

Business Strategy and Innovation in Relation to the Intensity of Industry Competition on the Performance of Information Technology Companies

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Abstract. Information technology companies are currently faced with a very high intensity of competition, and are required to be able to compete for long-term profits and gain competitive advantage. Changes in the external and internal environment require the Company to always adapt to the circumstances that occur. The study was conducted on companies engaged in information technology in Indonesia by taking a sample of 100 respondents as research samples, which were taken based on Judgmental Sampling and Quota Sampling based on criteria set by the author. Collecting data using a questionnaire, five measurement scales from strongly disagree to strongly agree, with an interval scale. The research was conducted quantitatively, as an analytical tool used PLS Second Order SEM analysis, while hypothesis testing was carried out with t-test and sig 0.05. The study are to produce five of the seven main findings that were in accordance with the proposed hypothesis, namely Industrial Competition (Porter Five Forces), Porter's Strategy (Differentiation, Cost Advantage, Focus), and Business innovation had direct and indirect effects on Company Performance.

Keywords: industry competition (porter five forces); porter's strategy; innovation; company performance (balance scorecard)

1 Introduction

Company performance is an important factor to ensure competitive success in order to direct organizational managers to make decisions [1] and is influenced by internal and external factors as well as the organization's business strategy [2]. Performance measurement is a mechanism that improves the company's chance that the strategy implemented can be successful [3] and is a reflection of the company's ability to manage and allocate resources [4]

The rapid growth of the information technology industry sector in the last five years, contributing 4% on Indonesia's Gross Domestic Product in 2019. With this growth, alot more companies are step in this line of business and technology of e-commerce. which can replace the existing way of doing business creating the intensity of industry competition is more higher. The intensity of competition from external factors is based on Porter's five forces [5] [6] [7].

The results of various studies show that the relationship between industrial competition and company performance is not always consistent. The positive and significant effect of industrial competition on company performance [8] [9] [10] which companies implement new strategies and markets and implementing innovation [11]. The influence of industrial competition is

negative or not significant to the company's performance [12] [13] [14] due to reduced market share and company profits.

Business procedure is a bunch of incorporated and facilitated responsibilities and activities intended to acquire upper hand so that organizations can accomplish their vision and mission [15]. Doorman's conventional system utilizing a separation methodology, cost benefit, and spotlight on giving organizations to focus on help to clients in a smaller section [16] was created with a development procedure [17] and is connected with the course of thought creation, innovation improvement, manufacture and promoting or new gear [18].

The combination of strategies used to adapt to the environment will be difficult for competitors to imitate so they tend to get significant performance benefits [19].

2 Literature Review

2.1 Industry Competition

Industry competition is the ability of competitors to reduce the advantage of a company by imitating or improving the products offered [20]. This indicates a change in the behavior of the company due to the influence of competitors' actions and contingencies [21]. The high intensity of competition will give customers more choices so that it will reduce market dominance [22] [23]. The utilization of Doorman's five powers model is viewed as the most significant insightful apparatus for organizations to utilize [24] on the grounds that it permits organizations to see the intricacy of outside dangers and decide basic factors that influence industry rivalry [25].

2.2 Company Performance

Execution can be characterized as the capacity to deliver a predefined aspect corresponding to the objective [26] [27]. Execution estimation is required as a work to plan methodologies into activities to accomplish specific targets, not just the last objective that should be estimated and turned into a proportion of organization execution, yet in addition connected with the skills and cycles that have been carried out. The exhibition estimation approach taken by the organization is through a presentation estimation structure in view of four points of view, which are: Money, Clients, Inner business handling, and learning development processes [28].

2.3 Business Strategy

Methodology is the utilization of solidarity to shortcoming, or it can likewise be considered as the use of solidarity in promising open doors [29]. The methodology centers around advancing the cutthroat place of the item or administration created by the organization in a specific industry or market portion served by the organization [30]. In high competition, the strategy will depend on the influence of the environment, technology, and key resources owned by the company [31]. Porter's generic strategy approach [24] [32] [33] which prioritizes cost leadership, differentiation or focus [33] and used in combination with more than one strategy in a complex environment [34] [35].

2.4 Innovation

Innovation is beyond the new products, new technologies or new markets [36] where firms align innovation with price, utility, and cost positions which are simultaneously associated with offering differentiation or cost advantage [37]. Innovation can also be a mediator factor for company costs and performance [38].

3 Hypotheses Submission

The conceptual framework of this research is presented in Fig.1 below with the relationship among the variables : Intensity of Industry Competition, Business Strategy, Innovation, and company performance.

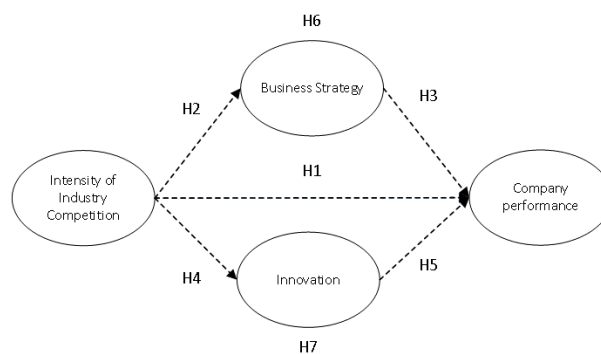


Fig. 1. Conceptual Model of the Research.

The intensity of competition affects the company's ability to earn profits and maintain the company's competitiveness [39]. Organizational performance is largely determined by how well managers always monitor the business environment, as well as conduct market research and create competitive strategies that provide added value to customers [40].

H1: Intensity of industry competition has a significant influence on company performance

Organizations are required to always change and implement the right strategy, namely by trying to improve service quality, service size and product uniqueness [41], aggressively building on an efficient scale of facilities and efforts to reduce costs through experience, tight cost control, reduction of errors and defects. products, as well as cost minimization such as research and development, services, labor, advertising and others [42] focusing on creating value for customers [43]. This will create the company being able to maintain market share and customers from its competitors

H2: Intensity of industry competition has a significant influence on business strategy

H3: Business strategy has a significant influence on company performance

Innovation is value creation [5] and create competitive advantage [44] and have a positive influence on the relationship between competition and market performance [35]. The innovation process of adding value to the business model [45] will lead to the company's performance [46].

H4: Intensity of industry competition has a significant influence on innovation

H5: Innovation has a significant influence on company performance

H6: Business strategy has significant mediating effect in the relation between industry competitor and company performance.

H7: Innovation has significant mediating effect in the relation between industry competition and company performance.

4 Method

This examination was directed on data innovation organizations in Indonesia by taking an example of 100 respondents in view of legal testing and quantity examining [47]. Information was gathered by disseminating poll to respondents and utilizing five Likert scale (1) Emphatically differ, (5) Firmly agree. From 120 survey are finished and returned, 100 survey considered valid. This shows that answer rate is 83.3%. Distinct Investigation is utilizing SPSS 24 while for theory testing utilizing SEM. The investigation was done with an underlying model utilizing WarpPLS 7.0 programming with the external model examination calculation is PLS Relapse, and the default internal model investigation calculation is Warp3 [48] with the resampling technique is steady 3.

5 Result

The respondent position in association 34% is administrator or leading body of chief and 66% is deals or staff. Inside the orientation is 55% is male and 45% is female and respect to schooling level, greater part is four year college education (69%), certificate degree and beneath (25%), ace degree (6%). The unwavering quality of each develop will be estimated utilizing composite dependability (CR), Cronbach's Alpha (CA), normal variable removed (AVE) and change expansion factor (VIF) to distinguish sidelong and vertical collinearity. Worth of CR and CA ≥ 0.7 , worth of AVE ≥ 0.5 likewise worth of VIF ≤ 3.3 [49].

Table 1. Convergent validity, reliability, VIF.

| Construct | Validity | | Reliability | | Full collin VIF |
|---------------------------------------|--------------------|-------------|-------------|------------|--------------------|
| | Loading ≥ 0.6 | AVE > 0.5 | CR > 0.7 | CA > 0.7 | |
| Intensity of Industry Competition (X) | | 0.521 | 0.844 | 0.769 | 1.276 |
| lv_X1 | (0.750) | | | | |
| lv_X2 | (0.713) | | | | |
| lv_X3 | (0.663) | | | | |
| lv_X4 | (0.736) | | | | |
| lv_X5 | (0.742) | | | | |
| Business Strategy (Y) | | 0.649 | 0.854 | 0.743 | 2.260 |
| lv_Y1 | (0.864) | | | | |
| lv_Y2 | (0.795) | | | | |
| lv_Y3 | (0.780) | | | | |
| Innovation (Y2) | | 0.633 | 0.873 | 0.806 | 1.824 |
| Y_4.1 | (0.740) | | | | |
| Y_4.2 | (0.773) | | | | |
| Y_4.3 | (0.809) | | | | |
| Y_4.4 | (0.856) | | | | |
| Company performance (Z) | | 0.649 | 0.881 | 0.818 | 2.230 |
| lv_Z1 | (0.789) | | | | |
| lv_Z2 | (0.818) | | | | |

| | |
|-------|---------|
| lv_Z3 | (0.739) |
| lv_Z4 | (0.871) |

The result shown in table 1, loading factor > 0.6, CA dan CR ≥ 0.7, value of AVE ≥ 0.5 and value of VIF ≤ 3.3 have meet the *rule of thumb* criteria.

Table 2. Fornell- Larscker Validity test

| Variables | X | Y | Y2 | Z |
|-----------|---------|---------|---------|---------|
| X | (0.722) | | | |
| Z | 0.376 | (0.806) | | |
| Y | 0.288 | 0.708 | (0.814) | |
| Y2 | 0.434 | 0.572 | 0.596 | (0.796) |

Validity test shown taht all square root of AVE values have greater value than shared variance between constructs.

Table 3. Discriminant validity Heterotrait-Monotrait Ratio (HTMT)

| Variables | X | Y | Y2 | Z |
|-----------|-------|-------|-------|---|
| X | | | | |
| Z | 0.410 | | | |
| Y | 0.311 | 0.853 | | |
| Y2 | 0.518 | 0.677 | 0.770 | |

The validity test using Heterotrait-Monotrait Ratio (HTMT), value of all construct < 0.9(good)

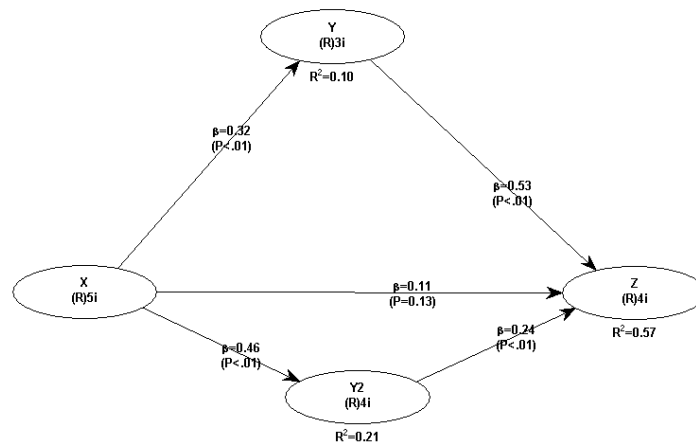


Fig. 2. Result of path analysis

Table 4. Hypothesis Result

| | Hypothesis | path coeff. | p value | result |
|----|------------|-------------|---------|----------|
| H1 | X □ Z | 0.108 | 0.134 | Rejected |

| | | | | |
|----|----------------------------|-------|---------|---------------|
| H2 | X \square Y | 0.323 | < 0.001 | Accepted |
| H3 | Y \square Z | 0.533 | < 0.001 | Accepted |
| H4 | X \square Y2 | 0.460 | < 0.001 | Accepted |
| H5 | Y2 \square Z | 0.237 | 0.007 | Accepted |
| H6 | X \square Y \square Z | 0.281 | 0.002 | Full Mediated |
| H7 | X \square Y2 \square Z | 0.109 | 0.281 | Rejected |

6 Discussion

The force of modern rivalry has a negative or not huge impact on organization execution. This supports the consequences of Ogaga and Joseph [14], yet the outcomes vary from the exploration of Bahchall [8] which expresses that the power of modern rivalry significantly affects organization execution. The increase in company performance is caused by the ongoing pandemic, so that customers are forced by circumstances to increase their needs because of the new work model system Work from home, resulting in a large number of requests for hardware and software needs. So that the company is expected to always monitor its business environment in order to capture every opportunity that exists, as well as its internal environment in order to provide values to customers.

The intensity of industry competition has a positive and significant effect on business strategy. This supports the research of Yuliansyah [50], Kwarteng [41], Abonda and Machuki [34] at a high level of industrial competition, companies are required to be more creative in creating not just differences. Companies are required to sell high-quality products in order to get a good corporate image and product image. As well as carrying out operational cost efficiencies culminate in giving the market a cheaper price than its competitors. Giving discounts or discounts can also attract customers to make purchases based on programs carried out with a discounted model, but this must be done for a short period of time so that customers do not make interpretations of the actual price.

The power of modern rivalry meaningfully affects organization advancement. In high contest, organizations are expected to do more [35] and make development changes in item advancement, administration, and market advancement which are new items to new business sectors, old items to new business sectors, new items to old business sectors and old items to old business sectors. doesn't turn out to be too huge affecting in light of the fact that clients can rapidly get to information and are know about the item and know exhaustively about the item.

Implementing a business strategy will take the company to get more convenience in the relationship between customers and the company, and prioritize selling products that have high quality and features, with well-known brands that will build the company's name and level of popularity, in order to maintain operational performance, customer satisfaction performance, financial performance, and marketing performance [51].

Business procedure intervenes the connection between the power of modern rivalry and company execution [15] by doing separation in view of store network separation, item separation to the development of new items to old business sectors, old items to new, new items to new business sectors, quality separation, brand picture and corporate picture or cost productivity, as well as lower unit deals costs, and more prominent cost limits [51].

7 Conclusion and Suggestion

The consequence of this examination found power industry competition with the market Watchman's five powers : contest force, bartering force of providers, haggling force of purchasers, danger of substitutes and danger of new participants have not critical impact of execution of data innovation organizations in Indonesia. Development and Business strategy (Watchman's nonexclusive procedure, differentiation, cost administration, focus) are the fundamental trigger to expanding the organization execution in the extreme focus contest.

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