant at α = 0.05

The table above shows that the influence of Market Attractiveness and Company's Resources to Competitive Strategy is significant with t-statistic higher than 2.02 (t table at α = 0.05). The coefficient of determination R<sup>2</sup> shows that the company's resources have a higher influence, equal to 41.9%.

Company's Resources assessed from the dimensions of tangible assets, intangible assets, and organizational capabilities. From the test results of the three-dimensional revealed that the intangible assets is the most affecting on competitive strategy, followed by the organizational capabilities, and tangible assets. While in terms of competitive strategy, reflected more by differentiation focus, followed by focus on cost leadership, and fast-move strategy. So that the optimization in the aspect of intangible assets can improve the competitive strategy mainly differentiation focus. This is not in accordance with the descriptive test results in which management put more emphasis on the implementation of tangible assets, whereas intangible assets is the most affecting dimension.

The company's resources is a set of resources that are owned and developed by the company which includes tangible assets, intangible assets, and organizational capabilities. The intangible assets provide a higher increase to the competitive strategy, rather than organizational capabilities and tangible assets. So in this case, the company should be more intense in optimizing the development of customer care, creating brand of quality products, develop patents and brands, develop an information center about the profile of the business units, and developing the company's reputation.



The results are consistent with the empirical conditions experienced by strategic defense industries which still have a disadvantage in the ownership of intangible assets of which include customer care, quality brand products, patents and brands, development of an information center about the profile of the business unit. Even the domestic market preferences also tend to favor foreign brands. Meanwhile, according to Ting Chi (2012) strategic approach needs to be done to analyze how the companies technically manage the business asset and to determine the competitive priorities.

13 the role of the resources for the company is, has been described by Thompson et al. (2014) that the company's resources and capabilities represent a competitive asset and a determinant of competitiveness and its ability to succeed in the market. So as to increase its resources, as a means for companies to find the right competitive strategy that is able to outperform its competitors.

In relation to organizational capability, at present the strategic defense industries organization tend to not reliable as indicated by planning, coordination and supervision in the development of organizational culture, improving the quality of internal business process, that are still weak, indicated by ineffective and inefficient in use of working capital, as well as there is no adequate career development program. On the other hand, today the quality of intangible assets of strategic defense industries in general is still relatively low, characterized among others by the weak control of more modern technology, the means of production owned relatively older when compared with competitors coming from other countries, and yet fully supported by ownership of production facilities and infrastructure as well as a more adequate capital.

The role of company's resources in supporting competitive strategy, also has been demonstrated in previous studies such as Doğan et al. (2014) which shows that it is necessary for selecting strategy of differentiation with 15 ying HR policies that are participatory, proactive and generous. 15 imilarly Karami et al. (2015) shows a close relationship between business strategy and HR practices; and also there is a positive correlation between the practice of integrated HR and business strategy and company performance. Therefore, it is concluded that implementing suitable HR practices and in accordance with the company's strategy will result in improved organizational performance.

In setting competitive strategy, the industry is also demanded to follow the development of defense policy. For example, the maritime industry in Russia, where the industry is demanded to enhance the capabilities of the making of new ships as the demands of its Navy that includes: activities of cooperation with other armed forces, intensify the use of weapons sejis precision-guided weapons, the use of the latest system and information technology (Sakaguchi, 2014).

While the market attractiveness, which can be observed through thr 1 aspects: market forces, competitive intensity and market access (Best, 2013), also has significant impact on the competitive strategy. Which in this study, the market attractiveness is a level of scrutiny and adapting the company on the strength of the market, the intensity of competition and market access in the industry. In this case, the measurement of market attractiveness of strategic defense industries are rated on a three-dimensions, namely potential market opportunity, competitive conditions and market access strategy.

From the market attractiveness' three dimensions, we obtain the test result that the competition condition dimension had the highest contribution in influencing the competitive strategy, followed by market access strategy, and then potential market opportunities. So that to optimize the competitive strategy, efforts are required to optimize management adaptation of the competition condition, namely with regard to the customer condition, product substitution condition, ease of market entry, price competition, and the growing number of competitors.

The role of the market attractiveness in supporting competitive strategy, has also been demonstrated in the results of research of Chang and Horng (2010) about Nokia's strategy to penetrate the mobile phone 23 ket in China, where the strategies adopted based on Chinese market condition is by integrating the supply chain, local R & D, build marketing channels to small towns and villages and the low cost model.

1 Additionally, Pallapothu and Evans (2013) found that market and non-market forces formed the structure of the industry, play roles in determining the strategic position for any company in the market.

Market forces, includes sensitivity of buyer price, replacement, and the benefits complementors were found to be the dominant factors in the industrial culture of India. Similarly, Samuel Obino Mokaya, Beatrice Wakhungu, Raphael Mwiti Gikunda (2012) with different analysis unit where the industry attractiveness significantly affect the company's competitive strength.

Market demands need to be continually adapted in line with the increasing needs of countries for the defense of its own. Weapons of Mass Destruction (WMD) is a modern weapon in the 20th century, where up to now, give a serious impact on the international security environment. International security paradigm has changed drastically since the September 11 attacks, in which it took a serious concern that the proliferation of the WMD among players beyond the countries, such as terrorists. This has change the focus of the international community that WMD threats are no longer limited by nuclear, biological, or chemical, but broader than that (Sukeyuki Ichimasa, Yasushi Wada, Shuji Sue, Yasuyuki Sugiura, 2014). Such conditions, demanding strategic defense industries of our country to always follow the changes and developments taking place in other parts of the world.

Although from the results of descriptive test shows that the management of strategic defense industries in Indonesia tend to not yet fully capable in scrutinizing market attractiveness properly, but this variable is significant in determining the competitive strategy, including the ability of the management to take advantage of market opportunities, either potential domestic markets or overseas markets, movements in capturing market opportunities are still often less rapidly with rival companies coming from other countries. Besides the ability of management in market access is also important in winning the competition. Where such efforts need to be supported by the ability of management in monitoring the competition condition of strategic defense industries, although it is still difficult to have a product in a superior position in the eyes of its customers either to customers in domestic as well as overseas.

Referring to the situation, the management should be more keen in monitoring potential market opportunities towards the global market, not only targeting the national market as applicable so far, so that there is standardization of products that can be absorbed by the world market.

#### 4.6 Effect of Market Attractiveness and Company's Resources on the Company Performance

3

The third hypothesis testing, conducted to examine the effect of Market Attractiveness and Company's Resources on the company performance in Strategic Defence Industry in Indonesia. The following figure shows the path diagram of the third hypothesis testing result.

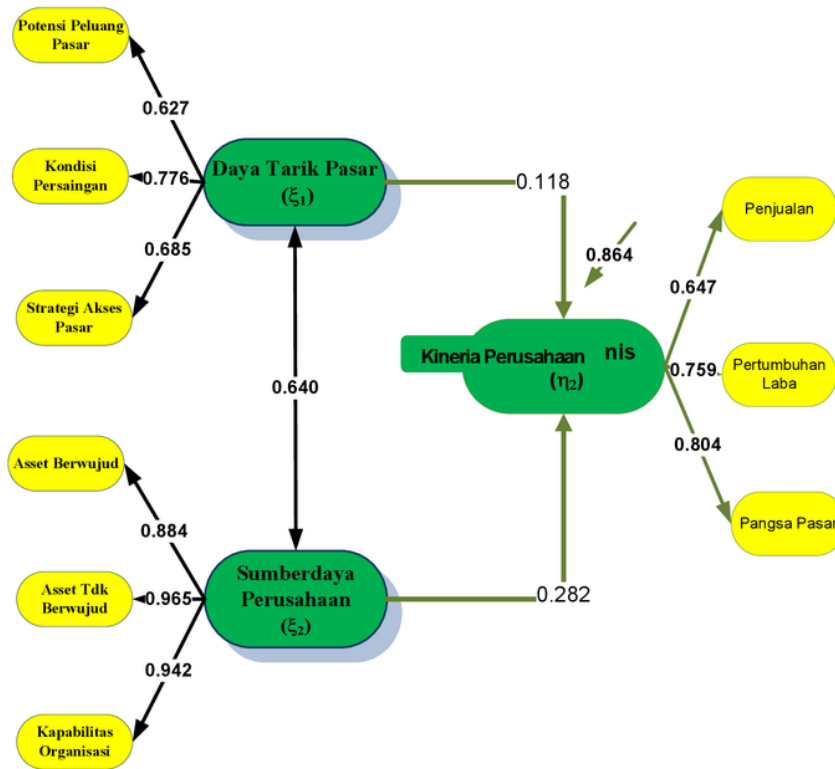


Diagram 4. Hypothesis 3 Testing Result

Structural model for the above diagram is:

$$\eta_2 = 0.118\xi_1 + 0.282\xi_2 + \zeta_1$$

**a. Simultaneous Testing**

To be clear, the data processing results either simultaneously or partially presented in the table as follow:

Table 10. Hypothesis 3 Simultaneous Test

Relation	R-Square	F <sub>count</sub>	Remarks
Market Attractiveness and Company's Resources → Company Performance	0.136	3.229*	Hypothesis is accepted

The test results show that simultaneously there are significant effect of market attractiveness and company's resources on the company performance ( $F_{count} > 3.226$ ). The coefficient of determination  $R^2$  shows that the market attractiveness and the company's resources have influences on the competitive strategy equal to 13.6% and the remaining 8.4% influenced by other factors.

**b. Partial Testing**

The table below displays partial testing of hypothesis 3 as follows:

Table 11. Hypothesis 3 Partial Test



Relation	Inner Coefficient ( $\gamma$ )	Standard Error	Value of t-statistic	R-Square
Daya Tarik Pasar -> Kinerja Perusahaan	0.118	0.099	1.192	0.035
Sumber daya Perusahaan -> Kinerja Perusahaan	0.282	0.091	3.114*	0.101

\*Significant at  $\alpha = 0.05$

The above table shows that only the company's resources that significantly influence the company's performance with a t-statistic > 2.02 (t table at  $\alpha = 0.05$ ). The coefficient of determination  $R^2$  shows that the company's resources have higher influence, equal to 10.1%, while the market attractiveness is only 3.5%.

As a third test results indicate that the role of company resources is higher than the market attractiveness in increasing competitive strategy, as well as a fourth hypothesis testing results show that the company performance is predominantly influenced by the company's resources.

Thus, in an effort to improve company performance, the company is required to optimize its resources, especially the aspects of intangible assets such as customer care development, creating brand of quality products, develop patents and brands, develop an information center about the profile of the business units, and developing the company's reputation.

The role of the company's resources on the company performance, has also been proven by Rasli et al. (2013). He argued that state ownership can be classified as profit and non-profit oriented, where the first consider the return on investment as major investment objective, while the second prioritizes social development - economic. It was found that profit-oriented state ownership is effective corporate governance mechanisms and provide political protection to the company in the form of certain company's resources and credit financing. Although the company with state ownership of non-profit oriented also receive the same political protection, they tend to deal with the inefficiencies such as free-rider problem, bureaucracy and political interference in the management of the company. It was concluded that state ownership is composed of heterogeneous entities with respect to corporate governance and company performance.

Townsend (2015) in his research on civil-military relations in Tunisia and Libya stated that it is important to carry out international military education and training in developing countries. According to him, the global community has an important role in helping professional military forces around the world and enhance the relationship between civil-military.

Such condition relate to the demands of the country's resilience, impacting on strategic defense industries. While market attractiveness, which can be observed through three aspects, namely market forces, competitive intensity and market access (Best, 2013), also have a significant impact on company performance. Where in this study, market attractiveness is a level of scrutiny and adapting the company on the market forces, the intensity of competition and the market access in the industry. In this case, the measurement of market attractiveness of strategic defense industries are assessed based on three dimensions namely potential market opportunity, competitive conditions and market access strategy.

From the three dimensions of the market attractiveness, we obtain the test results that the dimension of the competition condition has the highest contribution in influencing the company performance, followed by the market access strategy, and the potential market opportunities. So as to optimize the performance of the company, efforts is required to optimize the management adaptation to the competition condition, with regard to the customer condition, product substitution condition, ease of market entry, price competition, and the growth of number of competitors.

The influence of market attractiveness on the company performance, has also been proved by Mensah (2012) which shows that companies that have limited access to the market have low sales



performance. Low demand is a key factor that explains the limited access of companies to the market. Similarly, Doğan et al. (2014) shows that in terms of performance quantitatively, selection of differentiation strategy and implementation of participatory, proactive and generous HR policy much more effective than searching for the perfect harmony between strategy and HR policy.

#### 4.7 The Effect of Competitive Strategy on the Company Performance

The fourth hypothesis testing, conducted to examine the effect of competitive strategy on the performance of Strategic Defense Industry Companies in Indonesia. The following figure shows the path diagram of the fourth hypothesis testing results.

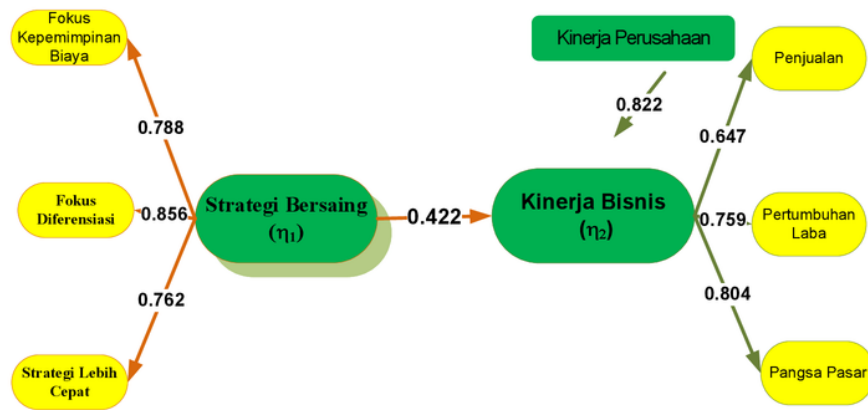


Diagram 5. Hypothesis 4 Testing Result

Structural model for the diagram above is as follow:

$$\eta_2 = 0.422\eta_1 + \zeta_3$$

The following table shows the partial testing of hypothesis 4.

Table 12. Hypothesis 4 Partial Test

Relation	Inner Coefficient ( $\gamma$ )	Standard Error	Value of t-statistic	R-Square
Competitive Strategy → Company Performance	0.422	0.111	3.792*	0.178

\*Significant at  $\alpha = 0.05$

The above table shows that the effect of competitive strategy on business performance is significant with t-statistic higher than 2.02 (t-table at  $\alpha = 0.05$ ). The coefficient of determination  $R^2$  shows the effect of competitive strategy on the company performance equal to 17.8%.

In improving the company performance, an improvement in competitive strategy is required, especially in the aspect of differentiation focus, which is supported by the improvement in cost leadership focus and fast-move strategy. The ability of management to create a superior, unique and varied product, and able to meet all the demands of business customers which include needs, desires and demands and supported by the ability of management to improve efficiency with implications for price attractiveness, where everything is done quickly and appropriately, it will be able to improve company performance to be superior. But in fact, the business units today are still difficult to achieve the above conditions, so that

the business units are often hardly to compete both in terms of product quality, after-sales service and speed in adapting to the shifting demands of business environments including the shift in the demands of the international and global market.

As proofed by Coltman et al (2007) that by integrating the perspective of content strategy with process strategy can be explained why, when and how certain companies succeed with e-business systems. Similarly Valipour et al. (2012) shows in companies with cost leadership strategy, there is a positive relationship between leverage; cost leadership strategy and dividend payout to performance. Similarly, there is a positive relationship between leverage and company size with the company performance which applying product differentiation strategy. However, the relationship between product differentiation strategy and dividend payments to the performance is negative.

### Effect of Market Attractiveness and Resource Uniqueness on the Company Performance through Competitive Strategy

The hypothesis 5 testing is conducted to examine the effect of Market Attractiveness and Company Resources on the performance of companies through competitive strategy of the Strategic Defence Industry in Indonesia. The following figure shows the path diagram of hypothesis 5 testing results.

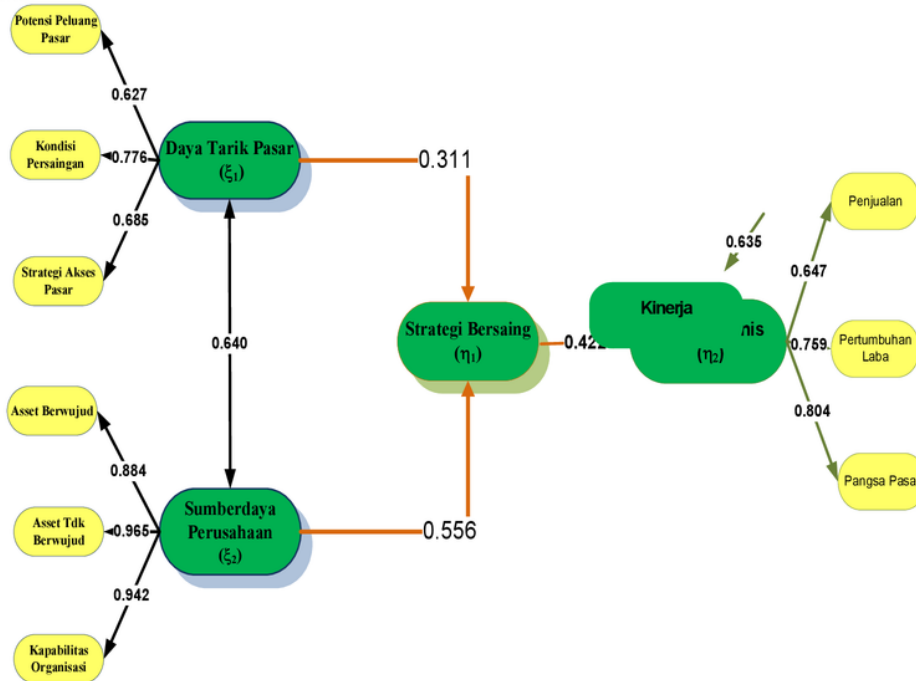


Diagram 6. Hypothesis 5 Testing Result

To be more clear, the data processing both simultaneously and partially presented in the following tables:

#### a. Simultaneous Hypothesis Testing

Table 13. Hypothesis 5 Simultaneous Test

Structural Model	R <sup>2</sup> square	F <sub>hitung</sub>
Market Attractiveness and Resources on the business performance through a competitive strategy	0.365	7.484*

\*Significant at  $\alpha = 0.05$

The test result show that simultaneously market attractiveness and company's resources have a significant influence on business performance through competitive strategy ( $F_{count} > 2.839$ ) or equal to 36.5%.

#### b. Partial Hypothesis Testing (*indirect effect*)

Table 14. Hypothesis 5 Partial Test

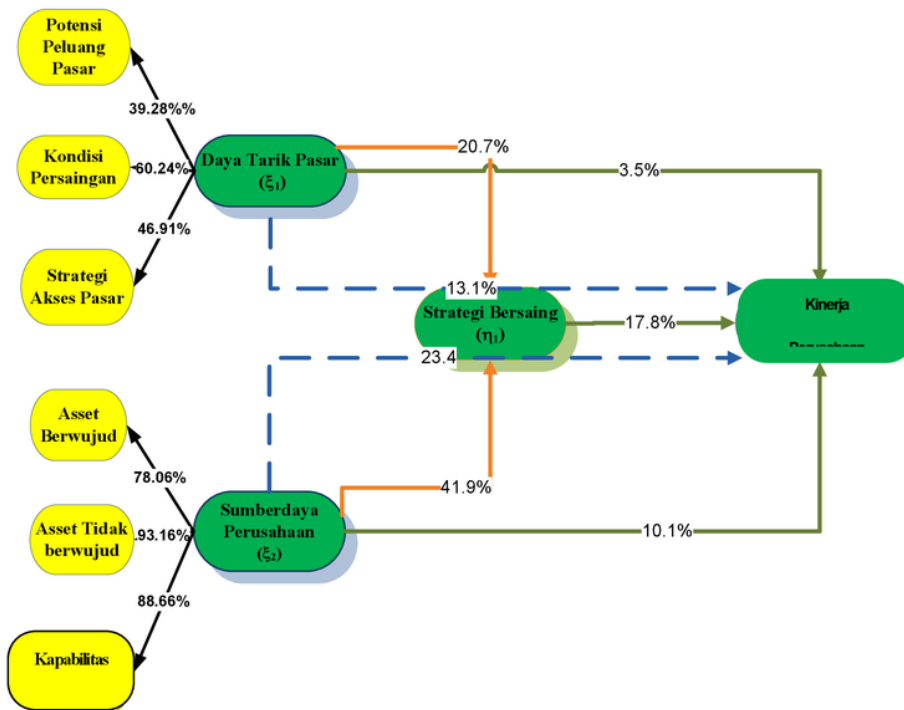
Hypothesis	$\gamma\beta$	SE	T <sub>count</sub>	Conclusion
Market Attractiveness on Business Performance through the competitive strategy	0.131	0.022	6.041*	Hypothesis is accepted
Company resources on business performance through the competitive strategy	0.234	0.022	10.592*	Hypothesis is accepted

\*Significant at  $\alpha = 0.05$  ( $t_{table} = 1.99$ )

The table above shows that partially the market attractiveness and the company's resources contains indirect influence on the companies performance through competitive strategy in which the company resources' influence are still the highest, equal to 23.4%.

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Based on the findings of the test results produced the following model:



Remarks: — direct effect  
 - - Indirect effect

Diagram 7. Research Result

The result <sup>1</sup> of research shows that:

- The company's resources have higher influence (41.9%) compared to the market attractiveness (20.7%) on the competitive strategy
- The company's resources have higher influence (10.1%) compared to the market attractiveness (3.5%) on the companies performance
- Competitive strategy has dominant influence on the company performance (17.8%)
- 23.4% of changes in the company performance is influenced by the company's resources through competitive strategy
- 13.1% of changes in the company performance is influenced by the market attractiveness through competitive strategy.

<sup>2</sup>

The results of research shows that competitive strategy has a dominant influence in improving company performance, so that to enhance the company performance on strategic defense industries, an improvement in competitive strategy is required, especially with an improved focus on differentiation, which is supported by an improvement in focus on cost leadership, and fast-move strategy. The results show that company's resources has higher influence than market attractiveness in increasing the competitive strategy. So as to support the competitive strategy in improving the company performance, an increase in company's resources and market attractiveness is required.

This is confirmed by some opinions of the actors and users of the strategic defense industries. Retired Gen. Ryamizard Ryacudu (Indonesia Defense Minister) argues that there is a doubt (despite not being the dominant), especially from the military, to use main weaponry system made by domestic producers (Instrahan). Except for certain products that have become "branded" such as LPD, ANOA,



Weapons SS1 Pindad, aircraft CN-235, Sritex military uniform. However, it was recognized that there is concerns about resources employed in particular human resources which is still weak, especially in terms of organizational culture, work ethic, time discipline and others. Which in turn can create negative image for the user, especially the frequent delay in delivery from the determined time.

Moreover, competitive strategy that still relies on the role the government has not created a superior performance, let alone to the global class. But the measures have been implemented such as the roadmap of defence industry especially after the Law No. 16 year 2012 provide opportunities to defence industry to develop its companies through national bank's soft loan payments. There is a need **27** creativity and efficiency of the entire defence industry especially SOEs. As well as the existing of **Presidential Regulation No. 42 Year 2010 on Defence Industry Policy Committee** (KKIP), to coordinate the needs of strategic defense industries.

This was echoed by former TNI Commander Admiral (Ret.) Agus Suhartono, SE., As well as the army chief of staff, that the purchase of TNI's main weaponry system on a priority basis in the development of dimensionality defense posture that can be used in the conscription in two trouble spots in Indonesia.

Given the development of this posture is very dependent on the state budget allocated to each Defense / Army budget in any of the current year is very limited, then MEF (Minimum Essential Forces) is drafted. In practice it is a majority for strategic main weaponry system is imported from foreign countries such as fighter aircraft, combatant ships, helicopters, cannons, tanks, communications equipment and others. But since the last 5 years has started an increase in bookings particularly made by TNI to the strategic defense industries in Indonesia such as LPD ship, LCU, KCR-90, aircraft CN-235, 290, helicopter, the Plan of Transfer of Technology (TOT) of Korea's TX Aircraft, Submarine kilo class and others. In addition, individual equipment almost entirely of domestic products.

The most important thing is the companies in strategic industries should be able to have creativity and able to convince the user that the products are safe and efficient in order to foster high confidence. A good strategy is required in creating competition with the other competitors, especially from abroad. As for some of the expectations of actors / institutions related to the defense industry says:

- 1) Indonesia Minister of Defence
  - Hope for our defense industry to be more advanced and can meet and became the backbone of the main pillars of our future Defense System.
  - Increasingly competitive the defense industry products.
  - In terms of regeneration and preparing human resources are met
  - In terms of facilities and production facilities can be fulfilled
  - The government's commitment, whoever the government is, is expected to provide maximum and continuously / consistently support to the defence industry, because the era of technology in the future of our natural resources will be depleted, then our defence industry could be an alternative to be foreign exchange earner, at least not many foreign exchange spent to abroad.
  - Regulatory support is also important, existing regulations currently already supports, yet only need to be explored in line with the passage of time.
  
- 2) Chief of Commander TNI / Chief of General Staff TNI

Our national defense industry continues to increase not only seen from the quantity of product produced, but also be seen from the quality of the products that can support the level of operational preparedness of the military. Thus the challenge against the arms race and Rebalancing the Power in the region not to make Indonesia dependent on certain countries to meet our defense needs of defense equipment, but Indonesia is able to independently create and upgrade security in maintaining national sovereignty.

- 28
- 3) Chief of Naval Staff
- Strategic defense industries in Indonesia will continue to improve its quality and production capacity in order to support the fulfillment of the needs of national defense. This can only be achieved if there is capacity for reliable research and development and adequate capital support. In addition, the strategic industries in Indonesia also must always be open and follow the development of the world technology, so as not to lag behind the defense industry abroad. What we build and develop at this time should be tailored to the needs of the future, because the defense industry has a long production lead time, which is the present new product will be used in the next few years.
  - Strategic industries in Indonesia, together with research institution and universities can become pillars of embodiment of defense self-sufficient in the future, and also contribute to the country's economy by exporting its products.
- 4) Assistant of General Planning to Chief of Commander TNI
- Government policies that support national defense industry comprehensively and consistently, exist.
  - Government budget support to promote and enhance the technological capabilities of strategic industries.
  - The quality and quantity of human resources in the field of national defense industry is optimal.
  - The capability of national strategic industry technology is optimal.
  - Involvement of private industry into the national defense industry.
- 1) Kababek TNI
- Recruiting capable human resources in accordance to his/her specialization both in the domestic and Indonesian citizens abroad.
  - Changing regulations and require 75% of the budget allocation to support the MEF in order to take the product of the domestic defense industry. This refers to the ability of the defense industry in order to improve and create independence of the defense industry while increasing source of labor in the country.
  - The defense industry should be built outside Java because most of the raw materials available outside Java.
  - Government banks provide loans with low interest to small and medium enterprises which support of defense equipment components.
  - The main task of KKIP is to oversee, promote defence-based industry and integrating various R & D in the homeland.

#### IV. CONCLUSION AND SUGGESTION

1

Based on analysis of strategic studies in an effort to improve the company performance as described in the previous chapters, we can conclude some of the following:

1. Market attractiveness is not attractive yet, the company's resources have not been optimally used, competitive strategy is not appropriate yet, and the company performance has not been high/good within the strategic defense industries in Indonesia.
2. Market attractiveness and company resources jointly to contribute in improving the competitive strategy. However, the company's resources provide higher contribution (41.9%) compared to the market attractiveness in influencing competitive strategy (20.7%), which is supported by the dimensions of tangible assets, intangible assets and capabilities of organization.
3. Market attractiveness and company resources jointly to contribute in improving the company performance. However, the company's resources provide higher contribution (10.1%) compared

- to the market attractiveness in influencing company performance (3.5%), which is supported by the dimensions of tangible assets, intangible assets and capabilities of the company.
4. Competitive strategy affect company performance. The effect of competitive strategy on the company performance amounted to 17.8%, which is supported by the dimensions of cost leadership focus, differentiation focus, and fast-move strategy.
  5. Market attractiveness and company's resource jointly to contribute in improving the performance of the company, through a competitive strategy. However, the company's resources provide higher contribution (23.4%) compared to the market attractiveness in influencing company performance (13.1%), through a competitive strategy, which is supported by the dimensions of the tangible assets, intangible assets and organizational capability.

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