The Influence Of Competitive And Partnership Strategy On Organizational Performance Via Organizational Learning As Intervening Variable

Rafa Adi Galuh Agung, Ernie Tisnawati Sule, Imas Soemaryani and Ida Farida

Article history: Received 12 March 2015 Accepted 28 June 2015 Available online 22 July 2015

ABSTRACT

This study has general purpose to provide explanation on the relationship between the use of Competitive and Partnership strategy via Organizational Learning to improve PDAM performance. Primary data is directly got from its sources, through questionnaires distribution on PDAM CEO in DKI, Banten and West Java province. This study analyzes 31 PDAM in DKI, Banten and West Java Province. This study analyzes data by using Partial Least Square (PLS) method with Software Smart PLS. PLS is structural equation model (SEM) based on components or variances. Result testing shows that there is a positive relationship between competitive strategy and organizational performance. Therefore, the result from this study explains that competitive strategy applied in PDAM in DKI, Banten and West Java Province has directly increased organizational performance. Meanwhile, the result testing from the relationship between partnership strategy and organizational performance shows that there is no influence of partnership strategy on organizational performance. Therefore, the result explains that partnership strategy applied by PDAM has not directly provided positive contribution on PDAM performance development.

INTRODUCTION

An organization must have competitive advantage to face the tight globalization era. This advantage can be seen from organization’s ability to implement competitive strategy in reaching its aimed target. An organization also needs full commitment to reach the target. Customer behaviour change in drinking water pipeline usage in Indonesia tends to stable. It is caused by the mistaken strategy implementation.

Partnership strategy which is performed by drinking water companies in Jakarta capital city (Perusahaan Daerah Air Minum Daerah Khusus Ibu kota or PDAM DKI), Banten and West Java Province in raw material production fulfillment and pipeline has not provided significant contribution, as a matter of fact it tends to get loss. Indonesian government has issued some regulations, such as UU RI No. 7/2004 on Water Resource, Indonesian Government Rule No. 16/2005 on Water drinking Supply Sistem, Indonesian Government Rule No. 12/PRT/M/2010 on Partnership Rule. These rules are applied to improve PDAM’s health condition. In implementing clean water drinking service company for citizens in DKI, Banten and West Java, there are some investors who work cooperatively with private investors in service contract, management contract, and other contract fields.

Investment with built operation pattern and PMA No. 25/2007 will be included in privatization program. It is aimed to attract investor to participate in privatization program in Indonesia, especially in public instruments such as road, electricity, disposal service and drinking water service.

Organizational Learning phenomenon in PDAM has not been empowered optimally. It is in line with Yasin (2014) who stated that a leader does not pay enough attention on organizational learning, as a result employees that only focus on working and job rotation is only assumed for troubled person without giving them any opportunity to learn. It will decrease organizational performance.

Internal Learning: An employee is trained to work in different place or division (for example in PDAM: employee in technical division is placed in internal supervision unit and employee in general division is placed in administration or assigned to...
administrative law in technical parts). An employee is trained to accept and perform many kinds of duty. Ideally, management receives advises to improve product and process seriously. There are many rotated employees who do not want new duties and do not work in different places or divisions, because they face difficulty in receiving and understanding many new duties and fields.

External Learning: an organization builds long term relationship with supplier. Organizations maintain and preserve their communication about quality and product design with supplier (direct partnership with factory: water meter, PAC, pipeline and its accessory). Customers are provided with opportunity to give feedback on quality and service performance (customer satisfaction survey). Organizations provide opportunity to be actively involved in production process (customer communication forum).

In improving PDAM performance to repair the phenomenon above, this organization arranges strategic long term plan, master plan, visible studies and corporate plan. Based on data from some PDAM, it is closely related with performance problems. There are some internal and external problems which are based on SWOT analyses pattern, and they become internal factor weakness in PDAM viewed from financial, service, operation and human resource aspects.

This study has general purpose to provide explanation on the relationship between the use of Competitive and Partnership strategy via Organizational Learning to improve PDAM performance.

**Literary Review And Hypotheses Development:**

**A. The relationship between Competitive Strategy and Organizational Learning:**

Strategy arrangement is mostly needed by company or organization. It is related with organization’s desire to have a fixed rule in making decision process in corporate, business and functional level (Krisnanto, 2014). Krisnanto (2014) also defined strategy as a future oriented plan to interact with competitive environment in reaching organization’s aim.

Meanwhile, the relationship between competitive strategy and organizational learning can be seen from organizational learning execution in their company. This kind of organization has skill to create, take, transfer knowledge and modify their behaviour to reflect its new experience and knowledge. Organizational learning declines stability by continuously performing experiments and self evaluation. Besides, Lopez et.al (2005) said that organizational learning is a dynamic process in creating, taking, and integrating knowledge to develop and finally win competition. Resources and capabilities will contribute better organizational performance. Assauri (2011: 52) said that competitive strategy is applied by considering strategic position that will influence decision making process in resources use and organizational capability, in each organization’s industrial structure. Resources use and organizational capability is performed to make use any opportunities belonged to an organization in facing its competitive environment.

Porter (2005: 114) connected strategy with organizational effort to reach competitive advantage. As a matter of fact it can be said that strategy becomes an important tool to reach competitive advantage. It is in accordance with strategy aim, that is to defend or reach more advantageous position compared with organization’s competitor (Nisjar, 2007: 92). It implies that organization can reach its advantage position if the organization can make use any opportunities in its environment which enables this organization to take any advantages from its superior fields.

Alegre and Chiva (2008) stated that organizational learning as a process performed by an organization. This process is closely related with any existed changes occurred in structure and organizational management to defend or repair the whole organizational performance. Organizational learning has been acknowledged as key factor to improve organizational performance and capability. The ability to learn from the existed resources will be got from both organization’s internal and external learning that becomes a source to create organizational competitive advantage (Jiang and Li, 2008). Unique ability belonged to an organization will be received from learning process that becomes cost leadership accumulation and that will finally create organizational capability. Organizational ability and skill will result in advantageous competence through human learning process. Therefore, if a person in an organization has high rate of skill and ability, they will finally survive and be tough to face tight competition. Based on the explanations above, we formulate the first hypotheses as follow:

H1: Competitive strategy positively influences organizational learning.

**B. The relationship between Partnership Strategy and Organizational Learning:**

According to Craven, partnership strategy is a strategy to change the relationship among organizations from transactional relationship into collaborative one. To strengthen competitive strategy, partnership strategy with related stakeholder in business activities will be a proper strategy step to be done, in which partnership itself includes horizontal partnership both lateral and internal way. Internal partnership is a partnership among supportive units combined with leader’s commitment to do partnership. Lateral partnership is a partnership
with same kind of organization both national and international scale. Partnership with supplier is a partnership with accessory supportive organization. Customer partnership is a partnership with community, such as customer, business, industry and government institution. Dimensions (internal, supplier, customer and lateral) influence learning process to improve performance. Ability indicators are needed to perform proper partnership, as well as partnership program with supplier that suits with need and mutualism long term contract execution.

Researches from Dyah Budiastuti (2013), Edi Wahyudi (2010), Marhani Tri Astuti (2008), Gopakumar Govind (2008), Absah (2008), Widener (2007), Henri (2006), Owolabi, Flavien N (2005) supported positive relationship between the use of partnership strategy and organizational learning. Organizational learning in their studies is a learning process inside and outside of an organization. Organizations will be able to manage knowledge and innovation in such a way that will create or improve value for them selves, it will become core competence to build durable competitive advantage (Pierce and Robinson, 2011).

According to Craven, partnership strategy is a strategy to change the relationship among organizations from transactional relationship into collaborative one. Partnership with supplier is a partnership with accessory supportive organization, such as WTP and PAC/chlorine gas distributional network with pipeline, customer water meter and any other services. Customer partnership is a partnership with community, such as customer, business, industry and government institution. Dimensions (internal, supplier, customer and lateral) influence learning process to improve performance. Ability indicators are needed to perform proper partnership, as well as partnership program with supplier that suits with need and mutualism long term contract execution. Based on the explanations above, we formulate second hypotheses as follow:

H2: Partnership strategy positively influences organizational learning.

C. The relationship between Organizational Learning and Performance:

Organizational learning refers to a large scope of an organization. It includes any activities to create and use knowledge to improve competitive advantage and organizational performance. It also refers to any activities to get and share information on customer’s needs, market change and competitor’s behaviour (Hurley and Hult, 1998; Moorman and Miner, 1998).

Another indicator for performance is organizational learning process. Researchers that connect organizational learning with performance are from Zong Dai (2005), Abidin (2008) and Hons (2010). Their studies found out that organizational learning significantly influenced organizational performance. Another researchers proved different result (Wang and Loi, 2003; Absah, 2008; Bustinza et al., 2010; Hidayat, 2008). The results from these studies showed that organizational performance can be improved through organizational learning which is mediated by organizational competence. An organization that operates with proper organizational learning process will try to improve its performance. Lei et al (1999) explained the importance of organizational learning to reach competitive advantage. Based on De Geus study on 27 companies that has operated for years, it is known that those companies can survive in competition since they have good sensitivity on their environment, strong and cohesive organizations, being tolerant with new ways, and conservative financial management (Fulmer et al., 1998).

Jimenes and Valle (2011) investigated the relationship between organizational learning and performance. Data collected from this study is from 451 companies that are located in South Eastern of Spain, 55% of the sample is manufacturing companies, while 45% of it is service companies. Jimenez and Valle (2011) found out that organizational learning is positively related with performance. This study also found out that organizational learning is positively related with innovation. Another result from this study showed that size, age, industry and environment turbulence are variables that moderate the relationship among learning process, innovation and performance.

Widener (2007) investigated CFO in USA. The study tested the relationship between learning orientation with organizational performance. Sample used in this study is 122 CFO got from questionaries distribution. The results show that organizational learning positively influenced organizational performance. Resources and capabilities or any kind of abilities are shaped from learning process owned by employee based on the existed training and explaining system. External learning process derives from customers and suppliers and company’s right ownership that includes any instruments and developed by the organization. Based on research data on 164 manufacturing companies, there is an implication which states that data source comes from instrument standard and employees’ generic ability. Standard and ability got from market factors will not be as effective as high performance achievement, since these instrument standard and generic ability owned by employees will not be freely available for competitors to be used. Based on the explanations above we formulate the third hypotheses as follow:

H3: Organizational learning positively influences organizational performance.

D. The relationship between Competitive Strategy and Performance:

The relationship between Competitive Strategy and Performance:
The influence of competitive strategy on organizational performance is stated by Porter (1993). He said that if an organization can reach and defend the whole cost leadership, this organization will be an organization that has higher performance compared with its competitor in its industrial fields. An organization that can reach and defend differentiation will be an organization that has higher performance in their industrial fields. If an organization can reach cost leadership (focused on cost) and defend differentiation (focused on differentiation) in its segment, and the segment is structurally attractive, this organization will have higher performance in its industrial fields.

Russel et.al. (2014), Goce Andrevski (2009) found out positive relationship among continuous manufacturing practice, business performance and competitive advantage (perspective from economics development). Manufacturing industries in developing countries (Caribia) are advised to pursue continuous strategy implementation with some strengths, yet this industry must be based on resources improvement strategy choice. This industry also has to develop business performance and competitive advantage.

Competitive advantage achieved by an organization will implicate on organizational performance. It is stated by some researchers, such as Teresa K Betts (2012) who stated that Anova analyses shows competitive ability of flexibility process will influence business performance. Goce Andevski (2009) in his study found out an optimum combination from competitive strategy and network structure that will maximize organizational performance. Based on the explanations above, we formulate the fourth hypotheses as follow:

H4: Competitive strategy positively influence organizational performance.

H5: Partnership strategy positively influence organizational performance.

Research Method:

Data used in this study derives from primary data. Primary data is directly got from its sources, through questionaries distribution on PDAM CEO in DKI, Banten and West Java province. This study analyzes 31 PDAM in DKI, Banten and West Java Province. This study analyzes data by using Partial Least Square (PLS) method with Software Smart PLS. PLS is structural equation model (SEM) based on components or variances. According to Ghozali (2006) PLS is an alternative approach that changes covariance based SEM into variance based SEM. Covariance based SEM usually tests causality and theory, meanwhile PLS tends to be a predictive model. PLS is a powerful analyses method (Wold, 1985 in Ghozali, 2006), since this method is not based on assumptions. Such assumptions are data does not have to be normally distributed, sample size does not have to be large. Besides, this method can be used to explain whether there is a relationship or not.

Results:

Hypothesis developed in this study will be then tested by investigating coefficient path, significant path (p-value) and variance (R2) for dependent variables. Figure 1 covers PLS analyses result. Testing on outer loading aims to see the correlation among item scores or indicators with their construct score. An indicator will be considered reliable if the indicator has correlation value larger than 0.7. Yet, correlation development phase that has value as 0.5 can still be accepted (Ghozali, 2008: 24). Based on testing result, the value of indicator or outer loading for all variables are less than 0.5 and shows outer model value or enough variable correlation to fill Convergent Validity. Besides, based on the analyses, it shows that each indicator for all variable has t-statistical value which is larger than t-table value (1.96). As a result, we can conclude that all variable has filled the requirements of discriminant validity. It is seen from table 1.

![Fig. 1: Output full model](image)
A. The influence of Competitive Strategy on Organizational Learning:

Testing result on the relationship among constructs shows that there is a positive relationship between competitive strategy and organizational learning. Based on data analyses, the calculation in Table 1 shows that competitive strategy positively influences organizational learning. It is showed from the value of original sample estimation as 0.043 and t-statistic value as 0.366 which are less than required value (1.96). Therefore, the result from this study explains that competitive strategy which is applied in PDAM has not increased organizational learning as an effort to keep and maintain competitive advantage.

Result testing on the relationship among constructs shows that there is a positive relationship between competitive strategy and organizational learning. Based on data analyses and the author’s calculation show that the value of original sample estimation as 0.043 with t-statistic value as 0.366 and it is not significant at 0.05 rate. As a result, it means that competitive strategy which is applied in PDAM in DKI, Banten, and West Java Province has not increased organizational learning as an effort to keep and maintain organization’s competitive advantage. Result testing on parameter coefficient between competitive strategy and organizational learning showed in t-statistical value which is less than critical value as ±1.96. In other words, H2 is unsupported.

B. The influence of Partnership Strategy on Organizational Learning:

Table 1 explains that H3 which states that there is an influence of partnership strategy on organizational learning. Based on result testing performed by using smart PLS, it shows that there is an influence of partnership strategy on organizational learning. It is showed from the value of original sample estimation as 0.412 and t-statistical value as 3.016 which are less than critical value, that is t-table value as ±1.96. Based on the explanations above, H3 is accepted.

Result testing above informs that partnership strategy positively influences the success of organizational learning, which means that the implementation of partnership strategy will be able to create additional value for organizational learning process in PDAM in DKI, Banten and west Java Province.

<table>
<thead>
<tr>
<th>Table 1: Output Inner Weight</th>
<th>Orig. Sample</th>
<th>Sample Mean</th>
<th>Stand. Dev.</th>
<th>Stand. Error</th>
<th>T Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>SB -&gt; PO</td>
<td>0.043</td>
<td>0.036</td>
<td>0.119</td>
<td>0.119</td>
<td>0.367</td>
</tr>
<tr>
<td>SK -&gt; PO</td>
<td>0.412</td>
<td>0.422</td>
<td>0.136</td>
<td>0.137</td>
<td>3.016</td>
</tr>
<tr>
<td>PO -&gt; KP</td>
<td>0.342</td>
<td>0.356</td>
<td>0.089</td>
<td>0.089</td>
<td>3.842</td>
</tr>
<tr>
<td>SB -&gt; KP</td>
<td>0.322</td>
<td>0.334</td>
<td>0.136</td>
<td>0.136</td>
<td>2.373</td>
</tr>
<tr>
<td>SK -&gt; KP</td>
<td>-0.06</td>
<td>-0.078</td>
<td>0.173</td>
<td>0.173</td>
<td>0.325</td>
</tr>
</tbody>
</table>

It shows that partnership strategy performed by PDAM in DKI, Banten and west Java Province has an important role to create organizational learning in PDAM. It means that partnership strategy will be built to provide good services of clean drinking water availability for community. Partnership between PAM Jaya DKI and Palyja and Aetra PT created to improve clean drinking water services and covers 5,548,182 lives or 60% of the number of citizens in Jakarta as its total number as 9,197,982 lives. It can be done through new clean water pipeline addition as 107,930 for customers for five years (2009–2013); improve optimum and proportional service coverage through subsidized customer balance and potential customer, reduce water lost rate (NRW) via repairmen pipeline arrangement / illegal usage and the development of continuous Permanent Area (PA) and District Meter Area (DMA), develop service that fills minimum service standard, optimum supervision on successful investment program and the use of effective and efficient operational cost.

C. The influence of Organizational Learning on Organizational Performance:

Result testing shows that there is a positive influence of organizational learning on organizational performance. Based on data analyses, calculation in Table 1 shows that the relationship between organizational learning and organizational performance is empirically supported. It is showed from the value of original sample estimation as 0.342 and t-statistical value as 3.841. These values are larger than 1.96.

Organizational learning in this study consists of internal and external learning dimension. The result shows that each dimension provides different influence on organizational learning. Between these two dimensions, internal learning dimension has higher estimation value compared with the value from external learning dimension. Result testing on internal learning gives estimation value as 3.041. This value means the importance of internal learning on employee training to work in different place, employee training to provide many kinds of duty, management party seriously receives suggestion to improve production, and there are many beneficial suggestions applied in the company.
D. The influence of Competitive Strategy on Organizational Performance:

Based on data analyses, the calculation in table 1 shows that there is a positive influence of competitive strategy on organizational performance. It is shown from the original sample estimation value as 0.322 and t-statistical value as 2.373. these values significant at 0.05 rate. t-statistical value > t-table value (± 1.69). It means that competitive strategy has an important role to improve the performance of PDAM in DKI, Banten, and West Java Province. It shows that competitive strategy which is implemented in PDAM in DKI, Banten and West Java Province positively influences the performance achievement of PDAM. As a result, it means that competitive strategy applied in PDAM in DKI, Banten and West Java Province can explain that the competitive strategy of PDAM will be an effort to directly increase organizational performance.

E. The influence of Partnership Strategy on Organizational Performance:

Based on data analyses, the calculation in table 1 shows a negative influence of partnership strategy on organizational performance. It is showed from the value of original sample estimation as -0.056 and t-statistical value as 0.325. t-statistical value < t-table value (± 1.69). It means that partnership strategy does not have a significant role in increasing the performance of PDAM in DKI, Banten and West Java Province. The result shows that partnership strategy implemented in PDAM in DKI, Banten and West Java Province does not have a significant role in increasing the performance of PDAM.

Conclusion:

Based on the discussions on previous pages, the author draws some conclusions. The conclusions are proper competitive strategy, proper partnership strategy, high rate of organizational learning and optimum PDAM performance in DKI, Banten and West Java Province. Analyses result shows that PDAM has mostly done competitive strategy in a proper way. The ability of PDAM in maintain competitive strategy has been attained through the application of cost leadership, differentiation, and focus strategy. PDAM has applied proper competitive strategy, yet it has not increased organizational learning as an effort to keep and maintain its competitive advantage.

As a matter of fact partnership strategy is such a good strategy, yet it has not effectively reach its success since PDAM has to pay attention on its ability to compete in innovation via customer service operation. This service must be done continuously and PDAM also has to plan its budget in investment. To keep PDAM survival, it has to pay attention on its competitive ability through service perfection, the use of R&D department to evaluate some drinking water problems faced by customers of PDAM and increase its service to special customers who provide the highest rate of income for PDAM. PDAM focuses its attention on the need of drinking water for family, (Rumah Tangga / RT) by providing Premium Drinking Water Zone (Zona Air Minum Prima/ZAMP). PDAM improves its drinking water service by keeping water source and control qualified readily drinking water in low price compared with drinking water in cups, gallons, and pipeline.

Competitive strategy influences organizational learning process in PDAM in DKI, Banten, and West Java Province. Result testing shows that there is a significant influence of competitive strategy on organizational learning. Therefore, this result means that competitive strategy applied by PDAM has not increased organizational learning as an effort to maintain and keep competitive advantage.

Partnership strategy influences organizational learning in PDAM in DKI, Banten and West Java Province. Result testing shows that there is a significant and positive influence of partnership strategy on organizational learning. Result testing also shows that partnership strategy applied by PDAM has provided positive contribution in clean water coverage for the community of DKI, Banten and West Java Province which will create organizational learning for PDAM.

Organizational learning influences the performance of PDAM. Organizational learning consists of internal and external learning dimensions. Result testing shows that organizational learning in PDAM becomes the key asset. Organizational learning process performed by each employee in PDAM becomes the success key to reach more optimum performance of PDAM. Competitive and partnership strategy influence PDAM performance in DKI, Banten and West Java Province. Result testing shows that there is a positive relationship between competitive strategy and organizational performance. Therefore, the result from this study explains that competitive strategy applied in PDAM in DKI, Banten and West Java Province has directly increased organizational performance. Meanwhile, the result testing from the relationship between partnership strategy and organizational performance shows that there is no influence of partnership strategy on organizational performance. Therefore, the result explains that partnership strategy applied by PDAM has not directly provided positive contribution on PDAM performance development.

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