ANALYSIS OF THE INFLUENCE OF DYNAMIC CAPABILITIES ON COMPANY PERFORMANCE MEDIATED BY COMPETITIVE ADVANTAGE

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ABSTRACT

This research has a purpose to find out how the influence of Dynamic Capabilities, either directly or indirectly on Company Performance through Competitive advantage as a mediating variable. Design / methodology / approach – data collection in the form of distributing questionnaires to collect a sample of 309 manufacturing companies in Indonesia. In any case, to analyze the data, the analytical method used is the Structural Equation Model (SEM) to assign the phenomenon and the tool used is AMOS 22. The result of this research is that Dynamic Capabilities, affect the upgrade in Competitive Advantage significantly and positively. Dynamic Capabilities, affect the positive and significant upgrade in Company Performance. Competitive Advantage affects the Company's performance improvement positively and significantly. The mediating influence of Competitive advantage upgrades the influence of Dynamic Capabilities, on improving Company Performance. Practical implications – this research has shown that Dynamic Capabilities have affected Company Performance through the practice of Competitive Advantage. In any case, This research describes that the company's performance is influenced by different competitive priorities

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as well as internal capabilities and external capabilities. Originality / value - This research analyzes sustainable innovation predicated on dynamic capabilities in manufacturing companies in Indonesia, by collecting managers' perceptions of modification in the external environment that affect the adaptation and alignment of the company's maneuver, which has an impact on the applied business model.

INTRODUCTION

Competition in the market generates business cycles that force companies to reshape business models. There is no definite definition that explains the business model (Zott, Amit, & Massa, 2011), although Amit & Zott (2012) define a business model as a system of corporate activities of interdependent and interdependent components that parallel markets require. Business model innovations are small or large modification made to the business model by organizations with the goals of surviving in the market and to gain a competitive advantage. Research by Schneider & Spieth (2013) explains the sense of challenging old business methods. Business model innovation is a relentless endeavor for senior leaders, but they can apply business model innovation techniques to capture the competitive advantage organizations seek.

The application of technology-predicated technology for the manufacturing sector does not mean that the manufacturing industry sector is free from economic challenges. The processing industry is currently in the fourth industrial development stage known as Industry 4.0 after experiencing three waves of industrial development, namely the first analog processing industry revolution in the 19th century; the second digital industrial revolution in 1937; and the third Internet-predicated industrial revolution in 1969 (Zhengmao Li, 2018).

The rapid development of technology in the digital era requires companies to always follow modification dynamically. Companies will strive to implement the strategies they have set so achieve goals and gain competitive advantage. Competitive advantage is notable for every company, because it assigns the success or failure of a business (Sudibyo, 2019). In an effort to generate competitive advantage, companies need to utilize all of their resources optimally in accordance with their business concept (Sudibyo, 2019).

Previous research have verified the fine affect among innovation 7and aggressive gain due to the fact the capacity of such innovation lets in organizations to advantage flexibility in leveraging vital assets from commercial enterprise companions and running throughout barriers thereby developing aggressive gain for the company (Liu & Yang, 2019). However, unlike other opinions, there are many differences of opinion on the various facets of innovation and competitive advantage. Previous researches have highlighted that innovation can lead to an unbalanced outflow of firm-specific assets, dependence on external capabilities of network partners and opportunistic behavior in dealing with appropriate resources to innovate (Yang, Nguyen, & Le, 2018).

The influence between competitive advantage and dynamic capabilities with company performance as the guidance of the strategies applied by the company has not been analyzed and tested empirically predicated on extensive surveys. Previous research has placed the influence of dynamic capabilities on firm performance (Nakos, Dimitratos, & Elbanna, 2019). The same research conducted by Peng, Peng, dan Chang (2018) proves that dynamic capabilities have a positive influence on company performance. Liu, Song, dan Blake (2018) conducted research of 250 glass production companies in Taiwan and found that capability partially mediates competitive advantage on company performance. However, additionally they recommend that agencies ought to position extra attempt in extra dynamic agencies in growing and preserving their community shape to seize outside assets as a driving force of business enterprise agility. In contrast, what has been accomplished formerly argues that aggressive benefit because the quantity to which an organisation produces, disseminates and responds to the enterprise version that the business enterprise applies (Kohli, 2017), is considered to be influenced by the organization's ability to develop business models.

However, this view is different from the research of Braun, Latham, dan Cannatelli (2019) which states that a business model approach will not help an organization outperform its competitors. In the same way, maneuver by itself does not guarantee the continuation and safeguard of long-term customer value. To our knowledge, this influence has not been studied extensively, and therefore empirical testing is needed. In any case, the influence of dynamic capabilities on company performance through competitive advantage has not yet developed. Therefore, further research on the influence between these variables is needed for manufacturing companies.

The dynamic change in the company's environment demands a critical maneuver in achieving competitive advantage through continuous innovation, which is becoming more notable given that modification in Rapid technology encourages companies to implement strategies more influenceively and faster (Teece, 2018). Therefore, this research identifies the impact of decisions related to the formation or adoption on competitive advantage as a research gap to address research gaps that place maneuver as a rational and/or cognitive decision-making process.

Several previous researches that support this research are the influence of dynamic capability variables on competitive advantage Fainshmidt, Wenger, Pezeshkan, & Mallon (2019), the influence of business model variables on competitive advantage Chen, Wang, dan Qu (2020), the influence of sustainability innovation variables on competitive advantage Amjad, Fawad, Frederic, Farooq, dan Saddam (2019); Arsawan *et al*. (2020); dan Marques, Maffini, Schoproni, Kamila, dan Paula (2019) and the influence of competitive advantage on firm performance (Efrat, Hughes, Nemkova, Souchon, & Sy-Changcoe, 2018).

Predicated on the outcame of previous researches that have been described above, there is still no research that involves the simultaneous influence of Dynamic Capability on Company Performance and the role of Competitive Advantage as a mediating variable. In any case, this research will continue the research recommendions of Hermundsdottir & Aspelund (2020) which states that there are still not many who have researched competitive advantage through simultaneous development and exploration in the manufacturing industry on company performance. Therefore, this research will shows the influence of Dynamic Capabilities on the Performance of Manufacturing Companies through competitive advantage. Despite the broad research interest in understanding business models, many interesting questions about business models remain unanswered (Purkayastha & Sharma, 2016).

Research unearths that the enterprise version is the maximum critical indicator in reaching aggressive benefit and influences the enterprise's overall performance, researches at the purpose for enterprise overall performance of the selection of enterprise version is not often studied (Wahyono, 2018).

The outcome of this research are supposed to present additional knowledge for domestic and international companies regarding the impact of Dynamic Capabilities and Competitive Advantage on Company Performance. Predicated on the literature discussed above, it is supposed to present a role for managerial in this research so upgrade managerial awareness in the development of business model innovation which is an notable component for sustainability and longevity. Businesses struggle to maintain their innovative capacity, and their understanding of the driving forces behind innovation can strengthen competitive advantage. The research of value chain management is still relatively limited when it comes to empirical research and case researches (Moura & Salori, 2020), especially on the theme of dynamic capabilities. Therefore, this research upgrades knowledge in the field of management, internal and external partners as well as processes and structures of manufacturing companies, for sustainable product development. This research targets to present leadership insights from the business of manufacturing companies that apply innovative business models in the face of very dynamic business competition.

RESEARCH METHOD

This research is research in which the object and scope include competitive advantage on the performance of manufacturing companies in Indonesia and the variables that include Dynamic Capabilities. This research was designed using a mix method, which is a combination of descriptive qualitative and quantitative analysis which includes data collection to test hypotheses or answer questions about the latest status of research subjects. Quantitative data was collected through a list of questions in surveys and interviews. The data will be processed using Structure Equation Model (SEM) analysis and hypothesis testing with Amos cross sectional data for manufacturing companies. This type of research is quantitative research that emphasizes distributing questionnaires to respondents, namely the Board of Directors, Chief Executive Officer, Chief Technology Officer, Chief Operation Officer, Country Manager, Executive General Manager, General Manager and Senior Manager of selected companies who are believed to have sufficient knowledge both about the company's maneuver and company business processes by using a Likert scale of interval standard (1-6).

RESULT AND DISCUSSION

A. Validity and Reliability Test

1. Validity Test Outcame

Validity test is done by correlating the answer score of each question item with the number of variable scores. The correlation technique used is the Pearson Product Moment correlation technique according to the ordinal data measuring scale. Numbers that are used as a comparison to see whether an item is valid or not.

The outcome of the validity test of the Dynamic Capability (X1) variable can be known predicated on the following table:

Table 1 Outcame of the Dynamic Capabilities Variable Validity Test (X1)

Variable	Dimention	Indicator Statement	r count	r Table	Description

Dynamic Capabilities (X1)	Sensing Capabilities	X1.1	0.737	0.500	Validation
		X1.2	0.837	0.500	Validation
		X1.3	0.723	0.500	Validation
		X1.4	0.728	0.500	Validation
		X1.5	0.701	0.500	Validation
		X1.6	0.714	0.500	Validation
	Learning Capabilities	X1.7	0.701	0.500	Validation
		X1.8	0.731	0.500	Validation
		X1.9	0.706	0.500	Validation
		X1.10	0.830	0.500	Validation
	Intergrating Capabilities	X1.11	0.726	0.500	Validation
		X1.12	0.756	0.500	Validation
		X1.13	0.744	0.500	Validation
		X1.14	0.750	0.500	Validation
		X1.15	0.718	0.500	Validation
		X1.16	0.708	0.500	Validation

Source: Primary Data Processing Outcame, 2021

Because the correlation number obtained from the questions on the Dynamic Capability Variable (X1) is above 0.5, the questions are decided to be significant and have good validity.

The outcome of the validity test of the Competitive Advantage variable (Y1) are known predicated on the following table:

Table 2 Outcame of the Validity Test for Competitive Advantage Variables (Y1)

Variable	Dimention	Indikator Statement	r count	r Table	Description
Competitive advantage (Y1)	Competitive Maneuver	Y1.1	0.851	0.500	Validation
		Y1.2	0.826	0.500	Validation
		Y1.3	0.846	0.500	Validation
		Y1.4	0.846	0.500	Validation
		Y1.5	0.814	0.500	Validation
		Y1.6	0.801	0.500	Validation

					Validation
		Y1.7	0.833	0.500	

Source: Primary Data Processing Outcame, 2021

Because the correlation number obtained from the questions on the Competitive Advantage Variable (Y1) is above 0.5, the questions are decided to be significant and have good validity. The outcame of the validity test of the Company's Business Performance variable (Y2) are known predicated on the following table:

Table 3 Validity Test Outcame of Company Business Performance Variables (Y2)

Variable	Dimention	Indikator Statement	r-count	r Table	Description
Company performance (Y2)	Reduced costs	Y2.1	0.806	0.500	Validation
		Y2.2	0.773	0.500	Validation
		Y2.3	0.701	0.500	Validation
	Non-financial Assets	Y2.4	0.811	0.500	Validation
		Y2.5	0.859	0.500	Validation
		Y2.6	0.796	0.500	Validation
		Y2.7	0.700	0.500	Validation

Source: Primary Data Processing Outcame, 2021

Due to the correlation number obtained from the questions on the Company's Business Performance Variable (Y2) which is above the number 0.5, the questions are decided to be significant and have good validity.

2. Reliability Test

Reliability test is used to see the stability or consistency of the standard outcame. A measuring instrument is said to be reliable if it is used repeatedly on one object to produce the same outcame. The reliability technique used is the reliability of the consistency between the authors' items using the Cronbach Alpha test. The following are the outcame of the research instrument reliability test on the research variables.

Table 4 Reliability Test Outcame of Research Variables

No.	Variable	*Cronbach Alpha* value	Description
1	Dynamic Capability (X1)	0.943	Reliable
2	Competitive Advantage (Y1)	0.924	Reliable
3	Company Performance (Y2)	0.891	Reliable

Source: Primary Data Processing Outcame, 2021

Predicated on the calculation of the reliability test that the researchers did. It was found that all research variables had a Cronbach alpha reliability coefficient value above 0.5. This means that the instrument has reliable outcame, so this instrument or

questionnaire is a reliable and consistent instrument so that it can be used for further analysis.

3. Structural Equation Modeling (SEM) Test
a. Standard Model Test (Standard Model)

The stage in the SEM analysis technique is the standard model stage. The standard model is used to measure the dimensions that make up a factor. The estimation technique used in the SEM calculation is by using the maximum likelihood. However, before forming a full SEM model, it will first be tested on the factors that make up each variable. The test will be carried out by looking at the outcame of the standardized regression weight in the Amos v.23.0 output table. If there is an estimate or loading factor value from indicators that have a value of less than 0.5, then the indicator cannot describe the construct and cannot be included in the next calculation.

1) Exogenous Construct Standard Model

The standard model test outcame for exogenous constructs can be seen through the loading factor coefficient values of each indicator which are presented in the following table.

Table 5 Exogenous Construct Standard Model

Latent Variable	Manifest variable	λ	λ²	E	CR	VE
Dynamic Capabilities	X1.1	0.939	0.882	0.118		
	X1.2	0.914	0.835	0.165	0.948	0.858
	X1.3	0.925	0.856	0.144		

Note: λ= loading factor value, e=*error*, CR=*composite reliability*, VE=*variance extracted*

Source: Primary Data Processing Outcame, 2021

The table above recommends that the loading factor (λ) cost for every occur variable is more than 0.five. This way that everyoccur variable is said legitimate in forming an endogenous assemble. Then the CR (assemble reliability) cost have to be above 0.7 and the VE (variance extracted) have to be above 0.five has been fulfilled in order that it is able to be concluded that the endogenous assemble has excellent assemble validity and reliability.
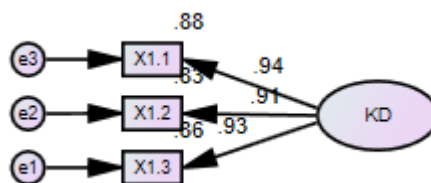

Figure 1 Exogenous Construct Standard Model

1) Endogenous Construct Standard Model

The size version take a look at influences for endogenous constructs may be visible thru the loading aspect coefficient values of every indicator which might be presentd 6in the subsequent table:

Table 6 Endogenous Construct Standard Model

Latent Variable	Manifest variable	λ	λ²	E	CR	VE
Competitive advantage	Y1.1	0.816	0.666	0.334		
	Y1.2	0.794	0.630	0.370		
	Y1.3	0.823	0.677	0.323		
	Y1.4	0.821	0.674	0.326	0.852	0.658
	Y1.5	0.781	0.610	0.390		
	Y1.6	0.759	0.576	0.424		
	Y1.7	0.802	0.643	0.357		

Note: =load factor value, e=error, CR=composite reliability, VE=variance extracted

Source: Primary Data Processing Outcame, 2021

The table above shows that the loading factor (λ) value for each manifest variable is greater than 0.5. This means that each manifest variable is declared valid in forming an endogenous construct. Then the CR (construct reliability) value must be above 0.7 and the VE (variance extracted) must be above 0.5 has been fulfilled so that it can be concluded that the endogenous construct has good construct validity and reliability.
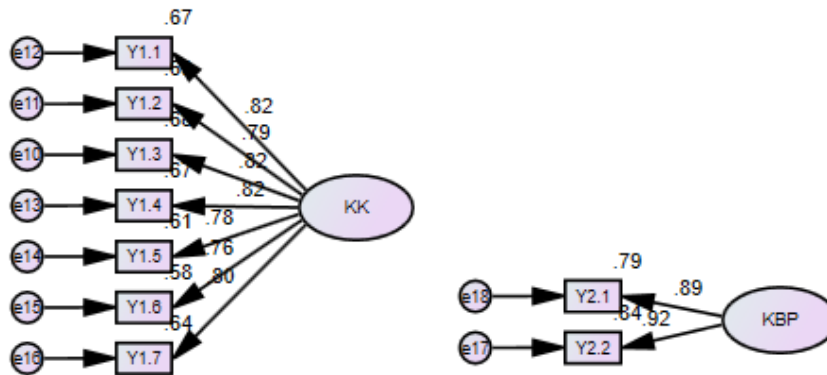

Figure 2 Endogenous Construct Standard Model

b. Structural Model

As previously explained, this research applies Structural Equation Modeling (SEM) analysis as an effort to test the hypothesis. The theoretical version on this examine has been defined in a framework in which the researches version goals to look at the have an impact on among the hypothesized variables.

In the SEM analysis, there are techniques of the use of the enter information matrix, specifically the variance/covariance matrix and the correlation matrix. This analysis will use the covariance matrix input for further estimation. The preference of enter with a covariance matrix is due to the fact the covariance matrix has the gain of supplying legitimate comparisons among unique populations or samples, that is every now and then now no longer viable while the usage of a correlation matrix model.

1) Model Feasibility Test (Goodness of Fit Model)

Goodness of fit criteria from the structural equation model above are presented in the following table:

Table 7 Goodness of Fit Testing Research Model

GOF	Acceptable Match Level	Model Index	Explanation
Chi-square	chi-square ≤2df (good fit), 2df < chi-square ≤3df (marginal fit)	1.578	Good Fit
P-value	P ≥ 0.05	0.000	Good Less
GFI	GFI ≥ 0.9 (good fit), 0.8 ≤ GFI ≤ 0.9 (marginal fit)	0.932	Good Fit
RMR	RMR ≤ 0.05	0.016	Good Fit
RMSEA	0.05 < RMSEA ≤ 0.08 (good fit), 0.08 < RMSEA ≤1 (marginal fit)	0.043	Good Fit
TLI	TLI ≥ 0.9 (good fit), 0.8 ≤ TLI≤0.9 (marginal fit)	0.988	Good Fit
NFI	NFI ≥ 0.9 (good fit), 0.8 ≤ NFI ≤ 0.9 (marginal fit)	0.967	Good Fit
AGFI	AGF I≥ 0.9 (good fit), 0.8 ≤ AGFI ≤ 0.9 (marginal fit)	0.907	Good Fit
RFI	RFI ≥ 0.9 (good fit), 0.8 ≥ RFI ≤ 0.9 (marginal fit)	0.960	Good Fit
CFI	CFI ≥ 0.9 (good fit), 0.8 ≤ CFI ≤0.9 (marginal fit)	0.987	Good Fit

Source: Wijanto, 2007

The goodness of fit model recapitulation table shows that in general the goodness of fit model is good fit, although there is still 1 indicator that has GOF with bad fit criteria. This is because the indicator is very sensitive to the large number of research samples.

1) Hypothesis Testing

The next goal in structural model analysis is to estimate the influence parameters between variables, which will also prove the research hypothesis. The following is a recapitulation of the parameter estimation outcame from the SEM analysis that has been carried out as presented in the following table:

Table 8 SEM Test Recapitulation

Variable			Estimate	SE	T-stat	t-table	p-value	Description
KD	→	KK	0.475	0.046	9.137	1.96	***	Significant
KD	→	KBP	0.293	0.047	4.968	1.96	***	Significant
KK	→	KBP	0.298	0.073	3.712	1.96	***	Significant

Source: Output Amos v.23.0, 2021
Note:
KD = Dynamic Capability
KK = Competitive Advantage
KBP = Company Performance

Predicated on the coefficient values in the table above, the outcome of hypothesis testing can be explained as follows:

1. Dynamic Capabilities affect Competitive Advantage
The tested hypotheses are:
H0: Dynamic Capabilities have no influence on Competitive Advantage
H1: Dynamic Capabilities have an influence on Competitive Advantage
The significant test outcame for hypothesis 1 prove that there is a positive influence of Dynamic Capability on Competitive Advantage as indicated by p value = *** or < 0.05, then H0 is rejected. This means that the Dynamic Capability variable has a positive and significant influence on Competitive Advantage, so hypothesis 1 is accepted.

2. Competitive Advantage affects Company Performance
The tested hypotheses are:
H0: Competitive Advantage has no influence on Company Performance
H1: Competitive Advantage has an influence on Company Performance
The outcome of the significant test on hypothesis 2 prove that there is a positive influence of Competitive Advantage on Company Performance as indicated by p value =

*** or < 0.05, then H0 is rejected. This means that the Competitive Advantage variable has a positive and significant influence on the Company's Performance, so hypothesis 4 is accepted.

3. Dynamic Capabilities affect the Company's Performance

The tested hypotheses are:

H0: Dynamic Capabilities have no influence on Company Performance

H1: Dynamic Capabilities have an influence on Company Performance

The outcame of the significant test on hypothesis 3 prove that there is a positive influence of Dynamic Capability on Company Performance as indicated by p value = *** or < 0.05, then H0 is rejected. This means that the Dynamic Capability variable has a positive and significant influence on the Company's performance, so hypothesis 3 is accepted.

B. Discussion of Research Outcame

The findings of statistical analysis were carried out in the form of descriptive analysis and differential analysis through the Structural Equation Modeling approach. This have a look at goals to research the function of the have an influence on of Competitive Advantage in enhancing Company Performance. The function of the have an influence on of Competitive Advantage in moderating among Dynamic Capabilities, with Company Performance is the principal goal of the dialogue of this research.

Inferential analysis was carried out predicated on the outcame of statistical significance test processing using the CR value that connected the latent variables to one another. The influence between latent variables is considered significant if the calculated p value > the absolute value of 0.05 (with = 5%).

1. Influence of Dynamic Capability with Competitive Advantage (Hypothesis Accepted)

The significant test outcame for hypothesis 1 prove that there is a positive influence of Dynamic Capability on Competitive Advantage as indicated by p value = *** or < 0.05. The outcame of this research support the outcame of the research of Martelo et al. (2013) show that added value for customers depends on the company's resources and capabilities. According to Jeng and Pak (2014), competitive advantage will motivate companies to use existing resources more efficiently and create or acquire new resources.

Huang et al. (2012), dynamic capabilities will enable companies to create new products and processes that enable companies to respond to changing market conditions. Hsu and Wang (2012) argue that dynamic capabilities can upgrade competitive advantage in a rapidly changing environment through optimal use of resources.

According to research Li and Liu (2014) have identified the same key role for dynamic capabilities in maintaining competitive advantage. This research shows that the dynamic capability context influences the differentiation guidance of firms by stimulating experimentation and the development of unique resources in creating competitive advantage (Nandakumar et al., 2010). Regardless of competitors' access to the same external resources, dynamic capabilities present the basis for a continuous search for uniqueness that builds differentiation and deters further imitation. On the other hand, companies can achieve a low-cost guidance through dynamic capabilities, which build greater efficiency and adaptability to a changing environment (Fainshmidt et al., 2019).

2. Influence of Dynamic Capability with Company Performance (Hypothesis Accepted)

The outcame of the significant test on hypothesis 3 prove that there is a positive influence of Dynamic Capability on Company Performance as indicated by p value = *** or < 0.05. The outcame of this research support the outcame of research by Brettel et al. (2012) pointed out the need to clarify some issues related to business models and their relation to firm performance so build a strong and reliable theory about the relationship between these constructs. Considering this research for further investigation, while it is clear that there is a large body of literature clgoalsing that business models can be a source of competitive advantage (Markides & Charitou, 2004) and therefore influence firm performance (Aspara et al., 2010), firms recognize that the significant contribution Incorporating business model investigations as a basis for classifying firms and how this affects firm performance, or, in other words, the influence of different types of Business Models on firm performance, is minimal (Zott & Amit, 2008). There is evidence, to the contrary, as recommended by Brettel et al. (2012), that company performance is related to the share of value taken by companies that have adopted certain business models. Such themes then need to be investigated in an effort to donate to the current theoretical debate about business models and their relation to firm performance, as well as to present entrepreneurs with valuable recommendations to improve the competitiveness of their firms.

3. Influence of Competitive Advantage on Company Performance (Hypothesis Accepted)

The outcame of the significant test on hypothesis 2 prove that there is a positive influence of Competitive Advantage on Company Performance as indicated by p value = *** or < 0.05. The outcame of this research support the research outcame of Ghasemzadeh, Nazari, Mandana, & Gholamhossein (2019) recommending that companies need to establish a value system together, including activities that stimulate open communication, new opinions and ideas to achieve sustainable innovation. Furthermore, internal innovation instruction helps organizational members to send a message to company employees that their new ideas are appreciated. When a culture of innovation permeates, employees are free to express their ideas and try new methods to donate to organizational performance.

This is understanding with the outcame of research by Tadros and Magnan (2019) which revealed that companies that care about the environment will be more accepted by the community. That is, the company will enjoy long-term viability and profitability if it is supported by innovation. Innovation as a tool to improve performance by carrying out a continuous innovation process that can improve characteristic and save costs in business. As a result of implementing innovation in the production process, the organization will be in a good condition to improve its functions and procedures (Hashi & Stojčić, 2013).

CONCLUSION

From the outcame of this research, in general, Dynamic Capabilities have an influence in improving Company Performance with the existence of Excellence and with eight accepted hypotheses. Competitive Advantage plays a very notable role as a mediation in increasing the influence of Dynamic Capabilities, on Company Performance. There is a positive and significant influence of Dynamic Capability on Competitive Advantage. The dimension of Dynamic Capability with the most dominant influence is on the dimension of environmental observation. This shows that improving

the characteristic of Dynamic Capability, especially in the environmental observation dimension, will result in an upgrade in Competitive Advantage.

There is a positive and significant influence of Dynamic Capability on Company Performance. The size of Dynamic Capability with the maximum dominant has an influence on is at the size of environmental commentary. This shows that enhancing the best of Dynamic Capabilities, particularly withinside the environmental commentary size, will bring about growing the Company's Performance. There is a tremendous and substantial impact of Competitive Advantage on Company Performance. The size of Competitive Advantage with the maximum dominant has an influence on is at the size of operational efficiency. This indicates that enhancing the best of Competitive Advantage, particularly withinside the dimensions of operational efficiency, will bring about growing the Company's Performance.

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