

THE INFLUENCE OF COMPETITIVE STRATEGY AND BUSINESS PARTNERSHIP ON BUSINESS PERFORMANCE OF TEXTILE INDUSTRY IN INDONESIA

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Abstract

The textile industry has a strategic position in the Indonesian economy, the export value of textiles Indonesia within the last 5 years tend to be relatively lower. In addition, sales growth, profitability, and return on equity (ROE) is still low. This indicates that business performance of the textile industry sector tends not optimal. It was thought to be caused by yet precisely competitive strategy and business partnerships run by the manufacturer. Therefore, this study aims to examine the influence of competitive strategy and business partnerships on business performance of textile products industry in Indonesia. This study is verification by nature. The unit of analysis and observation in this study is the management of a company belonging to the textile industry in Indonesia. The population in this study is go public-textile company in Indonesia totaling 22 companies. This study uses the entire observation unit in the population to be analyzed, so that the sampling technique is census. Observations using the time horizon that is cross section/one shoot. Hypothesis is tested through the (Partial Least Square) model PLS.

The findings indicate that competitive strategy and business partnerships affect business performance, which competitive strategy has a greater influence than business partnerships in influencing business performance. So the companies are advised to increase their competitive strategy development.

Keywords: Competitive Strategy, Business Partnership, Business Performance, Manufacture, Return on Equity, Partial Least Square

INTRODUCTION

Business continuity of textile and textile products industry is clearly expected to be able to increase the performance of national exports in order to bring in foreign exchange export larger than previous years, and implement other economic and social function of which is to maintain employment. BPS recorded the number of Indonesian workers until February 2011 reached 119.4 million people with employment in the industrial sector of manufacturing as many as 13.71 million people. In the textile sector a direct workforce of 1.4 million people where most, or about 47 percent comes from the garment sector, followed by the weaving sector to absorb 19,250 people and fiber making and spinning sector (Census BPS : 2012).

Nationally, industrial textiles and textile products (TPT) were classified as non-oil processing industrial sector, in the post- crisis economy, national industry experienced a slowdown in growth that is marked by a decrease in the performance of some sectors. Based on data of 2014 from API revealed that Indonesia's textile exports within the last 5 years is relatively lower, while the domestic market potential is relatively likely to grow.

Similarly, the textile industry, according to data from Bank Indonesia in 2013 since the last 10 years has grown unstable, so the growth rate is still not as expected, while the industrial sector has a very important role as one of the main pillars of industrial sectors in Indonesia, Facts show that the growth of the textile industry, until 2010, is still not optimal, although starting from the year 2009 this sector has started to rise until 2011, but decreased again in 2012.

In 1990-1995, the contribution of the textile sector investment reached 10 % -18 % of the total investment. While in the years 2005-2010, the contribution of investment in the textile sector under 5% of the total investment. Even in the year 2010, investments in this sector amounted to only 1% of the total investment. This indicates that the performance of the textile industry sector companies tend not optimal.

When viewed from the position of the company's performance is seen from the performance of exports, the textile industry in Indonesia , compared with other countries , tend

to be still lagging behind, whereas 20 years ago, the industry has experienced a golden age in the country. Textile products more difficult to enter the world market due to declining competitiveness, especially with the emergence of new competing countries that use the new technology, so that the value of Indonesian exports stagnant (around USD 7-8 M/year), while the market share of Indonesia reached about 2 % of the world market share.

Table 1. Global Supplier of the Year 2011 TPT

State	Export Share	State	Export Share
China	30%	Belanda	2%
Hongkong SARC	6%	Korea Selatan	2%
Itali	6%	Vietnam	2%
Jerman	6%	Spanyol	2%
India	4%	Pakistan	2%
Turki	3%	China Taipei	2%
AS	3%	Inggris	2%
Perancis	3%	Indonesia	2%
Bangladesh	3%	Jepang	1%
Belgia	3%	Thailand	1%

Source : International Trade Statistics

In the table above shows that Indonesia is far behind China, and by the numbers are still under Vietnam as can be seen in Table 1. Though Indonesia has a lot of potential to develop the textile industry compared to other countries. On the other hand, the competitiveness of the textile industry can be seen from various aspects of the competitiveness based on price and competitiveness based on quality. Price competitiveness of TPT Indonesia is getting lost due to the rising cost structure. The increase in the cost structures faced by the textile industry, among others, the increase in provincial minimum wage, the increase in fuel prices due to the policy of fuel subsidy reduction, increase in electricity tariffs. Increased provincial minimum wage will be felt for the textile industry, especially the garment industry in view of the industry is very labor intensive.

In the period 2007-2011, the performance of industrial companies is relatively still low, even the Indonesian state is in a position to 11 textile exporting countries. According Wheelen and Hunger (2012) that the company's performance can be measured from the sales and profitability of the business. From the results of preliminary observations, it was revealed that today's sales growth in the industrial environment is less favorable, at this point still difficult to achieve sales targets. The low performance of the company may also be indicated by low financial performance as measured by one of the financial ratios Return on Equity (ROE).

These is allegedly due to the partnership strategy in Indonesian textile industry is not yet optimally braided. The phenomenon that occurs today is the weakness of cooperation across functions within the company, not been created a work culture that lead to an increase in the effectiveness of the company, not been created a partnership with intermediary institutions in terms of the establishment of financial schemes appropriate for the textile industry, and not been created a formation of cooperation with the supplier in providing input requirements, as well as raising the business community has not been optimal with the customer that is supported by the existence of preferential treatment from the company for customers that provide higher profit share. Meanwhile, according to Cravens (2009) good business partnership is the establishment of partnership vertically and horizontally involving the various related stakeholders.

In addition there are still weaknesses in designing competitive strategy compared to other countries. According to Barney (2010), Competitive strategy can be formed through the strategies of differentiation and cost leadership. Phenomenon that exist in the textile industry in Indonesia indicates the difficulty of creating innovative products that are difficult to be imitated by the competitors, the weakness of the company in anticipated changes in the external environment and not been created a more competitive product prices compared to competitors' products. Price competitiveness of products compared with products from other countries, especially products from China is still relatively difficult to compete. Yet according to Wheelen & Hunger (2012, p.183), indications having a competitive advantage if the company is able to create a product that is relatively more superior than its competitors. One of competitive strategy dimension is more speed, which is in fact the speed of management to anticipate and assess the condition of the external environment is still relatively low, so in other words the management is still relatively difficult to move faster compared to the competitors.

Based on these descriptions, this study aims to examine the influence of competitive strategy and business partnership on business performance of textile industry in Indonesia.

LITERATURE REVIEW

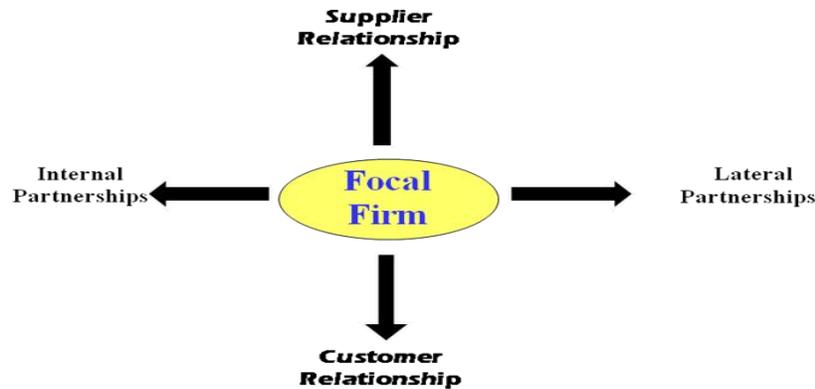
Business Partnership

Asher (2003, p.12) suggests some of the concepts of partnership "Partnerships can be defined as relationships between organizations (sometimes Including competitors) to Achieve a goal that no one business can Accomplish alone (Kumar and Crook, 1999) At a high level, the partners in the business must form some type of business relationship for exchange. "A business relationship can be seen as a business contract for an exchange (eg, exchange

money for goods or services). The contract could be to manage transactions or to manage relations (Macneil 1978).

Business partnerships include vertical relationship that consists of relationships with suppliers and customers and horizontal which consists of lateral and internal partnership. The following types of partnerships the company that developed by Cravens (2009, p.8).

Figure 1 : Types Of Organizational Relationships



Source: Craven (2009: 8)

Competitive Strategy

Porter (2004) states that the companies will achieve success if the determinant factors (diamonds) support the policies and programs of the company's marketing. Jusoh and Parnell (2008, p.15) argues a complete measurement of the variables competitive strategy that consists of:

1. Efficient producer of goods and services
2. Highly innovatice
3. Customers feel as if we understand them
4. Most in tune with customer demands
5. Leader in the industry
6. Market products exceptionally well
7. The quick and effective response to customers
8. Concentrate on innovation
9. Unique products and services
10. Different attributes in products and services
11. Lowest possible offer price (offer the lowest possible price
12. Lowest priced products and services

Parnell (2011) assessed the effect of strategic capabilities to the relationship of strategy-company performance in the retail business in Argentina, Peru, and the United States. The study was based on self-reported assessment scale on competitive strategy, organizational capabilities, and performance.

Muafi (2009) studied empirically the level of alignment of competitive strategy of services company. He uses a configuration and contingency approach to determine whether there is a relationship between competitive strategy and organisational performance.

Wan and Bullard (2009) examined the cloth industry, furniture, and household in the United States focused on the relationship between business-level competitive strategy, competitive strength and performance

Pearce and Robinson (2013, p. 231), competitive strategy is the creation of a sustainable competitive advantage that is capable of making the company different from its competitors and provide more value to the products and services produced.

Business Performance

There is some measurement of business performance such as owner satisfaction, profit and turnover (Alasadi & Abdelrahim, 2007) ; Tobin Q (Williams & Naumann (2011), business net profit (Ainin et al, 2007). Eikebrokk & Olsen (2009) examines performance of e-business based on efficiency, complementarities, lock-in and novelty.

Matic (2012; p. 281) divides business performance into *Non- Financial Business performance measure* dan *Financial Business performance measure*. *Non- Financial Business performance measure: Customer satisfaction, Quality of products and/or services, Market share, Growth of sales, Reputation of organization, Employees' satisfaction with their jobs, Organizational innovativeness*. While the Financial Business performance measure includes: Return on assets (ROA), Return on equity (ROE), Operative profit.

Accomplished Research Review

Trim and Lee (2008) discusses the role of marketing in the strategic decision making process, highlighting the role that marketing in the development of a sustainable partnership arrangements, and describes the relationship between organisational learning and strategy implementation.

In Anonymous (2002) presented a statement Neil Lebovits, Chief Operating Officer of Ajilon Finance that “developing a strong partnership strategy has always been an important aspect of conducting business in corporate America. However, in today's Rapidly evolving

business world, it is a good time to review the partnerships you currently have and where else Consider a partnership can help grow your business”.

Yan (2011) integrate external environmental management perspective and approach to strategic choice. The research has confirmed the importance of understanding the external environment to achieve a competitive advantage that has implications for improving corporate performance. Hsu (2012) showed that a firm with a strategy of differentiation and a higher level of e-business adoption creates greater organisational performance. Yeung et al (2006) address the lack of review of the logistics strategy. Their research addressing these issues based on the strategic orientation Porter namely differentiation, cost leadership, or a combination thereof.

Kwon et al (2009, p. 102) show that the success of Hana Tour due to the partnership as stated "The foundation of HT's success is the travel agency's B2B2C business model and the strong partnerships with small local travel agents.

Al-Abdallah et al (2014) showed that the supplier relationship management practices, development of supplier partnerships and a reduction in the primary supplier time significantly and positively affect the buyers company competitive performance. Wu, Lin, Chien, Hung (2011, p.122) found that the ability of the supplier and the ability of the partnership have a significant positive relationship with competitive advantage. The study concluded that the semiconductor industry should pay attention to the evaluation of the ability of suppliers to take into account the overall capability of the supplier and the integration of resources, especially innovation and quality, to enhance partnerships, and to build core competencies chain of suppliers through technical cooperation and strategic alliances, as well as all efforts can help organizations achieve a competitive advantage that is higher and constant growth in operational performance.

METHODOLOGY

This research is descriptive and verification. The nature of the verification study basically to test the truth of a hypothesis which is carried out through data collection in the field, which in this study will test whether the company's resources and the value creation affect the performance of the business. The research method used is a descriptive survey and explanatory survey methods. The unit of analysis and unit of observation in this study is the management of a company belonging to the textile industry in Indonesia. The population in this study is a textile company in Indonesia that have go public, amounting to 22 corporate and took a whole unit of observation in the population to be analyzed, so that the sampling technique used is the census method. Observations using the time horizon is cross section/one shoot, meaning information or data collected directly empirically at a particular time. Data were analyzed verification. Testing the hypothesis through the model PLS (Partial Least Square).

RESEARCH RESULTS

In this section will be presented the results of tests that examine how the effect of competitive strategy and business partnerships on business performance of textile products with the first evaluation models.

Model Estimation

Evaluation of PLS models into 2 phases:

1. Evaluation of outer model includes outer loading value (said to be valid if the outer loading > 0.5 . (Chin, 2000), AVE (> 0.5) and Composite Reliability (CR > 0.5) and the value of *Cronbachs Alpha* is greater than 0.70 (Nunnaly, 1994)
2. Evaluation of the inner model include the path coefficient and Rsquare and Prediction relevance (Q square). R Square is the coefficient of determination on 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 done to determine the predictive capabilities with blinfolding procedure. If the value obtained 0.02 (minor), 0:15 (medium) and 0.35 (large). Can only be performed for endogenous constructs with reflective indicators .

Here is the value of GoF and Q - Square on construct :

Table 2 .Evaluation of PLS models

Variable	R Square	AVE	Cronbachs Alpha	Composite Reliability	Q square
Competitive Strategy	-	0.820	0.890	0.932	-
Business Partnership	-	0.791	0.912	0.938	-
Business Performance	0.852	0.849	0.911	0.944	0.692

Source: Primary data processed Smart PLS 3.0 (2015)

The above table gives the value of R^2 on strong criteria with greater than 0.67 (strong), and the value of Q square above the medium, so that it can be concluded that the model is supported by the empirical research or model is fit. While the values of AVE > 0.5 , Composite reliability and Cronbachs Alpha of each variable > 0.70 it indicates that all variables in the model were estimated to meet the validity criteria and has good reliability.

The following presents the outer loading value for the measurement model.

Table 3. Outer Loading

Variable	Dimension-Indicator	λ	P Values
Competitive Strategy	Cost leadership <- Competitive Strategy	0.859	0.000
	Differentiation Strategy <- Competitive Strategy	0.910	0.000
	Speed Based Strategy <- Competitive Strategy	0.946	0.000
Business Partnership	Buyer<- Business Partnership	0.914	0.000
	Internal <- Business Partnership	0.906	0.000
	Lateral <- Business Partnership	0.891	0.000
	Supplier <- Business Partnership	0.845	0.000
Business Performance	Market Share <- Business performance	0.923	0.000
	Profitability <- Business performance	0.900	0.000
	SalesGrowth <- Business performance	0.941	0.000

Source: Primary data is processed Smart PLS 3.0 (2015)

Results of the measurement model analysis showed that these indicators as a valid tool for measuring the latent variable with the value of outer loading > 0.70 (p value < 0.05).

The following figure shows the results of model testing using PLS Smart 3.0 as follows.

Figure 2. Influence Coefficient of Research Model

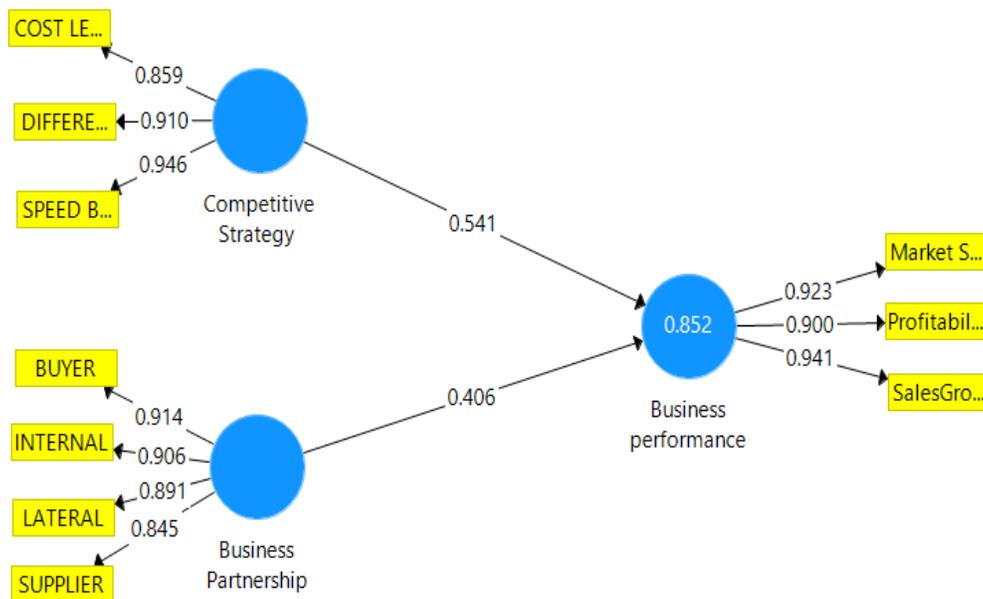
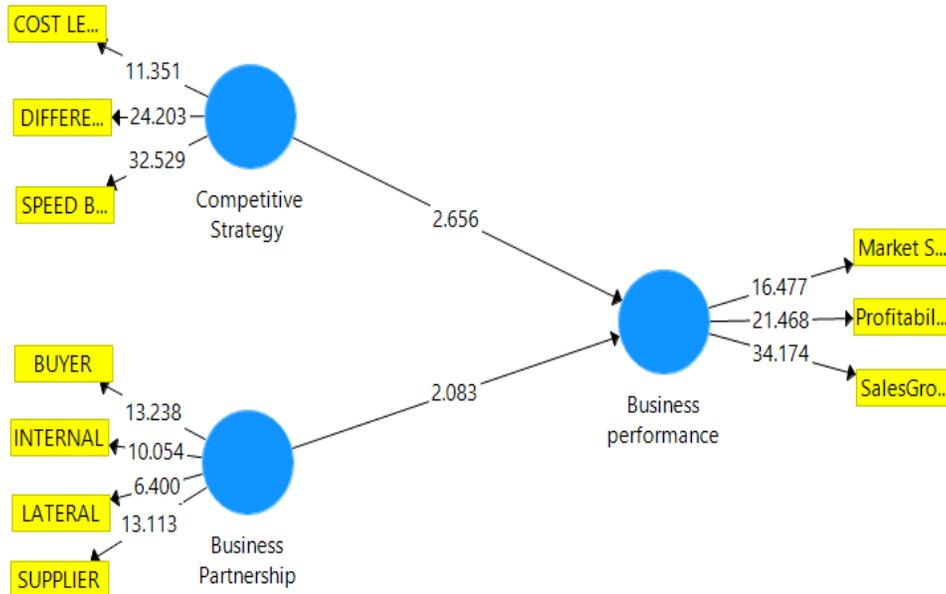


Figure 3. t statistics of Research Model



Hypothesis Testing

Here are the results of hypotheses testing simultaneously:

Table 4. Simultaneous Hypothesis Testing of Competitive Strategy and Business Partnership on Business Performance

Hypotheses	R ²	F statistic	F Tabel	Description
Competitive Strategy and Business Partnership → Business Performance	0,852	54.50	3,522	Tolak H0

Then presented the results of the partial hypothesis testing:

Table 5. Partial Hypothesis Testing of Competitive Strategy and Business Partnership on Business Performance

Hypotheses	γ	T statistic	P value	R ²	Description
Competitive Strategy → Business performance	0.541	2.656	0.008	0.490	Significant
Business Partnership → Business performance	0.406	2.083	0.038	0.362	Significant

The test results showed that Competitive Strategy and Business Partnership effect significantly on Business Performance either simultaneously and partially, with influences together amounted to 85.2 % and there are other factors at 14.8 %. Competitive strategy has a greater influence than Business Partnership in the amount of 49 %.

Hypothesis testing results show that partially competitive strategy has a greater influence than business partnership in influencing business performance of textile industry.

Variable of competitive strategy is formed from three dimensions that are cost leadership, differentiation strategy, and speed-based strategy. Variable of Business partnership formed from three dimensions, namely internal partnerships, partnerships with suppliers, partnerships with buyers, and partnership with lateral. Variable of business performance is formed from three dimensions that are: sales growth, profitability, and market share.

Competitive strategy shows how each business unit is able to position the product on the market that are relatively superior to similar products owned competitor. Relative advantage over its competitors led to achieve business performance.

The test results showed that the determination of more efficient operating costs, pricing/tariffs below competitor prices, the determination of the fee attractiveness (monetary, time, energy, psychological) / tariff products, the creation of product advantages that are not owned by other companies, the creation of the development of product variations better than competitors, creating convenience for customers to have the product, the speed of the company in anticipation of market demands shifting, speed in anticipation of the latest technology trends, as well as the ability to anticipate the movement of the competitors; have a positive impact on business performance.

Based on the results of hypothesis testing, then in an effort to improve their competitive strategy, the company is mainly required to make efforts to develop speed-based strategy through increase the speed in anticipate either the movement of competitors, the market demands and technology trends. Then also supported by an increase in the differentiation strategy that includes the creation of superior products, product variety, and convenience for customers to have the product. Also supported by the development of cost leadership strategy that includes the development of the company's low-cost operations, pricing below competitors', and the determination of the fee attractiveness (monetary, time, energy, psychological) /rate product.

Results of this study which shows the influence of competitive strategy to business performance in line with Bozkurt and Esen (2013:3394) which showed that an increase in distribution capacity, service differentiation and business knowledge and experience positive impact on export performance in the case in Turkey. Additionally, Kaliappen and Hilman (2014:

123) shows that the strategy of differentiation and innovation services have the significant impact on organisational performance.

The test results also showed that the internal partnerships, partnerships with suppliers, partnerships with customers, and partnerships with the lateral effect on business performance. In accordance with the opinion of Cravens (2013) strategic partnership is an effort to cooperate with stakeholders. Industry partnership strategy textile products include vertical relationship that consists of relationships with suppliers and customers (customers) and horizontal which consists of lateral and internal partnerships.

Therefore, to improve business performance, the company should increase its efforts to improve the interlacement partnership. The test results are in line with the study results Atkinson and Maxwell (2007). In addition Kwon et al (2009, p. 102) show that the success of Hana Tour due to the partnership as stated "The foundation of HT's success is the travel agency's B2B2C business model and the strong partnerships with small local travel agents.

In an effort to improve its business partnerships, the company is mainly required to undertake efforts to develop a partnership with the buyer through the creation of services in accordance with the expectations of business customers as well as provide facilities for online transactions. Then supported also by internal partnership through the creation of synergy turf in the company through a strategy of cross-functional, interdepartmental cooperation in product marketing activities, and increased collaboration turf to complement each other in solving problems. Development of partnerships with the lateral namely partnership with a network of international companies, insurers, experts from local governments and related agencies, and experts from foreign companies, can also be done to improve business performance. Moreover, it also needs to be supported by the development of partnerships with suppliers that include partnerships with local governments and the central government and the creation of long-term contracts are mutually beneficial relationship with various partners.

CONCLUSION

This study aimed to examine the influence of competitive strategy and business partnerships on business performance of textile products industry in Indonesia. Findings suggested that competitive strategy and business partnerships contributed significantly to business performance of textile products, which is competitive strategy gives the greater influence than business partnerships. Therefore, it is suggested the textile company to emphasizes an increase in the aspect of competitive strategy to improve business performance. Based on the findings in this paper, is expected to be a reference for academics in conducting research development, where these finding as part of the premise in developing framework.

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