The Role Of Dynamic Capability In Supporting Transformation And Sustainability Of Permodalan Nasional Madani Ltd

Harry Sutanto

Abstract: This research is motivated by the empirical facts that although the Micro, Small, Medium Enterprises and despite getting optimal support the Indonesian government in recognition of the significance of its role in supporting the nation's economy, has experienced stagnation of business growth reflected by lower vertical mobility in the form of small industrial upgrading into secondary industries than medium industrial decline into a small industry. Permodalan Nasional Madani Ltd. ("the company") with a status and legal domicile as a financial state owned enterprise to support Micro, Small, Medium Enterprises through financing (as a financial solution) and coaching (as a solution of non-financial) to form a strong, independent, and be able to create new jobs. In the period 2009-2013, the company has implemented Transformation First, in response to the dynamic changes facing, as well as an increase in competence, fluctuations in economic conditions and other related matters that put the company in a sharp business complexity. The success of the company carrying out the First Transformation 2009-2013, both in a significant improvement and performance management of the company, became the starting point in the implementation of the Second Transformation 2014-2019 and further measures to achieve organization sustainability. The phenomenon of the company's success in implementing the 2009-2013 First Transformation considered highly supported by the formulation and implementation of dynamic capability approach strategy so as to change the paradigm of management of the company from its original direction as financial state owned enterprise, with the full support of the government, into business-oriented institution to the achievement of sustainable advantage (sustainable profit) and supported by governance (governance) good company. This research is in the areas of change management and strategic management more specifically on the development of the concept of dynamic capabilities in the management of the company. The aim of this study was to obtain an empirical and scientific evidence for the formulation and implementation of dynamic capabilities approach, especially because although the concept began to be widely accepted, but the empirical evidence that supports the concept still scarce. Data were analyzed by using an embedded concurrent mix method strategy and the phenomenological approach, and include in-depth analysis to assess the extent of the dynamic capabilities have been implemented to improve corporate performance and achieve long-term goals as Small, Medium Enterprises Center in 2028 and reached the level of sustainability. Combining quantitative and qualitative data is to better understand (topic) research problem, namely dynamic capabilities approach in support of the First Transformation 2009-2013 in the company, to convert qualitative data (in the form of descriptive insights and observations) with quantitative (numerical) data. Therefore, based on the objectives to be achieved, the category of the purpose of this study is (a) an evaluative, because it is not only limited to the understanding of the causes of behavior and opinions on the main topic of research but also to evaluate the results and provide an explanation for the causes of related conditions occur; and (b) prediction of conditions that occur after the study is completed by using the results of the study, which also serves as a basis for decision making in the future. The general conclusion of the research is the dynamic capability has been implemented to support the company's success in the First Transformation 2009-2013, in particular based on a sense of urgency for the decline in the performance of companies that need to be dealt with radical changes but purposeful and systematic as well as the choice of companies to remain focused on the business SMEs & K which is still a very big potential. To further support the company's success, both in Advanced Transformation and the existence of the company in carrying out its roles and functions to support the business development of SMEs & K in Indonesia, the dynamic capabilities approach should remain in place and run with the best. For advice on the research and writing of this dissertation is (a) the systematic expansion of research to other companies with advanced customization; (b) further research to determine and prove the relationship between organizational capabilities and financial performance to determine the financial proof of continuous innovation as a sustainable innovation (sustainable innovation).


1 INTRODUCTION

Micro, Small, Medium Enterprises and Cooperatives ("SMEs & K") has been shown to contribute optimally to alleviate Poverty Alleviation, development of entrepreneurship (entrepreneurship), the industry and the rural economy, the engine of growth and economic development, the spine (backbone) economy nationally, the highest revenue-producing sector, the increase in the Gross Domestic Product (GDP), as well as a potential means to alleviate poverty through the creation of self-employment business (CGAP, 2004, Tambunan and Xiangfeng, 2010). SMEs & K became the backbone (backbone) Indonesia's economy, since 88.8 to 99.9 per cent in Indonesia is the establishment of SMEs & K as well as able to absorb the 51.7 to 97.2 percent of the workforce in Indonesia.

- Harry Sutanto
- Doctoral Students In Management Sciences, Faculty of Economics and Business, Padjadjaran University, Bandung, Indonesia

In fact, a business segment of SME & K is able to survive (agile) even in times of global crisis in 2008 triggered by the subprime mortgage crisis in the United States. Based on advantages and high potential of the SME business segment and the government has provided protection and convenience for the perpetrators to be able to contribute optimally match the characteristics of excellence. But there has been a stagnation of growth stagnation of growth in the business segment of SMEs & K, which is reflected from the lower vertical mobility in the form of an increase in small industries into manufacturing medium than medium industrial decline into a small industry. And although some business segments MSME & K is able to survive economically for a long time, but most are not able to overcome the impact of business conditions caused by implementation policy of import liberalization, technological change and the growing demand for modern products of high quality (Gomee et al. 2007: 289). This was caused by:

1) The majority of the traditional form of the company, with the type and quality of the product is low, and serves a small market and local measures as well as engaged in
2 LITERATURE REVIEW

2.1 Management Strategy as Grand Theory Research

An effective strategy must involve an umbrella strategy (covering strategic) which sets broad guidelines for the individual organizations but implementable though. Strategies must be able to detect discontinuities, knowing the business, manage pattern and achieve conformity between change and continuity of business (Mintzberg, 1994). Therefore, the strategy needs to be managed in the form of strategic management (strategic management) that consist of analysis, decision and action organizations to create and sustain competitive advantages of its (Dess et al, 2012) and in particular on shifting conditions increasingly dynamic takes advantage sustainable competitive capable of adapting to the dynamic changes that occur (Dye and Siboney 2007 in Wheelen and Hunger, 2012). Process management strategies include (1) an analysis of the environment in the form of search and internal external conditions faced by the company to the core issue to be aware of and understand the implications of changes to then be able to compete more effectively; (2) determine and set the direction of the organization is to define the vision and translate it into a mission; (3) formulation of the strategy is to find ways to achieve a predetermined direction in the form of analytical efforts and creativity depend on decisions of corporate executives; and (4) the implementation of strategies that include (a) analyze the changes that may be experienced by the company as a result of the formulation of the strategy agreed at the previous stage; (B) to analyze and manage the organizational structure; (C) analyze and manage organizational culture; (D) select implementation approach; and (e) assessing the skills of managers in strategy implementation: and (5) the control strategy as action to make things happen in accordance with the previous planning, including (a) the measurement of company performance; (B) comparison of the results of the company’s performance against the objectives and standards; and (c) take remedial action is necessary. Briefly, according Wheelen and Hunger (2012), stage management model strategy (strategic management model), each of which is associated with the process of managing feedback (feedback) and learning (learning) as a step repairs and improvements at every stage of management strategy.

2.2 Meaning essence Transformation

According Eriyatno (2012) there are four prime mover as a form of embodiment of the system thinking that underlies the Grand Strategy Transformation 2009-2028, as follows:

1. Situations that are competitive in the increasingly geopolitical conditions change dynamically so that it requires a systemic approach and dynamic capability development of the organization;
2. Strategy especially in a cluster of competitive conditions (strategic conditions) are realized through a systems approach in balancing relevance, appropriateness (appropriateness) elements of the embodiment of the organization's quality;
3. Corporate culture (corporate culture) rational and implementation to create a conducive working environment and improve employee retention (Chaterjee, 2009) which is influenced by the characteristics of the form of (a) individual initiative;
Benchmark for the success of transformation among others, (a) changes in performance through revenue, profit, turnover, etc; and (b) changes in the behavior of human resources towards a better, measured through media observation, survey, or assessment. While the approach used specifically 5R namely (a) reframing or reconfiguration; (B) restructuring or rearrangement; (C) Revitalizing or strengthening back function; (D) renewal or update the views; and e) reinspiring or planting commitments (Norman, 2001; Charmer, 2009; Scott, 2000) was determined by the presence of i) a sense of urgency (sustainability); ii) commitments; iii) a paradigm shift; and iv) high performance standards (Soetjitro, 2001). Based orientation, which includes aspects of (a) the adequacy associated with the freedom to meet the perceived adequacy; (B) that there is concern for the environment; (C) diversity / pluralism to make the organization realize its overall side (multidimensional); (D) voluntary simplicity; and (e) quality; transformation can be classified into the following:

1. Transformation of organizational (organizational transformation) is caused by forces internal and external, that are radical or revolutionary that a fundamental shift in values, work patterns, organizational culture and mindset in accordance with the demands of the organization in the era of competition in future (Soetjitro, 2001); and

2. Transformation of business (business transformation) is a process of change that is required by a corporation to position themselves to be better in addressing and responding to the challenges of new business, the business environment is changing rapidly and new desires that arise from within the company. Among other things written in the form of Business Transformation Framework of Jakarta Consulting Group (2009) which includes the transformation of the business value chain (value chain of business transformation) form the stages of the process of business transformation.

2.3 Sustainability
(Sustainability) reflects the company's performance in the economic, environmental and social, which refers to the value of long-term (long term value) over a certain advantage, which is determined by the ability of the company to continuously understand and develop aspects of efficiency (efficiency), quality (quality), innovation (innovation) and the response to the customer (customer responsiveness) thus creating a super values (superior value) and competitive advantage (Hill and Jones, 2004: 147). Sustainability reflects the ability of the company or organization to find the current needs and prepare the ability to meet future needs by improving the competence and capabilities with the implementation of measures is wise and systematic way to be able to exist, thrive and achieve conditions of sustainability that (sustainable developed) (oppen and Luc 2012; Nidumolu et al, 2009; Jorna, 2006, and MacGregor et al, 2007) so strongly associated with sustainability innovation (sustainability innovation) that reflect the organization's ability to face changes (oppen and Luc, 2012). According to Stuart (2013) to test the importance of organization leaders in the development and maintenance of corporate brand in a sustainable manner. Sustainability (sustainability) is a megatrend in the management of the organization, but is different from the megatrend before as IT and quality, commitment to a more personal on the part of the leader required for a successful implementation within an organization, because of the nature of sustainability is more directly connected to personalize the organization's values. Leadership is needed is leadership that is able to combine the components of sustainability (sustainability) as a major part of the brand of the company. According to Stuart (2013) there are no shortcuts to successfully develop sustainable (sustainability) brand company that needed an identity-based approach (Identity approach) toward unity among the leadership of the brand. Transformational leadership is required as cognition sustainability and organizational leaders who will impact the sustainability philosophical capable embedded in the organization. The deciding factor is the sustainability of (1) institutional sustainability is the ability of an institution to operate sustainably supported by the success of implementing cost effectiveness as the key to their business activities so as to cover all costs such as the cost of funds, management fees, finance charges and even inflation losses; and (2) financial sustainability is the ability of an institution to finance its operations on an ongoing basis as determined by the level of income that is able to cover all of its costs such as the cost of funds, cost management, the loss cost of financing and investment as well as to minimize the effects of asymmetric information (asymmetric information) between operational factors (Hackman and Silva, 2008; Mostaq, 2002, and Staschen, 1999). For companies the financial services industry, also required high quality of services oriented as commercial institutions to value the acceptability of services by customers as well as the realization of long term strategic planning, coupled with increasing competitive ability in the form of price fixing (service fee) reasonable but still competitive (Seibel, 2002). Financial institutions supporting SMES & K should be able to answer the problem in terms of outreach services, financial sustainability and the impact of financial services to improve the quality of life of the individuals involved in them (Food Policy Research Institute, 2002). Because the sustainability of social institutions is highly dependent on the optimization of income generation and social legitimacy in carrying out social activities, and strategic recommendations to improve the effectiveness of social institutions is through (a) the separation of social mission with the commercial; (B) the integration of social mission with the commercial; and (c) alliances with business organizations, for-profit (profit-oriented) (O hObain (2012)).

3 THEORETICAL FRAMEWORK

Competence and Significance Impact on Performance
Although in general there are significant competence to company performance (King and Zeithamal, 2001), but companies with competence superior will yield better information about the needs and desires of its customers, it is better to build and market their goods or services through the
activity of a well-coordinated, as well as provide the ability for a company to produce and act based on knowledge of the actions and reactions of competitors that would help build competitive advantage (Naver and Slater, 1990; and Tourninen et al, 1997). To maintain competitive advantage, core competencies should be able to add value, hard to replace, hard to imitate by competitors and can be moved along the firm (Barney, 1991 and Grant, 1996). Pace et al. (2005) conducted research to examine the relationship between the performance of the competition with the strategic resources of the company, by using research methodology developed by Durand, concluded that a link between the level of influence of productive assets by the company’s performance. There is a positive relationship between competence increasingly difficult to replicate and more difficult to be moved (immobility) with the performance of the market (market performance), but there is a negative relationship between competence meant by margin sales results. Wernerfelt (1984) found no relationship between the level of profitability with resource ownership and governance of the company, which is in line with the invention of Durand (1999: 103) and O’Regan and Ghobadian (2004) that the company should have the ability to coordinate strategic resource because, being determinant in the embodiment of competence and performance.

**Positioning Competitive Advantage**

The advantages of competence is very large role in addressing the strategic challenges for the benefit of superior (Winter, 2000) so it needs to be improved through investment and acquisition competence development to build future capabilities (Teece, 1990 and Winter, 2000). Although the terminology is still there is confusion on the competitive advantage that is seen is no more than a tautology usual and ambiguity causes (company or product) (Klein, 2002), agreed to take a competitive advantage with regard to the company’s ability to obtain the perspective of sustainable exceed competitors that allow companies to acquire performance (organizational performance) excel at certain intervals (Pitts and Lei, 2003: 7). The advantages of competence is very large role in addressing the challenges According Lodish et al (2001) positioning strategy will be able to provide information to members of the segment who have been on the product for reasons related to the purchase of products particularly distinctive competencies (unique competency) and a sustainable competitive advantage. According Lodish et al (2001), competitive advantage can be realized through (1) the use of technology to produce a superior product variants and further protected by patents and is treated as a trade secret to prevent imitation; (2) improve design quality and instill the perception of high quality or continuous product innovation; (3) provide customer service either by the company’s employees high loyalty by adopting the values of the company as well; and (4) maintaining the reputation and uniqueness in the customer’s perception of the products, services and companies. According to Lautman (1993) is an effective position condition that enables a brand product or service position and a unique niche in the customer's mind (positioning), which is consistent with the overall marketing strategy. Positioning is divided into three components that characterize a product or service are the attributes, benefits and claims. Attributes are all the characteristics and features that come from product formulation, packaging, name, price and distribution as well as all related product service system. The benefits derived from the attributes and functional form, physical or psychological, that can provide optimal benefit for consumers. According to Lautman (1993) until now has not obtained a generally accepted conceptual positioning, systematic, research-based procedures to select the effective positioning of a competitive alternative to mengembangkan prototype methodology to choose among a variety of positioning potential. According Ekmcı (2010) the competitive advantage gained from the integration of skills (skills), asset and organizational capabilities in particular. Competitive advantage is a measure of competence and performance to factors prevailing in the external environment of the company. Needed a competitive strategy that is able to identify and take advantage of opportunities to gain a competitive advantage. As stated by Rodríguez-Pinto, Rodríguez-Escudero and Gutiérrez-Cillán (2008) in Ekmcı (2010), companies are increasingly exposed into the environment is increasingly dynamic and volatile characterized by intense competition, conditions of uncertain markets, technological changes faster and product life cycles are shorter.

**Establishment of Sustainable Competitive Advantage**

To remain competitive, companies must continuously be able to manage the business on a competitive basis. adapt to changes in the external environment (external environment) with the level of competition intensifies, and formulate, implement and evaluate strategies effectively (Arkwe, 2007; Barney, 1991 and David, 2004) to establish a competitive advantage (sustainable competitive advantages) (Hamel and Prahalad, 1996).

**4 Discussion**

Rationalization Identification Using Combination Research Model

The researcher believes that the use of combined research model (mixed method research) is very appropriate for this study berdasarkan compatibility in researching the phenomenon is the main topic of research, as follows:

1. Allows to acquire depth research on the topic in a single company but by the quality of pendalaman study by researchers position as a human instrument, which the researchers believe to mamou carried bedasarkan competence, experience and vision researchers in integrating a variety of information and information to produce a synthesis of the research results as an answer on the topic and focus of the study;
2. Capable of bridging the strengths and weaknesses of quantitative and qualitative research methods, in order to obtain the genuineness significance of the research topic because it is based on the views of fund logical analysis, realistic and pragmatic on condition that occurs; and
3. Ability to integrate various data from a qualitative approach and quantitatif to obtain research results that truly reflect the real conditions (actual condition) even into the add-on insights related research topics. From the review of documents, observation and in-depth interviews (in-depth interviews) to the participants recognized expert in the company, it was concluded that some of the main things that urgency
(sense of urgency) and threaten the existence of the company, as well as the underlying need for a Grand Strategy Transformation 2009-2028 is as following:

I. Limitations of the Government in providing additional paid-in capital, in line with the essence and the principle that in the advanced management-oriented country, the Government's role will increasingly be replaced by private or corporate roles. As explained Dahlan Iskan, former Minister of State Enterprises, basically SOE Board of Directors has the authority and full responsibility manage the state that leads to be able to produce significant advantages to ensure the existence and sustainability.

II. The decline in the loan portfolio Loans Programs that comes from the return of Bank Indonesia Liquidity Assistance ("KLBI") in which the company does not incur the cost of funds (cost of funds at 0 percent) but allowed to channel them back in the form of loans to national banks (which has a portfolio of financing SMEs & K) with a lending rate of seven percent, which dominates the company's business portfolio. The decline has actually been stated in the founding of the company, because the credit program are required to gradually returned via auto-debit on the company's account in Bank Indonesia so that it will run out entirely by 2014 (and finished recorded in 2015).

III. The condition of the company in a state of fluctuation of business (business Fluctuation) high and even threatens sustainability as a result of business decline gradually but significantly pliers demanded a radical change, but systematic and directed so as to restore the company in an ideal condition to be able to provide optimum benefits for development SMEs & K in Indonesia, as well as meet the expectations of all stakeholders;

IV. Acceleration company as an agent of development in the SME business segment and K in direct contact with the perpetrators of SME business segment and K are still in great need of capital assistance and guidance to improve their business performance; and

V. There is a strong belief of Managing Director of the company that the company must always be able to change dynamically every time, with the scale of any kind, which is adapted to the situation and conditions. In the development of a dynamic that has been and will happen, the pattern of linear thinking (linear thinking) factors that are independent and equally important and based causality runs in the same direction so that the management companies tend to get stuck in a pattern of decision-making in a simple, simplistic and direction of a problems caused by any single cause. is no longer valid.

Believed dynamism is the key to solving problems and the complexity of the conditions faced by the company, especially under conditions of dynamic change that is growing fast from time to time. And it is in line with the essence of dynamic capability, as a strategy to continuously develop the company's ability to overcome even adjust the dynamic development (especially in the sphere of external) that exist.

5 Conclusion

The general conclusion from the research is the dynamic capability has been implemented to support the success of PT Permodalan Nasional Madani (Persero) in the First Transformation from 2009 to 2013, in particular based on a sense of urgency for the decline in the performance of companies that need to be addressed with radical changes yet purposeful and systematic as well as choice company to stay focused on the business segment of SMEs & K is still huge potential. Dynamic capabilities approach is not a new approach at the level of the formulation and implementation of strategic management, but in many ways actually inclusively are in the treatment of company. But in formulations roadmap strategy for structuring the company, need to be arranged in the form of well-structured systematic, comprehensive and insightful progress. To support the company's further success, both in the continued transformation and the company's presence in their functions and roles supporting the development of the SME business segment and K in Indonesia, the dynamic capabilities approach should remain in place and run with the best. Based on the results of literature review, search previous studies, both at home and abroad, and the conduct of this research, the authors reveal something new (state of the art) of this research where facts matter who starts from the capabilities of the dynamic of the SOE Special that has mission to finance and foster SMEs & K in Indonesia. Given that this research topic has never been done by previous researchers, authors considered that this study had a high enough originality.

References


