International Journal of Economics, Commerce and Management
United Kingdom Vol. IV, Issue 10, October 2016
http://ijecm.co.uk/ ISSN 2348 0386

THE INFLUENCE OF INDUSTRY COMPETITIVE FORCES AND DISTINCTIVE CAPABILITIES ON COMPETITIVENESS AND THE IMPLICATION ON THE PERFORMANCE OF BANKING COMPANIES IN INDONESIA

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Abstract

The performance of companies of national banking in Indonesia is lower than foreign banking. The level of penetration is lower than the banking in ASEAN. Such condition presummably due to the weaknesses in competitiveness. Besides, there are some problems that presummably impact on that condition, such as the weaknesses of the distinctive capabilities and the ability of banking companies that still low in adapting the banking industry competitive forces. Refer to the background, this research aims to examine the influence of industry competitive forces and

distinctive capabilities on the competitiveness, and the implication on company performance of banking companies in Indonesia. This study conducted through Mix Method Research (MMR) with the explanatory design. 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. The time horizon is cross section. The data is analyzed and verified through PLS. The findings reveal that distinctive capabilities is a more dominant factor compared to industry competitive forces in improving the competitiveness. Competitiveness has a significant influence in improving company performance. Distinctive capabilities and industry competitive forces can improve the performance of company through their ability in improving competitiveness.

Keywords: Industry Competitive Forces, Distinctive Capabilities, Competitiveness, Company Performance

INTRODUCTION

Even though the number of go public conventional commercial banks is only 37% compared to the total number of general banks, but the number its office reach out 84% of all of the offices owned by total general banks., reaching 5,184 offices or 23% in the last 5 years. The market capitalization value of go public conventional commercial banks by December 2015 was IDR 1,143 trillion, up 48% when compared to the value as of December 2011.

Judging from the total assets, the assets of go public conventional banks by December 2015 had a share of 74% of the total assets of commercial banks with a rising trend. In the last 5 years (2011-2015), the total assets of go public conventional banks increased by IDR 1,829 trillion, or 67% compared to total assets as of December 2011, so as to IDR 4.559 trillion.

Within the last 5 years (2011-2015), go public conventional banks posted a profit increase of IDR 29 trillion, or up to 49%, to IDR 87 trillion. The profits were booked by conventional banks in 2015, is 83% of the total profit of commercial banks, of which 64% of the profits derived from the profits of Limited Bank. While national commercial banks's income contributed 33% to the go public conventional commercial bank profits and the profit of BPD contribute of 3%. The growth of bank assets and liabilities, followed by the performance of go public conventional commercial banks fairly well during the last 4 years up to 2015, which indicated some basic financial ratios of the banking industry.

The financial ratios of go public conventional commercial banks were still in good condition. During the period of 2012 until 2015 the capital was in a healthy condition, seen from

the ratio of Capital Adequacy Ratio (CAR) that was stable above the threshold of 8% namely CAR of 15.36% in 2015. The financial ratios were also in relatively good condition, namely BOPO amounting to 78.30%, ROA of 2.55%, LDR amounted to 87.53% and the NPL, despite increased due to deteriorating economic conditions, relatively well preserved well enough that in 2015 the NPL of go public conventional commercial banks at 2.28% .

Meanwhile, the Indonesian banking structure is not healthy for about 73.9 percent of total Indonesian banking assets is controlled by 22 large banks. While the medium-sized banks and small banks amounting to only 96 banks dominate the banking assets of not more than 26.1 percent. This condition describes the lack of specialization in the banking industry, especially the specialties related to the value chain in an industry sector.

Based on the results of preliminary observations, the unstable performance of the Indonesian banking companies, allegedly because the low superior competitiveness of the industry today which is still relatively weak in the eyes of its stakeholders. This was indicated by the lack of competitiveness of products compared with products of foreign banks; development of product variations are relatively not unique compared to competitor banks; as well as aspects of the service that has not superior to certain circles. Yet according to Castro et al. (2004, p.302) that in order for a company considered to be competitive from the point of view of the operative, then the company must design a strategy to complete the conditions: a competitive price, the products with superior quality, and service of high level to the customer (speed and variety).

The low performance of the banking companies was also presummably because the management has not been fully able to anticipate the fluctuation of the industry competitive forces, such as government policies, the movement of banking industry opportunities, the movement of customers demands, and the higher mobility of the competitor. Meanwhile, according to Porter (1980) in Wheelen and Hunger (2012), Hubbard and Beamish (2011) and Pearce & Robinson (2011), the framework of five forces to achieve sustainable profitability in industries consisting of: threat of new entrants, competition between industry players, the power of suppliers of production inputs, the power of consumers, and the threat of substitutes and complements.

In addition to the above problems, allegedly also still there are limitations in the distinctive capabilities owned by banks. According to Wheelen and Hunger (2012) the uniqueness or competency of resources can be created through the three forms of assets include physical assets; land, equipment, and location; human resources assets: number of employees and their expertise; as well as the assets of the organization that includes culture and reputation. Meanwhile, according to the preliminary observations revealed several problems in the ownership of tangible assets, namely in working capital and infrastructure facilities are

inadequate, and branch office locations that are less strategic. In addition, the company's reputation was also relatively not so good in the eyes of the market..

LITERATURE REVIEW

Industry Competitive Forces

Wheelen et al. (2015), put forward the concept of the Porter's industry competitive forces which is essentially the study of the extent to which companies are able to enter the existing industrial environment, where the competitive power of industry competition is the ability of companies to adapt the opportunities and threats that arise in entering an industry. It was explained that in observing the industry, companies must assess the importance of the six powers, namely: the threat of new entrants, competition among existing companies, the threat of substitute products or services, the bargaining power of buyers, bargaining power of suppliers, and the relative strength of other stakeholders.

Porter also be a reference to Thompson, Peteraf, Gamble, Strickland III (2014), which suggests that the character and strength of competitive forces in an industry was never the same as other industries. Five forces of competition model is a tool that has been used extensively to measure the fundamental competitive pressure in a market. Competitive pressures on companies in an industry derived from the five forces are: rivalry among competitors, competition from new entrants, competition from manufacturers or product substitution, bargaining power of suppliers, and bargaining power of customer, in line with Hitt, Ireland, Hoskisson, (2015), and Pearce and Robinson (2015).

Distinctive Capabilities

Wheelen *et al.* (2015:162) argue: **"Resources** are an organization's assets and are thus the basic building block of organization. They include tangible assets, such as its plant, equipment, finances, and location, human assets, in terms of the number of employees, their skill and motivation, and intangible assets, such as its technology (patents and copyrights) culture and reputation. **Capabilities** refer to corporation ability to exploit its resources. A Competency is a cross-functional integration and coordination of capabilities". **A core competency** is a collection of competency that crosses divisional boundaries, is widespread within the corporation, and is something that the corporation can do exceedingly well. In general the more core competencies are used, the more refined they get, and the more valuable they become**.** When core competencies are superior to those of the competition, they are called **Distinctive competencies"**

Simonceska (2010) proposed the distinctive capabilities as the process of identifying the advantages and characteristics of the company and exploit them in creating a particular product by those who were aware of competition in the market. Meanwhile, according to Ireland, Hoskisson and Hitt (2013), the resource-based model assumes that each organization is a collection of unique resources and capabilities. The uniqueness of the resources and capabilities are fundamental to the company's strategy and its ability to obtain returns above average. Resources are inputs to the production process of the company, such as capital equipment, individual skills of employees, patents, financial and talented managers. In general, company resources are classified into three categories: physical, human resources, and organizational capital.

Competitiveness

According to Ireland et al (2013, p.4) "*Strategic competitiveness is achieved when a firm successfully formulates and implements a value-creating strategy"*. According to the opinion, the strategic competitiveness will be achieved when a company has successfully formulate and execute a strategy of value creation.

Castro; Castro; Miron; Martinez (2004, p.301) argues about the strategic and operative competitiveness adapted from Gabina (1996, p.184):

Strategic competitiveness = innovation + anticipation + speed

Operative competitiveness = cost + quality + flexibility + delivery time

According to Castro et al (2004, p.302) a company is considered to have competitiveness of operative standpoint, the company must design a strategy to equip conditions: competitive prices, with superior quality products and high level of service to the customer (speed and variety).

Jin Su & Gargeya (2012, p.146) cites Kumar and Arbi (2008) that one of the methods to improve the competitiveness of a company is through a strategic approach from suppliers around the world. Customization demands of consumers and the need for "quick response" in a rapidly changing market to make more and more companies recognize the strategic role of resources in achieving a sustainable competitive advantage and improve financial performance. Opinion was implicitly reveals that one of the characteristics of the condition of competitiveness is the speed of response.

Nordås & Kim (2013, p.3) presents three indicators of competitiveness, namely the degree of product differentiation, unit prices obtained in export markets, and the duration of the trade. Casadesus-Masanell and Ricart (2010, p.124) reveals that the competitiveness of a

company linked to how well the business model interacts with the environment to produce value-added offers.

Company Performance

According to Marr and schiuma (2003), the company's performance is a multi -dimensional measure of the company which covers various aspects, such as: accounting, economic, human resource management, marketing, psychology, sociology and strategic management. Tangen (2003) revealed that the company's performance is generally used as a management tool to measure the effective and efficient in the future.

According to Ferguson & Reio (2010), the company's performance can be measured on the basis of two perspectives, namely: financial performance and business performance. In short, through the company's performance can be presented efficiency and effectiveness of the company to measure and evaluate the performance of the finance department, employees, businesses, and organizations. Aras, Aybars, Kutlu (2010) suggests financial performance (profitability) is indicated through ROE, ROA and ROS.

METHODOLOGY

This study aimed to examine the influence of industry competitive forces and distinctive capabilities on competitiveness and its implications on the performance of the go public banking companies in Indonesia. This study conducted through Mix Method Research (MMR) with the explanatory design. 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 with a total 42 respondents. The time horizon is cross section / one shot. The data is verified and analyzed through PLS using Smart PLS v.2.0.

ANALYSIS

Test of Model Suitability

The purpose of use of the structural model is to compare and test the suitability of the model based on the results of empirical research. Furthermore, this section will discuss the results of verification research using Partial Least Square. First, there will be proving whether the research hypothesis is supported by empirical facts or not. To test the overall model, conducted a test of goodness of fit. The test of goodness of fit model is to prove the hypothesis that the theory used in accordance with empirical data, or theories are supported by the data (model fit to the data). In PLS, the evaluation of research model is conducted through two models analysis, namely Inner and outer models.

Analysis of Structural Model (Inner Model)

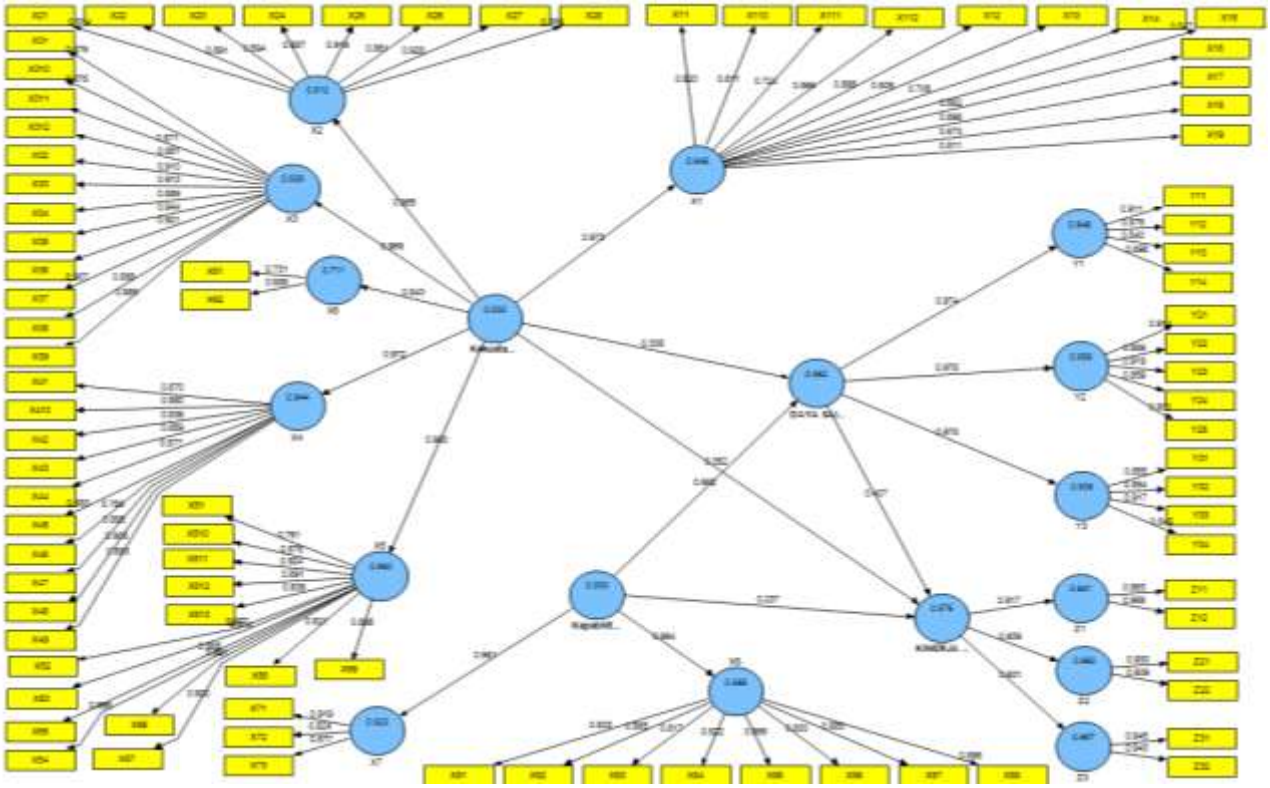
The Structural analysis model (inner model) shows the relationship between the latent-variables. Inner models were evaluated using Goodness of Fit Model (GoF), which shows the difference between the values of the observations with the values predicted by the model. This test is indicated by the value of R^2 and Q-Square where if Q-Square value above 80% is considered good. Here are the values GoF and Q-Square on the construct:

Table 1. Test of Structural Model (*Inner* Model)

Variable	*R Square*	*Communality*	*GoF*	*Q-Square*
Industry competitive forces		0.690	**0,846**	**0,999**
Distinctive capabilities		0.714		
Competitiveness	0.982	0.751		
Company Performance	0.976	0.770		

The above table shows the value of R^2 is in the quite high criteria with the value of GoF as 0.625 and the value of Q-*Square* is greater than 0.8, so it can be concluded that the research model is supported by empirical condition or in other word the model is fit. The figure below show the result of evaluation model through Smart PLS 2.0:

Figure 1. Effect Coefficient of Research Model



Analysis of Measurement Model (Outer Model)

The analysis of measurement model show the relationship between manifest variable and each latent variables. The analysis aims to examine the validity and reliability of dimensions and indicator used in measuring each construct variable. This analysis can be shown with the value of *discriminant validity, loading factor, Construct Validity* and *Composite Reliability*.

The value of *square root of average variance extracted* (AVE) is the methods to assess the *discriminant validity*, which the suggested value is above 0.5.*Contruct Validity described by the value of factor loading*. According to Chin (2000), of the l*oading factor* greater than 0.50 or t of *loading factor* is greater than table in significant of 5% shows that it is valid in measuring the variables. *Composite Reliability* and *Cronbachs Alpha*are used to see the reliability of dimension in measuring the variable. If their value are greater than0.70 (Nunnaly, 1994), it means that the dimensions and indicators are reliable in measuring the variables.

Table 2. Analysis of Measurement Model (*Outer* Model)

Variable	AVE	Composite Reliability	Cronbachs Alpha
Industry competitive forces	0.690	0.992	0.992
Distinctive capabilities	0.714	0.965	0.960
Competitiveness	0.751	0.975	0.972
Company Performance	0.770	0.952	0.940

The table shows that the value of AVE > 0,5, it means that all of variables in the estimated model fit with the *criteria of discriminant validity. The composite reliability* of each variable > 0,70, means that all of variables has a good reliability.

The usage of Second Order in the research model cause the loading factor gains describe the relationship between latent variable-dimension and dimension-indicator, as shown below.

Table 3. *Loading Factor* of Dimension – Indicator

Variable	Dimension-Indicator	λ	SE(λ)	t
Industry competitive forces	**X11 <- X1**	0.820	0.055	14.824
	X110 <- X1	0.811	0.027	30.294
	X111 <- X1	0.724	0.097	7.457
	X112 <- X1	0.866	0.019	45.870
	X12 <- X1	0.886	0.023	39.211
	X13 <- X1	0.809	0.037	21.880
	X14 <- X1	0.706	0.099	7.153

Variable	Dimension-Indicator	λ	SE(λ)	t
	X15 <- X1	0.847	0.022	38.651
	X16 <- X1	0.882	0.017	52.767
	X17 <- X1	0.895	0.018	49.501
	X18 <- X1	0.673	0.102	6.569
	X19 <- X1	0.811	0.035	23.280
	X21 <- X2	0.834	0.041	20.275
	X22 <- X2	0.891	0.023	39.112
	X23 <- X2	0.694	0.106	6.540
	X24 <- X2	0.857	0.022	38.299
	X25 <- X2	0.919	0.018	51.358
	X26 <- X2	0.861	0.027	31.744
	X27 <- X2	0.928	0.012	79.121
	X28 <- X2	0.889	0.018	50.457
	X31 <- X3	0.876	0.016	56.354
	X310 <- X3	0.875	0.023	38.128
	X311 <- X3	0.871	0.027	31.869
	X312 <- X3	0.851	0.028	30.735
	X32 <- X3	0.910	0.019	48.286
	X33 <- X3	0.913	0.014	64.909
	X34 <- X3	0.889	0.017	52.978
	X35 <- X3	0.944	0.010	90.685
	X36 <- X3	0.921	0.014	65.550
	X37 <- X3	0.907	0.018	49.671
	X38 <- X3	0.888	0.019	47.816
	X39 <- X3	0.889	0.021	41.419
	X41 <- X4	0.870	0.022	40.136
	X410 <- X4	0.880	0.025	35.181
	X42 <- X4	0.836	0.030	27.662
	X43 <- X4	0.859	0.017	51.982
	X44 <- X4	0.877	0.016	54.659
	X45 <- X4	0.883	0.016	54.026
	X46 <- X4	0.788	0.044	17.878
	X47 <- X4	0.885	0.022	39.374
	X48 <- X4	0.908	0.017	54.345
	X49 <- X4	0.893	0.021	42.653
	X51 <- X5	0.761	0.049	15.665
	X510 <- X5	0.878	0.018	48.397
	X511 <- X5	0.924	0.015	62.459
	X512 <- X5	0.891	0.022	40.333
	X513 <- X5	0.839	0.029	28.971
	X52 <- X5	0.827	0.028	30.017

Variable	Dimension-Indicator	λ	SE(λ)	t
	X53 <- X5	0.814	0.036	22.420
	X54 <- X5	0.866	0.020	43.523
	X55 <- X5	0.865	0.021	42.093
	X56 <- X5	0.881	0.022	40.422
	X57 <- X5	0.920	0.017	55.587
	X58 <- X5	0.821	0.031	26.460
	X59 <- X5	0.895	0.018	49.023
	X61 <- X6	0.731	0.170	4.312
	X62 <- X6	0.935	0.018	52.598
Distinctive capabilities	**X71 <- X7**	0.919	0.014	66.982
	X72 <- X7	0.824	0.028	29.770
	X73 <- X7	0.877	0.024	36.140
	X81 <- X8	0.833	0.025	33.132
	X82 <- X8	0.865	0.021	40.614
	X83 <- X8	0.817	0.028	28.877
	X84 <- X8	0.822	0.038	21.771
	X85 <- X8	0.865	0.026	33.073
	X86 <- X8	0.830	0.025	32.830
	X87 <- X8	0.885	0.026	34.482
	X88 <- X8	0.895	0.017	54.252
Competitiveness	**Y11 <- Y1**	0.911	0.019	48.818
	Y12 <- Y1	0.876	0.020	44.532
	Y13 <- Y1	0.840	0.025	33.832
	Y14 <- Y1	0.898	0.021	43.152
	Y21 <- Y2	0.914	0.019	48.833
	Y22 <- Y2	0.869	0.026	34.043
	Y23 <- Y2	0.919	0.017	52.670
	Y24 <- Y2	0.859	0.021	40.751
	Y25 <- Y2	0.931	0.011	84.380
	Y31 <- Y3	0.855	0.021	41.238
	Y32 <- Y3	0.894	0.018	48.576
	Y33 <- Y3	0.917	0.016	58.373
	Y34 <- Y3	0.848	0.024	34.802
Company Performance	**Z11 <- Z1**	0.953	0.009	100.933
	Z12 <- Z1	0.956	0.008	116.496
	Z21 <- Z2	0.930	0.011	82.676
	Z22 <- Z2	0.939	0.010	95.774
	Z31 <- Z3	0.945	0.012	75.881
	Z32 <- Z3	0.943	0.012	75.966

The result of measurement model analysis of the dimensions by their indicator show that the indicator is valid, which is most of the value of loading factor greater than 0.70 and the value of t greater than t table (2.02).

The measurement model of latent variables on the dimensions show to what extents the validity of dimensions in measuring latent variables. The table below show the result of measurement model of each latent variable on its dimension.

Table 4. *Loading Factor of Latent Variables-Dimension*

Latent Variables-Dimension	**λ**	**SE(λ)**	**t**
Industry Competitive Forces -> X1	0.973	0.005	213.845
Industry Competitive Forces-> X2	0.955	0.009	109.938
Industry Competitive Forces-> X3	0.969	0.007	146.289
Industry Competitive Forces-> X4	0.972	0.006	171.600
Industry Competitive Forces-> X5	0.980	0.005	183.690
Industry Competitive Forces-> X6	0.843	0.023	36.571
Distinctive capability -> X7	0.961	0.010	94.231
Distinctive capability-> X8	0.994	0.002	637.942
COMPETITIVENESS -> Y1	0.974	0.006	153.231
COMPETITIVENESS -> Y2	0.978	0.004	219.147
COMPETITIVENESS -> Y3	0.978	0.006	173.427
Company Performance -> Z1	0.917	0.018	51.560
Company Performance-> Z2	0.939	0.012	79.080
Company Performance-> Z3	0.931	0.015	63.897

The result of measurement model analysis of variable on its dimension show that all of dimensions are valid with the value of t is greater than t table (2.02)with the value> 0.50.

Hypothesis Testing

a. Hypothesis 1. There is the influence of industry competitive forces and distinctive capabilities on competitiveness

The structural model of the hypothesis is:

$$\boldsymbol{\eta_1 = 0.338\xi_1 + 0.662\xi_2 + \zeta_1}$$

Table 5. Simultaneous hypothesis testing of the influence of industry competitive forces and distinctive capabilities on competitiveness

Hypothesis	R^2	F	Conclusion
Industry competitive forces and distinctive capabilities →competitiveness	**0,982**	**1066.37***	**Accept**

*significant at α=0.05

According to the table above is known that with the degree of confidence of 95% (α=0.05), simultaneously there are significant influence of industry competitive forces and distinctive capabilities to the competitiveness, equal to 98.2%, while the remaining 1.8% influenced by other factors not examined.

Table 6. Partial hypothesis testing of the influence of industry competitive forces and distinctive capabilities on competitiveness

Structural Model	γij	SE	R^2	t-
Industry competitive forces →competitiveness	0.338	0.054	0.329	6.206*
Distinctive capabilities →competitiveness	0.662	0.054	0.653	12.221*

*significant at α=0.05

Partially, the exogenous variables significantly influence competitiveness, where the distinctive capabilities have a greater influence than industry competitive forces for competitiveness.

b. Hypothesis 2. There is the influence of industry competitive forces and distinctive capabilities on Company Performance

The structural model of the hypothesis is : $\boldsymbol{\eta_2 = 0.352\xi_1 + 0.237\xi_2 + \zeta_2}$

Table 7. Simultaneous hypothesis testing of the influence of industry competitive forces and distinctive capabilities on company performance

Hypothesis	R^2	F	Conclusion
Industry competitive forces and distinctive capabilities →company performance	**0,341**	**10.077***	**Accept**

*significant at α=0.05

According to the table above is known that with the degree of confidence of 95% (α=0.05), simultaneously there are significant influence of industry competitive forces and distinctive capabilities to the performance of company, equal to 34,1%.

Table 8. Partial hypothesis testing of the influence of industry competitive forces and distinctive capabilities of company performance

Structural Model	γij	SE	R^2	t-
Industry competitive forces →company performance	0.352	0.094	0.204	3.756*
Distinctive capabilities → company performance	0.237	0.126	0.137	1.877

*significant at α=0.05

In the above table, shown that partially, only competitive forces that have a significant influence on performance, whereas no significant effect of distinctive capability.

c. Hypothesis 3. There is the influence of competitiveness on company performance

The structural model of the hypothesis is: $\boldsymbol{\eta_2 = 0.407\eta_1 + \zeta_3}$

Table 9. Partial Hypothesis testing of the influence of competitiveness on company performance

Structural model	βij	SE	R^2	t-
Competitiveness ->Company Performance	0.407	0.166	0.166	2.458*

*significant at α=0.05

In the above table, shown that competitiveness has a significant influence on company performance for 16.6%

d. Hypothesis 4. There is the influence of industry competitive forces and distinctive capabilities on Company Performance through competitiveness

Table10. Simultaneous hypothesis testing of the influence of industry competitive forces and distinctive capabilities on Company Performance through competitiveness

Hypothesis	R^2	F	Conclusion
Industry Competitive Forces and Distinctive Capabilities →Competitiveness → Company Performance	**0,407**	**8.69***	**Accept**

*significant at α=0.05

According to the table above it is known that with the degree of confidence of 95% (α=0.05) simultaneously there is the indirect effect of the industry competitive forces and distinctive capabilities to company performance through Competitiveness, with the effect by 40.7%

Table 11. Partial Hypothesis Testing of the influence of industry competitive forces and distinctive capabilities on Company Performance through competitiveness

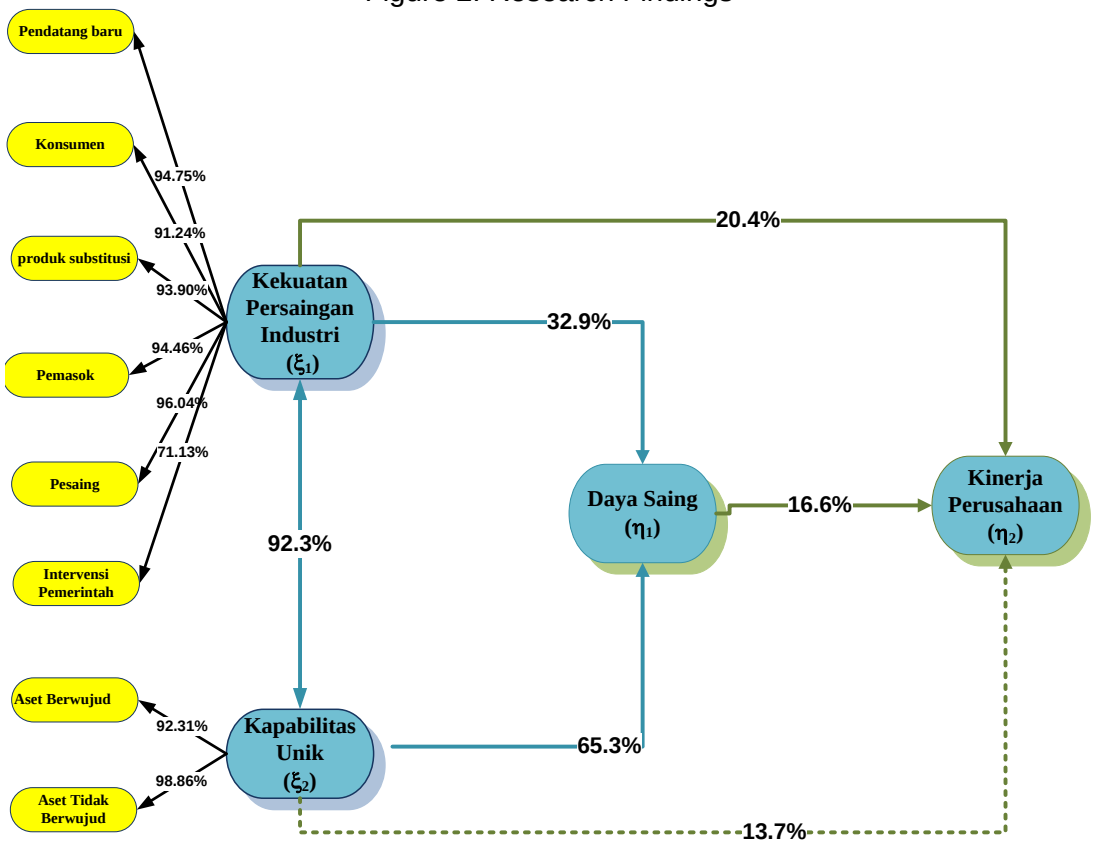
Structural Model	γβij	SE	t-
Industry Competitive Forces →Competitiveness → Company Performance	0.137	0.006	23.416*
Distinctive Capabilities →Competitiveness → Company Performance	0.269	0.006	45.951*

*significant at α=0.05

In the table above is known that partially, exogenous variables significantly affect the company performance through competitiveness, where the distinctive capabilities have a greater influence than the industry competitive forces.

The results thus show that the increase in the adaptation of industry competitive forces and the developing of distinctive capabilities can improve company performance indirectly through its ability to improve competitiveness. 40.7% change in the company's performance caused by changes in the industry competitive forces and the distinctive capabilities that causes changes in competitiveness. The changes in the performance of the company's most dominant obtained from the influence that comes from the distinctive capabilities. Based on the above test results, it is revealed the results as illustrated in Figure 2 below:

Figure 2. Research Findings



The results of the study illustrate that the distinctive capabilities is the dominant factor in improving competitiveness. The industry competitive forces have the significant effect on the performance of the company, while the distinctive capabilities have not a significant influence on the company's performance. The competitiveness affects the company's performance. The influence of industry competitive forces and the distinctive capabilities on the company's performance is greater if through the competitiveness. The improvement in the adaptation of industry competitive forces and the development of distinctive capabilities will improve company performance through competitiveness.

Based on these findings, in an effort to improve the company's performance in the banking industry in Indonesia, thus the development of competitiveness is a very important factor, especially on the most dimensions factor reflect the competitiveness that is, the products with superior quality and speed & excellent. Those efforts also need to be supported by the creation of a competitive price.

The distinctive capabilities is the dominant factor in the effort to develop a superior competitiveness. To increase competitive advantage, required an increase in intangible assets, which are supported by the increase in intangible assets. Meanwhile, to improve the ability to adapt the industry competitive forces, the most important aspect of adaptation is the strength of the competition, followed by adapting to the new entrants strength, power of suppliers, power of substitution products, consumer power, and the power of government intervention.

Based on the findings, it can be said that the increase in sales volume, profitability, and market share in the banking industry in Indonesia, is influenced by how the company can drive itself in competitiveness through the improvements in the distinctive capabilities and adapting the industry competitive forces.

The research findings are in line with the findings of Hosseini (2012) and Wang (2007) that the increased cost efficiency leads to higher profitability for the banks; Valipour, Birjandi, Honarbakhsh (2012) that in companies with a cost leadership strategy, there is a positive relationship between leverage; cost leadership strategy and dividend payments to performance, and there is a positive relationship between leverage and size of the company with the company's performance with a strategy of product differentiation; and Al-Tamimi & Jabnoun (2006), which examines the quality of bank services as an important factor of competitiveness in the banking industry. Foreign banks rated higher than the UAE national banks in terms of human skill and performing better in the terms of ROE.

CONCLUSION AND SUGGESTIONS

The development of the distinctive capabilities and adaptation of industry competitive forces together is able to encourage the competitiveness of the banking company in Indonesia. Meanwhile, the distinctive capabilities are the aspects that play a greater role in encouraging superior competitiveness, compared to the adaptation of industry competitive forces. The competitiveness of companies is mainly formed by the development of intangible assets, compared to tangible assets.

The development of distinctive capabilities and adaptation of industry competitive forces together is able to drive the performance of the banking company in Indonesia. However, only the adaptation of industry competitive forces that contribute directly in improving company performance.

Competitiveness is significantly influence the performance of company that is mainly formed by the creation of products with superior quality and speed & excellent which is supported by the creation of a competitive price.

The development of distinctive capabilities and adaptation of industry competitive forces together is able to push the performance of the banking company in Indonesia through their ability to improve competitiveness.

It is hoped that the findings of this study can be used as a reference for further studies to related to the development of banking services, by making these findings as part of the premise in preparing the framework.

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