

A Study Performance in Regional Government–Owned Enterprises Indonesia

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Abstract. He research objective was to describe the phenomenon of organizational transformation of regional-owned enterprises (BUMD) and test the empirical relationship for the transformation of organizational variables on performance and competitive advantage. Object of this study is the Regional Owned Enterprises in Indonesia. Testing hypotheses using Structural Equation Models with Partial Least Square. The results showed that the company to enhance the performance of the most decisive is competitive advantage. The role of organizational transformation is very important in facilitating the process of creation of competitive advantage. Competitive advantage proved able to mediate the relationship organizational transformation of corporate performance. The implication of this research was that testing of mediation effect explains about how to increase the performance through competitive advantage which is better than organizational transformation.

Keywords: Competitive advantage, Performance, Transformation organizational.

1. Introduction

The quality of regional-owned enterprises (BUMD) performance isn't optimal, it indicate with the inefficient production budget, and also the utilization of assets to get the profit. The causes of low performance in BUMD is because internal and eksternal problems. Eksternal problem especially in Government Policy. Meanwhile, the example of internal problem is the company have not been able to implement the strategy, so the objective and the purpose are difficult to achieve.

In operational, BUMD faces many problems and challenges such as disadvantages and low productivity, so BUMD unable to compete the business competition in the domestic and global markets.

BUMD is the regional company which is probably get a big profit, but there are just a few Regional-Owned Enterprises (BUMD) that give the Revenue (PAD). The previous study has shown that the ownership of public enterprises, and the effect was not so clear. To overcome the lack of BUMD contribution toward PAD, one things that can be done with it, it is evaluate the performance.

According to the phenomena before, my research problems is: The advantages of mediation effects can support organizational transformation to increase the company performance?

To explain the problem, this study has several questions :

- Is organizational transformation able to support the company's competitive advantage?
- Is the process to increase the performance able to achieved in measuring organizational transformation toward the competitive advantage?

The purpose of the research is to test the relationship between exogen organizational transformation and variabel endogen competitive advantage toward company performance.

2. Literatur Review

This study focused on capital concept "*organizational*" to understand how the company able to increase competitive advantage toward performance improvement. There is empirical relationship between transformation and insensitive that will be influence company's competitive advantage. The increase of

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compensation policies can encourage managers willing to take the risk that related with expansion of funding accesses and developing market linkages.

Based on that explanation, I propose the hypothesis 1 as follows: ***Organizational transformation has positive effect on competitive advantage.***

Some of the empiricism study support the argument about the performance that able to increase toward company's change which conduct the organizational transformation (Lemak et.al, 2004). The same opinion is expressed by Uhlenbruck et al (2000) they stated that internal change such as the change of structure and culture will increase the performance. *Structural origin* for *the change* of vertical toward horizontal can enhance employee commitment to more productive and innovative to increase company performance finally (Zahra, 2000).

Based on these arguments I propose the hypothesis 2 as follows: ***Organizational transformation has positive effect on company performance.***

Some studies which have been done by the marketing and strategic management researchers already identified some factors that generate and increase company performance (Augusty, 1999). Strategic assets, strategic resources, strategic capabilities and strategic abilities are the main terminology that used to identify some factors that generate a long term performance.

Resource management and competence skill are the key to achieve a sustainable. Fahy (2003) stated that the performance can be improved through financial resources access by using three main construct as follows: resource, strategic marketing capabilities and company performance. Furthermore, the other opinion found that increasing of company performance achieved because the company able to correct their competitive position through effectiveness in transferring resources to expand the *network*.

To examine the relationship between competitive advantage and company performance, I propose hypothesis 3 as follows: ***Competitive advantage has positive effect on company performance.***

3. Methodology

This study designed as a predictive study and use secondary and primary data. Primary data is collected with survey method by giving questionnaires to top managers at the company. While, secondary data sourced from *the company's financial report, profil and* prospectus firms and also supporting data from the government.

Questionnaire as the main instrument in this study include of combination of closed questions and open questions. The method of *accidance sampling* used in this study with 20 number of companies for the sample. Besides using questionnaires, interview is also needed to make the question clear. **Analysis technique** to test the hypothesis have done using *Strucural Equation Modelling* (SEM) equation with *Partian Least Square*.

4. Hypothesis Testing

4.1. Effect of Organizational Transformation on Competitive Advantage

According to the result of output, obtained T statistic score 19,830, so that it exceeded the limits of the t-table score provisions 1,96. Its mean that higher organizational transformation that has done by BUMD to simplify they structure, improve incentive systems, participatory decision-making, autonomy, and access to information can give effect on Competitive advantage. Based on the test result, it can be concluded that the test **accept H₁**, so the allegations of organizational transformation influence toward competitive advantage can be proven or accepted.

4.2. Effect of Organizational Transformation on Company Performance

The result of test hypothesis 2 obtained T Statistic score 2,740 < 1,96. The result means that organizational transformation has effect on company performance. In the other word, BUMN able to conduct transformation in incentive system improvement and easy information access, then it will be increase the

numbers of sales and company's profit. That case happened because of the incentive system improvement in managerial that will support the company to create the new product in terms of improving efficiency .

Based on the result, it can be concluded that the **hypothesis 2 can be accepted**, so the allegations of positive effect between organizational transformation on company performance is proven or acceptable.

4.3. Effect of Competitive Advantage on Company Performance

According to the test result, then obtained T Statistic score $4,734 > 1,96$. The explanation means that competitive advantage has positive effect on company performance. The explanation can be interpreted that higher competitive advantage enterprises in net work expansion is to increase the superior service, it expected can give some effects to increase company performance.

Based on the test result, can be obtained that the test able to accept **H₃**, so allegations of **positive influence** positif between competitive advantage toward company performance is proven or acceptable.

5. Conclusions

Organizational Transformation has positive effect on competitive advantage, it means that it has positive effect on Competitive Advantage. It can be interpreted regional-owned enterprises (BUMD) able to do Organizational transformation in the change of autonomy, structure, incentive system, participatory decision-making, so it expected to give rapid effect on competitive advantage. Organizational transformation has effect on Company performance, it means that BUMD able to do organizational transformation that indicate faster change of information access. That smooth communication is able to support innovation in product and market development which could increase the company profit. Competitive advantage has positif effect on Company performance, so competitive advantage in BUMD can give faster effect on company performance.

The result can be concluded that BUMD is able to do the transformation towards structural change that's more flexible in sending information, so BUMD able to do transformation toward structure change and give fast effect on efficient improvement. This result in accordance with Prahalad and Hamel (1990) to achieve the competitive advantage is structure, system and strategically flexible culture.

Competitive advantage has been prove a significant mediating in relationship between organizational transformation toward company performance. This case means that BUMD able to conduct competitiveness, so the transformation become effective to increase sales and profit.

This invention can be explain the previous study in identify some factors that's able to generate and improve the company performance. The important things to increase company performance is company's competitive advantage. Organizational transformation takes the role to facilitate the creating process of competitive advantage.

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