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INTERNATIONAL RELATIONS, AND DIPLOMACY 2012

“Institutional Challenges towards
ASEAN Community 2015:
Synergy of Trade, Investment, and Diplomacy Forces
at Local, National and Regional Context”

Jakarta, December 4th 2013



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PREFACE

International Conference on Business, International Relations, and Diplomacy (ICOBIRD) is an academic meeting designed to bring together scholars whose works focus on business, international relations, and political issues arising in ASEAN countries. The initiative to organize such a forum was taken by the Department of International Relations of Bina Nusantara University in early 2012. The initiative was actualized by organizing the first ICOBIRD in November 2012, which received a warm welcome from many scholars. 27 papers were presented on that occasion.

The enthusiasm expressed by the participants of the first conference has encouraged us to make the ICOBIRD conference our annual program. In the ICOBIRD's second conference that is held on December 1, 2013, the discussion is focused on the institutional challenge toward the 'ASEAN community' that we are ushering in 2015. In particular we try to discuss the synergic cooperation between ASEAN countries in various aspects, from trade to investment, from state to state relations to domestic political issues, and from local to regional context. Thus the theme that we adopt for this conference is: 'Institutional Challenges towards ASEAN Community 2015: Synergy of Trade, Investment, and Diplomatic Forces at Local, National, and Regional Context.

This year, the conference is still hosted collaboratively by the Department of International Relations and the Doctoral of Research in Management Program of Bina Nusantara University. It once again receives a supportive response from the academic community. True, in term of quantity, the number of the presentations in this conference is slightly fewer than the amount of the papers presented in the last year. But they are much more diverse than the previous conference. The topics discussed by those papers include, among others, the China threat perception, Indonesian military expenditure, business competitiveness, financial inclusion, local government and education performance, social entrepreneurship, consumer behavior, as well as Indonesian legal system. The diversity of the topics demonstrates how scholars with different research traditions and approaches have come together to present their works in this conference. However, not all of the presenters have decided to have their papers included in this proceeding. Some presenters have decided to submit their works in journal or other kinds of publications.

We are also fortunate to have several outstanding scholars in our conference. Associate Professor Leonard Sebastian from Nanyang Technology University, Singapore,

and Professor Yan yan M. Yani from Padjajaran University have generously spared their invaluable time to deliver a speech in our conference.

We believe that the multi-disciplinary nature of this conference may enrich each of the participants. We also hope that through this conference, interactions and collaborations between scholars from different disciplines may take place. In our view, such interactions and collaborations are significantly needed if we wish to obtain a comprehensive understanding of what is going on in our region today.

Jakarta, 1 December 2013

Tirta N Mursitama, PhD
Conference Chair/Chief Editor

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COMPETITIVE ADVANTAGE STRATEGY AND CORE COMPETENCE ON VALUE INNOVATION, ALSO IT'S IMPLICATION AT REPUTATION

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Abstract

This study is aimed to determine the effect of competitive advantage strategy and core competencies of the private Higher Education Institutions' value innovation, and the implications on reputation of Bachelor of Management Study Program at private Higher Education Institutions in Jakarta. This is a descriptive and verification research. Descriptive research is a research that aims to obtain variable characteristics, which in this study was to gain an overview of competitive advantages' strategies, core competencies, value innovation, and reputation. Type of investigation in this study is a causality investigation, which states the relationship between the independent variable strategy of competitive advantage and core competency of the value of innovation and a reputation based on a causal relationship. The unit analysis of this research is Bachelor of Management Program Study at Private Higher Education Institutions in Jakarta, while the unit observation re Dean and Chair of Bachelor of Management Study Program, Faculty of Economics. Time horizon in this study is cross-sectional. Results of this study are still instrument testing phase, which is to test the validity and reliability. The results show that all of the instruments used to determine each variable is valid and reliable.

Keywords:

Competitive advantage, core competence, value innovation, reputation, private university.

1. Research Background

Rapidly growing technology advancement and uncertain condition of world economic have demanded a country to enhance its human resources' quality; because one of the essential elements that could elevate a nation's progress is the quality of its human resources (Jazuli, 2010). Muhammad Isnaini (2013) mentioned that education is a strategic means to develop the quality of a nation's human resources; therefore, a nation's progress can be measured through the progress of its education quality. However, in reality, Indonesia's education system has not yet shown its expected success. Indonesia's education system has not yet succeeds to create qualified human resources (HR), particularly to the extent of creating HR that could enhance a nation's quality. This can be seen from the decreasing value on Human Development Index (HDI) in Indonesia.

Education, especially higher educations provided by higher education institutions, both public and private, will definitely determine the success of a nation or a country to be able to have sustainable competitive advantage. This is in accordance to the perception of Bathi, Zaheer, and Rehman (2011: 2848), Romeniolle, Rena, and Cinque (2011: 2) regarding "The New Focus on Knowledge as a Competitive Resource." The essential role of education, especially higher education in knowledge creation will generate continuous innovation, which will end to sustainable competitive advantage. In relations to Private Higher Education Institution (PHEI), particularly in Indonesia, as an alternative means to enhance the quality of human resources is facing open market mechanism. This condition has created a highly competitive environment between higher education institutions, especially post – reformation in the education field, such as permission for foreign higher education institutions to operate in Indonesia, both directly or indirectly by cooperating with higher education institutions in Indonesia.

The challenge and condition of highly competitive environment between higher education institutions in Indonesia as it is described above, is shown through the data from *Biro Pusat Statistik 2010* as follow:

Table 1. Development of Nasional's Higher Education Institutions

YEAR	04/05	05/06	06/07	07/08	08/09	09/20 10
HEI						
PUBLIC HEI	290	265	288	298	298	298
PRIVATE HEI	2486	2756	2784	2842	2926	3023
TOTAL	2776	3021	3072	3140	3224	3321

Source : Statistik Depdiknas, 2010

Based on table 1, Private HEIs in Indonesia has developed higher in number compare to the number of Public HEIs from all over Indonesia. It shows that there is a high competition between Private HEIs, the implementation of UU No. 12 year 2012 and the non – existence of dichotomy between Private HEIs and Public HEIs, therefore, Private HEIs are no longer competing only with the other Private HEIs, but will also compete with Public HEIs. Bennett, Lucchesi, and Vedder (2010: 54) mentioned that the value of innovation conducted by higher education will be able to improve the reputation of the institutions. Based on the statement above, therefore, this low reputation of Private HEIs that have Bachelor of Management study program, tend to be caused by the lack of that particular study program in conducting innovation, which lead to the low value of the innovation itself. It can be seen from initial survey (2013) to 50 managers of Bachelor of Management study program, which lead to only 10% of study program managers conducting innovation during new academic year's admission activities, such as establishing cooperation with secondary schools through competency – based competitions, conducting entrepreneurship stimulation, and other innovation that will provide new situation for its candidates, which will arise the candidates' interest. Trustrum and Wee (2007: 8) mentioned that competitive advantage strategy can lead to a lower cost and increasing benefits of education services of a particular higher education institution, which will lead to the creation of value innovation. Based on the statement above, the lack of conduct of value innovation by Bachelor of Management study program is caused

by the less precise formulation of the competitive advantage strategy formulized by the Bachelor of Management study program. In the creation of competitive advantage strategy, many higher education institutions accentuate several of their superior programs, such as international certification, cooperation with the industry, and international cooperation. International certifications involve recognition from foreign profession organization (e.g.: business program claimed to have recognition from AACSB, American Association of Colleges and Schools of Business) or quality control certification in the world of industry (several Private HEIs has achieved ISO 9001).

The relations of higher education and workforce has become one the superior areas of the Private HEIs. In the conduct of competence – based curriculum (*SK Mendiknas No 045/U/2002 perihal Kurikulum Inti*), teaching should be relevant with the needs in the society and the competence required by the related industry and profession organization. Therefore, cooperation with the industry often becomes a selling point for higher education institutions. Based on the description above, Private HEIs with Bachelor of Management study program should be able to implement competitive advantage strategy as it is mentioned above. However, in reality, Private HEIs with Bachelor of Management in DKI Jakarta have lack of ability to implement the competitive advantage strategy. Awang, Mohammed, and Sharil (2011: 243) mentioned that core competence consist of ability, skill, and unit knowledge of higher educations as basic means to create innovations in organizations. Based on the statement above, it can be concluded that the lack conduct of innovation by Bachelor of Management study program tend to be caused by the less optimize usage of core competence. It can be seen from the research result of Dwi Suryanto Hidayat (2008) that there are four factors in the competence that shows the value and level of difficulties of a program to be copied by other higher education institutions as dominant factors that could influence the shape of the competence. It shows that the more valuable and the higher the level of difficulties of a superior program owned by higher education institutions to be copied, the competence will also increase. Higher education institutions have not been able to create valuable and difficult – to – copy superior programs, which will lead to the decreasing interest of the candidates toward a particular higher education institution compare to its competitor. According to Asosiasi Badan Penyelenggara Perguruan Tinggi Swasta Indonesia (ABPPTSI, 2012), 90% of 3,214 Private HEIs in Indonesia are considered incapable to compete with foreign higher education institutions during the implementation of Asean Economic Community in 2015, therefore, those Private HEIs may not be able to survive due

to its lack of superior programs.

Based on the issues above, therefore, it is essential and crucial for a research to be conducted regarding competitive advantage strategy and core competence of Private HEIs toward value innovation, and its implication at the reputation of Bachelor of Management study program in Private HEIs in DKI Jakarta.

2. Problem Identification

Based on the issues above, therefore, the problems in this research can be formulated as follow:

1. a. How is the competitive advantage strategy of Bachelor of Management Study Program in Private HEIs in DKI Jakarta?
- b. How is the core competence of Bachelor of Management Study Program in Private HEIs in DKI Jakarta?
- c. How is the value innovation of Bachelor of Management Study Program in Private HEIs in DKI Jakarta?
- d. How is the reputation of Bachelor of Management Study Program in Private HEIs in DKI Jakarta?
2. How is the degree of influence of competitive advantage strategy and core competence toward value innovation, both simultaneously and partially?
3. How is the degree of influence of competitive advantage strategy and core competence toward reputation, both simultaneously and partially?
4. How is the degree of influence of value innovation toward reputation?

3. Literature Review

Tavitiyaman, Qu, and Zhang (2011: 650) mentioned that competitive advantage strategy is the strategy to win the competition through the creation of superior value to its customers. Competitive strategies consist of brand image strategy, human resources strategy, and information technology strategy. In the higher education services, competitive advantage strategy emphasizes on winning the competition through human resources and information

technology strategies. Human resources are the output of higher educations, which is defined as qualified graduates generated through the learning process involving the good quality of the lecturers / teachers. Competitive advantage strategy can be defined as the efforts to provide additional value and specialty toward every aspects of the product or service marketing to its customers, compare to its competitors, during the exchange process. However, Porter mentioned as quoted by Assael (2001: 14) mentioned that there are three principal aspects to create competitive advantage, those are providing value to its consumers through superior product or service, which is called marketing advantage or differentiation strategy; submit those value to the consumers with a lower price compare to its competitors by lowering the production and marketing cost, which is called cost advantage or cost leadership strategy, as well as focus on a particular market, which is called focus strategy. The implementation of competitive advantage strategy in higher education services business has become very essential, because higher education especially Private HEIs as it is mentioned by I Nyoman Sucipta (2013) that in Indonesia, Private HEIs in the education sector is decreasing, which is shown by a number of Private HEIs with issues.

The issues related to the Private HEIs mainly because of lack of interest of the candidates to enroll in Private HEIs. Therefore, Private HEIs who are focusing on society's fund to funding its educational operational are getting weaker due to the decreasing number of students enrolled, which then lead to the inability to survive. Rapidly growing and changing in the environment, including the shifting in society's demand, technology advancement, as well as social economic changing, have influenced higher education sector, therefore, they lead to the emerge of hypercompetitive business environment in the higher education sector. The development and changing take place geographically. This current condition has required every Private HEIs to create and develop sources of competitive advantage to survive. Rapidly changing environment in this globalization and industrialization era has required the Private HEIs to be able to anticipate those changes, especially in terms of generating adaptive graduates, who are ready to embrace those challenges. However, on the other hand, Private HEIs are considered incapable to compete in this globalization era. To be able to establish and develop competitive advantage of HEIs, it need marketing management process, which is defined as a mechanism where the HEIs are able to interact with the society through various learning, researching, and devoting activities to the society. The first step of this mechanism is started with the identification of the society's needs, which then continued with the development and implementation of the

suitable strategy to the fulfil those needs, as well as conducting evaluation toward the society's responds. The implementation of the mechanism also needs to involve the environment, which is started by the evaluation toward the environment; continued with the development of any possible strategies to enhance competitive advantage; and ended with the evaluation toward the emerging competitive responses.

Chen and Chang (2011: 75738) mentioned that core competence has become a popular term in business discipline; however, the meaning of the "core" term is still unclear because it is loosely used in a variety of ways. Core competence is also essential for business management science; however, the definition of the word "core" itself is still unclear. Basically, core competence in business is an ability to discover idea, which is considered as an element of investment of the organization. For example is an idea regarding the company's vision. Moreover, the implication is shown by the implementation of the investment by incorporating the knowledge and technical skills to develop the company. Therefore, this investment element needs to be translated into activities, such as assessing opportunities in an industry or market. Then, a unique business strategy needs to be designed to implement the company's vision. Chen and Chang (2011: 5740) defined core competence from the perspective of strategic management as organizational capabilities that advantageously integrate, reconfigure, gain and release internal resources to match or even create market change and lead to organizational competitive advantage.

In practice, Hadari Nawawi (2005) mentioned the importance of Private HEIs to have core competence as its source of competitive advantage. If the core competence of the Private HEIs is communicated well, therefore, the society will easily recognize and differentiate that particular Private HEIs with other HEIs, such as Public HEIs, Private HEIs, as well as foreign HEIs. HEIs' core competence is reflected by the needs of technical knowledge that will be used. The relations between competences with business strategy is reflected by a series of process; initiated by a source of idea in the form of patented product innovation, which is resulted from society's devotion and research program. Then, the following process is reflected by productivity and efficiency. A process of producing a product is related to the process of establishing the society's trust to the product. Therefore, according to Buchori Alma (2005), Private HEIs should be able to develop their educational service's image based on the quality of learning, teaching, and devotion to the society. Therefore, distribution dimension and its channels are becoming essential in accordance to the market segmentation. The overall process will then followed by importance feedback to design a new technology

innovation strategy. In terms of long term development, core competence may change accordingly to the development of the market and technology. Authenticity of a concept, according to Hu and Lin (2011: 4228) is defined as learning new knowledge and technology by oneself and collecting information about the work. Hu and Lin (2011: 4229) classified the core competence into four dimensions, which consist of intrapersonal skill, professional field, job attitude, and higher education. Intrapersonal skill includes (1) the ability to solve problems; (2) respect toward the students, the ability to know the students' feelings and needs, and the ability to establish good relationship with the students; and (3) the desire to solve problems, deal with complaints, and fulfill the needs. Professional field includes the ability to give good services based on professional competence. Job attitude includes (1) the ability to work diligently and be cooperative with the partners; and (2) the ability to work persistently and be proactive toward the job. Higher education includes the willingness to learn new knowledge and technology independently and collect all the necessary information related to the job. Core competence of the Private HEIs has created a shifting from individual to the organization as an analysis unit and social – culture aspects to technical aspects. It is based on an analysis toward the professional role and / or the formulation of professional responsibility. The statements regarding the competence have explained the expected result of the related performance and function professionally, knowledge, skills, and attitudes essential for the performance of the function. The statements of the competence are facilitating the assessment based on certain criteria. Therefore, the competence is needed as tentative prediction tool regarding professional effectivity, which needs to follow validated procedures continuously. Various core competences are in accordance to its type of industries. For example is in the higher education services business, core competence is related to learning, researching, and devoting activities to the society. Thus, an excellent HEI is the one that is capable to create higher society's value.

Henard and Roseveare (2012: 33) defined innovation as one of the main elements that controls the improvement of teaching quality, which can elevate the HEIs' level. Innovation in teaching and learning has become an important factor for HEIs. Innovation in education institutions is emphasized on researching and developing activities that could lead to creative solutions toward practical and academical issues as well as to promote students' learning in accordance to its problem – solving technique. McLaughlin (2011) mentioned that organizations that innovate will continue to achieve success and innovation around products and services is certainly of value, but high-order innovation can provide more substantial,