

The role of collaboration in mediating distinctive capability on performance in the digital industry in Indonesia

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Abstract

Two major events in the industrial world in 2020 have occurred, namely the industrial era 4.0 and the COVID-19 pandemic. Every event has an impact on change, including the strategy for competitive advantage in the industry, especially the digital industry. The COVID-19 pandemic has accelerated changes in various aspects of life towards digitalization, so the digital industry is required to be able to implement strategies by developments and needs in the global and new normal era. The purpose of this study was to analyze the role of collaboration in mediating the distinctive capability factor of the performance of the digital industry in Indonesia. Surveys have been conducted on 103 digital industries in Indonesia. The sampling technique was carried out by simple random sampling. Data were collected using a structured questionnaire via email and mail. Data analysis was performed using the structural equation modeling (SEM) approach and the LISREL program. The results of statistical tests showed that distinctive capability had a positive and significant effect on industrial collaboration and business performance. Business performance in the digital industry in Indonesia can be built by increasing distinctive capability and industrial collaboration. The strong influence of collaboration on business performance in the digital industry in Indonesia shows that industrial collaboration strategy is a good intervening variable for the effect of distinctive capability on the performance of the digital industry. The managerial implication of this research is the need to implement a collaborative strategy in running a business to gain a competitive advantage because in the current situation there is no single company that can survive without collaborating.

Keywords

collaboration strategy, digital industry, distinctive capability, performance industry.

1. Introduction

The concept of business performance involves various disciplines such as operations management, marketing management, human resource management, accounting or finance, information systems, organizational behavior, and economics (Franco-santos et al., 2007). One of the important things for a company is business performance, because

business performance reflects the culture, norms, values and beliefs of the company. A company orientation that is deeply embedded in the culture, norms and beliefs of the company will support the implementation of a company strategy that is difficult for competitors to imitate so that competitive advantage will be created (Hult et al., 2004).

Through business performance measurement, companies will get information that allows organizations to align management processes with the goals to be achieved (Al-Hakim & Lu, 2017). Business performance measurement makes it possible to produce information about performance achievements related to strategic plans, as well as to detect and strengthen problems that exist in the process of achieving goals (Yuliansyah et al., 2017). Through the information obtained from measuring business performance, managers can compare the actual results with the initial plans set out in the formulation stage (Wheelen et al., 2015). Several studies on business performance have been carried out in several industries ranging from the manufacturing industry (Bayraktar et al., 2016; Takata, 2016), the tourism industry (Morrison, 2004), the logistics industry (Sezen, 2005), the textile industry (Brasil et al., 2016), the banking industry (Mehra & Coleman, 2016), the electrical industry (Al-Hakim & Lu, 2017) to the digital industry (Straub, Rai, & Klein, 2004; Qu, Wang, Wang, & Zhang, 2013; Park & El Sawy, 2015).

The development of technology from year to year encourages companies to adapt and make efforts to use digital technology. Changes in the current digital era that hit almost all aspects of life, including the business world, almost all industries have led to the use of digital technology. (Herlinda, 2017; Okezone.com, 2017). Companies with poor business performance indicate that something is wrong in strategy formulation or implementation (Wheelen et al., 2015). The impact of poor performance for a company will bring difficulties because the company is unable to determine a clear strategy, even this will lead to failure to achieve cost benefits and company bankruptcy (Blackwell, 2005; Wheelen et al., 2015).

Improving business performance can also be done by using the company's unique resources. Having valuable and unique resources and abilities will be difficult for others to imitate (Al-Ansari et al., 2013). Based on resource analysis, John Kay (Lynch, 2015) argues that the distinctive capabilities of organizational resources are very important in providing a competitive advantage. Resources that are difficult to replicate and cannot be substituted can improve performance through more sustainable management and improve aspects of technology (Brasil et al., 2016). Technology is a catalyst for strategic planning combined with market insights to generate innovative ideas (Berman & Hagan, 2006).

To get a comparative study, distinctive capability is very important. If distinctive resources are not owned, it is necessary to carry out a competitive strategy by providing superior value to customers through collaboration. Given the current state of the Covid-19 pandemic, where the threat is fluctuating with uncertainty, companies cannot move on their own, so they need to collaborate with other parties or what is known as collaboration. This study tries to link the three strategic conditions simultaneously to business performance in the digital industry in Indonesia. The purpose of this study is to analyze the impact of distinctive capability on company performance that is mediated by a collaborative strategy.

2. Literature Review

2.1. Business Performance

Business performance can be defined as an index of the overall capability of the company and its stakeholders, measured in terms of financial and operational indicators, using primary data to measure subjective business performance, secondary data to measure objective business performance, or both (Bedi, 2016). Business performance is a multi-disciplinary field covering operations management, marketing, human resource management, accounting, economics, psychology and sociology (Al-Hakim & Lu, 2017). Performance is generally defined as the company's results achieved, or changes in results through a strategy for implementing targets (Taghian et al., 2015). Business performance can be seen as the level of an organization that has set goals and has achieved these goals (Taghian et al., 2015). Business performance can also be assessed in relation to industry norms, company history, performance or creating organizational goals and expectations (Taghian et al., 2015).

The business performance of a company can determine how well the company can manage internal resources and be able to adapt to the external environment (Al-ansari, Pervan, & Xu, 2013), which reflects the achievement of strategic goals and growth goals (Hult et al., 2004). Business performance is the result of the interaction between actions taken in relation to competitive forces which enable companies to manage internal resources and adapt to the external environment, thereby integrating the concepts of efficiency and effectiveness. Several measures of a company's business performance are generally assessed from the achievement of organizational goals, growth, effectiveness of human resources, quality of products and services, performance of suppliers, customers and markets and other factors such as profit (Al-Hakim & Lu, 2017). Business performance can also be measured by sales, market share and profitability (Wheelen et al., 2015).

2.2. Distinctive Capability

Resources are part of the strategic planning process and are part of the development of organizational policies, planning for expansion of organizational lines, the process of organizational mergers and acquisitions. Only a small part of the things that organizations do without involving resources in planning, policy, and formation of organizational strategies. Human resources have a big share of business success. HR issues include business issues related to workforce, and these issues affect business essences such as profitability, survival, competitiveness, adaptability and flexibility.

Distinctive capability includes a manager's leadership ability in demonstrating the skills of a leader effectively to inspire strategic missions, which guides strategic formulation and implementation and acts as a support for all organizational competencies (Eden & Ackermann, 2015). An Oxford economist John Kay stated that Distinctive Resources have unique abilities, namely: 1) Architecture, 2) Reputation, and 3) Innovation that produces superior performance and competitive advantages for successful companies (Kay, 1993).

2.3. Business Collaboration

Currently, collaboration has become a concern for all parties, and this is because collaboration is one aspect of the growth of the business climate to build small and medium enterprises through empowerment to increase income, business capability and increase the competitiveness of small and medium enterprises or even large businesses. Collaboration is an action and business relationship to grow a small business rationally. Basically, the partnership is a mutually beneficial activity with various forms of cooperation in dealing with and strengthening one another (Levinger, 2004).

Collaboration is a process of working together to come up with ideas or ideas and solve problems together towards a common vision. In an interdependent organization, collaboration is the key to creative thinking. Collaboration is essential for achieving the best results when solving complex problems. For collaboration to be successful, it is necessary to identify when and how to collaborate. This can be achieved by practicing. Likewise, understanding of cooperation partners. It takes understanding and appreciation of the skills, competencies and character of others. Research shows that the highest levels of successful collaboration are achieved when the collaboration involves people with a variety of work styles, values, cultures, education and work backgrounds. These people will present completely different thoughts and as a result the problem will be handled from various angles. However, for collaboration at this level to be effective, mutual trust and respect are needed.

Some of the factors that influence the partnership include personal factors, personal barriers, power factors, organizational factors, organizational barriers, and other factors (El Ansari et al., 2013). Cooperative and network-based strategic theory is a strategy in which at least two independent companies work together to achieve agreed goals. The focus of this theory lies in the network of sharing personal contacts, knowledge and influence both within and outside the organization. Cooperation and network theory emphasizes the importance of formal and informal relationship opportunities that are also available to organizations (Blackwell, 2005).

3. Methods

The design of this research was carried out with a strategic management approach, especially regarding the effect of distinctive capability, business collaboration on the performance of the digital industry business in Indonesia. Based on the variables studied, this type of research is included in verification research. This study tries to verify the hypotheses that have been built in the previous chapter. The final result of this study is a typology of the phenomenon being discussed. This study involved 3 (three) variables consisting of 1 exogenous variable and 2 endogenous variables. The exogenous variable is Distinctive Capabilities. Meanwhile, the two endogenous variables are collaboration and business performance.

4. Data Collection

The population of this research is the digital industry in Indonesia. The number of digital companies in Indonesia is 241 companies. The sample for the SEM method is 200, but if it is enlarged (> 400) the results will be more sensitive so that the Goodness of fit results are not good, so the recommended sample size for the SEM-BC method is 100-400 samples (Gunarto, 2018). Researchers have distributed to 120 respondents through various delivery media both online and offline. The results of returning the questionnaire by respondents who can be processed are 103 samples (86%), while the remaining 14 percent cannot be processed due to incomplete data.

The sampling technique used was simple random sampling because the characteristics of the population were relatively homogeneous. The statistical analysis technique used is the Structural Equation Model (SEM) approach which is a combination of factor analysis, regression analysis, and path analysis (Gunarto, 2018; Hair, Black, Babin, & Anderson, 2014; Malhotra, 2010).

5. Results and Discussion

5.1. Profil Responden

The unit of analysis in this study is the digital industry, amounting to 103 samples. This research involves all digital industry companies that carry out business activities in the Indonesian territory. Data was collected through a structured questionnaire sent via email and mail. The questionnaire includes sections assessing the impact of the strengths of Distinctive Resources and global trends on business partnerships and innovation management and their impact on the performance of digital industry businesses in Indonesia. Almost all digital industries operating in Indonesia are centered in DKI Jakarta, so that the sample processed is also mostly 93 percent (96 industries) centered in DKI Jakarta, only 4% in Banten, 1% in Denpasar, 1% in Palembang and 1% in Tangerang. All of the sample industries (100%) were incorporated as PT (Limited Liability Company). Companies taken as samples have different ages starting in 1856, namely PT Telekomunikasi Indonesia Tbk (TELKOM). Nearly 6% of the sample had an establishment year of more than 50 years to date. The age of 10-25 years is the largest sample of this study which reached 44 per cent because indeed digital development has started rapidly in the last 10-20 years. Looking at the development of the digital industry, the sample average is 26.8 years. Along with the current digital era, the development of digital companies or industries is so fast that some companies whose age is under 10 are also relatively large, 18%.

5.2. Descriptive Analysis

5.2.1. Description of Distinctive Capability Variable

The distribution of respondents' answers to the distinctive capability variable with 9 (nine) indicators is shown in Table 1.

Table 1. Distribution of Respondents' Answers on Distinctive Capability Variables

No	Indicator	Score Answer Frequency:							Score	Max. Score	Achievements (%)
		1	2	3	4	5	6	7			
1	Professionality	0	1	2	7	19	32	42	617	721	85.58
2	Harmony	0	1	1	8	18	27	48	625	721	86.69
3	Competence	0	0	0	11	17	29	46	625	721	86.69
4	Competitiveness level	0	0	3	10	14	28	48	623	721	86.41
5	Quality of human resources	0	1	3	11	13	31	44	614	721	85.16
6	HR consistency	0	0	2	12	10	36	43	621	721	86.13
7	Attract sympathy	0	1	3	24	18	36	21	560	721	77.67
8	Active HR development	0	0	3	21	17	31	31	581	721	80.58
9	Job security	0	0	10	14	24	29	26	562	721	77.95
Average									603	721	83.65

Table 1 shows that of the nine indicators for the Distinctive Resources variable as a whole are in the high criteria with an average score of 83.65. Overall the level of Distinctive Resources in the digital industry that was selected as a sample shows a high level. However, there are several indicators that have a value below 80%, namely: the company's success in attracting public sympathy and the level of job security for employees. Meanwhile, the level of performance, policies and practices that are strategically aligned and the level of competence, motivation, and related behaviors that are strategically focused has a value far above average. This shows that in general the level of Distinctive Resources in the digital industry in Indonesia is relatively high. To be able to compete with similar companies or other companies, distinctive capability is a major factor.

5.2.2. Description of Business Collaboration Variables

The distribution of respondents' answers to the business collaboration variable with 6 (six) indicators is shown in Table 2.

Table 2. Distribution of Respondents' Answers on Business Collaboration variables

No	Indicator	Score Answer Frequency:							Score	Max. Score	Achievements (%)
		1	2	3	4	5	6	7			
1	Cooperation with other parties	4	2	6	20	20	28	23	535	721	74.20
2	Joint business development	0	1	4	11	25	31	31	586	721	81.28
3	Maximum in partnership	0	1	3	12	20	40	27	588	721	81.55

4	Partnerships that are built add value	1	0	4	14	24	29	31	580	721	80.44
5	Partnerships can be profitable	3	2	7	17	25	28	21	536	721	74.34
6	Full collaboration	0	2	7	25	17	28	24	546	721	75.73
Average									562	721	77.92

Table 2 shows that the business collaboration variable indicators as a whole are in quite good criteria with an average score of 77.92. However, there are several indicators that have a value below the average value, including The company has collaborated with various parties effectively and profitably, the collaboration built by the company has been able to benefit the organization, and the collaboration built by the company with partners has reached the full collaboration stage. Meanwhile, the collaboration built by companies with partners is not maximal. This shows that, in general, the level of business partnership for digital companies in Indonesia is relatively good.

5.2.3. Description of Business Performance Variables

The distribution of respondents' answers to the business performance variables with 5 (five) indicators is shown in Table 3.

Table 3. Distribution of Answers on Business Performance variables

No	Indicator	Score Answer Frequency:							Score	Max. Score	Achievements (%)
		1	2	3	4	5	6	7			
1	Corporate profits	0	1	2	18	24	27	31	579	721	80.31
2	Market competition	1	0	0	12	19	34	37	607	721	84.19
3	Sales growth	1	0	5	17	19	31	30	575	721	79.75
4	Complaint level	1	0	4	23	22	27	26	559	721	77.53
5	New product improvements	0	0	1	24	17	38	23	573	721	79.47
Average									579	721	80.25

Table 3 shows the various indicators of the Business Performance variable as a whole that is in high criteria with an average score of 80.25. However, there are several indicators that have values below the average value. This means that the company's sales growth achieved is relatively lower than the target, the level of customer complaints exceeds the established tolerance limit, and sales of successful new products continue to decline. Meanwhile, the resulting products are able to compete effectively in the market having the highest value. In general, the level of business performance of digital companies in Indonesia is relatively high, but there are still several indicators that are insufficient criteria.

5.3. Structural Model Analysis

After the confirmatory factor analysis (CFA) for each variable, the full structural model was analyzed. The prediction results for the full structural model analysis are shown in Figure 1, while Figure 2 shows the results of hypothesis testing (t-value).

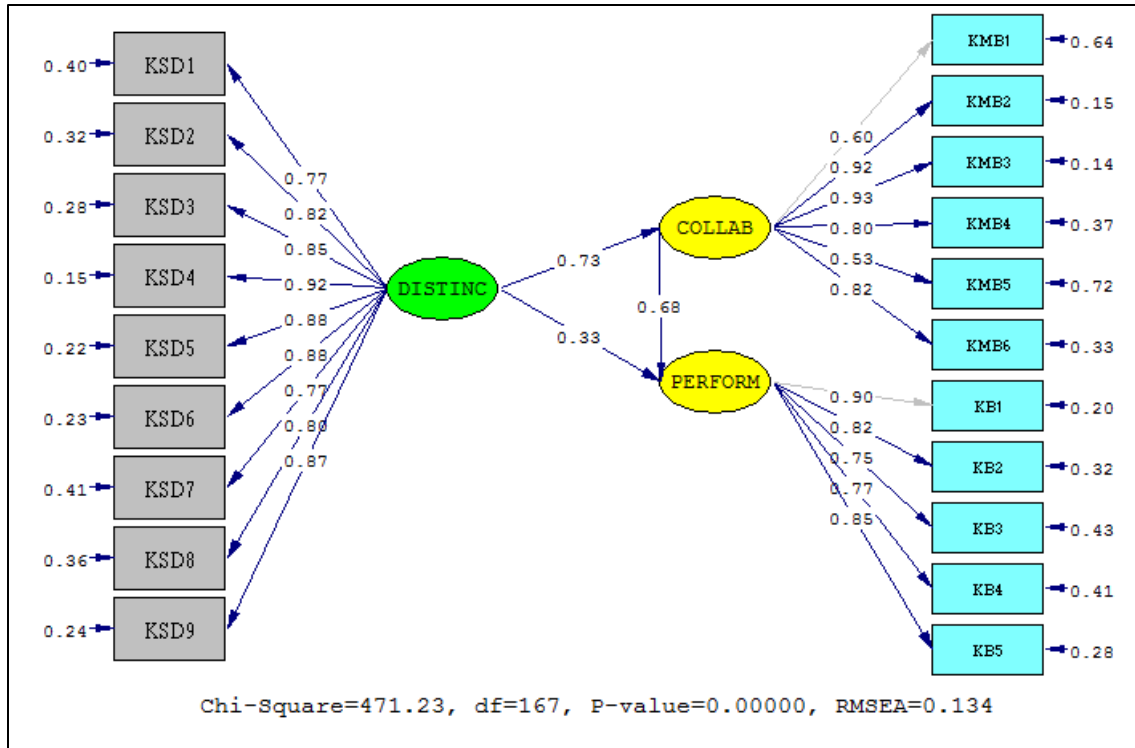


Figure 1. Estimation of the Structural Model.

Figure 1. shows the magnitude of the parameter values on the relationship between the existing latent variables and the loading factor values of each indicator forming the latent variables. The loading factor values indicate all indicators are valid because they are more than 0.5. The estimated value between variables shows a positive effect.

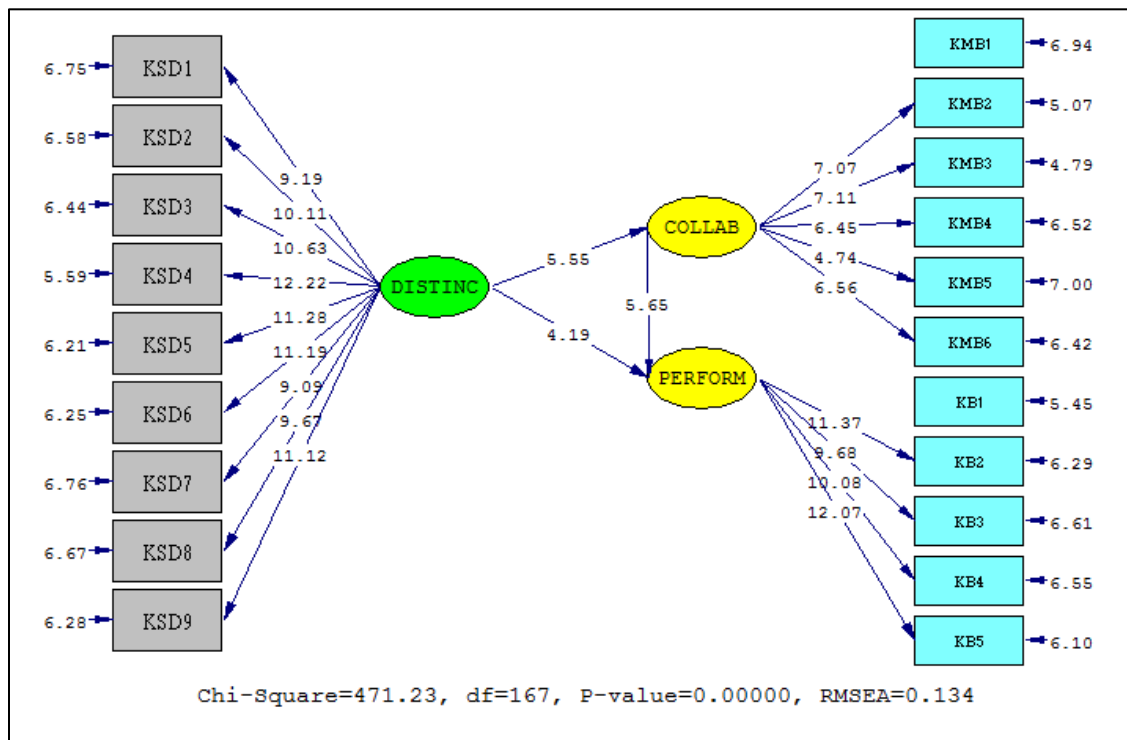


Figure 2. Testing Results of the Structural Model.

Figure 2 shows that all indicators and the relationship between latent variables are statistically significant because the t-value is greater than 1.96. The results of testing the direct effect of each parameter are shown in Table 4.

Table 4. Hypothesis Testing Results Between Variables.

Endogenous Variables		Exogenous Variables	Estimate	S.E.	t-Value	Note	R ²
Business Collaboration	<---	Distinctive Capability	0,73	0,13	5,55	Significant	0,90
Business Performance	<---	Distinctive Capability	0,23	0,08	4,19	Significant	
Business Performance	<---	Business Collaboration	0,68	0,12	5,65	Significant	

Table 4 shows the results of testing the hypothesis that: 1) there is a positive and significant effect of distinctive capability on business collaboration. The magnitude of the distinctive capability influence on business collaboration is 0.73 and is significant because the t-value is more than 1.96. 2) there is a positive and significant effect of distinctive capability on business performance. The magnitude of the distinctive capability influence on business performance is 0.23 and is significant because the t-value is more than 1.96. 3) there is a positive and significant effect of business collaboration on business performance. The magnitude of the effect of business collaboration on business performance is 0.68 and is significant because the t-value is more than 1.96.

The magnitude of the direct effect, indirect effect and total effect of each relationship variable is shown in Table 5.

Table 5. Direct and Indirect Effects of Each Relationship

No	Relationship	Direct Effect	Indirect Effect Through:		Total Effect
			Collaboration		
1	DISTINC --> COLLAB	0.73	-	-	0.73
2	COLLAB --> PERFORM	0.68	-	-	0.68
3	DISTINC --> PERFORM	0.23	0.50	-	0.83

Note: DISTINC = Distinctive Capability
COLLAB = Business Collaboration
PERFORM = Business Performance

Table 5 shows the magnitude of the direct effect of distinctive capability on business performance and the indirect effect through collaboration. The magnitude of the direct effect of distinctive capability on business performance is 0.23, while the indirect effect through collaboration is 0.5. Because the direct effect is greater than the direct effect, it can be stated that collaboration is a good intervening variable for the distinctive capability relationship to business performance. The industrial era 4.0 and the Covid-19 pandemic that is currently being experienced require companies to have unique resources so they are able to collaborate with other companies. It is now difficult for various industries to develop independently without collaborating with various parties. There are three unique abilities that are sources of competitive advantage and can explain why continuity and stability in relationships are very important in a change for the better (Kay, 1993). Distinctive Resources identify the most important resources controlled by the company by increasing that Distinctive Resources are used to obtain sustainable strategic advantages (Barney, 2001).

This is in line with the research of Hitt and Ireland (1985) which shows that Distinctive Resource variables affect firm performance. The company's performance to be able to compete is also influenced by internal and external factors (Gunarto, Hurriyati, Disman, & Wibowo, 2018). The company's ability to survive will depend on their ability to adopt the type of strategy that can differentiate them from their competitors. New conclusions have emerged from this study, which is different from previous studies. Distinctive Resources have an impact on business performance in the digital IT industry in Indonesia.

The results of this study have managerial implications that the digital industry in Indonesia has experienced very rapid development, so that competition has become increasingly fierce, for which various strategies can be carried out to improve business performance. This industrial era 4.0 provides a very big opportunity for the growth of digital companies not only in Indonesia and even in the world. The performance of the digital industry business in Indonesia can be improved through Distinctive Resources and business collaboration. Facing a very tight market situation,

companies need to build and develop special resource capabilities as a competitive strategy. These findings suggest that Distinctive Resources can lead to better digital industry performance, as it will encourage collaboration with other companies. Companies do not have to have Distinctive Resources independently, but can be done through collaboration according to the needs of the digital industry.

6. Conclusion

The results of this study indicate that distinctive capability has a positive and significant effect on business collaboration in the digital industry in Indonesia. More distinctive resources will be difficult for competitors to imitate and have an impact on the ease of collaboration with other parties, which has implications for business performance. Business collaboration is a strategic choice in the industrial era 4.0, because it has a positive and significant impact on business performance in the digital industry in Indonesia. Not only has a positive impact on business performance, collaboration is also a good intervening variable for distinctive capability of business performance in the digital industry in Indonesia.

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Biography

Muji Gunarto is a senior lecturer at the Faculty of Economics and Business at Bina Darma University, Palembang. A bachelor's degree was obtained from the Statistics Department, Padjadjaran University, Bandung in 1997. A master's degree in science was obtained from Sriwijaya University Palembang in 2009 and a doctorate degree was obtained from the Doctor of Management Science program at the Universitas Pendidikan Indonesia, Bandung in 2018. Before becoming a lecturer at Bina Darma University, he worked in the Region II Higher Education Service Institution (L2Dikti Wil 2.). During his time as a lecturer, various scientific papers such as reference books and articles have been published in journals indexed by Scopus and Sinta. His current position is Dean at the Faculty of Economics and Business, Bina Darma University.

Rully Armanto is a senior lecturer in the Management Department, Faculty of Economics and Business, Tamansiswa University. A bachelor's degree in economics was obtained from the Management department of Sriwijaya University, Palembang. The master's degree in science is obtained from the postgraduate program at Sriwijaya University in Palembang. Apart from being a lecturer, he is active in a consulting agency in the field of Environmental Impact Analysis (AMDAL). Various articles have also been published in various accredited national journals..

Verawaty is a government lecturer in Universitas Bina Darma. She is currently a fulltime senior lecturer. She is a prime member of Institute of Indonesia Chartered Accountants. She has also registered as the ASEAN Chartered Professional Accountant. Lately, she produced a widely spread book in a publisher based in Germany with title "Accountability and Internet Financial Reporting of Local Government: An Indonesia Analysis". Her interest in research are mostly related to public sector accounting, financial and human resource management. Most of them won the research grants. She disseminated the results through international conferences in Asia.

Judi Achmadi is a doctoral student of management science at Universitas Pendidikan Indonesia. His bachelor degree was obtained from the Department of Physics Engineering, Surabaya Institute of Technology. His master's degree was obtained from Telkom University's master degree program management. Now he is CEO of Telkomsigma.