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THE INFLUENCE OF COMPANY RESOURCES AND COMPETITIVE STRATEGY ON BANKING PERFORMANCE

A SURVEY ON BANKING INDUSTRY IN INDONESIA

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Abstract

The performance of companies in the banking industry in Indonesia has grown relatively not stable nowadays, some of them threatened with liquidation. The growth of customer funds tend to fluctuate and growth of credit is higher than the growth of third party funds. This causes profits of the banking industry tends to grow unstable, within the last 5 years. The condition presumably caused by the competitive strategy that has not been appropriate and weaknesses in the development of company resources. This study aims to uncover company resources and competitive strategy and their influence on the performance of banking companies in Indonesia.

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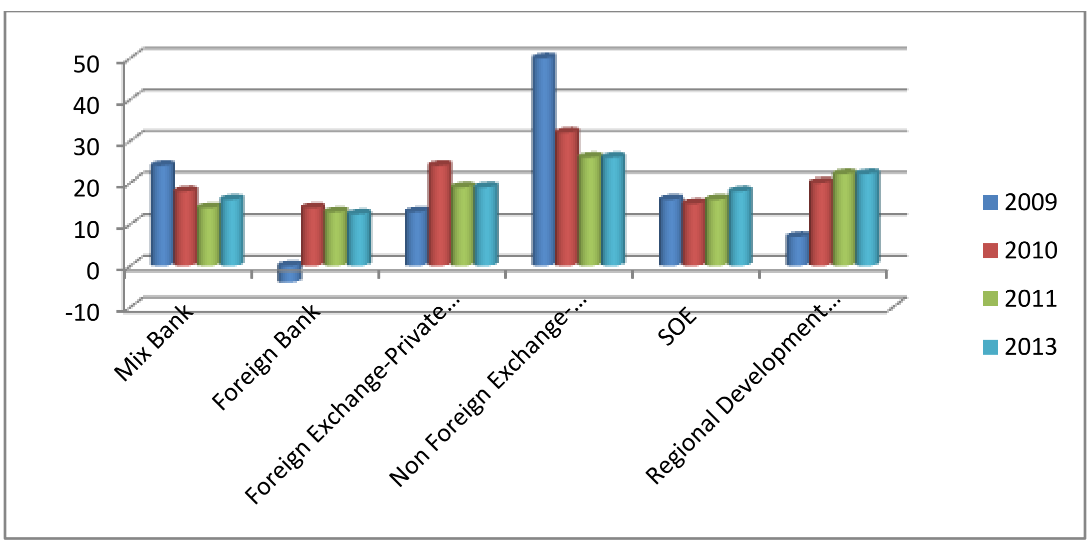
This study uses descriptive and causality survey method. The unit of analysis is the banking industry in Indonesia which is the unit of observation is the management of the national banks, whether state-owned, private and foreign banks that have go public. Today, there are 42 banks with various types of ownership that have go public. So based on small population size then the methods of sampling is using census. The time horizon is cross section / one shot, where the research conducted at one particular time. Data is analyzed using PLS. The result reveals that company resources and competitive strategy both simultaneously and partially influence the performance of banking companies in Indonesia. Partially, competitive strategy has a greater influence than company resources in affecting company performance.

Keywords: Company Resources, Competitive Strategy, Company Performance, Banking

INTRODUCTION

Banking industry in Indonesia still facing any problem in sustaining its company performance, which is caused by hyper-competition in the industry. This condition has weakened the competitiveness of banking products that negatively affects banking industry in Indonesia. By this time, the growth of banking companies performance in Indonesia tends to not stable, some of them has a risk to be liquidated. Even though the government had tried various strategies as privatization and merger, but the result is yet optimum. If we look at the growth of customer fund that succeed to be organized by the Indonesian banking, we may found the result will be fluctuating, as could see in the figure below.

Figure 1. The Growth of Third Party-Fund of Indonesian Banking (2009-2013)



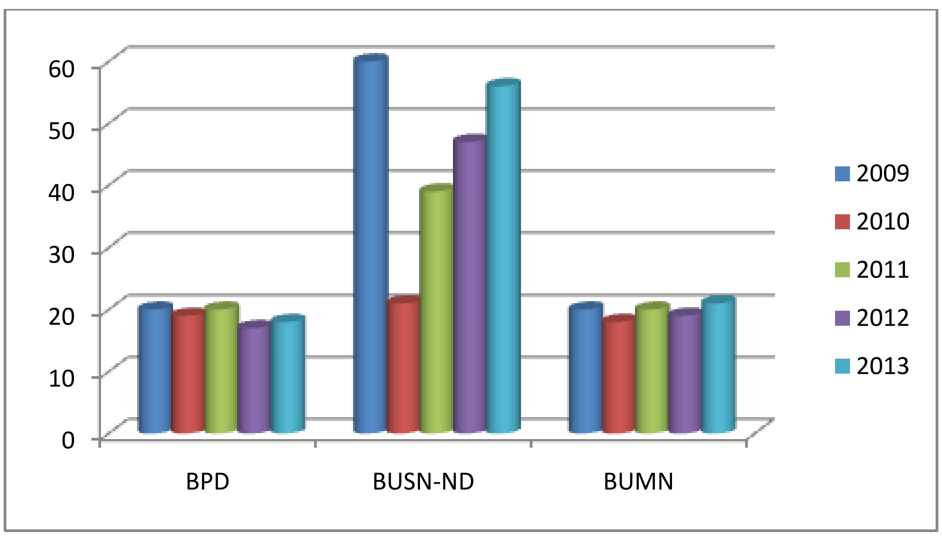
Source: Bank of Indonesia

Third party funds is a market share collected by each banks individually. The highest of third party funds ratio, the highest consumers trust to that bank. Based on Bank of Indonesia, the growth of third party funds of six banking institutions show that within 2009-2013 period, there is never any significant growth. Related to the third party funds, Ryan Kiryanto (2014) stated that saving product as investment for the future will slowly left by the bank consumers. And the other side, if the bank fails to collect consumers' funds, it will cause the difficulty in liquidity matter.

Based on the First Half-Semester Report of Financial Services Authority (OJK) 2014, banking industry shows the delay of growth, it can be seen from the decrease of public bank assets, funds collection, and funds distribution, which each -1,3%, -1,98% and -0,8%; if compared to Fourth Half-Semester Report 2013. The annual growth level of asset, Third party funds and credit also decreased compared to the former year for each 16,8%, 16,4% and 22,3% to 15,4%, 13,8% and 15,1%.

Credit growth related to the third party funds collection, according to Bank of Indonesia, 91% of funds to distribute the credit originated from third party funds. From Saving Guarantee Institution (LPS) recorded that 52% of total saving IDR 3.037,80 trillion per Aug 2012 are above IDR 2 billions. The credit growth show in the figure below:

Figure 2 The Credit Growth of Indonesian Banking (2009-2013)



Source: Bank of Indonesia_Processed

Credit growth of national banking is higher than third party funds. Credit growth measured from the comparison of total credit difference within a certain period and the next period, with total credit of former period owned by commercial banks in Indonesia. Based on the Figure 2 above we could see that the growth in credit sector is not experienced any significant growth

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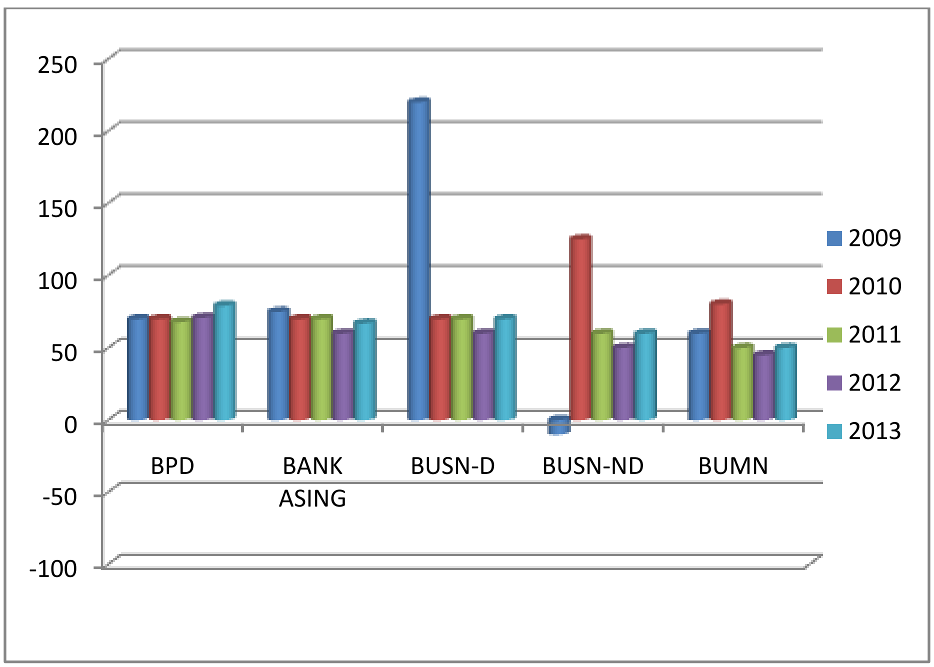
during2009-2013; by that time the growth happened within 20% - 40%. Although in 2009 almost all financial institutions experiencing a significant decrease. In other side, it was not happen to non foreign exchange- private public bank. according to Indonesian Banking Statistic per October 2012 that published on 12 December 2012, credit tend to growth better from other banks around 22,40 % from Rp 2.028,14 trillion per October 2011 to Rp 2.482,52 trillion per October 2012. In the beginning of, Banking LDR show increasing trend from 89,7% in fourth half semester-2013 to 90,5% in First Half Semester-2014. The increasing of LDR influenced by the growth of third party funds 12,4%, which was slower than credit growth 20,4%. Tighter monetary policy has affected the increase of banking competition in collecting consumers' funds (First Half Semester Report of Financial Service Authority - 2014).

All of the matter has caused the profit of banking industry could gain growth unstable, particularly within the last five years, as show in the picture below.

Figure 3 Profit Growth of Indonesian Banking (2009-2013)



Source: Bank of Indonesia_Processed

Based on the figure above, we could see that the profit growth of banking industry during 2009-2013 was not significant, which the growth only around 0%-50%. Significant growth only happen to Foreign Exchange-Private Bank.

Below is general conditions of banking industry refer to Banking Service Authority quarterly 1 -2014.

Table 1. General Condition Of Banking

		2012		2013				2014		
Primary Indicators	**Unit**	**Q III**	**Q IV**	**Q I**	**Q II**	**Q III**	**Q IV**	**Q I**	**TQ II**	**Q III**
Total Asset	IDR	3,945.4	4.131.6	4.254.0	4,416.1	4,501.7	4,654.2	4,880.4	4,888.7	4,884.6
Third Party Funds	IDR	2,990.5	3,142.1	3,218.3	3,341.2	3,408.5	3,436.4	3,594.7	3,603.6	3,599.2
Credit	IDR	2,512.2	2,653.0	2,740.9	2,912.1	3,059.3	3,247.9	2,184.3	2,203.0	2,193.7
LDR	%	83.8	84.1	84.7	86.5	88.9	89.7	90.6	90.5	90.5
NPLs Gros	%	2.2	2.0	2.0	2.0	1.9	1.8	1.84	1.94	1.9
NPLs Net	%	0.99	0.93	1.0	0.8	0.6	0.9	0.90	0.98	0.9
CAR	%	17.3	17.4	19.1	18.3	18.0	18.5	19.76	19.85	19.8
NIM	%	5.43	5.50	5.4	5.4	5.5	5.1	4.17	4.18	4.2
ROA		3.10	3.10	3.0	3.0	3.0	3.5	2.89	2.79	2.8

Source: Bank of Indonesia Banking Information System, within First Half Semester – 2014 of Banking Service Authority Report

The unstable performance of Indonesian banking institutions also possible caused by the implementation of competitive strategy has not been appropriate, that supposed to used to win the competition. And in the end, banking industry considered do not stand for its stake holders. It is indicated with the weak competitiveness of products compared to the foreign bank. Product development also tend to be similar with competitor, and also less optimum of internal ability to balance the acceleration and changing of business environment. In other side, banking is never be separated from international monetary system. Pearce and Robinson (2015, p.200) reveal that "generic strategy is a core idea about how a firm can best compete in the marketplace". Any long term strategy should derive from a firm's attempt to seek a competitive advantage based on one of three generic strategies:

1. Striving for overall low-cost leadership in the industry
2. Striving to create and market unique products for varied customer groups through differentiation
3. Striving to have special appeal to one or more groups of consumer or individual buyers, focuses on their cost or differentiation concerns

In the seeking of competitive advantage, Pearce & Robinson (2015, p.249) also consider speed-based strategies as "business strategies built around functional capabilities and activities that allow the company to meet customer needs directly or indirectly more rapidly that its competitors".

Hahn & Powers (2010) extended research on strategic plan quality, implementation capability, and firm performance. Specifically, banks pursue cost leadership, differentiation, and focus strategies consistent with Porter's typology and cost leaders realize significantly higher performance than those that do not pursue a generic strategy. When strategic groups are divided by intensity of the strategic plan quality and implementation capability effort, banks that follow one of the Porter generic strategy types and report both high plan quality and high implementation capability achieve significantly higher levels of performance than their low plan quality and low implementation capability counterparts..

Besides there are some problems dealing with the development of company resources. The indication is a low ownership of tangible assets and capital growth, which the bank assets during the period 2008-2012 as a whole did not experience a significant growth. In addition, the product creation relatively does not meet customer expectations, the company's reputation is relatively not so good in the eyes of the market when compared with the products of other countries, and weak of organizational capability, especially in creating a work culture that is superior.

Meanwhile, Pearce and Robinson (2015, p.166), stated that: “The RBV’s underlying premise is that firms differ in fundamental ways because each firm possesses a unique “bundle“ of resources-tangible and intangible assets and organizational capabilities to make use of those assets”.

Some research also underlying the role of company resources in improve company performance. Oladele and Omotayo (2014) found a strong positive relationship between e-HRM and organizational performance. Bagheri, Ebrahimpour & Ajirloo (2013) also found that manager competencies have impacts on business performance.

Based on the background, this study aimed to uncover about the influence of company resources and competitive strategy on banking performance in Indonesia.

LITERATURE STUDY

Company Resources

Pearce and Robinson (2015, p.166), stated that: “*The RBV’s underlying premise is that firms differ in fundamental ways because each firm possesses a unique “bundle“ of resources-tangible and intangible assets and organizational capabilities to make use of those assets. Tangible assets : the most easily identified assets, often found on a firm’s balance sheet. They include production facilities, raw materials, financial resources, real estate, and computers. Intangible resources: a firm’s assets that you cannot touch or see but they are very often critical in creating competitive advantage : brand names, company reputation, organizational morale, technical knowledge, patents and trademarks, and accumulated experience within an organizations”.*

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Hitt, Ireland, & Hoskisson (2015, p.17) argue: "*The resource-based view model assumes that each organization is a collection of unique resources and capabilities. The uniqueness of its resources and capabilities is the basis of a firm's strategy and its ability to earn above-average returns. Resources are inputs into a firm's production process, such as capital equipment, the skills of individual employees, patents, finances, and talented managers. In general, a firm's resources are classified into three categories : physical, human, and organizational capital".*

Hitt, Ireland, & Hoskisson (2015) categorize firm resources into tangible and intangible resources. Tangible resources are assets that can be observed and quantified. Intangible resources are assets that are rooted deeply in the firm's history, accumulate over time, and are relatively, difficult for competitors to analyze and imitate.

Referring to Wheelen et al. (2015, p.162): "*Resources are an organization assets and are thus the basic building blocks of the organization. The include tangible assets (such as plant, equipment, finances, and locations), human assets (the number of employees, their skills, and motivation), and intangible assets (such as its technology (patents and copyrights), culture and reputation). Capabilities refer to a corporation's ability to exploit resources. They consist of business processes and routines that manage the interaction among resources to turn inputs into outputs"*.

Competitive Strategy

Pearce & Robinson (2015, p.200) state that "generic strategy : a core idea about how a firm can best compete in the marketplace". From a scheme developed by Michael Porter, that argued that many planners believe that any long-term strategy should derive from a firm's attempts to seek a competitive advantage based on one of three generic strategies :

- Striving for overall low-cost leadership in the industry.
- Striving to create and market unique products for varied customer groups through differentiation.
- Striving to have special appeal to one or more groups of consumer or individual buyers, focusing on their cost or differentiation concerns.

In achieving a competitive advantage, Pearce & Robinson (2015) also consider speed-based strategies as business strategy build on functional ability and activities enable company to be more faster than its main competitor in fulfilling customer need both directly or indirectly.

Related to the company's effort to be more competitive within the market, there are several strategy can be done; as stated by Ireland, Hoskisson and Hitt (2013), the company may choose five competitive strategy to develop and to maintain strategic position from the

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competitors: cost leadership, differentiation, focused cost leadership, focused differentiation, and integrated cost leadership/differentiation.

Hsieh & Chen (2011, p. 12-13) state that the concept of competitive strategy is an application of Porter Generic Strategy (1980,1985) that consist of overall cost leadership, differentiation, or focus that implemented to gain superior performance.

While Miles and Snow (1984) classified business strategy that consist of defender, prospector and analyzer.

Company Performance

David (2013) stated a quantitative criteria generally used to evaluate a strategy that is financial ratio. Measurement with Financial Ratio is taken for three reasons : first, to compare company performance in a certain periods; second, to compare company performance with competitors'; third, compare company performance to industry average. Some of financial ratio used are (David, 2013, p.324):

1. Return on Investment (ROI)
2. Return on Equity (ROE)
3. Profit Margin
4. Market Share
5. Debt to Equity
6. Earnings per share
7. Sales growth
8. Assets growth

According to Hubbard & Beamish (2011) every organization types will affect performance measurement. Hubbard & Beamish (2011, p.135) found that every company has "a particular recipe for success", thus the measurement will have to be considering the industry where they're involved.

Examples: within chemical industry, the key measurement is the number of accident, such as toxic spillages; while in retail industry, turnover square meter will be the key. Below are performance measurement for several company types:

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Table 2. Organization Type

FACTOR	NON PROFIT	GOVERNMENT BUSINESS ENTERPRISE		PRIVAT COMMERCIAL ENTERPRISE	LISTED COMPANY
		Non commercial	Commercial		
Appropriate measures (in approx. order of importance)	Customer satisfaction	Stakeholder satisfaction	Sales	Market Share	Shareholder value
	Efficiency	Customer satisfaction	Net profit	sales	ROE
	Quality	Efficiency	Customer satisfaction	Net Profit	Growth
	Break-even	Quality	Efficiency	Growth	Market Share
		Break-even	Quality	ROA	sales
			Net Cash Flow	ROE	Net Profit
			ROA	Customer satisfaction	ROA
				Efficiency	Customer satisfaction
				Quality	Efficiency
					Quality

Source: Hubbard & Beamish, 2011:135

Vintila & Gherghina (2012, p.47-48) have measured performance through: operational performance (return on equity, net profit margin, sales growth), assessment (Tobin Q) and stock holder payout (dividend yield and buy back stock).

While Chi-Jui Huang (2010, p.68) said about company performance measured from financial performance. While financial performance measured by ROA. It is not different with Hahn & Powers (2010, p.68-69) in their research that measured the performance through ROA.

Related to company performance in banking industry, according to Al-Tamimi (2010, p.3) measuring performance could be done through ROA and ROE. According to Deev (2011:36-37) bank assessed by three approach: 1. Asset-based approach 2. Market approach 3. Income approach.

Previous Research

Valipour et al (2012) show their study result, the company with cost leadership strategy, have a positive relationship between leverage, cost leadership strategy and dividend payout and performance. Daneshvar & Ramesh (2012) find that IT strategy has a contribution significantly to improve profitability and productivity of a bank. Belkhaoui, Lakhal, Lakhal, & Hellara (2014) show strategic variable linked to risk taking and diversification affect directly and indirectly to bank performance. Teeratansirikool et al (2012) show that generally, all competitive strategy

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positively and significantly could raise company performance through performance measurement.

METHODOLOGY

The research design uses Mix Method Research (MMR) with Explanatory design ie design that uses two phases in which the quantitative research design as the key design and qualitative research results are used to explain and make interpretation of the results of quantitative research. Creswell (2003).

Explanatory design done by testing the hypothesis using inferential statistics as a process of generalization to the population by drawing a random sample, so the design of the study conducted with conclusive. According to Malhotra (2010, p.104) “conclusive research is to test specifics hypothesis and examine specific relationship”. A conclusive research consist of descriptive and causality types.

Coverage time (time horizon) of this study is cross sectional, means any information or data obtained are the result of research conducted at one particular time, namely in 2015.

Unit of analysis within this research is banking industry in Indonesia, where the observation unit is the management of national banking industry (private, government and foreign owned bank).Based on secondary data know that there are 33 banks with several ownership types. Below Table show the number of companies for each classifications.

Table 3. The Ownership Of National Banking

Ownership	**Number**
Government and BPD	6
Private	33
Foreign	3
Total	42

Source: Ministry of Finance (2013)

Based on the condition, small population sample has caused sampling method done with census to 42 banks.

ANALYSIS AND RESULTS

The first hypothesis tests the company's resources are already very unique, competitive strategy is very appropriate, in an effort to improve the superior performance of banking industry in Indonesia.

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H_0: Me = 6

Company's resources and competitive strategy of banking companies in Indonesia are already very good

H_1: Me < 6

Company's resources and competitive strategy of banking companies in Indonesia are not very good yet .

Table 4. Test Of Hypothesis 1

Variable	**Median**	**P value**	**Conclusion**
Company's resources	6.0	0.00	Ho rejected
Competitive strategy	5.5	0.00	Ho rejected
Company Resources	6.0	0.00	Ho rejected

Ho rejected, means the Median of variables have not reached an optimum position (7 scale), in the oether words, company resources, competitive strategy, of banking companies in Indonesia have not reached a very good position.

The first hypothesis testing results show that in the banking company in Indonesia none of the variables studied reached the category of very good value. The resources of companies assessed have not reached very unique. Similarly competitive strategies is not very appropriate yet. The result of this is what causes the performance of the banking company has not reached a very superior position.

The Test of Model Fit – Analysis of Structure Model (Inner Model) and Measurement (Outer Model)

The suitability test on PLS model conducted on the structural model (inner model) and the measurement model (outer model).The analysis of structural model (Inner Model) show there is relationship between latent variables. Inner model evaluated using Goodness of Fit Model (GoF), which is show the difference between values of observation result with values predict by the model. The test is show by the value of R^2 on endogenous construct. R Square value is determinant coefficient in endogenous construct. According to Chin (1998), R square value 0.67 (strong), 0.33 (moderate) and 0.19 (weak). Prediction relevance (Q square) or also known by Stone-Geisser's, done to reveal the prediction capability using blindfolding procedure. The value gained will be 0.02 (small), 0.15 (moderate) or 0.35 (big). But it only can do for endogenous construct with reflective indicators.

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Table 5. Inner And Outer Model Test

Variable	R Square	AVE	Cronbachs Alpha	Composite Reliability	Q-Square
Company resources		0.392	0.886	0.904	0.378
Competitive Strategy		0.505	0.857	0.889	0.470
Company Performance	0.736	0.581	0.853	0.892	0.561

Above table show the value of R^2 is in strong category (>0,67), and Q square> 0.35. Thus concluded that this research model is supported by empirical condition or model is fit.

The analysis of measurement model show the relationship between manifest variable (indicator) and each latent variables, it is aimed to test the dimensions validity and reliability and the indicators. Analysis of measurement model could be explained by the value of discriminant validity (square root of average variance extracted (AVE)), Construct Validity (loading factor value) and Composite Reliability and Cronbachs Alpha. Suggested value for AVE is above 0.5. Chin (2000) stated that loading factor of a measurement model is higher than 0.50 or t count value from loading factor is higher than t table within 5% significance level, then we can say dimension is valid to measure a variable. Composite reliability and Cronbachs Alpha suggested higher than 0.70 (Nunnaly, 1994) then we can say the dimension and indicators is reliable to measure research variable.

Table 6. Loading Factor

Measurement model	λ	SE	t count
X11 <- Tangible Assets	0.599	0.072	8.354
X12 <- Tangible Assets	0.707	0.048	14.789
X13 <- Tangible Assets	0.605	0.080	7.529
X14 <- Tangible Assets	0.632	0.090	7.063
X15 <- Tangible Assets	0.587	0.095	6.211
X21 <- Intangible Assets	0.552	0.101	5.475
X22 <- Intangible Assets	0.587	0.057	10.386
X23 <- Intangible Assets	0.822	0.044	18.863
X24 <- Intangible Assets	0.835	0.022	38.227
X25 <- Intangible Assets	0.484	0.101	4.798
X26 <- Intangible Assets	0.766	0.051	15.040
X31 <- Organization Capabilities	0.748	0.047	15.942
X32 <- Organization Capabilities	0.663	0.074	8.987
X33 <- Organization Capabilities	0.816	0.045	18.065
X34 <- Organization Capabilities	0.731	0.046	15.808

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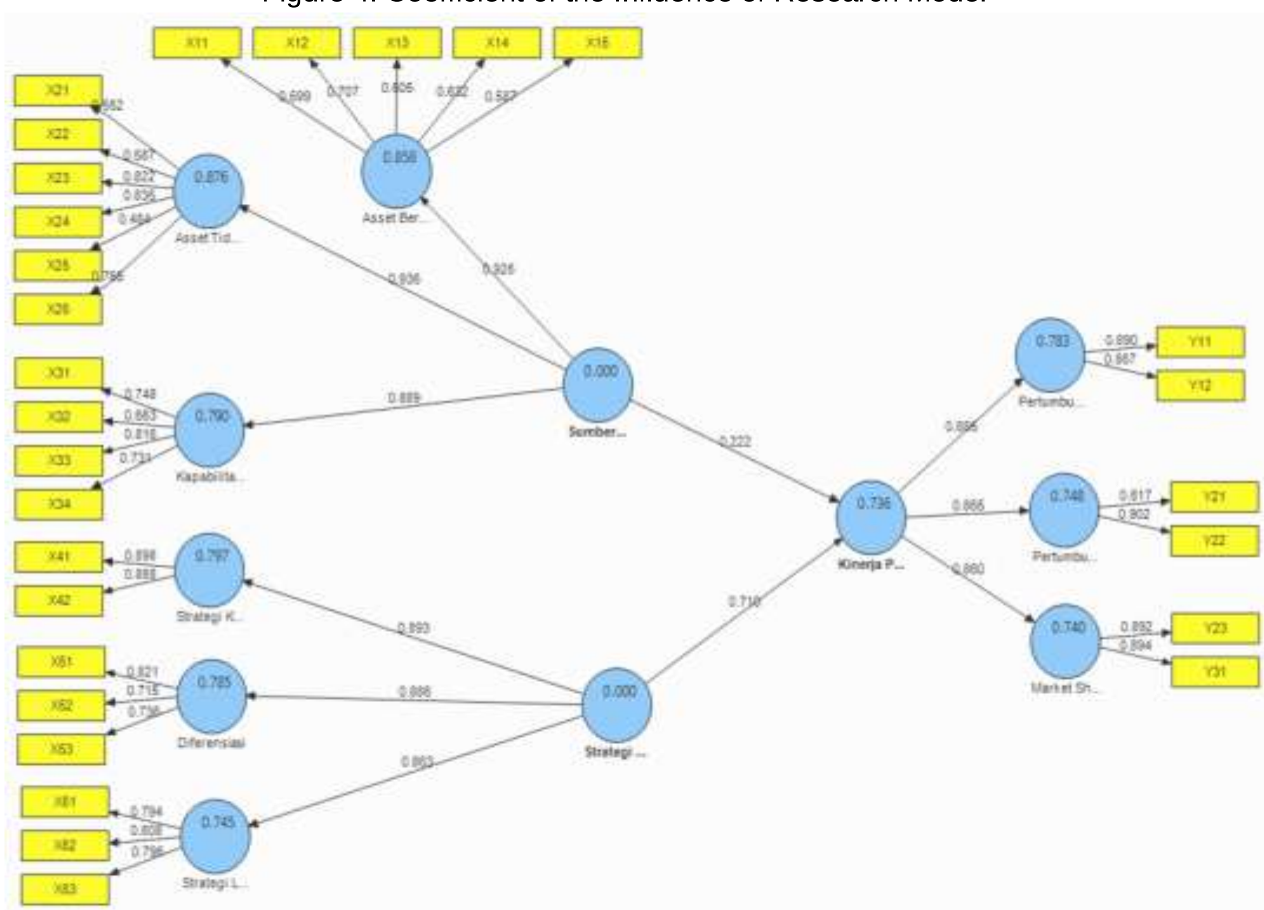
Table 6...

X41 <- Cost Leadership Strategy	0.898	0.020	46.037
X42 <- Cost Leadership Strategy	0.888	0.026	34.385
X51 <- Differentiation	0.821	0.032	25.616
X52 <- Differentiation	0.715	0.062	11.465
X53 <- Differentiation	0.736	0.065	11.325
X61 <- Faster strategy	0.794	0.049	16.297
X62 <- Faster strategy	0.808	0.046	17.589
X63 <- Faster strategy	0.796	0.047	17.056
Y11 <- Sales Growth	0.890	0.019	46.041
Y12 <- Sales Growth	0.867	0.023	37.008
Y21 <- Financial Performance Growth	0.817	0.051	16.146
Y22 <- Financial Performance Growth	0.902	0.014	64.922
Y32 <- Market Share	0.892	0.017	51.028
Y31 <- Market Share	0.894	0.023	38.318

The results of the measurement model analysis showed that these indicators are valid where most of the value of the loading factor is greater than 0.50, and the value of t> 2.02 (t table at α = 0.05).

Figure 4. Coefficient of the Influence of Research Model



The figure 4 shows the result of model test using Smart PLS.2.0. The structural model of the diagram is:

$$Y = 0.222\ X_1 + 0.710\ X_2 + \zeta$$

Were:

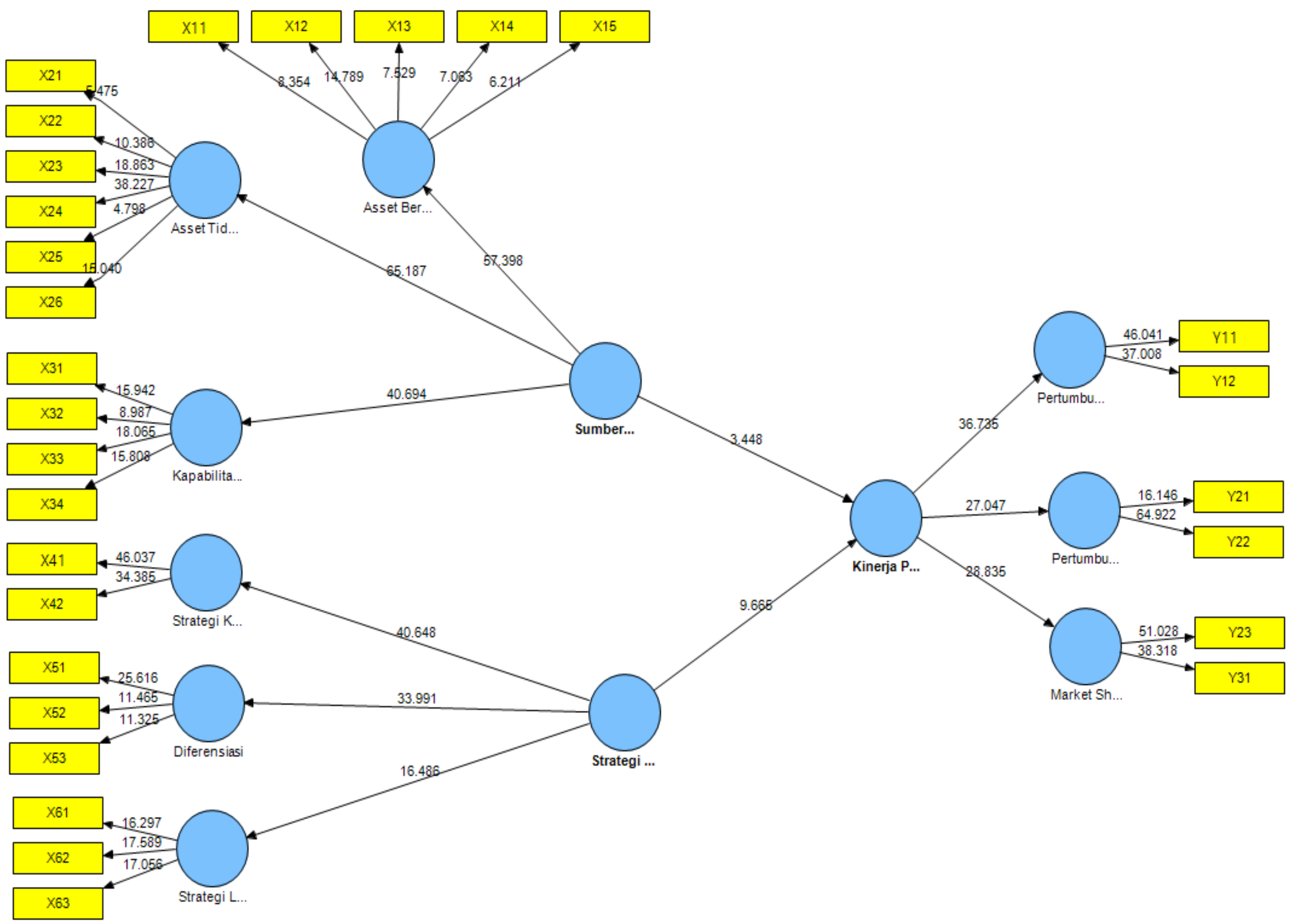
Y = Company Performance

X1 = Company Resources

X2 = Competitive Strategy

ζ = Residual factor

Figure 5. t statistic of Research Model



The results of the measurement model analysis showed that these dimensions are valid with the value of t> 2.02 (t table at α = 0.05).

Simultaneous Testing

Table 7. Simultaneous Hypothesis Testing Of Company Resources And Competitive Strategy On Banking Performance In Indonesia

Hypothesis	**R^2**	**F count**	**Conclusion**
Company Resources and Competitive Strategy->Company performance	0.736	65.607*	Reject H0

*Significant at α =0.05 (F table =3.245)

Partial Testing

Table 8. Partial Hypothesis Testing

Hypothesis	**γ**	**SE**	**t statistics**	**R^2**	**Conclusion**
Sumber Daya Perusahaan ->Kinerja Perusahaan	0.222	0.064	3.448*	0.141	H0 rejected
Strategi Bersaing ->Kinerja Perusahaan	0.710	0.073	9.665*	0.595	H0 rejected

*Significant at α =0.05 (t table =2.02)

Based on the test results is known that there is a significant influence either simultaneously (Table 7) or partially (Table 8) of the Company Resources and competitive strategy on the performance of banks in Indonesia where the influence of competitive strategy is more dominant than Company Resources to performance of banks with total effect of 73.6%, and there are other factors at 26.4%.

Results of hypotheses testing are summarized and illustrated in the figure 6. The results showed that the improvement of performance of the company more influenced by competitive strategy. Competitive strategy of banking industry is the ability of each business unit to position products in the market relatively superior to similar products owned by competitor. Competitive strategy of banking is rated by cost leadership strategy, product differentiation, and faster strategy. Cost leadership is how to implement cost efficient business operations to obtain a competitive price. Product differentiation is how to create goods or services that are unique to gain competitive products. While faster strategy regard to the speed of the company in anticipation of shifting market demands, anticipating the trend of cutting-edge technology, and anticipate competitor movements. Those strategy, successively shows the degree of influence each dimensions of competitive strategy to company performance. Where the cost leadership strategy deliver the highest influence, followed by product differentiation, and faster strategies.

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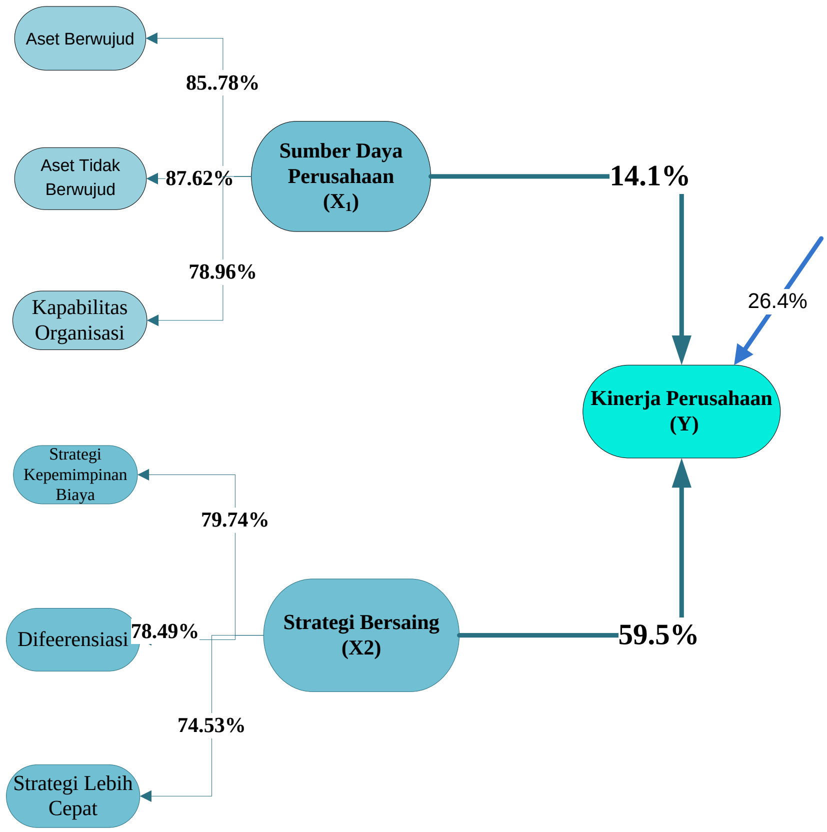
Figure 6. The result of research



The result of hypothesis testing is consistent with research of Valipour et al. (2014) which shows that in companies with a cost leadership strategy, there is a positive relationship between leverage; cost leadership strategy and dividend payments to performance. Teeratansirikool et al (2012) found that all competitive strategy positively and significantly improve the performance of companies on a listed company in Thailand. Daneshvar & Ramesh (2012) found that the IT strategy provides a significant contribution to improving the profitability and productivity of banks. Belkhaoui, Lakhal, Lakhal, & Hellara (2014) found that the strategic variables associated with risk taking and diversification affect directly and indirectly the performance of banks.

Meanwhile, the company's resources also give influence either simultaneously and partially to the company's performance. In this case, the intangible assets had the highest contribution to reflect the company's resources to influence company's performance, followed by tangible assets, and organizational capability

The intangible assets include: reputation, a culture that supports the performance, as well as the expertise and skills of experts and individuals within the organization. While the tangible assets includes all assets that can be measured visible, palpable, such as land, buildings, equipment technology, or financial assets. The organizational capabilities related to the ability, competence and commitment to integrate the tangible assets and intangible assets to be able to deliver superior products / services. These three dimensions have a significant impact on the performance of companies, with the highest influence derived from intangible assets, and followed by tangible assets, and organizational capabilities.

Reputation, culture that supports the performance, as well as the expertise and skills of experts and individuals in the organization had the highest contribution of the company's resources on corporate performance.

These findings are consistent with Ou and Hsu (2013) find a relationship between company's reputation and innovative performance. Ismaya Agus Hasanuddin and Roni Budianto (2013) show that the reputation of the company has a positive effect on company performance. Companies that perform relatively better stated by Ang and Wight (2010), based on data from the reputation of Fortune magazine's annual survey on corporate reputations, tend to have a better reputation.

CONCLUSION

The company's resources have not yet reached a very unique position, and competitive strategy has not yet reached a very precisely position in banking industry in Indonesia. Company's resources development and competitive strategy simultaneously able to boost the company's performance in banking industry in Indonesia. But competitive strategy play a greater role in boosting the company's performance, compared to the company's resources. The management of banks are advised to prioritize the improvement in terms of:

a. Cost leadership, which include the improving in the efficiency of operational costs and the cost of banking services.
b. Product differentiation, through an increase in product excellence, product variety, and convenience for customers in having a product.
c. Faster Strategy, through increased efforts to anticipate the shifting demands of the market, cutting-edge technology, and the movement of competitors.

As the research results revealed that the company's resources affect the performance of the company. In this case the banking companies need to increase / improve the ability to develop resources related to:

a. Intangible assets: the bank's reputation, the intensity of employee participation in training and external and internal training, and the adjustment of the number of experts.

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b. Tangible assets: increase the understanding of the importance of the strategic and representative location, providing diversity of features and completeness of product information, as well as its diversity, and complements the customer service unit.
c. Organizational capability: increase the intensity of employee competency test, informal meetings, internal business process, and a commitment to business development.

The research findings in this paper, is expected to be a reference for academics to conduct research related to the development of banking services, by making these findings as part of the premise in preparing the framework. In the future is expected to have more researchers who are interested in doing research on companies engaged in the banking industry with a different angle with this research by reviewing the specificity in the field of marketing management.

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