

**THE INFLUENCE OF INNOVATION STRATEGY AND COMPANY
EFFICIENCY ON COMPETITIVE ADVANTAGE AND ITS INFLUENCE ON THE
PERFORMANCE OF RESIDENTIAL DEVELOPER COMPANIES IN CENTRAL
JAVA**



Dewanda Maulana
Universitas Diponegoro, Semarang, Indonesia
dewandamaulana95@gmail.com

Retno Hidayati
Universitas Diponegoro, Semarang, Indonesia
retnohidayati@ymail.com

Abstract

Problems in the performance of housing developer companies in Central Java, especially during the post-pandemic period. There are companies that have been affected by the consequences of the ongoing economic crisis, especially housing developer companies in the property sector in Central Java. Researching a sample of housing developer companies in Central Java that are members of the REI, which as a whole has 350 members. The structural Equation Modeling (SEM) method was adopted as software to assist in testing models and hypotheses. Structural Equation Modeling (SEM) analyzes 200 questionnaires that have been filled in by the top managers of the companies concerned. In this study there are findings that in achieving the performance of housing developer companies in Central Java can be achieved by increasing the company's innovation and efficiency strategies both directly and through the company's competitive advantage, then these results can be a consideration for housing developer businesses in Central Java in improving their performance. This study only uses indicators of efficient operational costs, efficient use of manpower, efficient use of work equipment, and efficient use of raw materials in the company efficiency variable. Meanwhile, efficiency indicators in terms of financial data and company assets cannot be accessed because some companies do not wish to provide confidential data. Future research is expected to use better-supporting data. There are managerial implications that can be utilized and studied by housing developer businesses. The study explains the influence of the company's innovation strategy and efficiency on company performance both directly and through competitive advantage. The conceptual model of this research was tested on a sample of housing developer companies in Central Java that are members of the Central Java REI association.

Keywords: Innovation Strategy, Company Efficiency, Competitive Advantage, Company Performance

INTRODUCTION

Companies founded by company founders generally have several goals and profit is one of the main goals of the shareholders and board of directors of the company so that the company can continue to run and can provide welfare for shareholders and for employees who work in it. This certainly spurred the company to look for ways on how the company can achieve increased company performance. According to Wolff (2006), there are 2 dimensions of company performance but they are still closely related, namely the profitability dimension and the growth dimension.

To find out the problems that occur related to the performance of housing developer companies in Central Java, a pre-survey research was carried out. The results of the pre-survey that was carried out above were obtained from 10 informants from housing developer companies in Central Java showing data that as many as 35% of companies had good performance, 47.5% of companies had poor performance, and the remaining 17.5% companies that abstained (responded did not know). The results of the pre-survey explained that there were performance problems that were still not optimal for housing developer companies in Central Java, as evidenced by the fact that 47.5% of companies stated that their companies were experiencing performance problems in the post-pandemic 2022 period.

With the problems with the performance of housing developer companies in Central Java in the post-pandemic period, a solution needs to be found immediately. Building company performance can be done through increasing strategies for innovation, efficiency, and competitive advantage which are expected to be able to improve company performance. The company's competitive advantage and its performance have a good relationship with almost all organizations. These advantages lead the company towards achieving high profits (Majeed, et al, 2017). This opinion supports the possibility that competitive advantage has a positive influence on company performance. Guo et al (2022) stated that based on a sample of digital startup companies (startup), it was revealed that the innovation strategy is the starting point of the impact mechanism and is positively related to the performance of digital startups. Innovation strategy is one of the variables offered in this study to help solve performance problems in companies. As for other variables, efficiency can also be a strategic choice to improve company performance. Revenue

efficiency is very important for the continuity of any business, indicating how well a company generates revenue by utilizing available resources (Lin, et al, 2022). Therefore, it is necessary to look for studies supporting previous research in this regard.

Based on previous scientific references, it was found that in the competitive advantage variable on company performance by Majeed (2011), it was found that there was a positive influence on company competitive advantage on company performance, but this is not in line with Putri et al. (2016) found that there was no effect on company performance. Then in the innovation strategy variable on company performance by Guo, et al (2022), it was found that there was a positive and significant influence of innovation strategy on company performance, while research conducted by Gupta (2021) stated that innovation strategy had a negative effect on company performance. Eidizadeh's research, et al (2017) stated that there was a significant positive effect of the innovation strategy on the company's competitive advantage. Contrary to research by Rahmadi (2020) which states otherwise. On the efficiency variable on competitive advantage, Lafuente (2019) suggests that there is a positive influence of company efficiency on company competitive advantage. However, the research put forward by Nela et.al (2019) found that there was no significant effect of company efficiency on the company's competitive advantage. On the relationship between efficiency variables and company performance, researcher Phillips et.al (2018) suggest that there is a significant positive effect of company efficiency on company performance, while researcher Gyan (2017) states that company efficiency has no effect on company performance.

REVIEW OF LITERATURE

Resource-Based View Theory (RBV)

According to Barney (1991), the RBV (Resource Based View) theory focuses attention on organizing processes and gaining competitive advantage with internal organizational resources as the main tool. Barney suggested that unique and specific core competencies should be developed by companies by doing things differently to enable them to outperform their competitors. Dasuki (2021) states that based on RBV theory, organizations consist of various strategic and productive assets that work well together, are difficult to imitate, are businesses that are not common or typical, and can be used as

components to uphold and maintain their competitive strategy. Special resources that prevent competing companies from imitation and the threat of substitute products or services become the basis of a company's competitive advantage. A decrease in a company's competitive advantage can occur due to increased competitive pressure.

The company's potential advantage can be obtained from the use of resources such as the possibility of increasing market share and increasing profitability and quality, reducing costs, and further increasing the achievement of efficiency. The Resource-Based View (RBV) analytical approach places a focus on increasing competitive advantage through the company's strategic resources. Companies have a higher chance of achieving outstanding performance when they have a competitive advantage. A key tenet of the resource-based perspective is that every organization is fundamentally different because of its unique set of resources. Company competencies can be utilized to achieve the most effective competitive advantage. The RBV approach emphasizes that the importance of sustainable competitive advantage can be achieved with internal resources. This viewpoint argues that how successful managers have made their organizations in managing hard-to-replace, hard-to-imitate, rare, and valuable resources is a reflection of how well the company is succeeding. By leveraging important and unusual capabilities, businesses will be able to outperform their competitors and gain a stronger competitive advantage. Specific resources and company competencies have consequences in the form of performance and competitive advantage. Thus, it can be claimed that achieving high performance while the business has the ability to properly coordinate strategic resources is the key to developing competence (Dasuki, 2021).

The Resource-Based View becomes the umbrella theory in this research because this theory is able to explain that the company's internal factors have a big contribution to increasing the company's competitive advantage. Such as innovation strategy variables that require resources from within the company to implement strategies in innovating in increasing competitive advantage and company performance. Meanwhile, the RBV theory also applies to the efficiency variable, where efficiency only requires resources from within the company which, according to Mulyadi (2007) does not waste time, money, and energy in running things in the right way (work and effort) is an explanation of efficiency.

Innovation Strategy

Innovation is a useful change in technology or methodology that differs from conventional practice. Process innovation and product innovation are two categories of innovation. While the strategy is an overall master plan that details how the business will carry out the goals set to achieve all the goals that have been set before (Rangkuti, 2006). Meanwhile, according to Yatminiwati (2018), strategies are actions that follow long-term plans that aim to achieve certain predetermined goals based on environmental observations and analysis.

Asiaei (2015) defines innovation as a method that emphasizes producing novelty. Instead, innovation, according to Calantone et al. (2002), is the adoption or application of original ideas in a business or organization. According to Drucker (2014), innovation is a specific instrument for business that can be used to explore or seize the opportunities presented by change as a way of doing business differently. It can be taught as a discipline, earned through study, and practiced. According to Guo, et al (2020), the value proposition of innovation is the starting point of the impact mechanism and is positively related to the performance of digital start-ups. More importantly, the relationship between value proposition innovation and digital start-up performance is mediated by value creation and value capture innovation.

From the opinion of several experts on innovation strategy, it can be concluded that innovation strategy is a comprehensive master plan that focuses on creating novelty to achieve certain goals. Research conducted by Wu, et al (2011) outlines criteria for evaluating the level of corporate innovation strategy, including the use of new technology, continuous service quality improvement, new marketing strategies, rewarding employee creativity, and modification of organizational structures. The application of new technology can be an indicator of a company's innovation strategy because the existence of new technology will show the innovation strategy carried out by the company.

Company Performance

Part or all of the actions or activities of an organization in a period is a description used to indicate a general term, namely performance (Mulyadi, 2007). Ruekert (1987) stated that observing and making decisions based on accumulated data has long been a method for all companies to measure company performance. Company performance is used

by business owners to measure the achievement of company goals and objectives. According to the various definitions of performance given above, it can be concluded that performance refers to work results, level of performance, or appearance of a person or organization in carrying out work as measured by standards set for a certain amount of time in order to achieve goals.

The company's performance from a financial perspective in the past, which is disclosed in financial reports and measured by financial performance indicators has been expanded because there are needs in other areas of stakeholders such as social and economic, environmental, innovation and learning, internal business, and customers (Popa, 2016). Wolff (2006) suggests that company performance is divided into two different but still very related dimensions, namely the profitability dimension and the growth dimension, and from these two dimensions there are four antecedent factors, namely environmental hostility, size enterprise, innovation strategy, and internationalization. While Bouranta et. al (2017) states that the performance dimensions revealed through this research are summarized as:

From the opinions of these experts, it can be concluded that the company's performance variable indicators include; Company revenue level, company profit level, customer-focused performance, and service quality performance. Performance variable indicators can be explained by the company's income level because a good company's income level will determine good company performance as well. Similarly, the level of company profits can be an indicator as well because having good company profits will improve company performance. Then customer-focused performance can also improve one of the indicators that can explain company performance, namely customer satisfaction.

Based on the explanation and previous research that has been submitted, the research hypothesis is proposed as follows:

H1: Innovation strategy has a positive effect on company performance.

Enterprise Efficiency

Tutuarima (2009) stated in his research that company efficiency is a comparison or ratio in the production process between input and output. The higher the input-to-output ratio, the higher the level of production efficiency. Meanwhile, according to Shair, et al (2021), efficiency identifies the abilities and skills of managers to optimally utilize the

resources they provide where a higher pure efficiency value represents higher managerial skills, while a lower value represents lower managerial skills and abilities. lower. Efficiency is the art of making the best use of available resources (people, machines, and materials) while maintaining a balance between time, tools, goals, and energy in a practical state (as long as that state is mutable). The most useful comparison between results and performance is efficiency.

From some of the opinions of the experts above, the indicators of efficiency variables in companies include; Efficient company operational costs, efficient use of manpower, efficient use of work equipment, and efficient use of raw materials. Efficient company operational costs can be an indicator of company efficiency because the more efficient the company's operational costs, the better the company's efficiency. Then it can also be used as an indicator of company efficiency because the use of labor can show that the company is implementing good efficiency. The next indicator, namely the use of efficient work equipment, can be used as an indicator of company efficiency because companies that are efficient in the use of work equipment can be used to show a high level of company efficiency. Then the use of efficient work equipment is an indicator of company efficiency. Because companies that are efficient in using Raden work show that the company has efficiency. And indicators of efficient use of raw materials can explain company efficiency because companies that use raw materials for production and services efficiently indicate that the company has good efficiency. Efficiency and flexibility simultaneously determine performance. However, efficiency and flexibility together define performance in a volatile environment. This may be because external challenges effectively focus the attention of competent managers (Phillips, 2017). From this statement, it means that the efficiency practices used by businesses have a beneficial effect or influence on business.

Based on the explanation and previous research that has been submitted, the research hypothesis is proposed as follows:

H2: Company efficiency has a positive effect on company performance.

Competitive Advantage

Competitive advantage or company performance in a competitive market is driven by its competitive advantage (Porter, 1998). To achieve a competitive advantage, housing

developer companies must be able to come up with an attractive concept that suits people's housing needs at an affordable price. Apart from the concept of an attractive residential area, the company must also be able to provide additional attractiveness in terms of sales promotion that is able to attract the interest of potential buyers.

By implementing a differentiation strategy; such as customer service that is difficult for competitors to imitate, durability, product quality, company reputation, technology and innovation strategy, reliability, and brand image, companies can create competitive advantages (Acquaah, 2011). Competitive advantages that exploit organizational competencies that are valuable to customers, that provide competence and competitiveness for organizations, and that are not easily imitated and copied by competitors, are a type of sustainable competitive advantage (Hosseini et.al., 2018). According to Dalimunthe (2017), the pursuit of competitive advantage is an attempt to outperform rivals in a particular market. Position, advantage, competitive price, and managerial skills are markers of developed competitive advantage. According to Baradwaj (1993), there are several indicators of competitive advantage, namely they are not easy to imitate. So, from some of the expert opinions above, indicators of competitive advantage include; Competitive price, management ability, profit, and not easy to imitate. Competitive prices owned by the company can be used as an indicator of competitive advantage because with competitive prices the company will also have a better competitive advantage. then the company's competition will also increase.

Based on the explanation and previous research that has been submitted, the research hypothesis is proposed as follows:

H3: Innovation strategy has a positive effect on the company's competitive advantage

H4: Company efficiency has a positive effect on the company's competitive advantage.

H5: Competitive advantage has a positive effect on company performance.

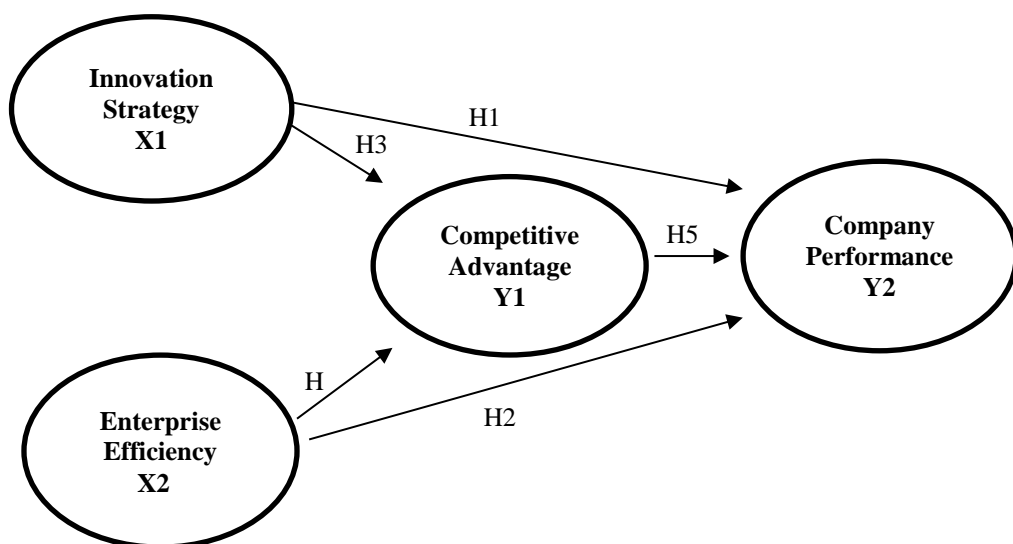


Figure 1
Conceptual Framework

RESEARCH METHOD

Development of Measures

The interval scale is a data measuring tool that can produce data that has a range of values that have meaning, even though the absolute value is less significant. Interval data can be generated with a numerical scale that strongly agrees-strongly disagrees.

Sample Design, and Research Measurement

In this study, the population is companies in the property sector engaged in housing developers in Central Java who are members of the REI association, which has 350 members consisting of housing developer companies. The data was distributed to managers/directors/owners of housing development companies who are members of the Central Java REI (Real Estate Indonesia) association, from which 200 data were obtained that could be processed for analysis. The following is a table of descriptive data showing that gender is dominated by men (59%), positions are dominated by Directors (49%), backgrounds are dominated by Diploma/S1 (63%), and operational areas are dominated by Semarang City (29%).

RESULTS AND DISCUSSION

Respondent Profile

Table 1
Profile of Respondents

Classification of Respondents	Information	Number of Respondents	Percentage
Gender	Man	118	59%
	Woman	82	41%
	Total	200	100%
Position	Manager	60	30%
	Director	98	49%
	Owner	42	21%
	Total	200	100%
Educational background	Diploma/S1	126	63%
	S2/S3	55	28%
	SMA/Equivalent	19	10%
	Total	200	100%
Operational Area	Banyumas	56	28%
	Boyolali	1	1%
	Brebes	3	2%
	Grobogan	2	1%
	Karanganyar	1	1%
	Tegal	2	1%
	Banjarnegara	1	1%
	Purbalingga	1	1%
	Purworejo	2	1%
	Rembang	2	1%
	Salatiga	2	1%
	Semarang	5	3%
	Sragen	1	1%
	Sukoharjo	12	6%
	Klaten	1	1%
	Kebumen Jateng	1	1%
	Semarang	57	29%
	Tegal	12	6%
	Pati	1	1%
	Pekalongan	9	5%
	Pemalang	5	3%
	Purbalingga	2	1%
	Purwokerto	1	1%
	Surabaya	1	1%
Surakarta	13	7%	
Temanggung	2	1%	

	Wonogiri	3	2%
	Wonosobo	1	1%
	Total	200	100%

Measurement

Simple random sampling is the type of probability sampling that will be used, which according to Ferdinand (2014) has the characteristics of being selected as a member of the sample, one person has the same opportunity as another, where this method is suitable for use in relatively small populations where the frame is “complete and up-to-date”. Hair et al (2010) suggested that for the maximum likelihood analysis technique with SEM the appropriate sample size ranged from 100-200 respondents, so it was decided that the sample in this study was 200 which had met the minimum sample limit. From this statement, the researcher decided that the number of samples to be examined, taking the median value, was approximately 200 medium and simple housing developer companies in Central Java province. For respondents who will be examined is a site-manager or equivalent. Due to these considerations, sampling was carried out using the probability sampling method.

Questionnaires or questionnaires are used as a data collection approach in this investigation. By using a scale of measurement 1-7 do not agree-strongly agree. The questionnaire form was distributed to the management of the Central Java REI association (Central Java Indonesian Real Estate) where later the association would assist in submitting the questionnaire to company managers for filling out. This method of data collection involves giving respondents a series of written questions to answer at that time to serve as a source for future research.

To ensure that the instruments or measuring instruments used in research can provide accurate and consistent results, a validity-reliability test is carried out. This test was carried out using AMOS.

Table 2
Measurement of Construct Validity and Reliability

Variable	Indicator	Factor Loading	Limit	Information	CR	Limit	VE	Limit	Information
Innovation Strategy	SI1	0.775	> 0.5	Valid	0.855	> 0.7	0.544	> 0.5	reliable
	SI2	0.580		Valid					
	SI3	0.839		Valid					

	SI4	0.757		Valid					
	SI5	0.710		Valid					
Enterprise Efficiency	EP1	0.895	> 0.5	Valid	0.803	> 0.7	0.515	> 0.5	reliable
	EP2	0.778		Valid					
	EP3	0.535		Valid					
	EP4	0.605		Valid					
Competitive Advantage	KB1	0.763	> 0.5	Valid	0.804	> 0.7	0.507	> 0.5	reliable
	KB2	0.693		Valid					
	KB3	0.739		Valid					
	KB4	0.648		Valid					
Company Performance	KP1	0.850	> 0.5	Valid	0.899	> 0.7	0691	> 0.5	reliable
	KP2	0.873		Valid					
	KP3	0.826		Valid					
	KP4	0.773		Valid					

In quantitative research, data analysis attempts to collect sufficient amounts of data, assess data quality, and evaluate research hypotheses. Data analysis activities are carried out when all data sources, both from respondents and other sources, have been collected. The Structural Equation Model (SEM) analysis technique was used in this study, which was operated through the AMOS (Analysis of Moment Structure) program system. The AMOS program has the advantage of being user-friendly and graphical interface (Ghozali, 2017).

SEM analysis consists of two stages, namely the Measurement Model and the Structural Model. At the Measurement Model stage, it is carried out to obtain the appropriate construct or latent variable so that it can be used in the next stage of analysis. This stage involves the Confirmatory Factor Analysis (CFA) test to ensure the suitability of the measurement model. Meanwhile, the Structural Model stage aims to obtain the most suitable or feasible structural model using the Goodness of Fit (GOF) test.

In this test, a model suitability test (Goodness of Fit) and a causality test (Regression test) were carried out. Assessing the goodness of fit is the main goal in SEM to find out how far the hypothesized model “fits” or matches the sample data. The results obtained were a chi-square of 137.168 and a probability significance level of 0.061, RMSEA 0.033, GFI 0.927, AGFI 0.901, CMIN/DF 1.214, TLI 0.981, and CFI 0.984, all models qualify and good fit.

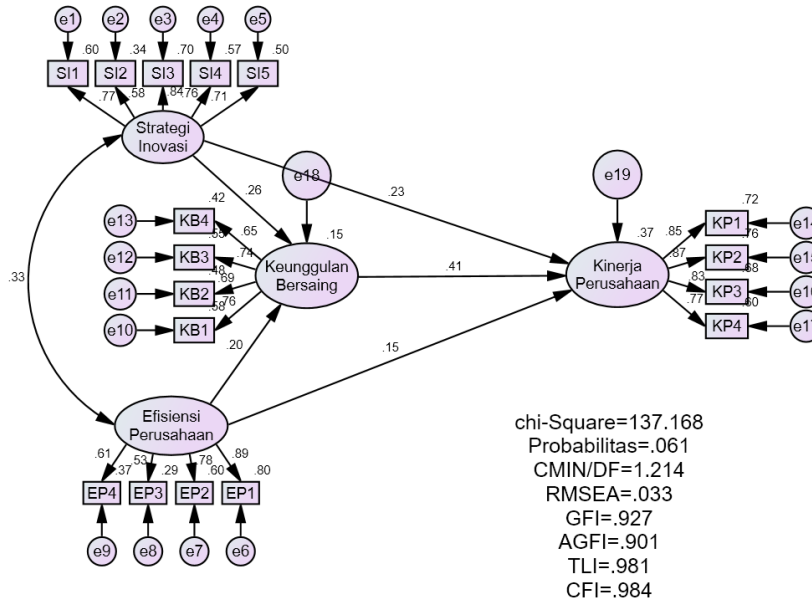


Figure 2
Conceptual Model

Causal Hypothesis Test

Hypothetical data analysis can be seen from the value of the standardized regression weight which shows the coefficient of influence between variables. If the CR value has an influence, it will show a value above 1.96. Then, even for p-values below 0.05, there is an effect (Ghozali, 2017). From the results of the tests carried out, the entire hypothesis was stated to be significantly positive because H1, H2, H3, H4, and H5 all met the criteria.

Table 3
Hypothesis Results

No.	Hypothesis	Estimates	SE	CR	P	Results
H1	Innovation Strategy → Company Performance	0.209	0.070	2,978	0.003	Significant Positive
H2	Enterprise Efficiency → Company Performance	0.149	0.074	2025	0.043	Significant Positive
H3	Innovation Strategy → Competitive Advantage	0.214	0.073	2,937	0.003	Significant Positive
H4	Enterprise Efficiency → Competitive Advantage	0.179	0.078	2,293	0.022	Significant Positive
H5	Competitive Advantage → Company Performance	0.459	0.093	4,940	0.000	Significant Positive

Based on the results of the research on the relationship equation between the first variables, namely the relationship between innovation strategy and competitive advantage, it has a significant positive effect on the competitive advantage variable. According to research conducted by Guo et al (2021). The similarity of the relationship between the two variables, the relationship between company efficiency has a significant positive effect on competitive advantage, according to research conducted by Phillip et al (2017). Then, the similarity of the relationship between the three variables, and the relationship between innovation strategy has a significant positive effect on company performance, according to research conducted by Eidizadeh, et al (2017). Fourthly, the similarity of the relationship between company efficiency variables has a significant positive effect on company performance, according to research conducted by Lafuente, et al (2020). Then, the equation of the relationship between the fifth variables, the relationship of competitive advantage has a significant positive effect on company performance, according to research conducted by Majeed (2011).

CONCLUSION

This research was carried out in order to develop a model regarding methods to improve company performance through innovation strategies for company efficiency and company competitive advantage in housing developer companies in Central Java. From the results of the research that has been done, it shows evidence that the innovation strategy can affect company performance both directly and through mediating variables, namely competitive advantage. The innovation strategy has an influence on the Company's performance directly or through competitive advantage. Competing variables in this study show evidence that they can have a positive influence on company performance.

Managers or directors or owners of housing development companies in Central Java need to know the importance of innovation strategy variables to improve company performance where the new approach indicator in curiosity is the most prominent indicator so that an approach using new methods in offering housing products in Central Java needs to be prioritized to encourage increased company performance. Besides that, it is also necessary to know the importance of the company's efficiency variable to improve company performance, where the indicator of efficient use of operational costs is the most

prominent indicator so that if the company wants to achieve an increase in company performance, the company must pay attention to spending on operational costs.

Managers or directors or owners of housing development companies in Central Java need to know the importance of innovation strategy variables to increase the company's competitive advantage where the indicator of a new approach in curiosity is the most prominent indicator so that the approach uses new methods in offering housing products in Central Java. need to be prioritized to encourage the achievement of the company's competitive advantage. The indicator of efficient use of operational costs is the most prominent indicator so if a company wants to achieve competitive advantage, then the company must pay attention to its operational cost expenditure. And finally, managers or directors or owners of housing development companies in Central Java need to know the importance of the company's competitive advantage variable to improve company performance, where the competitive price indicator is the most prominent indicator so that if the company wants to achieve increased company performance, the company must pay attention to the level of pricing of its products in accordance with the intended target market so that the company's performance can increase.

The limitations of the research that has been done include; Researchers had difficulties in obtaining data from research objects due to the large number of research objects and locations that were quite spread out in the Central Java area, so they had to go through the housing developer association, namely REI Central Java. Second, this study only uses indicators of efficient operational costs, efficient workforce utilization, efficient use of work equipment, and efficient use of raw materials in the company efficiency variable. While efficiency indicators in terms of financial data and company assets are inaccessible because some companies do not wish to provide confidential data.

Suggestions for further research can be developed further on the company's efficiency variable so that more detailed and in-depth analysis is carried out from data such as the efficiency of total assets, total income, operating expenses, salary expenses, and so on so that the data obtained is better again. In addition to this, it is recommended to develop research using other variables that can be used as a method to achieve competitive advantage for companies such as service quality, TQM, and so on. And finally, the object

of research can be developed into other broader business fields, such as construction services, mining, hospitality, banking, and so on.

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