

STRATEGY OF LEADERSHIP AND INNOVATION IN IMPROVING COMPANY PERFORMANCE AGAINST COMPETITIVE ADVANTAGE

A CASE STUDY OF PT. PEGADAIAN (LTD) INDONESIA

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Abstract

The research aims to determine the effect of strategy leadership and innovation on performance of the company to achieve sustainable competitive advantage, strategy leadership to company performance in order to achieve sustainable competitive advantage and innovation on the performance of the company to achieve sustainable competitive advantage. The research was conducted at PT. Pegadaian (Ltd) at 98 branches, and determined by the sampling technique including proportional cluster random sampling. The findings portrayed that the strategy of leadership and innovation has positive influence on the company performance. The results showed that strategy leadership and innovation has positive influence on the performance of the company. Innovation and performance of the company has positive effect on sustainable competitive advantage. The findings also demonstrated that strategy leadership gave positive influence on company performance and innovation affected employees' performance, sustainable competitive advantage and company performance gave positive and significant influence on sustainable competitive advantage.

Keywords: Strategy leadership, innovation, competitive advantage, employees' performance, firm performance

INTRODUCTION

The current business competition is increasingly tight. Businesses or companies are required continuously to find ways and strategies to be best in order to survive in global competition. One way that can be taken by the company to be the best is to have a good company strategy in order to gain competitive advantage. Assessment or measurement of performance is one important factor in the company. Besides being used to assess the success of the company, performance measurement can also be used as a basis for determining the remuneration system in the company, for example, to determine the level of employee salaries and a decent reward. Management may also use the measurement of company performance as a tool for evaluating the activities and achievements of the last period.

Currently the company commonly uses traditional performance measurement that only focuses on financial sector. Performance measurement with this system led only to the orientation of short-term profit and not profit-oriented and tend to ignore the long-term viability of the company in the long term. Performance measurement focuses on the financial sector have been less able to measure the intangible assets and intellectual treasures (human resources) of the company. In addition, the measurement of performance in this way is also less able to reflect what happened in the company in previous years, less attention to the external sector, and not able to fully lead the company into a better direction (Kaplan and Norton, 1996).

That is why the company is expected to make the right strategy to compete its competitors in the market. This strategy cannot be separated from the company policy. The company policy is strongly influenced by the characteristics of leadership, so that staff can adjust underneath the top leadership's decision that is adjusted with management decision. Stonner and Freeman (1989) states that manager can affect his followers because he has five basic power based on reward, coercive, legitimacy, authority based on appointment, and expertise. Jaworski and Kohli (1990) states that the manager when communicating something, his attitudes towards risk, his level of education, and mobility which leads to changes in behavior and action taken will affect his staff. A leader has very important role so that it will direct the company's performance.

Strategy leadership is understood also as the ability to influence a variety of strategies and goals, commitment and adherence to the task of achieving the goal, affect the group in order to identify, maintain, and develop organizational culture (Yulk in Sadler, 2008). An effective strategy leadership is a leader who can make an effort of changes both to company and people within the organization to try something new. The leader and the follower always work together with the people in order to achieve success.

Competitive condition is increasing highly, dynamic and demanding aggressive, and innovative attitude. PT Pegadaian (Ltd) is previously known as Public Company (Perum), Pegadaian as a non-bank financial service company in the field of gold pawn and goods as well as the distribution of credit in small / micro and medium to channeling money loan on the basis of the law of pledge which is intended to prevent the practice of bonded labor, pawnshops dark, usury, and other unnatural loans. PT. Pegadaian (Ltd) is one of alternative ways for people to get credit, both on a small scale and large scale, since the service is easy, fast and secure. The ease and simplicity of obtaining credit in the procedure is the basic capital of approaching the mortgage market share.

As a credit company, potential market to reach the target market is very large. People who become the target market of middle class society is about 229 million by spending US \$ 4-10 per day. Meanwhile, access to banking in Indonesia is the lowest among the G20 countries, which is based on research Infobank approximately \pm 180 million / 75% of Indonesia's population is unbanked people (calculated from age 15 years and above). Meanwhile, a survey by Bank Indonesia, Indonesia \pm 52% of the population do not have access either to the banking finance, non-bank financial institutions, and non-financial institutions.

PT. Pegadaian (Ltd) still leader the pawn industry in Indonesia. For conventional controlled 72.4% market share of the pawn industry followed by Bank Syariah Mandiri as much as 10.8% and as much as 7.9% Pegadaian Syariah. However, competitors are growing very rapidly need to watch out as Syariah BRI, BNI Syariah, Bank Mega, CIMB, Bank, and the Bank. Here is shown a comparison of outstanding loan pawnshop PT. Pegadaian (Ltd) with competitors.

Tight competition also resulted in the need for companies to be more flexible, adaptive and act quickly (Mirvis, 2007). Innovation affects the performance of the company. Han et al (1998) said that innovation positively and significantly affects the company's performance. Amabile et al (2006) says that innovation as the successful implementation of creative ideas within the company. It is also a company mechanism to be able to adapt in a dynamic environment. Therefore, the company is required to create assessments and new ideas and to offer innovative products.

Dawyer (2007) suggest the emergence of innovative product is essentially to meet the market demand so that innovative product can be the one that can be used as a competitive advantage (competitive advantage) for the company. Innovative product is believed to be able to increase sales, profits and competitiveness in business organization, but this product can be expensive and risky products of the company. Therefore we need precise and accurate coordination in the company so that the product can be the right one for the market.

PT. Pegadaian (Ltd) has a strategy to improve services to customers on an ongoing basis, among others:

1. Implement an integrated marketing, improve the quality of service and try to maintain customer loyalty.
2. Improve the quality of services through improvement and provision of facilities and infrastructure.
3. Improve operational guidance and supervision of the Branch Office, whether done directly at the time of the visit and the coaching indirectly (through the guidance letter) by the Central Office and Regional Offices as well as the Internal Control Unit (SPI) and the Regional Center.
4. Restructure Branch office / UPC to improve the performance / turnover.
5. Open a Branch Service Unit (UPC) both of which serve businesses pawn or Sharia in potential areas in order to expand the business to get closer to customers, so that the customers can access easily the services provided by the Company.
6. Conduct trainings associated with efforts to improve services both in the center and in the regions.

Achievement obtained by PT. Pegadaian (Ltd) in 2013 was the value of customer satisfaction index by 78% where 78% of customers were satisfied with the service of PT. Pegadaian (Ltd). During that year, Pegadaian has disbursed loans as Rp 102,1 trillion in outstanding loans as Rp 26.4 trillion with 28,389,027 of customers. The main objective expected by a company in its business activity is reaching profit or optimal value by using resources effectively and efficiently for the survival of the company. In reaching company goals, the most dominant parties involved are the management and shareholders. In order to achieve the objectives of the company, the management has to maintain the success to be achieved by considering the weaknesses and strengths of the company and carry out the company's discretion properly and appropriately. The policies include marketing, finance, human resources, production and anything that requires specific strategies.

LITERATURE REVIEW

Concept of Company Performance

Definition of performance Drucker (2012: 134) is the level of achievement or the tangible results achieved which is sometimes used to obtain a positive result. The company's performance is a display state as a whole on the company over a given period, and it is also the result or achievement affected by the operations of the company in utilizing the resources owned.

Performance measurement is the qualifications and efficiency of the company or segment or the effectiveness in the operating the business during the accounting period. Thus performance is a formal business conducted efficiently to evaluate the effectiveness of corporate activity which has been implemented in a specific period of time (Hanafi, 2009: 69).

Performance is also defined as personnel success in realizing the strategic objectives in the four perspectives: financial, customer, process, and learning and growth (Mulyadi, 2007: 363).

Concept of Competitive Advantage

Heizer and Render (2006: 29) says that "Competitive advantage implies the creation of a system that has a unique advantage over competitors. The Idea is to create customer value in an efficient and sustainable way", so that it can be interpreted as building Competitive advantage where companies are advised to form a unique system and have advantages over the other competitors to provide more value to consumers efficiently to be maintained. Good value in the eyes of consumers is when the company can meet the needs of consumers well and well-served consumers.

Day and Wensley (2008) stated that competitive advantage is strategic form to assist the company in maintaining its viability. Sustainable competitive advantage is the company's strategy to reach its final destination that is the performance generating high profits. This means that sustainable competitive advantage is not an end, but a means to achieve the ultimate goal of the company, namely improving corporate performance. The company's performance is the result of actual or output produced by a company that is then measured and compared with the expected results or outputs (Jahanshahi, Rezaie, Nawaser, Ranjbar and Pitamber, 2012).

Li et al, (2006) a competitive advantage can be defined as the ability of the company to create value that cannot be imitated by competitors. Porter (2005), defines the competitive advantage as a strategy that gives benefits from the cooperated company to compete more effectively in the market place. The strategies must be designed to achieve continuous competitive advantage, so the company can dominate both old and new markets. The most important thing in achieving success of the strategy is to identify the real assets of the company, both tangible and intangible resources that make it a unique organization. All parts that exist within the organization, either in the form of resources and activities can be a competitive advantage through three alternative strategies: cost leadership, differentiation, and focus.

Lado, Byod and Wright (1992) in a top model of sustainable competitive advantage, recognizing that proactive managerial in business performance with strategic selection approach, will focus on important organizational variables to create and maintain a competitive

advantage. Managerial competence and strategy focus, competency based resources, competence based output, and competence based transformation, show results in a unique competitive advantage that cannot be imitated.

Concept of Strategy Leadership

Stoner and Freeman (2006), said that a leader can influence the follower as the leader has five power bases, they are rewards-based power, conservative power, legitimacy-based power, appointment-based authority, and expertise-based power. Yulk in Sadler (2003) further said the leadership is the ability to affect a variety of strategy and objectives, commitment and adherence to the task of achieving the goal, affecting the group in order to identify, nurture and develop the culture of the organization. Leadership is a process of influencing people, and moving the various other resources to cooperate in achieving the goals, capabilities, influenced process, leaders and followers, actuating cooperation, and purpose. Strategy Leadership is categorized into several sections, namely: (1) involve the influence, example and persuasion, (2) the interaction among the various actors, both as strategy leader and follower, (3) interaction influenced the situation, where the interaction took place, (4) process with various outcomes such as achievement of goals, group cohesion, boost or change organizational culture.

Concept of Innovation

Nowadays for many industries, development of new products is the only factor that is most important in controlling the success or failure of the company. For the success of new product development, the company must simultaneously meet two critical objectives, namely: maximizing exactly what consumer need and minimizing the duration of the product entered into the market (Schilling and Hill, 2008).

Amabile (2006) said that innovation as the successful implementation of creative ideas within the company. It is a mechanism to adapt the company in a dynamic environment. Therefore, the company is required to create the assessment as well as new ideas and offer innovative products.

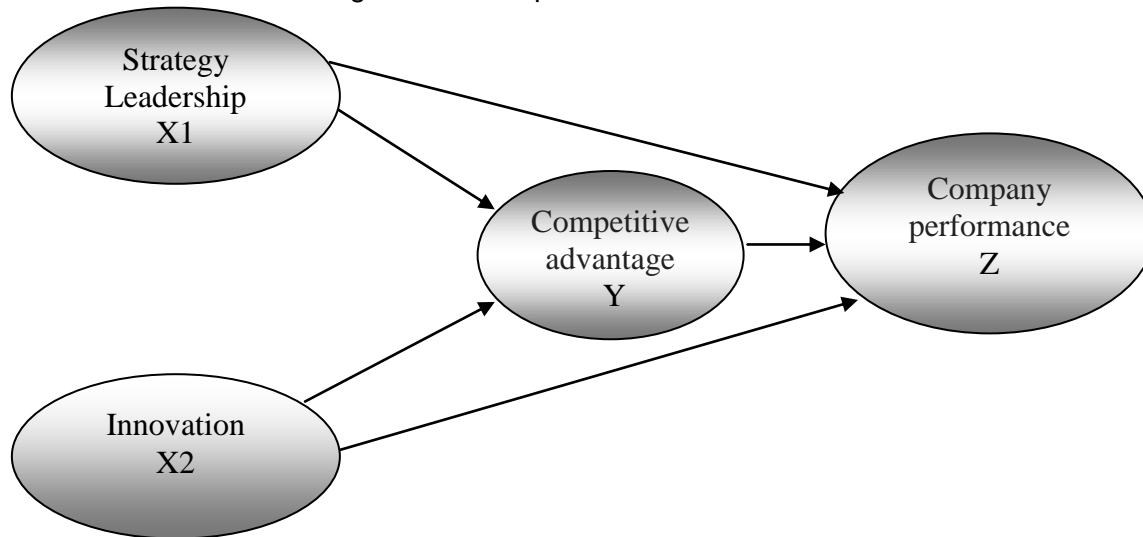
Hurley and Hult in Prakosa (2005) innovation is a mechanism of enterprises to adapt to a dynamic environment. Therefore the company is required to create new ideas by offering innovative products and improving services to satisfy customers. Two of the proposed concepts is innovation and capacity to innovate. Innovation is thought of openness to ideas, processes / new products successfully.

Formulation of Problems and Hypotheses

The purpose of this study was to determine:

1. Effect of the strategy leadership and innovation on the sustainable competitive advantage.
2. Effect of the strategy leadership, the innovation and the sustainable competitive advantage on the company performance

Figure 1. Conceptual of Research Framework



Based on the conceptual framework, hypotheses can be formulated as follows:

1. There is a significant relationship between strategy leadership and innovation on the performance of the company to achieve competitive advantage.
2. There is a significant relationship between strategy leadership, innovation, and the competitive advantage to corporate performance.
3. There is a significant relationship between strategy leadership to company performance to achieve sustainable competitive advantage.
4. There is a significant relationship innovation to company performance to achieve sustainable competitive advantage.

RESEARCH METHOD

The method used is a survey method, which is descriptive and explanatory survey. The study was conducted at the Regional Office in Jakarta I PT. Pegadaian (Ltd), which includes Central Jakarta, East Jakarta, Depok, Bekasi and Bogor, while Jakarta Regional Office II includes North

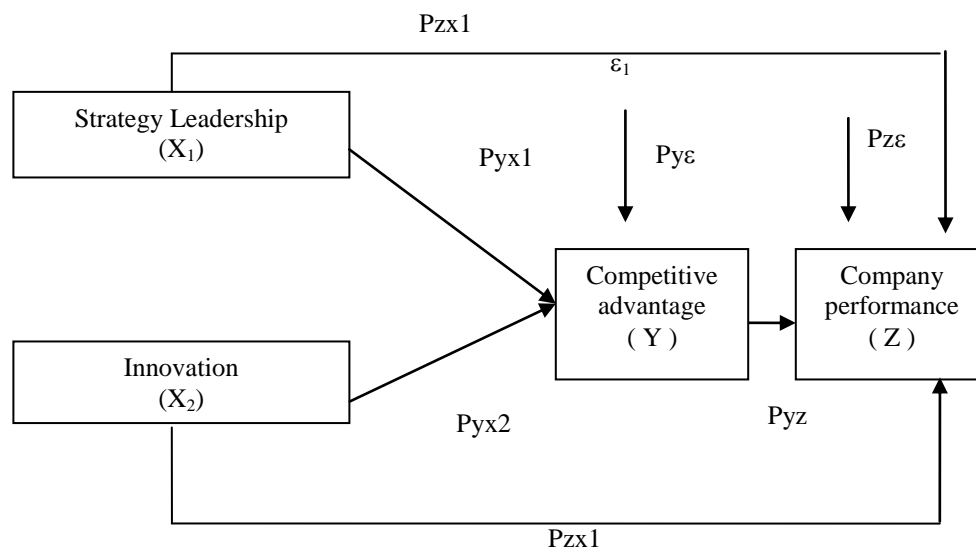
Jakarta, South Jakarta, West Jakarta and Banten with 98 branch offices. The number of respondents who were taken in this study were 98 branches. They were determined by using sampling technique that is total sampling.

Technique of data collection used in this research was distributing questionnaires consisted of written questions, and interviews to obtain information by asking some questions. To test the hypothesis of the study, the researcher used statistical multivariate by using path analysis. While for processing data, the researcher used SPSS 22 windows version.

ANALYSIS AND RESULTS

Analysis of the results of research conducted by the formulation of the problem and the hypothesis processed with SPSS to determine the magnitude of the coefficient on the variable effect of variable cause and effect, as well as the coefficient of influence of one variable causes the variable to variable due to other causes through path analysis. With the path structure as shown in the following figure.

Figure 2. Path Analysis Structure



Based on the above structure, the subsequent processing can be done by dividing the initial structure into 2 (two) sub-structure. In this study first analysis done is look at the influence strategy of leadership (X₁) and innovation (X₂) on sustainable competitive advantage (Y) as the table 1.

Table 1. Results of Structure Analysis I

No	Variable	Path coefficient	t	Sig.
1.	Strategy Leadership	0.235	2.342	0.021
2.	Innovation	0.242	2.410	0.018
3.	Value of F	8.509		0.000
	R2	0.152		

Based on Table 1 can be explained as follows:

1. Variable leadership has a coefficient of 0.235 and the value of having a positive effect, the current strategy leadership of the variables change, the variables will change the competitive advantage. The significance of strategy leadership variables on competitive advantage is the significant value of 0.021. The hypothesis of leadership affect the competitive advantage acceptable.
2. Variable innovation has a value of coefficient of 0.242 and has a positive effect, the current variable changing innovation, competitive advantage variables will change. The significance of innovation for competitive advantage variables 0,018 is significant value. Hypothesis that affect the competitive advantage of innovation is accepted.
3. The value of F count variable strategy leadership and innovation is 8.509 more variable with significant value that 0,000 simultaneous influence of leadership variable and variable significant innovation.

A second analysis is to see the influence of strategy leadership (X1), innovation (X2) and competitive advantage (Y) on the performance of the company (Z), as can be seen from the following table:

Table 2. Results of Path Structure Analysis II

No	Variable	Path coefficient	t	Sig.
1.	Strategy Leadership	0.247	2.654	0.009
2.	Innovation	0.191	2.054	0.043
3.	Competitive advantage	0.319	3.453	0.001
4.	Value of F	14.724		0.000
	R2	0.321		

Based on the table 2 can be explained as follows:

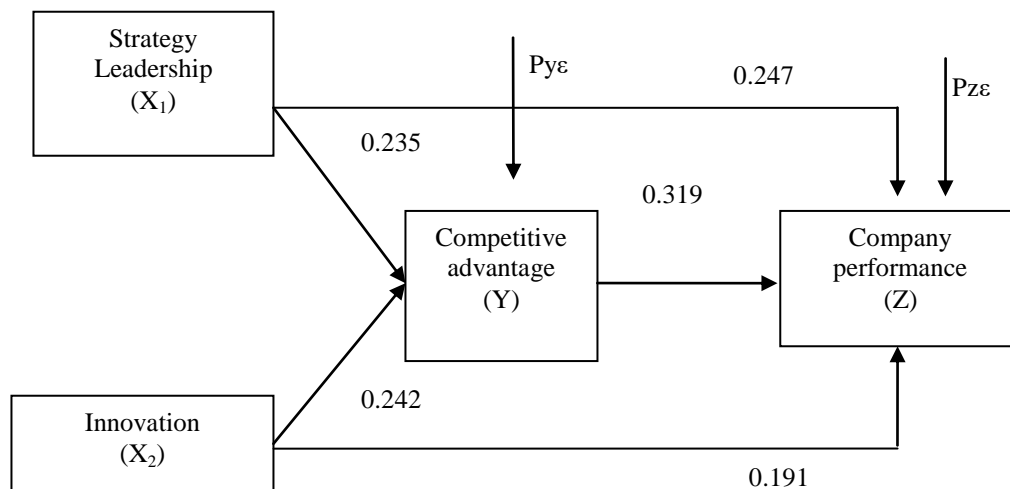
1. Variable strategy leadership has a coefficient of 0.247 and the value of having a positive effect, the current leadership of the variables change, the variable performance of the company will change. The significance strategy leadership variables on the performance

of the company is 0,009 is significant value. Hypothesis that affect the performance of the company's leadership accepted.

2. Variable innovation has a value of coefficient of 0.191 and has a positive effect, the current changing innovation variable, the variable performance of the company will change. The significance of the innovation variables on the performance of the company is a significant value 0.043. The hypothesis that the innovation effect on the company's performance is received.
3. Variable competitive advantage has coefficient 0.319 and has a positive effect, the current competitive advantage variables unchanged, the variable performance of the company will change. The significance of the variables on the performance of the company's competitive advantage is the significant value of 0.001. Hypothesis that affect the competitive advantage of the company's performance is received.
4. The value of F count strategy leadership variable, the variable innovation and competitive advantage variables is 14.724 more with a significance value of 0.000, then simultaneously leadership variables, variables of innovation and competitive advantage variables showed significant influence.

Based on the analysis above, it can be described the structure of the path as shown below.

Figure 3. Structure End Path Analysis Research



Based on the survey results revealed that the leadership and innovation have a significant effect on competitive advantage. Results of this study supported previous research by Sismanto

(2006) and the Goddess (2006) where product innovation and significant positive effect on competitive advantage.

Business activity that is not capable of creating high innovation and changes according to the needs of customers, the company will be left behind and innovation may be carried out by a competitor. An attempt is capable of introducing innovation, the effort could strategy lead and minimize the possibility of competitors to innovate early.

Jaworski and Kohli (1990), that the strategy leadership in communicating, attitudes towards risk, level of education, level of mobility, which leads to changes in behavior and action taken will affect the staff of subordinates. Leaders have a very important message that will lead to the performance of the company.

Based on the results of the study also note that the leadership, innovation and competitive advantage significantly influence the company's performance. Results of this study was supported by the results of previous studies by Supranoto (2009), Sismanto (2006) and the Goddess (2006) where the competitive advantage and significant positive effect on the performance of marketing.

Amabile (2007) states that innovation as a successful implementation of creative ideas within the company. Innovation is a mechanism to adapt the company in a dynamic environment. Therefore, the company is required to create the assessment as well as new ideas and offer innovative products. Innovation positively and significantly affect the company's performance.

CONCLUSION

Based on the analysis, the conclusions of the research can be seen as follows:

1. Strategy Leadership and innovation positive effect on competitive advantage. Through increased strategy of leadership and innovation can improve competitive advantage. This implies that the company improve competitive advantage through resource advantages such as the advantage of expertise especially leadership skills and expertise in creating innovative products that are high, creating a low cost and advantages of value for customers.
2. The results of this research also proves that the strategy leadership has positive effect on the performance of the company. This implies that companies pay attention to aspects of leadership to motivate employees to improve employee performance, which in turn will improve the company performance as well. Leaders are able to encourage employees to improve their competence, knowledge and ability through, soft skills training do brain storming and bench marking with other companies.

3. The results of this research also proves that the innovation effect on employee performance. This implies that the company seeks to be able to explore new creations employees so as to bring new products to the company's performance increases.
4. The results of this research prove that the competitive advantage and significant positive effect on the performance of the company. This implies that the company improve competitive advantage in improving company performance

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