



ANALYSIS OF INFLUENCE OF STRATEGIC ACTION, KNOWLEDGE MANAGEMENT ORIENTATION AND INNOVATION IN LOGISTICS TO FIRM PERFORMANCE (Study at Sea Transportation Service Company Operating In Port of Tanjung Emas Semarang)

Fajar Ismail¹, Amie Kusumawardhani², Sugiono³

¹ Master of Management, Faculty of Economics and Business, Diponegoro University

² Master of Management, Faculty of Economics and Business, Diponegoro University

³ Master of Management, Faculty of Economics and Business, Diponegoro University

ABSTRACT

This research is motivated by the number of Sea Transportation Service (JPT) companies operating in the port of Tanjung Emas which lost their revenue for 6 months in a row, resulting in the revocation of their permits. The inability to compete in the form of low operational performance leads to a decrease in financial performance. Some researchers believe that innovation in logistics is the most effective way of increasing competitive advantage and firm performance in the logistics industry.

Therefore, this study aims to analyze the relationship between innovation in logistics, operation performance, and financial performance and the factors that influence innovation is strategic action and knowledge management orientation. The data were obtained from a questionnaire filled by 178 Sea Management Services (JPT) companies operating in the Port of Tanjung Emas Semarang. Data were analyzed with Structural Equation Modeling (SEM) using AMOS software.

The result of the statistical analysis shows that directly strategic action and innovation in logistics have a positive and significant effect on operational performance. Indirectly knowledge management orientation has a positive and significant effect on operational performance through innovation in logistic.

Key Words : *strategic action, knowledge management orientation, innovation in logistic, operation performance and financial performance.*

I. INTRODUCTION

1. Background

That every year the number and percentage of the company's Transportation Management Services (JPT) Sea that does not move higher, but it also can be seen that every year the number of companies JPT Sea is increasing. In 2013 there are 105 companies, two years later in 2015, the number increased to more than doubled to

218 companies. Seeing this phenomenon signifies in addition to the declining performance of companies in the marine logistics industry, also indicates the level of competition in the marine logistics industry is getting higher.

Based on the business condition, the formulation of research problem developed in this research is "How to improve the

¹Corresponding author



performance of JPT Laut company operating in Port of Tanjung Emas Semarang?"

2. Research Aims

This study has the following objectives:

- 1) To test and analyze the impact of strategic action towards innovation in logistics.
- 2) To test and analyze the influence of knowledge management orientation towards innovation in logistics.
- 3) To test and analyze the influence of innovation in logistics towards operation performance.
- 4) To test and analyze the effect of innovation in logistics towards financial performance.
- 5) To test and analyze the influence of strategic action towards operation performance.
- 6) To test and analyze the influence of operation performance towards financial performance.

II. LITERATURE REVIEW

1. Strategic Action

Research that discusses the influence of strategic action on innovation is also still very limited. In this study, the strategic action variable is indicated, among others, by the involvement of top management and the clarity of the business objectives. Brah and Lim (2006) in his research stated that top management is responsible for creating a climate that explores the success of the program. Thus, strong leadership qualities are an important component in applying innovation in logistics.

According to Hitt, Ireland, & Hoskinsson (2013), a company in executing business strategy must be committed to innovation, taking risks and creating opportunities, not just waiting. In the process of innovation, there are creative actions to build a product. Innovation will be born from a company that

gives an opportunity to its staff members a chance to be creative with ideas. And encouraging them to work together in a group will create a solid innovation for the company.

Sakchutchawan et al. (2011) strategic action is a long-term response and wide in connection with top management involvement, clarity of business goals and resource allocations.

2. Knowledge Management Orientation

Yazhou research results and Jian (2013) shows that knowledge management orientation (KMO) positive effect on innovation (innovation) either technical or administrative nature and therefore companies should pay more attention to the logistics KMO. The company can improve the innovative capability by training and education on labor to obtain quality human resources, Yu Lin (2006).

Soosay and Hyland (2004) in his research stated the company can take knowledge from each other, and build on it to improve and persist in leading to more innovative ideas. Taking the knowledge of one another in Sosay research and Haylan (2004) in line with the theory of knowledge sharing in research Wang et al. (2009) which is an indicator of knowledge management orientation (KMO).

Implementation of knowledge management orientation (KMO) will improve the quality of human resources of the company, so as to create innovation in logistics in order to realize competitive advantage and impact on the performance of the company.

Wang et al. (2009) and Yazhou and Jian (2013) define knowledge management orientation as a relative tendency of organizations to build organizational memory and the tendency to share



knowledge, assimilate knowledge and accept new wisdom (knowledge receptivity).

3. Innovation in Logistics

According to McDermott and Prajogo (2012), Innovation has long been recognized as one of the major sources of competitive advantage in business organizations, including in the service sector. Indeed innovation in service companies has led to the greatest growth rate and dynamism over the past few years in terms of economic activity. As a result, innovation in service companies has become an important topic in business competition.

The results of the study Brentani (2001) suggests that product/service innovation is significantly beneficial to firms in terms of business performance. Logistics companies are looking for the right logistical innovation that will enable companies to meet firm performance, including increasing customer expectations while keeping costs down, so that the problems of delays, disruptions and performance losses become or near zero. Therefore innovation helps companies achieve competitive advantage by enabling quick and cost-effective responses to specific customer demands.

The results of Sakchutchawan et al (2011) show that innovation in logistics is the key to company leverage point to improve firm performance. The use of communication and information technology (ICT) is a form of innovation in logistics and there is evidence of the impact of information and communication technologies contributing to reducing costs and increasing the level of customer service recognition that is a form of firm performance. Concludes from previous research then practically an innovation does not need to be completely new to the business community but to customers becoming something new, better

or improved service is an innovation in order to stay ahead in the global competition, companies must be consistent in searching for innovative strategies for improving their competitiveness in logistics.

4. Operational Performance

Operational performance of the logistics industry according to Sakchutchawan et. al (2011) viewed from the perspective of competitive advantage is the condition where the output of logistics process seen in the scope of expenses n cost, delivery performance, customer satisfaction, and service. This is closely related to the company's financial condition which is seen from several things: the scope of operational, net profit, sales growth, and corporate financial liabilities.

Through research from Joon (2008), on corporate strategic actions and operation performance, it is known that a company's strategy will change along with market conditions, and if the company can expect various strategies with high frequency it will result in better performance for the company. A company's strategic business reflects the company's commitment to change to move forward. A good company will try to combine or combine various strategic actions (a set of strategic actions) in order to achieve the best results in the market. Thus, success is the ability to adapt and redefine the strategic actions of a company to maintain its performance.

Operational performance of the logistics industry according to Sakchutchawan et. al (2011) viewed from the perspective of competitive advantage is a condition where the output of logistics process seen in the scope of cost reduction, delivery performance, decrease complaints and service quality.

5. Financial Performance

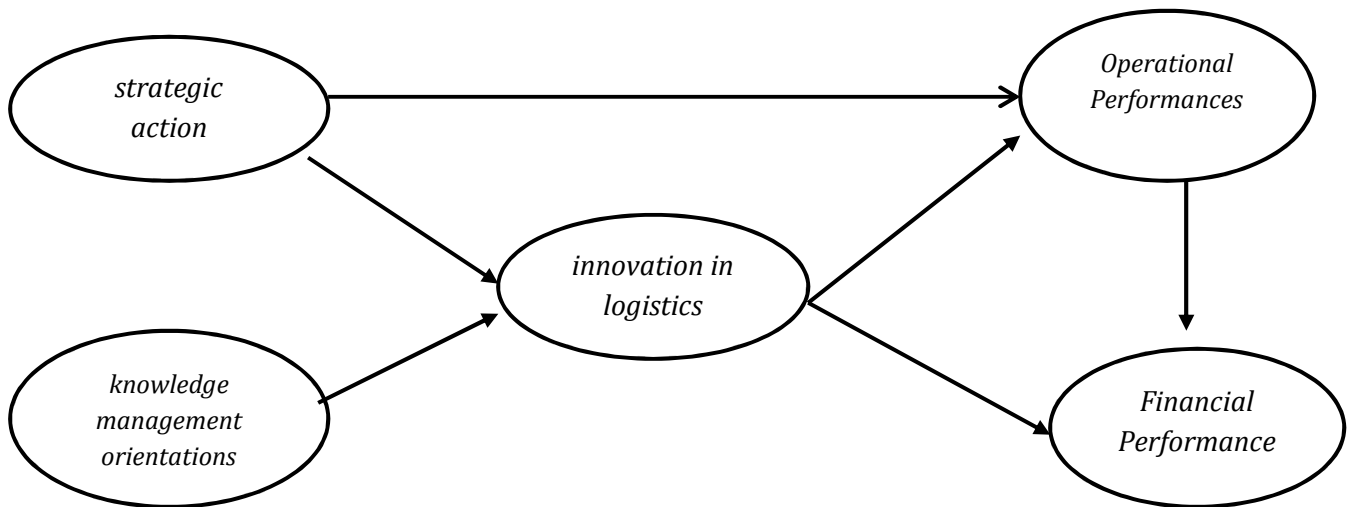
Performance according to Jeanning and Beaver (1997) is a benchmark of success and development of the company. Performance measurement is complex and a major challenge for researchers, which Beal (2000) argues for a multidimensional performance construct and therefore performance

measurement with a single measurement dimension is incapable of providing a comprehensive understanding.

Financial performance of the logistics industry by Sakchutchawan et. al (2011) is a condition of financial performance indicators within the scope of operating profit, net income, sales growth and corporate financial liabilities.

6. Theoretical Framework

Figure 1
Theoretical Framework



The hypotheses that have been developed are summarized below:

H1: Strategic Action positively affects Innovation in Logistics

H2: Knowledge Management Orientation positively affects Innovation in Logistics

H3: Innovation in Logistics has a positive effect on Operation Performance

H4: Innovation in Logistics has a positive effect on Financial Performance

H5: Strategic Action has a positive effect on Operation Performance

H6: Operation Performance has a positive effect on Financial Performance

III. RESEARCH METHOD

The sample was taken from 178 owners/head of Sea Transportation Management company operating in Tanjung Emas Port Semarang from a population of 239 companies. The data were collected using questionnaires as a tool. To test the model and the relationship developed in this research is needed analysis technique. The analysis technique used in this research is Structural Equation Modeling (SEM) which is operated by AMOS program.



IV. ANALYSIS DATA AND DISCUSSION

Hypothesis testing is done according to Critical Ratio (CR) value of a causality

relationship of SEM test result which can be seen in the table below:

Table 1
Regression Weight Structural Equational Model

		Estimate	SE	CR	P Label
Innovation	<--- Strategic_Action	,103	,111	,924	,356 par_9
Innovation	<--- Knowledge_Management_Orietation	,585	,112	5,213	*** par_10
Operational_Performance	<--- Innovation	,252	,086	2,932	,003 par_11
Operational_Performance	<--- Strategic_Action	,338	,111	3,038	,002 par_13
Financial_Performance	<--- Innovation	,039	,083	,474	,635 par_12
Financial_Performance	<--- Operational_Performance	,556	,115	4,842	*** par_16

The estimation parameter for testing hypothesis 1 (H1) is the influence of strategic action toward innovation in logistic shows CR value 0,924 with probability 0,356. It is known that the value is not eligible for the acceptance of H1 that is CR value 0.924 which is smaller than 1.96 and probability 0.356 which is greater than 0.05 it can be concluded that strategic action has no effect on innovation in logistic.

Testing of hypothesis 2 (H2) that is the influence of Knowledge Management Orientation to Innovation in Logistics show value of CR equal to 5,213 and with probability equal to 0,001. Both values are eligible for H2 acceptance. From these results can be concluded that Knowledge Management Orientation positively influences on Innovation in Logistics.

Similarly, for testing hypothesis 3 (H3), the influence of Innovation in Logistics to Operation Performance shows CR value 2.932 and with a probability of 0.003. Both values are eligible for H3 acceptance of CR value of 2.932 which is greater than 1.96 and probability of 0.003 less than 0.05 it can be

concluded that Innovation in Logistics has a positive effect on Operational Performance.

The result of hypothesis 4 (H4) test is the influence of Innovation in Logistics to Financial Performance is not similar to that, H4 test result shows CR value 0.474 is smaller than 1,96 and with probability equal to 0,635 bigger than 0,05 so it can be concluded that Innovation in Logistics has no effect on Financial Performance.

Testing of hypothesis 5 (H5) that is the influence of Strategic Action to Operational Performance, showing the value of CR equal to 3,038 greater than 1,96 and with probability equal to 0,002 less than 0,05, both fulfill the requirement for acceptance of hypothesis so that it can be concluded that Strategic Action influence positive to Operational Performance.

While testing of hypothesis 6 (H6) that is the influence of Operational Performance to Financial Performance show CR value 4,842 bigger than 1,96 and with probability equal to 0,001 less than 0,05 both fulfill the requirement for hypothesis acceptance so it can be concluded that Operational

Performance has a positive effect to Financial Performance.

V. CONCLUSION, IMPLICATIONS, LIMITATIONS, AND FUTURE RESEARCH AGENDA

1. Conclusion

Based on the results of data analysis and discussion that have been done in this study, wherein this research submitted as much as 6 (six) hypothesis. The conclusion of hypothesis testing is as follows:

- 1) The results of testing the effect of strategic action on innovation in logistics show that strategic action has no influence on innovation in logistics
- 2) The results of testing the influence of Knowledge Management Orientation to Innovation in Logistics shows that there is a positive influence Knowledge Management Orientation to Innovation in Logistics.
- 3) The test results of Innovation in Logistics influence on Operational Performance shows that Innovation in Logistics has a positive influence on Operational Performance.
- 4) The test results of Innovation in Logistics's influence on Financial

Performance show that Innovation in Logistics has no effect on Financial Performance.

- 5) The results of Strategic Action testing on Operational Performance shows that Strategic Action has a positive influence on Operational Performance.
- 6) Test results of the influence of Operational Performance on Financial Performance show that Operational Performance has a positive influence on Financial Performance.

2. Implications

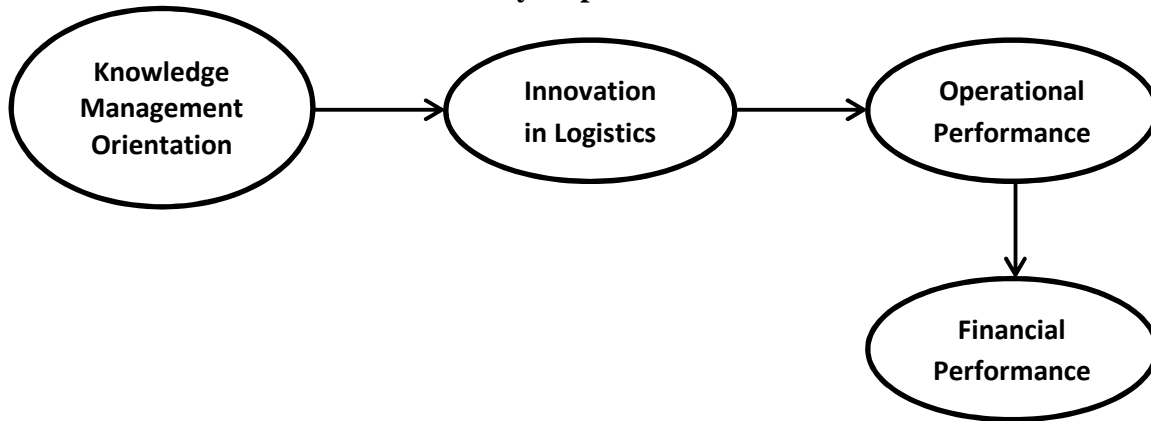
To improve financial performance, it is necessary to improve operational performance, where operational performance can be improved by increasing strategic action.

In addition, operation performance can also be improved by innovation in logistics where innovation can be improved by way of knowledge management oriented management, which in the end the operational performance will improve financial performance. Knowledge management orientation also has the strongest influence to improve financial performance.

Policy Implications 1



Policy Implications 2



3. Limitations of Research

Some research limitations that can be drawn from this research are as follows:

- 1) Initially, this study was intended to use the census method of a population of 239 companies but a returned questionnaire of only 178 out of 239 questionnaires was distributed.
- 2) The sample in this research is not grouped according to company size so that result obtained less detail. Marine Transportation Management Company (JPT) can be grouped in big business as well as small and medium enterprises (SMEs).
- 3) Based on model feasibility test result with a full model with Structural Equation Modeling (SEM) there is still goodness of fit criteria that enter into a marginal category that is Probability and AGFI.

4. Future Research Agenda

The results of this study and the limitations found in the research can be a source of ideas for the development of this research in the future, the extent of the research suggested from this study are:

- 1) Expand the sample by obtaining data from the entire population by means of the census
- 2) Divide the sample into groups based on firm size which can be seen from the asset value, the amount of turnover and the number of customers.
- 3) Adding independent variables that affect the performance of operations (operation performance) and financial performance so as to obtain a model that meets the criteria of goodness of fit.

VI. REFERENCES

- Beal, R. (2000). "Competing effectively: environmental scanning, competitive strategy and organizational performance in small manufacturing firms", **Journal of Small Business Management**, 38 (1), 27-47.



- Brah, SA and Lim, HY (2006). " The Effects of Technology and TQM on the Performance of Logistics Companies ", **International Journal of Physical Distribution & Logistics Management**, 36 (3), 192-209.
- Brentani, Ulrike de, (2001), "Innovative Versus Incremental New Business Services: Different Key For Achieving Success", **The Journal of Product Innovation Management**, 18 (2001) 169-187.
- Hitt, Michael, R. Duane Ireland, Robert E. Hoskisson, (2013), "Strategic Management", **Thomson Higher Education**.
- Jennings, PL and Beaver, G. (1997), " The Performance and Competitive Advantage of Small Firms: A Management Perspective", **International Small Business Journal**, 15, (2), Pp. 63-75. Jan-March 1997.
- Joon, Lee Jai, (2008), "Corporate Strategic Action Portfolios and Firm Performance in The US Telecom Industry (1984-2004)", **ProQuest Dissertations and Theses**.
- McDermott, Christopher M & Daniel I Prajogo, (2012), "Service Innovation and Pervormance in SMEs", **International Journal of Operations & Production Management** , Vol. 32, No. 2, pp.216 - 237.
- Sakchutchawan, Sut, (2011), "Innovation and competitive advantage: Model and implementation for global Logistics", **International Business Research**, Vol. 4, No.3, (July), p.10 - 21.
- Soosay, Claudine A & Paul, W, Hyland, (2004), "Driving Innovation in Logistics: Case Studies in Distribution Centers", **Creativity and Innovation Management**, Vol.13, No.1, (March).
- Wang, Catherine L, G. Tomas M. Hult, David J. Ketchen, Jr., Pervaiz K. Ahmed, (2009), "Knowledge Management Orientation, Market Orientation and Firm Performance: An Integration and Empirical Examination", **Journal of Strategic Marketing**, 17 (2): 147 - 170.