Modeling Concept: Performance of Business Unit Management at PT Perkebunan Nusantara II Medan-North Sumatra

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Abstrak. This modeling concept intends to satisfy the theoretical requirements in addressing the issue of Business Unit Management Performance at PT Perkebunan Nusantara II Medan-North Sumatra. The theory applied in this study is a resource-based perspective that emphasizes strategic resources to study excellence in corporate rivalry. This idea is also helpful for PT Perkebunan Nusantara II in Medan, North Sumatra, which operates as one of the State-Owned Enterprises and processes the products of plantations. Due to market orientation, which refers to the company's decision-making process based on current market conditions that has not been successfully implemented, the complexity that impacts the performance of the plantation business unit is currently also limited. Businesses must employ information technology as a whole to implement business unit management effectively. This is due to the vital role that innovation in agricultural technology, particularly in North Sumatra, plays in raising output. A contribution to the growth of marketing knowledge is the significance of market orientation, corporate innovation, competitive advantage, digital transformation, and business unit performance. In the future, businesses inside and outside the plantation industry can employ this idea as a research foundation.

Keywords: Market Orientation; Corporate Innovation; Competitive Advantage; Digital Transformation; Business Unit Performance

1. Introduction

The demand for industrial raw materials, particularly commodities derived from palm oil, sugar cane, and tobacco, is rising globally, which has led to a significant increase of the plantation products processing industry. There were tremendous movements and developments in the corporate sector as the 20th century carried on. The business world must constantly be ready to deal with it since industry competitiveness has evolved into a highly sophisticated global competition. As a result of globalization, which increases access to the business world for all businesspeople, competition has an impact on how the business world evolves. Due to the advent of this rivalry, businesspeople are vying for a competitive advantage. All offerings and replacement goods produced by present and potential rivals are considered competition.

Businesses must adapt to any prospective changes due to competition between them. This encourages businesses to have trustworthy and reasonably priced resources that can contribute to their success. The need to improve business unit performance is quickly becoming a serious concern, particularly in the state-owned plantation sector. However, as a result of the fierce rivalry in the plantation sector, complexity levels must also rise, which has an effect on

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how well the plantation business unit performs.

The PT Perkebunan Nusantara II Medan-North Sumatra management must be able to control the expectations of shareholders and other interested parties. This is due to the fact that successful business unit management is a crucial component of the company's operations, which is affected by external factors, results in a steady level of profitability, and signifies a strong financial position. Several significant organizations in the palm oil industry have embraced modern information technology practices in every facet of business. Managers can increase the productivity and efficiency of their workplaces by using web-based solutions.

Additionally, by employing traditional management approaches and internet-based digital technologies, the upstream industry (palm plantations), which is very susceptible to fraud because it still depends on human labor, can be controlled (labor intensive). Fraud on plantations or production sites, even while the product is being moved to the market, is one of the reasons oil palm productivity does not fulfill the criteria or objectives. One of them is the advancement of digital technology, which makes use of internet-based ICT to monitor plantations in both upstream and downstream processes.

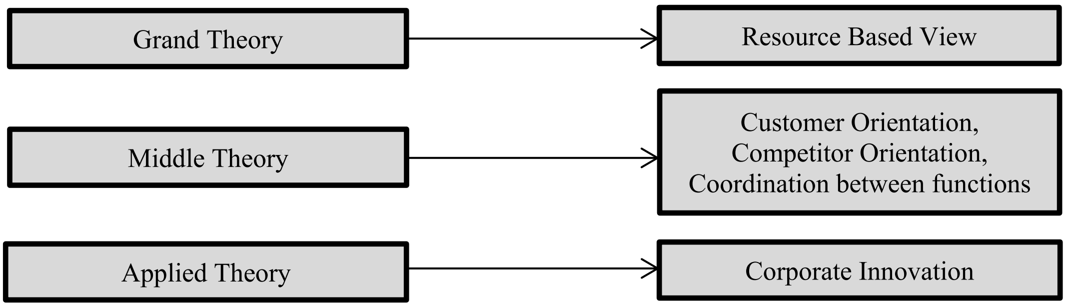
One of the objectives the management team must do to boost the company's performance is market innovation. Market orientation describes how a corporation approaches the market by doing research and comprehending existing values. It also describes how a company makes decisions based on market conditions (Pertiwi and Siswoyo, 2016). Market orientation refers to a company's propensity to obtain a competitive edge through satisfying the demands and ambitions of its customers (Pramesti and Giantari, 2016). According to Gede and Jay, market orientation has a positive and significant impact on performance (2018). According to Kajalo and Lindblom, (2015), firms that are focused on the market can do better in terms of boosting profitability.

The company's innovation is another element that influences performance. The company's performance, which is measured by its financial success, can be impacted through corporate innovation. Ellitan (2006), Tewal (2010), Kafetzopoulos and Psomas (2013), Susdiani, Zahra et al. (1993), (2020). Contrary to Bayus et al. (1997), Chaney and Winer (1991) claim that if a company's human resources are lacking in knowledge and abilities, corporate innovation will not significantly affect the performance of the company. The same assertion is made by Syamsuri et al. (2022), who suggest that operational creativity and an openness to novel ideas and methods are necessary for innovation.

2. Literature Review

2.1. Grand Theory, Middle Theory, Applied Theory

The problem that serves as the focus of this literature review begins with a general theory (grand theory) that will examine various theories about the Resource Based View and is supported by applications (applied theory) that are concentrated on Corporate Innovation. The middle range theory is related to theories about Customer Orientation, Competitor Orientation, and Function Coordination. Theoretical underpinnings for research based on grand theory, middle theory, and application of theory are shown in Figure 1:



The strategic resources that come from strategic markets and the building up of resources within the company are the first two areas where the resource-based perspective focuses (Wernerfelt, 1984; Barney, 1986). Wernerfelt (1984) highlights the significance of the bargaining power of resource buyers and suppliers, the risks of alternative resources, and restrictions on resource placement in order to ensure the advantage of resource owners in product markets. The evolution of this theory is connected to strategic management and business competitive advantage, which evaluates and explains organizational resources to comprehend the acquisition of sustainable competitive advantage.

Market orientation, which incorporates components of functional coordination, competitor orientation, and customer orientation, is the intermediate theory that directs this research (Narver, Slater, and MacLachlan, 1990, 2004); Farrell and Oczkowski, 2002; Greenley, 1995; Hult and Ketchen, 2001). Market orientation is specifically mentioned as a company strategy resource by Hult and Ketchen (2001). The most accurate indicator of position profit was found to be market orientation. The largest positioned advantage among strategic competences is described by market orientation, which also includes entrepreneurial orientation and learning orientation. According to Cano et al., market orientation continually characterizes firm performance as one of the most crucial strategic competences for business, particularly in sectors that emphasize market sensitivity (2004).

Corporate innovation serves as the core framework for business to operate the company. Higher levels of service innovation are also stimulated by market orientation, which enhances innovation performance. Market orientation is typically seen as a one-dimensional concept in the literature on service innovation, and the distinction between exploitative and exploratory types of innovation is generally not made. Exploratory innovation describes more radical innovations that depart from present knowledge, whereas exploitative innovation describes fresh innovations that improve already-existing abilities and knowledge (Jansen et al., 2006).

2.2. Market orientation

According to Lonial and Carter (2015) and Jogaratnam, market orientation is made up of entrepreneurial orientation and learning orientation, which are the best positioning advantages among strategic competencies (2017). Market orientation is one of the most crucial strategic characteristics for a company, especially in commercial contexts where market sensitivity is essential (Cano et al. 2004). Market orientation is a company's strategic skill from the point of view that is valuable, uncommon, and cannot be effectively replaced, according to Liao et al. (2011). According to Raaij and Stoelhorst (2008), market orientation is connected to the creation of improved customer value through the development, application, and use of market information. The primary idea behind market orientation is to view the business from the standpoint of the client in order to satisfy them. A proactive market orientation is desired in a more dynamic technology and market environment, whereas a responsive market orientation is chosen in a context with stable technology and markets. The degree of market orientation achieved benefits from the degree of targeted market orientation.

Customer orientation, competitor orientation, and functional coordination are the three sub-constructs that become the moving dimension in market orientation growth (Narver and Slater 1990). Customer orientation, according to Taleghani et al. (2013), is an organizational value that considers the needs and preferences of both existing and potential customers. This suggests that businesses that put their customers first leverage their knowledge of their wants and preferences to provide higher-quality services. According to Mavondo et al., one strategy to enhance customer orientation is to increase the measurement of it (2005). Understanding client wants, addressing customer complaints, and comprehending consumer circumstances all fall under this category.

Competitor orientation refers to the capacity to recognize the short-term benefits and drawbacks of rivals as well as their long-term skills and tactics to acquire a competitive advantage within the organization. Businesses can perform better in the marketplace by fostering a collaborative company culture. According to Lopez et al., a collaborative corporate culture can improve a company's performance in the market (2005). As a result, it is crucial for a business to understand its rivals both now and in the future. On the other hand, companies that place too much emphasis on competition orientation may be less inventive since they frequently copy the goods of their rivals to stay competitive (Lukas and Ferrell, 2000). Understanding competitive advantages, competitive performance improvement techniques, and competitive oddities are all ways to gauge one's competitive orientation (Kirca, et al., 2005).

The third criteria used to assess market orientation is coordination between functions, which is defined as the coordinated effort of targeted organizational resources to give additional value to customers by fostering cooperation among all divisions (Wooldridge and Minsky, 2002). In order to produce a homogenous and harmonious action on a predetermined goal, coordination, according to Handayaningrat (2002), is a synchronous effort to provide implementation in the proper amount and time. Functional coordination can be viewed from the following angles: the availability of standard operating procedures for business unit cooperation, the clarity of roles and primary functions of each business unit.

2.3. Corporate Innovation

Product innovation, process innovation, marketing innovation, and organizational innovation are the four business innovation facets that the company focuses on. The development of novel products or services that differ from those already on the market, the use of novel technology or processes to their production, or the modification of current ones are all examples of product innovation. The development of novel work processes, the abolition of inefficient work processes, and the acceleration of services are all examples of process innovation. The equipment, software, and procedures used for acquiring inputs, distributing supplies around the business, and delivering final goods are referred to as enterprise logistics. The adoption of fresh marketing tactics for product positioning and promotion, pricing, packaging, and design is known as marketing innovation. Increased sales and market expansion are the objectives. Some viewpoints on marketing innovation include distribution updates, target market estimations updates, and advertising strategy changes. Modernizing the organizational structure as well as the coordination system and human resource development are all examples of organizational innovation. By lowering administrative or transaction costs, raising employee satisfaction levels, and lowering supply prices, organizational innovation can boost business performance (OECD Oslo Manual, 2005).

Enterprise innovation refers to a high level of innovation capability to develop new services and products in response to a changing environment across these stages of the business cycle. As a result of increased innovation, businesses can determine both explicit and implicit market needs (Narver et al., 2004). Application of methods to a business' operations is known as corporate innovation. The most fundamental definition of innovation is the act of inventing and integrating ideas to make a connection between current successes and prior problem-solving experiences.

2.4. Competitive Advantage

The business will have a competitive advantage with the appropriate plan. Of course, whether a company succeeds in the market battle will depend on its capacity to create a competitive advantage. Competitive advantage is crucial for an organization's performance since its strategic management method strives to raise the firm's value. The firm enjoys a competitive edge when other rival companies do similarly in a market or industry that produces economic value (Kadarningsih, 2013). If a company uses the proper market analysis techniques, it can swiftly gain a competitive advantage. To achieve a competitive edge in the global market, businesses must enhance their current capabilities.

The company's competitive edge will produce a superior strategy that cannot be duplicated by rivals and enables the company to make long-term profits, claim Grawe et al. (2009). Service Quality, Innovative Products and Services, and Relationship Excellence make up the three elements of the dimensions of competitive advantage. Service quality indicators include service speed, quick and accurate information systems, and digitally based service systems. Innovative goods and services include those that are always being updated, are flexible to change, and stand out from the competition. Effective customer communication, the depth of relationships with customers, and the expansion of the client base are some of the advantages of the relationship.

2.5. Digital Transformation

Businesses can operate more effectively and efficiently thanks to the advances brought about by digital transformation. Another meaning of digital transformation is the use of technology to dramatically enhance performance or goal achievement in a business (Westerman, et al., 2014). Due to the ongoing adoption of new technologies by rival businesses, as well as the fact that technology has empowered customers to be more demanding and set higher expectations of satisfaction than usual, including better and faster service anytime, anywhere, and on any device. Nevertheless, corporations are under more and more pressure to undergo a digital transformation.

According to Kaufman and Horton, there are a number of criteria that explain digital transition in business (2015). This evaluation includes: digital indication information system database management system implementation, Use of digital reporting systems and digital information delivery systems. Utilization of digital technology-based administrative systems, utilization of information systems to support decision-making, and utilization of digital technology are the three dimensions of digital technology-based operations that are measured. Another facet of digital transformation is the preparedness of the supporting components, which includes the following measurements: the ability of resources to use information technology, the readiness of tools based on digital technology, and the readiness of organizational structures to use digital technology

2.5. Business Unit Performance

Performance is defined as an action, program, or policy that has been successful in fulfilling the organization's goals, objectives, mission, and vision as stated in the creation of its strategic plan. Performance in general refers to the accomplishments that an organization may make in a certain amount of time. Performance of the company or organization can be used as a gauge of how well it is accomplishing its objectives. One of the most crucial factors for a company or organization is performance measurement, which is a technique to assess how hard an organization is working to attain its goals.

Saeed et al. (2010) claim that different components can result in different performance outcomes. According to the majority of empirical studies, a positive customer orientation and business unit performance go hand in hand. The viewpoints from which the components of business unit performance measurement can be seen include financial performance, operational performance, organizational performance, and marketing performance. The major goals of financial performance are to maximize budget use, work productivity, and operational cost effectiveness. Operational performance includes reaching work goals, enhancing service standards, and making the best use of available resources. Organizational performance factors include things like workload, workload balance, target market/customers, target market/customer segmentation, and workload coordination between work units. attain marketing or service objectives

3. Research Methods

The concept of Business Unit Performance modeling has been traced and searched through routes and milestones aiming at grand theory, intermediate theory, and applied theory, with theoretical advances. The results of the survey and literature research are utilized as the basis for this discovery.

4. Research Result

Based on survey findings from the analysis of scientific literature, it has been determined that PT Perkebunan Nusantara II Medan-North Sumatra can improve the performance of its business units through an integrated strategy that combines market orientation, corporate innovation, competitive advantage, and digital transformation.

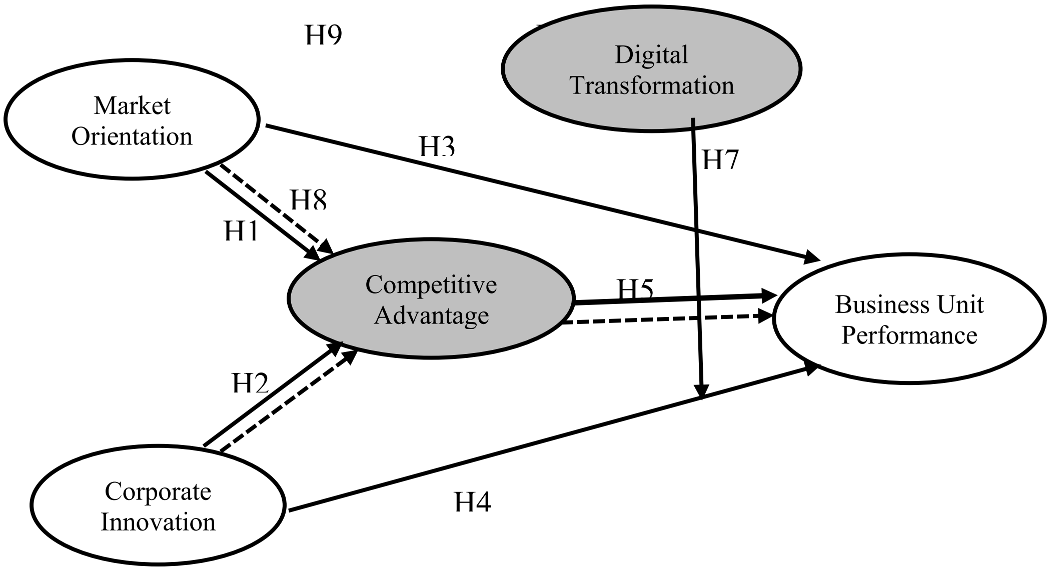


Figure 1. Conceptual Framework

The analysis of the testing the concept model of Business Unit Management Performance of PT Perkebunan Nusantara II Medan-North Sumatra was done on 255 business unit leaders from 25 current business divisions in Top Management, Middle Management, and Lower Management. The model is deemed valid as a competitive advantage strategy concept to achieve firm success, according to dissemination through a questionnaire regarding the Management Performance of the PT Perkebunan Nusantara II Business Unit Medan-North Sumatra in 2022.

5. Conclusion

According to the analysis's findings, market orientation, corporate innovation, competitive advantage, and digital transformation can all help PT Perkebunan Nusantara II's business unit in Medan-North Sumatra improve its management performance. One of the company's strategic components is its market orientation, which aims to please clients. Corporate innovation is the use of techniques in a company's day-to-day operations as a capability for innovation in the creation of services and goods that are adaptable to environmental changes. Competitive advantage is crucial for an organization's performance since its strategic management method strives to raise the firm's value. The business will have a competitive advantage with the appropriate plan. Of fact, whether a company succeeds in the market battle ultimately depends on its capacity to gain a competitive advantage. Additionally, new technologies may put more pressure on businesses to adopt digital transformation. Technology has also given businesses the ability to flourish and excel in accordance with the accomplishment of goals.

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