Competitive Advantage: Mediator of Diversification and Performance

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Abstract. Study relates to the correlation between diversification strategy and corporate sustainability performance, many of them are conducted in service industry. In this study, it is explained about competitive advantage that also becomes the important attention on the creation of corporate sustainability performance. But study relates to mediating effect of competitive advantage on the correlation of diversification and corporate sustainability performance, has not reviewed especially in-service industry and it becomes the focus of this study. The study is conducted by case study on Building Automation System industry in Indonesia as one of service industries that needs corporate sustainability performance. There are 43 directors of business unit which is taken their data by questionnaire as respondent, with using Structural Equation Model analysis. This finding is stated that corporate sustainability performance can be achieved well through the implementation of diversification strategy. But, competitive advantage is unable mediating diversification strategy on the improvement of corporate sustainability performance. This finding is useful to support Indonesia government’s program in facing issue of “Saving Energy”, through the review of Building Automation System industry.

1. Introduction
Every company both product and service, is truly operating with the final objective to get the optimum of company performance [1]. Those cases become a task for Chief Executive Officer (CEO) to ensure shareholders. However, for company that is still in developing phase, corporate sustainability performance becomes a must [2]. To get corporate sustainability performance, company uses some strategies. Thus the implementation of that strategy is not often misdirected [3]. As the result, the expected performance is not achieved well. So, it is needed clarity of goals of business performance that want to be achieved, those goals are implemented on company strategy. The creation of company strategy is depend on resource, it can deliver to company to get competitive advantage [4]. Competitive advantage is one of source to corporate sustainability performance from company [5]. One of strategies that often used its relation to competitive advantage are diversification strategy [6]. Diversification strategy focuses on two cases which are company and product, every changing that is conducted to innovation and the creation of superior strategy is always needed diversification [7]. The strategy conducted on product through diversification, is one of attractive strategies to new and old consumer, and it is also useful to improve company competitive advantage [8]. Speed in adjusting competitive advantage is appropriate with market trending, it becomes a pillar from the creation of diversification strategy [9].
Facing global business competition, many companies in the world has ambition to have corporate sustainability performance [10]. One of industries with innovation in Indonesia is Building Automation System (BAS) [11]. Applicable innovation relates to offering service for energy efficiency and environmentally friendly products. Those industries develop rapidly in the developing country like USA [12], but it runs slowly in ASIA especially in Indonesia [11]. Reviewing from the problem phenomenon, study focus on the implementation of diversification strategy in the effort of corporate sustainability performance improvement through mediating of company competitive advantage

2. Literature review

2.1. Diversification
Nowadays, diversification strategy becomes one of the important attention from strategic management science and industrial organization. Those strategies are assumed as a means to spread business risk and transfer skill that is built by company to other businesses which is close to the core business [13]. There are two types of diversifications that can be done by company, relates to the core business and it does not relate at all with the core business [14]. If it is related to the core business, it becomes view of many businessman as business risk. Remember that those strategies must be inside of company. There is also opinion that diversification is a group of subsidiaries. Despite being done diversification where business corporation starts to produce new product in new market [9]. In the implementation of diversification strategy, it will only be useless when it does not get supporting from innovation [15]. Diversification needs truly its level, both it relates to the main business and new business [16]. Some previous studies use the different dimension of diversification from company, for service industries can be conducted through capability, resources, risk factor, and competence [17]

2.2. Competitive advantage
Competitive advantage of company is very needed to be achieved, it is caused company performance is sourced from gaining of company competitive advantage [18]. Internal resources and company innovation strategy becomes a chance in creating competitive advantage [19]. The control of those strategies, it is fully responsible from company leader. Competitive advantage is a management concept that is most popular in contemporary management literature recently. Because of quick change that faced by company, complexity of business environment, globalization impact and unstructured market, consumer’s needs who keeps changing, competition, revolution of information technology and communication, and also world free trade [20]. Facing those changing, competitive advantage becomes company capability in recording performance that is hard to be imitated by the competitors either recently or future. The core of those opinions explains in company ability to respond every changing. In service industry, the dimension of competitive advantage is more simple which consists of cost, flexibility, delivery, and quality [21]. Competitive advantage must be continually updated in order to the bargaining value of company can be sustainable [8], it is commonly called sustainable competition advantage.

2.3. Corporate sustainability performance
Porter’s five forces about competition from new comers is often make management must think clearly in maintaining its position as market leader. It is only with company ability in producing product and qualified service, corporate sustainability performance can be achieved [22]. The growth of corporate sustainability performance is performance growth in long term as the result of company ability in maintaining its ability in producing product and qualified service [23]. However, its development that relates to stakeholders is stated that corporate sustainability performance is one of way to satisfy investors, and it can be represented by profitability, its growth, and market value, all of aspects are complementary each other [24]. Corporate sustainability performance can be also measured by some dimensions of financial performance (profitability, growth, market value), and strategic performance
(consumer satisfaction, employee satisfaction, environmental performance, social performance) [25]. The dimension stated is very simple which is divided into two cases, among of financial and strategy that becomes evaluation. It is often used in service research, the relation is not only to measure performance but also sustainability performance [23].

3. Methods
Type of study used verificative descriptive with focus reviewed diversification factors, the influence on competitive advantage, and the implication to corporate sustainability performance. Problem-solving design through SEM approach (structural equation model), in order to analyze the correlation between research variables, with SmartPLS analysis tools. Processing data was sourced from Unit Business Director of all Building Automation System in Indonesia that was 43 respondents. Those data obtained by survey on questionnaire and every indicator used the rating from “strongly disagree” until “strongly agree” (Likert Scale). Based on the phenomena review, this research used hypothesis test.

Hypothesis 1 (H1). Diversification has positive correlation with competitive advantage
Hypothesis 2 (H2). Competitive advantage has positive correlation with corporate sustainability performance
Hypothesis 3 (H3). Diversification has positive correlation with corporate sustainability performance

4. Results and discussion
Study is conducted on 43 Business Unit Director of Building Automation System Industry that spreads at eight cities in Indonesia, the finding is stated completely on Figure 1 and Table 1.

![Figure 1. Value of Correlations Research Model](image)

| Hypothesis                        | Path Coefficients | t-value | Results  |
|-----------------------------------|-------------------|---------|----------|
| Diversification → Competitive Advantage | H1 0.755          | 13.72   | Support  |
| Competitive Advantage → Corporate Sustainability Performance | H2 0.295          | 1.776   | Support  |
| Diversification → Corporate Sustainability Performance | H3 0.524          | 3.064   | Support  |

Processing data is found that there is positive correlation for all lines of research variables, and it can shape corporate sustainability performance is 63.9%. Before analyzing research model, it is conducted research model testing. Test is done by Convergent validity that is measured by outer loading, where the measurement of individual reflective is stated to be high if it correlates more than 0.50, and the value of outer loading of study result for all of them is above 0.50. The next test through Composite reliability, where it is assessed from discriminant validity that shows what variables that measured to have the high reliability if it has composite reliability is above 0.7. Based on some values of model evaluation, it can be stated the research model that proposed is valid and reliable.

4.1. The correlation of diversification with competitive advantage
Based on Table 1, it seems clearly that this findings are appropriate and it strengthen the previous study result, where diversification correlates positive to competitive advantage is in line with the study of [7]. It is supported by [26], argued that diversification strategy is a way to competitive advantage.
Completeness of product portfolio as part of diversification will improve the position of competitive advantage in a company [27]. The better of diversification of a company in service industry especially, so it will be more influenced on the improvement of competitive advantage. The success of diversification in a company many influenced by the close relationship with consumer [28], because of consumer gives information of other product need that they will use.

4.2. The correlation of diversification on gaining corporate sustainability performance
Research finding as figured before (Figure 1, Table 1), it seems that there is positive correlation between diversification strategy with corporate sustainability performance. This finding is in line with previous study [29], where corporate sustainability performance is truly can be improved by the implementation of diversification strategy. Resources and competence that has had by company is the main factor which can control company performance [30], [31]. Besides other supports from diversification strategy that used which is capability and risk factor in business. In corporate sustainability performance, the thing that needs to be noticed is consumer satisfaction and employee satisfaction. The correlation of diversification on corporate sustainability performance directly, the value is bigger than it is through competitive advantage. The essence of those findings are made as novelty in this study, that competitive advantage cannot be full-mediating between diversification strategies with corporate sustainability performance [32]. It means that research model is only as partial-mediation, and diversification strategy is assumed not to be noticed competitive advantage strategy in improving corporate sustainability performance.

4.3. Competitive advantage in improvement of corporate sustainability performance
The attractive thing from findings is in the correlation study of competitive advantage with corporate sustainability performance. In which the research finding is stated that there is positive correlation from competitive advantage on corporate sustainability performance (Figure 1). But the correlation is quite low, it is not in line with the study of [29]. It can be interpreted that not all of industries that gain competitive advantage can deliver to corporate sustainability performance. In corporate sustainability performance, employee satisfaction is thing that needs to be noticed. It can be defined that relates to human capital that can improve corporate sustainability performance. As stated by [33], that competitive advantage can improve competitive advantage if it is supported by human capital.

5. Conclusion
This research model has never been reviewed overall from the previous study, it is only reviewed apart of model with the different type of company. This finding shows diversification has more dominant impact for each other directly on gaining corporate sustainability performance, than through competitive advantage. It is further can be generalized particularly in industry that uses technology on its industry. The study focus still needs improvement, where it does not reviewed from corporate culture that is absolutely impact on business performance [34]. Also the study of human capital that actually parts to be noticed on competitive advantage and corporate sustainability performance [33]. Remember, competitive advantage cannot be full-mediating in this study. This research finding is useful to encourage Indonesia government program in facing issue of “Saving Energy”. And also, it is as company reference in improving corporate sustainability performance, diversification, and competitive advantage, especially in Building Automation System (BAS) industry in Indonesia.

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