

**THE CORE COMPETENCE EFFECT OF COMPETITIVE
STRATEGY AND ITS IMPACT ON THE CORPORATE
PERFORMANCE OF BUMD: A STUDY ON BUMD
ACEH PROVINCE, INDONESIA**

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Abstract

Aim of the research is to determine the magnitude of the effect of Core Competencies variable toward competitive strategy and its impact on the performance of enterprises. The study used census method by taking the entire enterprises in the province of Aceh (thirty-one units) with eighty-eight respondents, including the director and the field director of the Local Government Owned Enterprises (BUMD). This research is directed by Policy Research and the primary data is obtained from the questionnaires filled by the management of enterprises. The data tabulation

used variance based SEM (PLS-SEM), using PLS Warp 4.0 program. This research is useful as a significant approach to the development of economical science for the practitioner of enterprises, the District/ City Government and the Provincial Government, as well as other stakeholders. The fit and quality indices model in this study has well-explained the variables. Therefore, it can be applied to predict the models. The position of Core Competence, Competitive Strategy and Corporate Performance, descriptively located in good condition. The core competencies of the Competitive Strategy influence in medium level. However, The impact of Core Competence is very low on the Corporate performance. Competitive Strategy was to influence corporate performance. The direct Core Competence influence on Competitive Strategy is smaller than its effect through Competitive Strategy.

Keywords: Corporate Performance, Competitive Strategy, Core Competence, Financial Performance, and Non Financial Performance

INTRODUCTION

The Local Government Owned Enterprises (BUMD) can advocate the inclusion in different types of sectors including local tax revenues, local retribution, results of local companies, regional wealth management and other revenues. One of the policies that can be implemented by the Local Government is establishing companies using Local Government capital. According to the Law, Clause 5, 1962, business activities of BUMD established by the district/ city/ province can share the business sections in accordance with the interests of the local regions or the resources needed by them.

Observing from the line of business that can be developed by BUMD, they are not limited and having no difference from other business or even private business—which is established as profit companies. According to Nickels (2009), a corporate or a business entity is an activity to provide goods and / or services to other parties in the purpose of achieving profit. Profit is the money earned by a business institution after spending on salaries and other costs. BUMD is different from other private business on their ownership because they are belonging to the local government and be an objects of monitoring by state authorities in the area, serving the interests of the public, as well as an economic stabilizer area. BUMD is established by the Provincial Government and approved by the Provincial Parliament, whereas for enterprises county level issued local regulations made by the Regents and approved by the District/ City. Especially for areas in Aceh Province local regulations known as the *Qanun* (Regional

Regulation). BUMD would be seen from the clear market prospects, therefore it really expected to generate a profit.

The Local Water Company (PDAM) for example, has a large enough number of consumers, because there is now generally densely populated areas, even frequent shortages of water distribution to consumers and the installation of new connections that can not be met. Other enterprises such as Bank of Aceh, with the capital requirement for investment and consumption in need of funds, can be a good market. Bank Aceh also provide low price, namely with a lower interest rate than other banks in serving the demand of consumers, this can be done because of the low cost in production costs.

As illustrated BUMD can give benefits every year, but in reality, many enterprises are experiencing a loss of business. For example there are PDAM that are not able to pay the salaries of employees, this happens due to the many delinquent accounts that are not paid by consumers. This occurs presumably because of weak management capabilities.

Table 1. Number of BUMD Aceh Province Assets 2007-2011 (In Millions of Rupiah)

No.	Year	Assets Current	Investment	Fixed Assets		Other Assets	Total Assets
				Acquisition	Depreciation		
1.	2007	8.378.561	619.950	509.000	- 110.219	2.058.518	11.455.810
2.	2008	13.308.290	14.937	634.205	- 186.478	354.174	14.125.129
3.	2009	12.739.651	14.507	747.870	- 224.639	222.511	13.499.901
4.	2010	11.913727	17.770	818.309	- 301.149	216.324	12.664.981
5.	2011	12.741.243	16.223	891 352	- 358.174	262.627	13.553.271

Source: Central Statistics Bureau, 2013.

From 2007 until the year 2011 current assets BUMD in the province of Aceh continues to increase, but in 2009 there was a decrease. Inclusion and investment going downhill, while the acquisition of assets from year to year continues to grow. Other assets of 2008 decreased compared to 2007 and in 2009 decreased in comparison with 2008. Total assets increased from year 2007 to 2008, then in 2009 and in 2010 decreased compared with 2008, and in 2011 increased again this, in line with the state of current assets in the same years.

BUMD typically have a range of facilities that support the operations of a good, such as buildings, pumps and pipelines for water supply or other consumer home. This shows a large capital holdings as taps conducting activities in the ownership of water supply each District/ City Governments. Aceh bank owned by a consortium of the Aceh Provincial Government and

District/ City Government, which has also had a big capital, coupled with the savings from the local government or local governments into cash that can be additional working capital at low cost.

BUMD companies throughout Indonesia in 2013 amounted to 714 companies which consist of 95 companies belonging to the provincial government and the 619 companies belonging to the District Government. While BUMD Aceh Province totaling 37 companies, consisting of 23 firm PDAM and 14 companies in a variety of other types (non-PDAM). Aceh provincial government owned a number of four companies, the rest are a total of 33 companies are owned by the district/ city. Total 33 BUMD in the province of Aceh are still running events in 2014 only 31 companies.

Aceh from 2008 to 2012 than enterprises that there are only two companies that produce revenue, others are not recorded as revenue contributor. Aceh province gets revenue from BUMD respectively: in 2008 amounted to 10.47%; in 2009 amounted to 10.16%; in 2010 amounted to 12.61%; in 2011 amounted to 9.02%; and in 2012 amounted to 10.66%. Average yield revenue of BUMD amounted to 10.58% per year. "BUMD in Aceh failed to contribute to improve the PAA (Revenue Aceh), PAA is meant is the same as the PAD (Regional Income). "This is reflected in the proportion that each year PAA did not reach 15 percent" interview Muko, T. Jamaluddin, 2013.

The asset management BUMD become less successfully exploited by managers who allegedly low competence. The company's internal management of BUMD with non-standard procedure, until the deviation results of operations may even occur misappropriation of corporate assets area. This is an indication of partially BUMD managers do not have the background knowledge and experience of managing company. Weak managers competency can affect Competitive Strategy and Corporate Performance supposed to influence the BUMD. Based on these descriptions authors wanted to examine the relationship and influence, core competencies, for Competitive Strategy and its implications for corporate performance in the BUMD Aceh province.

Identification of Problems

Most BUMD covered various operational problems in running the company, because the problems are many and complex, given the cost and time limitations, this study observed associated with variable-variables: performance, strategies, competence, governance and culture. Endogenous variables that performance, strategy, seen as a result of the influence of core competence, which is an exogenous factor. All these variables and variable causes the

receiver due to the variables are within the organization's internal environment BUMD company, which is suspected there is a relationship between variables.

Formulation of Problems

Based on the boundary problem in the management of enterprises, then that becomes problems in this research are: 1) How are Core Competencies, Competitive Strategy and Performance BUMD; 2) Is there any influence of core competencies, for Competitive Strategy; 3) Is there any influence on the effect of Core Competence Corporate Performance; 4) Is there any influence on the effect of Competitive Strategy Corporate Performance; 5) Is there any influence of the influence of competence, to the Corporate performance through the Competitive Strategy.

Research Objectives

Research objectives to be achieved are: 1) Knowing the Core Competence, Competitive Strategy and Performance enterprises; 2) Knowing the influence of the core competencies of the Competitive Strategy; 3) Knowing the influence of Core Competence of the Company's performance; 4) Knowing the magnitude of the effect on the Competitive Strategy Corporate Performance; 5) Knowing the influence of competence on the performance of the Company through Competitive Strategy.

The Usefulness of the Research

For actors enterprises, to become a reference in improving corporate performance and competitive strategy in the business; for District / City Government and the Provincial Administration can be a reference for managing and supervising the implementation of the BUMD as the owner; as well as for other stakeholders may be a source of information relating to enterprises, as well as Sciences.

LITERATURE REVIEW

Under Law No. 25 of 2000 on government authority and the authority of provinces as autonomous regions, as well as Law No. 32 Year 2004 on Regional Government, which opens the opportunity for the regions to increase revenue (PAD). Among the activities that can be undertaken by the regions by establishing BUMD (Regional Owned Enterprises). The BUMD have a legal basis is Law No. 5 of 1962 concerning BUMD, in various regions can be formed corporate formerly known as Regional Company.

In many ways BUMD or enterprises are no different from other companies, so that the implementation of the activities of the company must carry out the functions of business consisting of marketing, operating, financing and other minor functions. Furthermore, the functions associated with management functions. Both functions are combined with the use of management strategies resulting corporate performance is superior.

Business functions need to be driven with the appropriate business activities in an integrated manner in order to generate a profit, a process or operation that is performed routinely to carry out part of the mission of an organization. Other functions are also very instrumental in business activity among the personnel function - human resources within the organization, the information needed to manage the data organization or enterprise as well as a variety of other functions that can be tailored to the needs of the company.

As companies BUMD necessarily need a strategy to get a goal or performance achievements of the company that is an advantage for the survival and development of the company. The strategy is a way to achieve the results good. This is certainly necessary to study the most appropriate way to use that company's survival and development of the company can be achieved. One of support that can be used is competency in this case the core competency that policies can be implemented properly. The following assessment will be made about theories, concepts and research that has been conducted concerning the corporate performance, competitive strategy, which is associated with the core competencies.

Core Competence

In a corporate organization, competence is a must-have either individually and organisationally. Individual ability is important in building organizational performance. Organization formally as a social entity that is directed by purpose and built intentionally (Daft, 2010). Managerial competence is a functional skills that businesses have played an increasingly important role in the development of the company as well as in the success of a company both small and medium businesses and large-scale enterprises.

Competence with corporate performance according to research conducted by Chye (2010), mentions innovation has been empirically recognized as one of the entrepreneurial orientation, characteristics which are required to improve the organizational performance of SMEs. Is there integration between innovation and managerial competencies to affect the performance of SMEs (Small and Medium Enterprises), in Malaysia is still controversial. The study tries to examine the moderating influence of managerial competence on the relationship between innovation and performance of SMEs in Malaysia.

In the study Chye, Competence placed as a moderating between innovation and SMEs performance and not as variables that directly affect performance. The results show that the competence has no impact on the relationship of innovation and performance in SMEs in Malaysia. In the beginning there is also still controversial about the innovation and managerial competence in influencing the performance of SMEs in Malaysia. Gaps facilitate the formation of research results to address the research questions the extent of managerial competence depends on the relationship between innovation and SMEs performance. Hypothesis of Chye (2010), resulting in: (1) The relationship between innovation and sales growth moderated by managerial competence and (2) The relationship between innovation and profitability was moderated by managerial competence. So growth of Sales and Profitability describes the concept of performance as the dependent variable is measured by two financial indicators, namely growth in sales and profitability.

According to Man (2004), the results of the entire industry in the country revealed that managerial competence has no impact on the relationship between innovation and SMEs performance, so it is not competence does not affect the performance of SMEs, as tested is competence as moderating the relationship between innovation and performance. Competency approach is applied to overcome the competition process SMEs dimension. Potential dimensional sphere of competence shown by both the competitive and organizational abilities of the company, while the dimensions of performance consists of several indicators.

In this study is used as core competencies that describe the activities of competencies with broad involvement, and commitment to work across organizational boundaries. Core competencies can be the glue that binds the existing business, as well as dealing with a wide range of environments. Core competence according Hitt (2012: 96) "an interrelated set of activities that can deliver competitive advantage in the short term and into the future" Competencies are "core" when they (1) provide access to a wide variety of markets, (2) Significantly Contribute to perceived customer benefits of the end products or services, and (3) are difficult, for competitors to imitate.

When the organization is conceived of as a multiplicity of SBUs, no single business may feel responsible for maintaining a viable position in core products nor be able to justify the investment required to build world leadership in some core competence. (Prahalad dan Hamel, 2011). Barney, in his VRIO framework of analysis, proposes four questions to evaluate a firm's Competencies (Wheelen, 2012): 1. Value: Does it provide customer value and competitive advantage?; 2. Rareness: Do no other competitors possess it?; 3. Imitability: Is it costly for others to imitate?; 4. Organization: Is the firm organized to exploit the resource?. The answer is

yes for competence VRIO particular, it is considered to be a strength. VRIO into a dimension that will be used in research to look at the core competencies of enterprises.

Based on the discussion of the various sources indicate that there are competence elements: 1) knowledge; 2) skills; 3) certain behavior; 4) individual or organization (company). These elements can be reflected through the ability to perform tasks or results of individual and organizational performance (company) in accordance with the targets or plans. In creating a sustainable competitive advantage, companies must look for and find ways or strategies to identify, develop, and utilize core competencies that can promote growth.

Core competence is a set of knowledge, skills, and behaviors that must be owned, that is able to be applied and attached to the organization in order to be able to carry out tasks in a professional manner. Core Competencies will give the corporate a competitive advantage and boost performance. Core competencies need to make sure whether these factors can be positioned where the internal forces that help determine the future of the company.

Competitive Strategy

The strategy of corporate and business unit started from an overall master plan about how where the corporation or business can achieve its mission and objectives. Hunger & Wheelen (2012): "A strategy of a corporation from a comprehensive, master plan Stating how the corporation will Achieve its mission and objectives. It maximizes competitive advantage and minimized competitive disadvantage ". The strategy of a corporation is a comprehensive master plan of how the corporation will achieve its mission and objectives, to maximize the advantages and minimize the disadvantages competitive.

The concept proposed by Hill & Jones (2009): At its essence, the concept of competitive advantage is a firm's ability to provide value to customers that exceeds what competitors can provide. In a profit organization, having a competitive advantage contributes to consistently higher profits than its competitors. Competitive advantage can be realized by creating excellence in efficiency, quality, innovation, customer responsiveness that all of this can be made up of distinctive capabilities. Formed the distinctive capabilities of the available resources and capabilities of the organization or company.

Hung Hsu (2012) research: The Analyzed and measured current study organizations use of competitive business strategy, knowledge management and e-business adoption effect on performance. The study proposed that the use of a differentiation strategy, a greater capability of knowledge management and a higher level of e-business adoption, lead to higher organizational performance in the market place. This study analyzed and measured business organizations currently using competitive strategy, knowledge management and e-business

adoption effect on performance. This study proposes that the use of a differentiation strategy, greater ability of management knowledge and a higher level of adoption of e-business, leading to higher organizational performance in the market.

Porter formulate a strategy called Porter generic strategies or strategic generic Porter based on the relationship between the cost and differentiation to 5 quadrant or in five dimensions, each quadrant can be explained: 1) Low cost provider strategy; 2) A Broad differentiation strategy; 3) A focused low cost strategy; 4) A focused differentiation strategy; 5) A best cost strategy. Action to create the competitive advantage, have important consequences in the structure of the industry, where there are five forces that determine the ability of companies to compete in an industry where investment to earn a return that exceeds the cost of capital.

Corporate Performance

Performance is a set of results achieved and refers to the act of achievement as well as the implementation of any work requested. Wheelen and Hunger (2012) states: Performance is the end result of activities. It includes the actual outcomes of the strategic management process. The practice of strategic management is justified in terms of its ability to improve an organization's performance, typically measured in terms of profits and return on investment. So all the final results obtained in the activity of the corporate activity is the performance of the organization or company, including the impact of the strategy management process. Later management strategy will be able to see requirements that can provide capabilities in the development of an organization, the size of the kinds of requirements of profitability and return on investment that has been planted by the company.

Desires and needs of investors in general according to Wibisono (2006) are: 1) Return; 2) Reward; 3) Figure; 4) Faith. Output Management Financial and Non financial Output is to be able to meet the needs of stakeholders, which may differ from one another. Parties are very concerned with the financial performance of the company is the investor. The dimensions used to measure the performance of companies use financial and non-financial results.

Hypotheses

Based on the description of the background of the research, the results of the literature study and the results of previous studies, the research hypothesis is structured as follows:

1. Core Competence is not high; Competitive strategy is not superior as well as Corporate Performance is not high on enterprises in the province of Aceh;
2. Core Competence does not affect the Competitive Strategy;
3. Core Competence does not affect the Corporate performance;

4. Competitive Strategy does not affect the Corporate performance;
5. Core Competence does not affect the Corporate performance through the Competitive Strategy.

RESEARCH METHODS

The Research Design

This research approach that specifically economics and management science strategy, which is focused on competencies (Core Competence), in relation to the Competitive Strategy and its impact on Corporate Performance BUMD. In order to meet methods that scientific way to obtain data and facts, ie. rational, empirical and systematic, the research is census method because it uses all the existing population. This research is directed at the Policy Research because there is a problem, and this problem on generally owned by the administrators/ managers or decision makers in an organization (Sugyono, 2005). Results of this study will analyze about fundamental social issues in the company-owned, so the findings can be recommended to the decision makers to act in practice in problem solving. Results of this research will be expected also relevant in preparing corporate planning, especially enterprises.

This research method is designed in the form of descriptive research and research verification. Descriptive research is used because it can give an overview description of the variables studied, covering Corporate Performance through Competitive Strategy which includes variable core competencies, with descriptive studies can be described the results of the transformation of data into the form of numbers, percentages and tables needed to makes it easy to be understood and interpreted so that enterprises can be imaged identity.

Thus questions arise that need to be investigated: Does enterprises already have the ability to create Competitive Strategy of utilization of core competencies, to anticipate changes in internal and external enterprises. Results of research and discussion will be obtained answer explanations with descriptive statistical analysis approach. The method used for verification approach can explain the correlation and causality relationship of the variables studied for the use of analysis tools (analysis tool) in Completion of this dissertation was PLS.

According Ghozali (2011), PLS (Partial Least Squares) is a powerful analytical method, free distribution (not assuming a certain distribution of data, can be nominal, category, ordinal, interval and ratio). Some basic assumptions as appropriate PLS such that there is a relationship between variables is linear, adaptive and is Normal. System flow direction of causal unity means no causality reversed direction (toward the back). PLS is more appropriate for the prediction, assuming that all variable size is useful to explain companies financial and non-financial results.

Variable Operationalization

To obtain information about the data in this study, it was observed, and towards the studied variables with concepts and theories related. The variables measured by the scale of the indicators of each variable. The main variables in this study are:

- a. Independent variables (exogenous variable), the independent variables that can affect other variables consist of: X = Core Competency; with dimensions consisting of: X11 = Value; X12 = Rareness; X13 = Imitability; X14 = Organization;
- b. Dependent Variable (endogenous variable), the dependent variable that can be influenced by other variables consist of: Y = Competitive Strategy, with dimensions consisting of: Y1 = Low cost provider strategy; Y2 = A Broad differentiation strategy; Y3 = A focused low cost strategy; Y4 = A focused differentiation strategy; Y5 = A best cost strategy; and Z = Corporate Performance, with dimensions consisting of: Z1 = Financial Performance; Z2 = Non Financial Performance.

Sources of Data / Information

Source of data in this study are enterprises Aceh province, as the unit of observation is the company enterprises. Respondents in this study was the leader (chief executive) and the field directors / managers of each local enterprises, this is because the leaders who organize and run the strategy of the company, so they are more aware of the policies and activities of the company.

BUMD in the province of Aceh there are a number of 31 units, because of the small numbers in this study were taken throughout enterprises Aceh province. As for the respondents in this study were 88 respondents consisting of the director and the director of field / manager.

Data Collection Technique

Collecting data in this study used a combination of techniques consisting of: a) Secondary data obtained from intansi Provincial Government and District Government / City and enterprises Aceh province. b) The primary data obtained from the management of BUMD with questionnaires.

Validity Test, Reliability Test and Model Test

Data from the questionnaires tested validity level is mainly due to the possibility of an error of a number of respondents in completing the questionnaires. To test the sincerity of respondents used validity and reliability testing. Validity test to determine the ability of the instrument to reveal something that becomes the object of measurements made by the instrument. Sekaran

(2007), explains that the validity of the gauges show the extent to which it wants to measure what you want in the measure. "The validity of the grains questions correlate measured by the value of each item questions with a total score of a factor through the use of the Pearson product moment correlation" (Sugiono, 2005).

Before the test the test model used to determine whether the model parameters can be estimated or not, to identify the model. To evaluate the statistical model used several suitability index for measuring the degree of fit between the hypothesized model with the data presented. Conditions fitness model in the study based on the research results with the data processing program variance based SEM (PLS-SEM), using the program Warp-PLS 4.0. Generate loading General SEM analysis results are analyzed in order to see the research model in order to match the application. By using the method of estimation by PLS models obtained full path diagram showing the effect of Core Competence, which mediated Competitive Strategy on Corporate Performance. This study used two types of analysis, descriptive analysis for qualitative variables, and analysis verification for quantitative variables, using a statistical test.

Draft Test and Analysis

Draft Test Analysis of the results of research on the underlying purpose of the study, which in part uses the first part and the second part of descriptive methods using verificative method.

Hypothesis 1

Ho1: Core Competence, Competitive Strategy and Corporate Performance enterprises in the province of Aceh has not been good. Ha1: Core Competence, Competitive Strategy and Corporate Performance enterprises in the province of Aceh has been good.

Hypothesis 2

Ho₂: $\gamma_1 = 0 \rightarrow$ Core Competence does not affect on Competitive Strategy the enterprises in the province of Aceh. Ha₂: $\gamma_1 \neq 0 \rightarrow$ Core Competence no effect on the Competitive Strategy enterprises in the province of Aceh.

Hypothesis 3

Ho₃: $\gamma_1 = 0 \rightarrow$ Core Competencies does not affect the Corporate performance enterprises in the province of Aceh. Ha₃: $\gamma_1 \neq 0 \rightarrow$ core competence affect the Corporate performance enterprises in the province of Aceh.

Hypothesis 4

Ho₄: $\gamma_1 = 0 \rightarrow$ Competitive Strategy does not effect on the Corporate Performance enterprises in the province of Aceh. Ha₄: $\gamma_1 \neq 0 \rightarrow$ core competence affect the Corporate performance enterprises in the province of Aceh.

Hypothesis 5

Ho₅: $\gamma_1 = 0; \beta = 0 \rightarrow$ Core Competencies; does not affect the Corporate performance enterprises through Competitive Strategy. Ha₅: $\gamma_1 \neq 0; \beta = 0 \rightarrow$ core competencies affect the Corporate performance enterprises through Competitive Strategy.

Category Likert scale used is as follows:

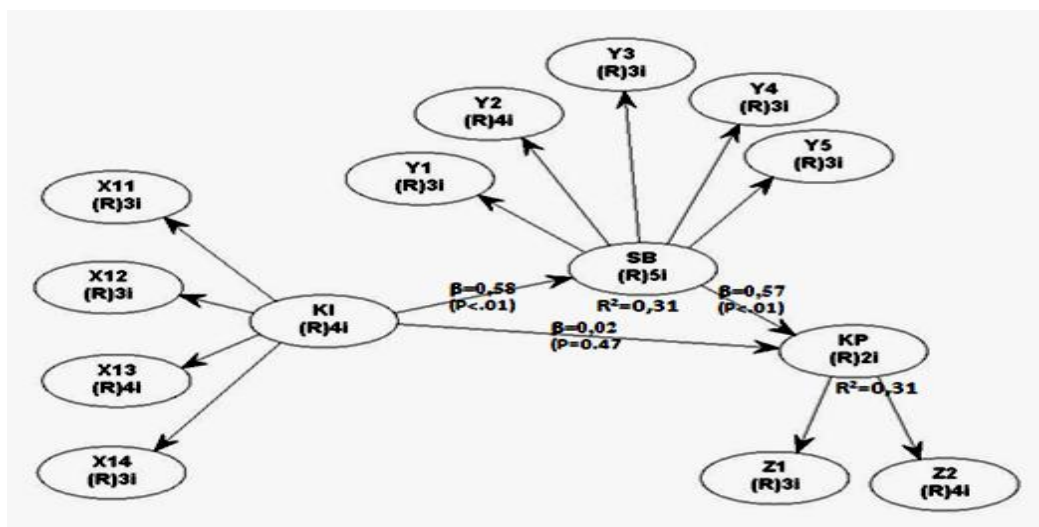
Table 2: Categories Likert scale used

Symbols	range / interval	Category
1	1,00 - 1,79	Very good / very imprecise
2	1,80 - 2,59	No good / no appropriate
3	2,60 - 3,39	Neutral / medium / same
4	3,40 - 4,19	Good / right
5	4,20 - 5,00	Very good / very precise

EMPIRICAL RESULTS

Data were processed with variance Program based SEM (PLS-SEM), using the program of Warp PLS Version 4.0. Loading models were obtained as follows:

Figure 1: Core Competence Research Relations, Competitive Strategy and Corporate Performance BUMD Aceh Province



Specification: KI = Core Competency; SB = competitive Strategy; KP = Corporate Performance; X11 = Value; X12 = Rareness; X13 = Imitability; X14 = Organization; Y1 = Low cost provider strategy; Y2 = A Broad differentiation strategy; Y3 = A focused low cost strategy; Y4 = A focused differentiation strategy; Y5 = A best cost strategy; Z1 = Financial Performance; Z2 = Non Financial Performance.

According Ghozali (2014: 63), the analysis of PLS SEM- program (Structure Equation Model-Partial Least Squares) PLS Warp 4.0 grouped into measurement models (outer model) and structural models (inner model). The following are two models in analyzing the suitability of the model of research Regional Owned Enterprises.

Match Analysis Model

To process the research data used variance program based SEM (PLS-SEM), using the program Warp-PLS 4.0 which produces loading General SEM analysis results. Then analyzed in order to see the research model in order to match the application. By using the method of estimation by PLS models obtained full path diagram showing the effect of Core Competence, which mediated Competitive Strategy on Corporate Performance.

Based resulting from loading is the Number of latent variables in the model: 3, it indicates conformity with the research model. Research data with census method of all companies number 31 fruit into a unit analysis. After loading which produces processed Number of cases (rows) in the data model: 31, this means that no error occurred. The data is then performed using the resampling method resamples used in the analysis: bootstrapping, resulting in the Number of Data resamples used: 100, for processing the data used SEM program - WarpPLS 4.0. This resampling technique is used to calculate a prediction that the results are relevant to the issues.

Loading results show Number of indicators used in the model: 11, which is the dimension, while the indicator in the model are a number of 45 items. This process occurs because of the construct formed from latent constructs dimension, so that meant indicator here is the dimension obtained from the process of data, resulting in a multi-dimensional construct. Constructs (latent) muti-dimensional formed with second order construct analysis, the construct is very good at explaining complex phenomenon.

Analysis of Measurement Model (Outer Model)

Analysis of Measurement Model (Outer Model), is a model that connects between the latent variables (constructs) the manifest variables (indicators). Through loading resulting from the

output process WarpPLS program 4.0, was used to analyze the variables that exist in the research model.

Indicator Reliability used to explain the latent constructs and composite reliability to measure overall reliability. The results of reliability test loading is Core Competence = 0.615; Competitive Strategy = 0,877; and Corporate Performance = 0.852. Value Composite Reliability is considered satisfactory is > 0.7 , were analyzed using Cronbach Alpha method. Said to be reliable if the reliability coefficient is positive > 0.7 , of variable value 0,880 Competitive Strategy and Corporate Performance value is 0.852, while the core competency value = 0.615 or < 0.7 , but it is still acceptable for research that is exploratory research on the value 0, 6 to 0.7 (Ghozali, 2014).

The validity of the value can each dimension obtained results loading of Normalized combined loadings and cross-loadings, shows that the value of the validity of each indicator (as seen from the dimensions) is > 0.3 , which means that the indicator is used are valid.

Analysis of Structural Model (Inner Model)

Inner Analysis Model aims to predict the relationship between latent variables to see how much variance that can be explained by each variable from various loadings generated by the program. Average Variances Extracted (AVE) values of each are: Core Competence = 0.753; Competitive strategy and KP = 0.778 = 0.871. AVE recommended value > 0.50 . The results show that all the variables are above standard. Then of value indicates that all variables have been able to tell from the above indicators as standard.

Average path coefficient (APC) = 0.296, the value obtained from the resampling, these results identify models are at moderate position. Average R-squared (ARS) = 0.143, shows that the model is on the weak. APC value, ARS or Aars these criteria is a strong model of < 0.70 ; model of moderate (moderate) < 0.45 ; as well as models of weak < 0.25 . Average adjusted R-squared (Aars) = 0.098. This research model can be applied even if there are some weak, but has good predictive models to explain the variables.

Average block VIF (AVIF) and Average full collinearity VIF (AFVIF) is fit models used to measure collinearity in the PLS model. Results loading erage block VIF (AVIF) = 1.026, and Average full collinearity VIF (AFVIF) = 1.225, acceptable if ≤ 5 , ideally ≤ 3.3 . Value both at ≤ 3.3 , so the model ideally for applications.

Loading results show Goodness of Fit Model Tenenhaus value GoF (GoF) = 0.517. According Fornel and Larck (Ghozali, 2014), the criterion is the value of GoF with small > 0.1 , medium > 0.25 , large > 0.36 . So the value of GoF = 0.517, indicating that the model predicts

large. GoF is the larger value shows that the model built in general is good, then the consideration of the model need to be applied.

Sympson's paradox ratio (SPR) = 0.767, where SPR acceptable if > 0.7 , ideally = 1. SPR identify causal relationships. BUMD research results showed SPR = 1, then the causality in this study has been ideally. R-squared contribution ratio (RSCR) = 0.937, acceptable if > 0.9 , ideally = 1. R-squared contribution ratio (RSCR) is an index for measuring the model that is free of the R-squared is negative. If negative, the R-squared would reduce the percentage of variance explained in the predictor. This value indicates the ability of exogenous constructs explaining the variation in the endogenous constructs. Statistical suppression ratio (SSR) = 1.000, acceptable if ≥ 0.7 . Suppression arise when a path coefficient has a value that is greater than the correlation with the path that connects the two variables. BUMD research results show the value of SSR = 1 means it has 100% of the paths in the model free of statistical suppression (emphasis added). Nonlinear bivariate causality direction ratio (NLBCDR) = 1.000, acceptable if ≥ 0.7 . Loading the results BUMD show Nonlinear bivariate causality direction ratio (NLBCDR) = 0.767. NLBCDR received > 0.7 means of a corresponding path in the model can be powered from causality. Experimental test specifically for research and NLBCDR SSR is highly recommended.

In general, showed that the model can be used for applications, because most of the models have met the criteria for testing, although there are some weaknesses that do not unduly influence the results predicted.

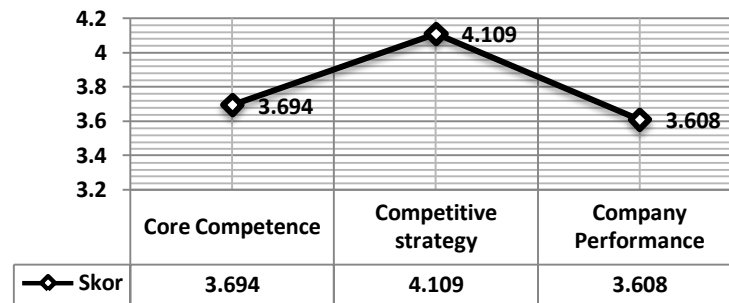
To see the state of the companies associated with each variable, then the first conducted a descriptive analysis. Results of research is the answer to the question / statement of 88 managers of enterprises, which is composed of the chief executive / director and Director of Field / Functional than 31 enterprises that becomes the unit of analysis.

Descriptive Analysis

In this study to determine how core competencies in enterprises, researchers used four dimensions consisting of: 1) Worth; 2) Scarcity; 3) Sustainable; 4) Organizing. Results are descriptive variable core competencies of 3.694, a score is included into the range of the category scores well, (in the range of 3.40 to 4.19) in accordance with the categories used Likert scale (Table 1). Strategies variable competes with five dimensions consisting of: 1) Low cost provider strategy; 2) A Broad differentiation strategy; 3) A focused low cost strategy; 4) A focused differentiation strategy; 5) A best cost strategy. Results are descriptive variable Competitive Strategy of 4.109, a score included into the range of a good score category.

Corporate Performance variables with two dimensions consisting of: 1) Financial Performance; 2) Non-Financial Performance. Here's the score of each of the variables included in the chart.

Figure 2: Score charts Core Competence, Competitive Strategy and Corporate Performance In the province of Aceh BUMD



Analysis Method Verification

Verificative method then analyzed by the method to determine or influence the magnitude relationship between variables, using the following guidelines coefficient interpretation:

Table 3. Guidelines for the Interpretation of Correlation Coefficient

No.	The coefficient ranges	Relationship level
1	0,000 - 0,199	very low
2	0,200 - 0,399	Low
3	0,400 - 0,599	moderate
4	0,600 - 0,799	Strong
5	0,800 - 1,000	very strong

Hypothesis 2: analysis of the effect of Core Competence Competitive Strategy

Model Equations:

$$Y = \gamma_1 X + \zeta$$

A test results showed the equation:

$$Y = 0.589 X + 0.688$$

Core Competence output results showed moderate effect ($\gamma_1 = 0.589$) to Competitive Strategy, P-value < 0.001. Core Competence test coefficient on firm performance is $\gamma_1 = 0.589$, so $\gamma_1 \neq 0$. The use of census technique can eliminate errors in sampling as well as providing data on all individuals in a given population (Sarwono, 2008). Cooper and Schindler (2014) says further: After you have your hypotheses detailed in your planning preliminary analysis, the purpose of hypothesis testing is to determine the accuracy of your hypotheses due to the fact that you have

collected a sample of the data, not a census. So the results of the coefficient already has a high accuracy, so that does not need to be tested so that the value of the P-value ignored. Coefficients of the variables in the structure of relations effect of X on Y indicates $\gamma_1 \neq 0$, then Ho2 Ha2 rejected and accepted, so the Core Competencies; effect on the Competitive Strategy enterprises in the province of Aceh.

Effect of Core Competencies for Competitive Strategy enterprises where Adjusted R-squared of 0.314 which indicates that 31.40% of variables that can be described Competitive Strategy. While the remaining 68.60% is explained by other variables not included in this study. Core Competence score of 3.626 in both categories, while the value of the score is 3.690 Competitive strategy with both categories.

Core competencies relationship with Competitive Strategy in this study show the influence of the medium, but the variable core competence is very important, because the use of more effective in making policy for the use of facilities (such as machinery or equipment production) and preparation of human resources and other resources is one of the elements core competencies. Core competencies are required to prepare a variety of devices associated with the Competitive Strategy. Furthermore, according to Srivastava (2005), which is very important that the development of the concept of core competence is the basic source of the company's view that suppress the fact that the competitive advantage rests on its unique corporate ownership and difficult.

Therefore, Competitive Strategy in implementing the company's operations to anticipate the actions of other companies or competitors with a variety of techniques or a good way, so that it can provide benefits in the long term requires a Core Competence.

Hypothesis 3: Analysis of Core Competence influence on Corporate Performance

Model equation:

$$Z = \gamma_1 X + \zeta$$

Statistical test results showed the equation:

$$Z = 0.025 X + 0.842$$

The core competence is very low impact $\gamma_2 = 0.025$ against the Corporate performance, the coefficient (X) is $\gamma_2 = 0.025$, P-value <0.001. So $\gamma_1 \neq 0$, then Ho1 Ha1 rejected and accepted, then the core competencies affect the Corporate performance enterprises in the province of Aceh. Effect of Core Competencies for Corporate Performance Adjusted R-squared which amounted to 0,312 which showed that 31.20% which can be explained from a variable

relationship with the Core Competence Competitive Strategy. While the remaining 68.80% is explained by other variables not included in this study.

Hypothesis 4: Analysis of Competitive Strategy on Corporate Performance

Model Equations:

$$Z = \beta_1 Y + \zeta$$

Statistical test results showed the equation:

$$Z = 0,574 Y + 0,686$$

Results of calculation of output variables that influence Competitive Strategy to Performance-owned company with a coefficient $\beta = 0,574$, which indicates the coefficient being, with P-Value = 0.121 (because census P-Value is ignored). Competitive Strategy coefficient affect Corporate performance ROE was (Y) $\rightarrow \beta = 0.574$, so $\beta \neq 0$, then Ho4 Ha4 rejected and accepted, so the effect on the Competitive Strategy Corporate Performance enterprises in the province of Aceh. Effect of Competitive Strategy for Corporate Performance ROE amounted to $R^2 = 0.314$ or can be explained by 31.40%, while the remaining 68.60%, influenced or can be explained by other variables not included in this study.

Competitive strategy influence on corporate performance shows the coefficient being, means that the role of the relationship between Competitive Strategy in conjunction with the Corporate performance is not strong. But in a business strategy role, in this case an important competitive strategy, to increase the Corporate performance increased role of the strategy should be developed. To improve strategic competence can be developed dimensions are: Low cost provider strategy; A focused differentiation strategy; A best-cost provider strategy that is in both categories in the description of the results of the research, in order to enhance the role of competitive strategy.

Hypothesis 5: Analysis of Core Competence Effect on Corporate Performance enterprises through Competitive Strategy

Structure of Core Competence relation to the Corporate performance through the Competitive Strategy can be seen the effect of indirect effect is obtained through a calculation using the formula VAF (Variance accounted for), Ghozali (2014).

$$VAF = (a \times b) / (a \times b + c) \times 100\%$$

Figure 2: Effect of Core Competence (X) to Corporate Performance (Z) through Competitive Strategy (Y)



Indirect effect influences the calculation results for each variable partially by using the formula can be explained as follows:

$$VAF = (0.589 \times 0.574) / (0.589 \times 0.574 + 0.025) = 0.931$$

Core Competence direct influence on Corporate performance shows $\gamma_1 = 0.589$, whereas the effect of Core Competence of the Corporate performance through the Competitive Strategy for $VAF = 0.931$. So Effect of Core Competence of the Corporate performance through greater Competitive Strategy.

CONCLUSIONS

This study focuses on the corporate performance variables and factors that can increase or decrease the corporate performance, in this case the variable core competencies, and the variable Competitive Strategy as moderating variable. Based on the hypothesis test each structure, following drawn some conclusions.

1. Position according descriptive core competencies are in good shape and the position of Competitive Strategy is also in good condition, as well as the position of Corporate Performance by descriptive located in good condition.
2. Core Competence effect on the Competitive Strategy, which shows the coefficient being.
3. Core Competence very low impact on the Corporate performance. Competitive Strategy variables influence on corporate performance that shows coefficient being.
4. Effect of Core Competence Competitive Strategy directly to the show is smaller than the effect through Competitive Strategy.

For subsequent researchers, is expected to expand the unit of analysis as well as adding several independent variables that affect the performance of the company. The broader the scope of research will increasingly broad generalization of research results and if the results of the same research will strengthen the existing theories.

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