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The Influence of Business Strategy and Competitive Superiority to Business Performance of a National Forest-based Company PT. Inhutani I, Indonesia

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Abstract:

Under the severe competition among companies especially company-based forestry, a company including PT. Inhutani I should to take proper business strategy to win competition and even to survive. The objectives the research were to study the influence of business-strategy to the business-performance and to explore the influence of competitive-superiority and to measure the influence of business-strategy and Competitive- superiority simultaneously to the business performance. Research was conducted in National forest based-forestry Company PT. Inhutani I Indonesia in 2019 to 2020. Research results show that Business Strategy has significant influence to Business Performance of company PT. Inhutani I and Competitive Superiority has influence to Business Performance. Based on Multiple Linear Regression, Business Strategy and Competitive Superiority simultaneously has significant influence to Business Performance

Keywords: PT Inhutani I, competitive, business strategy, Batu Ampar

1. Introduction

PT. Inhutani I, is a National forest-based Company, and one of the biggest forest-based Company in Indonesia. It was established in 1973 and covers concession area of 708,430 ha and provides jobs for hundreds of employees. Its core businesses are logging, industrial forest plantation, rubber plantation, timber processing and forest-based tourism service. Vision of the company is, 'towards green forestry industry with non-timber businesses diversification on equal working-unit basis'

Under the tight of business Competition and government regulation, the company is forced to improve company performance to win business competition. Otherwise, they will lose the competition (Mardiyono, 2015). The strategies to win Competition and to improve company performance are varies, among other through Business Strategy and Competitive Superiority. Even, some big companies hired top manager to formulate business strategies to win Competition (Ibrahim and Ina, 2015). Business strategy is a way or concept of a company to achieve short-term and long-term goals. It is also a key to achieve Competitive superiority of a business. A company may collapse due the implementation of un-appropriate strategy (Ekawati et al, 2016).

Furthermore, Mardiyono (2015) found that the key-success to win competition is depending on capability of the company to create Competitive Superiority. Competitive superiority is the key in strategic management concept because it is a strategy that designed to gain added value of accompany (Ibrahim and Ina, 2015). When a company chose a right strategy to analyze market, it will easy for company to create Competitive superiority (Kadarningsih, 2013). Wachjuni (2014) and Ekawati, et al (2016) also found that Competitive superiority is an 'obligation' for a company to achieve success in production and product marketing.

Problem formulations of the study are among other: business strategy is not focused to target; business strategy is considered not optimum; competitive superiority is low and business performance also considered low. A businessman needs to know many aspects that will influence business performance and all dimension of the aspects. More importantly, a businessman needs dimension that can be used to measure business performance, both financial performance and non-financial performance.

Therefore, the objectives of this study were: (1) to study the influence of business-strategy implementation to the business-performance of PT. Inhutani I; (2) to explore the influence of competitive- superiority to the performance of PT. Inhutani I; and (3) to measure the influence of business-strategy and Competitive- superiority simultaneously to the business performance of PT. Inhutani I.

2. Methodology

2.1. Research site and time

Research site was the Main Office of PT. Inhutani I in the Indonesian Capital, Jakarta Indonesia, and some Field Units including Batu Ampar Unit in East Kalimantan Borneo. Research was conducted from December 2019 to May 2020.

2.2. Sampling and Data Collection

Population in this study was 504 employees of the company. Sampling method to select respondent was based on Irawan (1999) who mentioned that for a valid data, the minimum sample should be 25% to 30%. Therefore, the numbers of selected respondent were 177 respondents or 35% of the population. The respondents consisted of top-level management, middle level management, Head of Unit Office and staffs. Primary data was conducted through individual interview with the respondents using a set of structured Questionnaire. All primary data and information were supported by secondary data such as company related documents, government regulation related forest and forestry, and also related articles on Journals

Questionnaire consisted of: management leadership, marketing turbulence, technological turbulence regulation turbulence, Competitive strategy, the speed of market response, capability of surveillance, capability of learning, capability of integration, and capability of organizing people

2.3. Data Analysis

This research applied survey approach for data collection and analysis. For data analysis, a descriptive quantitative method was used. Explanative method (Sugiyono, 2006) was used to find explanation of casualties why an event or something could be happened. There were two independent variables of this study: Business Strategy (X_1) and Competitive Superiority (X_2). The two independent variables were then elaborated in 31 more detail questions. Scoring for the answer respondents used Likert-scale. Each question was given score from 1 to 5 for very low (1), low (2), middle (3), high (4), and very high (5), and respondent chose one of the choices. Accumulation-average of the score was then put in score-interval as shown on Table 1 below. Each score could describe each variable. Table below provides the score interval of the answer of respondents.

No	Score Interval (%)	Category
1	84-100	very high
2	68 - 83	high
3	52 - 67	middle
4	36 - 51	low
5	20 - 35	very low

Table 1: Score Interval/Rank For Category
Source: Field Survey (2019/2020)

In order to know the influence of Business Strategy and Competitive Superiority to Business Performance, both partially and simultaneously, a Multiple Regression formula was applied with t-test and F-test at 5% significant level.

$$Y = a + b_1X_1 + b_2X_2 + e$$

X_1 = business strategy, with the indicators: leadership, marketing turbulence, technological turbulence, regulation turbulence and Competitive strategy.

X_2 = competitive superiority, with the indicators: = the speed of market response, capability of surveillance capability of learning, capability of integration, and capability of organizing people.

Y = business performance

a = Constant

b_1 = Coefficient of regression

3. Result and Discussion

3.1. Brief Description of Company PT. Inhutani I and Respondents

As mentioned above that 177 employees were selected as respondents. Based on sex, 89% of respondents were male and the rest of 11% were female. Most of the female were in-charged for administrative work at office. From the aspect of age, 46% of respondents were at age of 46-50 years and 37% at 51-55 years old, and the rest of 17% under 46 years old. This indicates that all respondents or even population were at the rank of productive ages. Based on education, 53% were at Senior High School, 43% at Graduate Degree and 7% at Diploma. The education background indicates that most of the respondents have qualified education to manage the company.

Core business and products of the company are varies: log or timber; resins; saw mill; timber processing varies products such as molding, S4S (side four side), solid laminating, door component, housing component, engineering door; forest based-services such as forest tourism services, forest and land rehabilitation and wood processing service.

3.2. Business Strategy

Business Strategy is course of action or set of decisions which assist the entrepreneurs or a Company in achieving specific business objectives. Business Strategy in this study consisted of seven variables as shown on Table 2 below.

No.	Variables of Business Strategy	Average Score	Percentage (%)	Category
1	Cost leadership	3.31	66.18	middle
2	Turbulence of market environment	3.17	63.45	middle
3	Turbulence of technology environment	3.34	66.84	middle
4	Turbulence of regulation	3.30	66.02	middle
5	Turbulence of Competitive	3.40	68.00	High
6	Competitive strategy	3.28	65.69	middle
7	Partnership strategy	3.21	64.16	middle
	Average score	3.29	65.76	middle

Table 2: Score of Respondents' Answer to Variables of Business Strategy

Source: Field Survey (2019)

Table 2 shows that business strategy implemented by company was at 65.76% or at middle level. If the variables are described one by one, the table showed that business strategy for cost leadership especially in cost efficiency to produce was at 66.18% or middle category. For turbulence of market especially in the changing of customers, differentiation treatment of old and new customers and marketing practice was at 63.45% or middle category. In terms of turbulence of technology, technological breakthrough, the emerging of innovative products by new high technology, the speed changing of technology, prediction of changes, opportunities that opened through the implementation of new technology and the intensity of the emerging of new innovative products was at 66.84% or middle category. Business strategy amidst the rapid changes of regulations, difficulty to predict new regulation and uncertainty of regulation, intensity changing of regulation, and implementation of regulations was 66.02% or at middle category. Business strategy for turbulence of competition between companies, price-war, possibility of competitors to market/supply similar products, the strength of competitors, and emerging of new products was 68% or at high category. Competitive strategy in product design, to produce and to market of new and cheaper products compared with competitors, focus to serve at certain market-segment, better quality of products, special feature for after sale service so that the consumer would willingly to pay much more, and to improve service capacity to for a quick service for customers was at 65.69% or middle category.

Among all of the variables, the highest score for business strategy was variable of turbulence on competition environment of 68% or high category. This indicates that PT. Inhutani I in running business has high competition against other companies. However, in terms of collaboration and partnership to create new product was still at middle category.

3.3. Business Performance

Business Performance is the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfillment of an obligation, in a manner that releases the performer from all liabilities under the contract. In another word, is a set of performance management and analytic processes that enables the management of an organization's performance to achieve one or more pre-selected goals.

No.	Variables of Business Performance	Average score	Percentage (%)	Category
1	Financial performance	3.49	69.72	high
2	Customer perspective	3.47	69.40	high
3	Perspective of Internal Business Proces	3.21	64.18	middle
4	Perspective of learning and growth	3.54	70.84	middle
	Average score	3.43	68.53	middle

Table 3: Variable Scores of Business Performance

Source: field survey (2019/2020)

Table 3 shows that average response to Business Performance was 68.53% or at high category. By variables, it indicates that Financial Performance to achieve income target, investment return and target of profit growth was 69.72% or high category. Customer perspective to achieve market-share target and to keep customers to buy product was 69.40% or high category. Innovation to create new product, operational cost efficiency and after-sale service was 64.18% or middle score. After sale service functions include: installation, training, warranty-related repair and replacement part support. After-sale service is important consideration because of the normally greater distances between sellers and buyers in international trade. In term of perspective of learning and the improvement of employee's competency, capability of information system to create work environment more conducive was 70.84% or high category. Most of indicators were at high score/category except Operational Efficiency indicator which at middle category. It means that Operational Efficiency and innovation to create new product and after-sale service has not yet optimum so that profit-target could not achieved.

3.4. Competitive Superiority

Competitive Superiority is a long-term action plan or frame work that is devised to help a company gain a competitive advantage over its rivals. Competitive strategies are essential to companies competing in markets that are heavily saturated with alternatives for consumers.

No.	Variables	Average	Percentage (%)	Category
1	Readiness respond to market	3.38	67,50	middle
2	Capability of surveillance	3.34	66,81	middle
3	Capability of learning	3.49	69,71	High
4	Capability of integration	3.54	70,72	High
5	Capability of organizing	3.56	71,20	High
	Average	3.46	69,19	High

Table 4: Score of Competitive Superiority

Source: field survey (2019)

Table 4 showed that average score of respondents was 3.46 or 69.19%, means that Competitive Superiority of PT. Inhutani I at high level. Competitive Superiority consisted of the speed respond to market specially to fulfill the need of new customer; capability to deliver product to customer, readiness to improve new products, etc.

Capacity of Surveillance i.e. to predict environment change, identification of new business opportunities, impact evaluation due to the environmental change to customers, product improvement to fulfill the need of customers was 66.81%.

Capacity of Learning consisted of identification, to evaluate and to collect new information effectively, to transform the new information become new knowledge, to use the knowledge to create new product and, to improve the new innovative product. The score for such variables was 69.71% or at high category.

Capability of learning was including identification, evaluation, to collect new information effectively and to transform the information into new knowledge which in return transformed to create new-innovative product was 69.71% or at high category.

Capability of Integration to make sure every personnel contribute to business unit, to make sure each personnel understand their task and responsibility, each individual has special skill and relevant knowledge, and integration of individual task in accordance with market change was 70.72% or at high category.

Capability of organizing to make sure synchronized of works among Departments, to make sure allocation of resources properly, to make sure the task with skill, and good coordination among units was 71.21% or at high category.

Based on the above description, it can be concluded that PT. Inhutani I have high category on Competitive Superiority. However, from the variables of capability to accommodate market-needs and improvement of new product, this company was at middle category.

3.5. The Influence of Business Strategy to Business Performance

Hypothesis alternative (H_1) showed that variable of Business Strategy p-value was $0.00 < 0.05$, t-calculation 2,473 and regression coefficient 0.154. It means that partially, variable of Business Strategy has significant influence to Business Performance. Natasha and Devie (2013) mentioned that Strategic Planning contributes to Competitive Superiority. Competitive Superiority has positive and significant influence to company performance through Competitive superiority. Based on the regression analysis of seven dimensions i.e. cost leadership, market turbulence, technological turbulence, regulation turbulence, Competitive turbulence and Competitive strategy, it is concluded that the increased of Business Strategy also can increase Business Performance of Company PT. Inhutani I.

3.6. Influence of Competitive Superiority to Performance of Business

Hypothesis (H_2) test showed that Competitive Superiority to Business Performance has p-value $0.00 < 0.05$, t-calculation 10,947 and regression value 0.680. It means that Partially, Competitive Superiority has significant influence to Business Performance. Ismail et.al (2011) supported this result in which he mentioned that Competitive Superiority has influence to company performance.

Statistical analysis of the influence of Competitive Advantage to Organizational Performance was 0.554, t-statistic 8.321 > 1.96 . This analysis showed that Competitive Superiority has significant influence to Organizational Performance. The influence of Competitive Superiority to Organizational performance was positive. It means that the better the competitive superiority will create a better organizational performance of company.

Descriptive analysis showed that response of respondents to research variables business strategy, Competitive superiority, and business performance was at high level. Furthermore, variables of Business Strategy i.e. environment turbulence especially competition with other companies, price-war, readiness of competitor to competitive with company's products for sale, emerging of new movement of competitors, the strength of competitors and penetration of new product at market, was 68% or middle category.

On the other hand, turbulence of market environment in term of intensity of customer change, different between old customers and new customers and changing in marketing strategy was 63.45% or middle category. The total average response of respondents to Business Strategy was 65.76% or middle category. It means that at Managerial level of PT.

Inhutani I from Assistant Manager, Vice Manager, Manager, Senior Manager Head of Division gave response that their business Strategy was still at middle category.

The Regression showed that determination coefficient (R^2) was 0.612, meant that 61.20% independent variables i.e. business strategy, Competitive Superiority can explain dependent variables of Business Performance. The rest of 38.80% was explained by other factors of Business performance. Based on the statistical analysis, it can be concluded that the higher the Competitive Superiority, will increase Business Performance of PT. Inhutani I.

3.7. Influence of Independent Variables (X_1 and X_2) to Dependent Variable (Y)

A multiple linear regression was used in this research to test if there's influence of Business Strategy and Competitive Superiority to Business Performance. Independent variables were Business Strategy (X_1) and Competitive Superiority (X_2), and dependent variable was Business Performance (Y). Data was analyzed by SPSS for Windows Release 22, and the result as below.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. error	Beta		
(Constant)	11,185	2.490		4,492	0.00
Business Strategy	0.094	0.038	0.154	2.473	0.14
Competitive Superiority	0.337	0.31	0.180	10.947	0.00

Table 5: Influence of Business Strategy and Competitive Superiority to Business Performance
Source: Field Survey (2019/2020)

Based on the above result, Regression equation was:

$$Y = 11,185 + 0.094 + 0.337$$

The above regression indicated that:

- Constant of 11,185 indicates, if there's no change on variables of Business Strategy and Competitive Superiority, the Business Performance was 11,185
- Coefficient of Business Strategy (X_1) at 0.094 indicates that every increasing 1 (one) unit of Business Strategy will increase Business Strategy for 0.094 unit
- Coefficient regression of Competitive Superiority 0.337 indicates that every increasing 1 (one) unit of Competitive Superiority will increase Business Performance PT. Inhutani I of 0.337 unit.

In order to know the influence of independent variables to dependent variable simultaneously, F-test was applied. Independent variables were Business Strategy and Competitive Superiority, dependent variable was Business Performance. Criteria for F-test at 5% significant level, if F-significant value < 0.05, means there's simultaneous influence of independent variables to dependent variable. Result of calculation is on Table... below.

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	3379.820	2	1689.910	131.274	.000 ^b
Residual	2098.325	163	12.873		
Total	5478.145	165			

Table 6: F-Test for Simultaneous Influence
Source: Field Survey (2019)

The above calculation on Table 6 indicates that F-significant value $0.000 < 0.05$ and F-calculation 131,274. It is meant that Business Strategy and Competitive Superiority, simultaneously has significant influence to Business Performance.

4. Conclusion and Recommendation

4.1. Conclusion

- Business Strategy significantly influences Performance of Business PT. Inhutani I. It is showed in Regression coefficient of 0.094 with t-calculation of 2,473 and significant value was 0.00 or under 0.05. It is also mean that alternative hypothesis (H_1) was accepted, means that Business Strategy influences Business Performance of company (PT. Inhutani I)
- Competitive Superiority has significant influence to Business Performance at PT. Inhutani I. Regression analysis shows that regression coefficient was 0.337 with t-calculation 10,947 with the significant value was 0.00 or under 0.05. It is means that alternative hypothesis (H_1) which mentioned that Competitive Superiority has influence to Business Performance, was accepted.

4.2. Recommendation

- It is recommended for further research to add some more research variables and indicators so that the result could more representative for the overall performance at PT. Inhutani I. The reason is because accumulation determination coefficient of Business Strategy and Competitive Superiority only 61.20%. It indicates not yet optimal to contribute Business Performance and still 38.80% other variables not yet identified and described.
- Based on Multiple Linear Regression, Business Strategy and Competitive Superiority simultaneously has significant influence Business Performance. Therefore, PT. Inhutani I should increase and optimize Business Strategy Competitive Superiority to maximize Business Performance such as achievement of profit-target, achievement of market share-target, after sales service, and to improve the competency of employees PT. Inhutani I.

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