

# THE EFFECTS OF INTERNET STRATEGY AND STRATEGIC LEADERSHIP TOWARD ORGANIZATIONAL PERFORMANCE

(The Private Universities at Kopertis Region VII Central Java)

**Harini Abrilia Setyawati**

[harini.abrilia.setyawati@gmail.com](mailto:harini.abrilia.setyawati@gmail.com)

**Sigit Wibawanto**

[sigitpb3@gmail.com](mailto:sigitpb3@gmail.com)

**STIE Putra Bangsa Kebimen, Indonesia**

## ABSTRACT

The objective of this study is to examine the influences of internet strategy and strategic leadership on organizational performance via competitive advantage as mediating variable. Internet strategy and strategic leadership are independent variables, competitive advantage is the mediating variable, and organizational performance is the dependent variable of the study. The prepositions, internet strategy has a significant positive relationship with competitive advantage. Strategic leadership has an important positive association with competitive advantage. Internet strategy has a significant positive relationship with organizational performance. Strategic leadership has a significant positive relationship with organizational performance. And competitive advantage has a significant positive relationship with organizational performance.

**Keywords:** Internet strategy, Strategic Leadership, Competitive Advantage, Organizational Performance

## INTRODUCTION

Competition in various sectors is becoming strict in globalization era. Each organization tries to increase their competences, and prepare qualified human resources. The efforts to improve the quality of human resources are closely related to the improving of education quality which reflected in the performance of organization. The university is one of the national education instruments that has duty to prepare graduates with skills which appropriate to the needs of the community.

In Indonesia, it has been recorded more than 3,000 private universities in 373 districts / cities in 33 provinces that held 11,000 more departments / study programs, starting to diploma, bachelor degree, profession, masters to doctoral programs, in 460 departments (pts; 2012). Through these data, it shows that the competition is very tight. Moreover, there is the change of information technology that forces all parties to follow if they want to keep on survive.

According to Toffler, the world has several the civilization stages, the first phase is the agricultural era, the second phase is the era after the industrial revolution and now the world is in the phase, i.e., technology and information era. In this hyperconnected era, organizations that do not have a good adaptability will be shifted by itself. Hence, each organization competes to gain competitive advantage through the internet strategy.

The research of Ussahawanitchakit (2011) found that IT competence, technological learning and knowledge acquisition does not affect the strategy of the information completeness, relation exchange and learning together from the result of the research, it shows that the variable is not the antecedents to this strategy, therefore, this research of variables are omitted. In the research, it is also found that the variable of environment dynamism, the intensity of competition and technology complementary which does not moderate the relationship.

The Internet strategy that has been run by the universities is by using the website to publish a variety of activities, as well as the results of the scientific research. The website's performance can be seen from the rank of Webometrics, the rank is based on the indicator combination that reckon for the volume and the content of the web, visibility and impact of web publications (wikipedia; 2012).

Here is the data of Private universities of Kopertis Region VII Central Java that is included in the Indonesian Webometrics Rank of 361 universities in the Webometrics Rank.

Table 1  
The Webometrics Rank of  
the Private Universities at Kopertis Region VII Central Java

No	Indonesian rank	World rank	Name of universities
1	25	1686	Muhammadiyah Surakarta University
2	41	2986	Dian Nuswantoro University
3	73	5169	Kristen Satya Wacana University
4	104	7327	Muhammadiyah Semarang University
5	113	8318	Muria Kudus University
6	129	9396	Semarang University
7	131	9511	Stikubank Semarang
8	151	10384	Muhammadiyah Purwokerto University
9	174	11589	Muhammadiyah Magelang University
10	178	11649	Sains Al Qur'an University
11	207	13181	Pancasakti Tegal University
12	244	14294	IKIP PGRI Semarang
13	247	14378	17 Agustus Semarang University
14	250	14453	Wijayakusuma Purwokerto University
15	265	15349	Muhammadiyah Purworejo University
16	303	17084	Tidar Magelang University

Taken from <http://www.webometrics.info/en/Asia/Indonesia>

The studies through empirical research concerning on the effect of internet strategy and strategic leadership on the competitive advantage of the performance of universities was conducted in this research.

Based on the result of previous research from Ussahawanitchakit (2011), it was found that IT competence, technological learning and knowledge acquisition does not affect the strategy of information completeness, relation exchange and learning together and the variable is not the antecedents to this strategy, this variables research are omitted. From the study, it was also found that the variable of environment dynamism, the intensity of competition and complementary technology which does not moderate the relationship. Ussahawanitchakit (2012) examined the organizational learning, strategic leadership and competitive advantage with the competitive environment as a moderating variable that affects negatively. This research increases the variable of leadership strategic.

## THEORETICAL REVIEW

### *Organizational Performance*

Performance is the result of work that has a strong relationship with the organization's strategic objectives, customer satisfaction, and gives contribute to the economy (Amsrong and Baron, 1998: 15). Thus, the performance is about doing the work and its results. Performance is about what to do and how to do it (Wibowo, 2010: 7). While organizational performance is a product of many factors, including the organizational structure, knowledge, inhuman resources, strategic position, destination and integration (Wibowo, 2010: 106).

The company's performance is something that is produced by a company in a given period with reference to the determined standards. The criteria may include criteria financial and non-financial criteria. The company's performance should be a measurable outcome and describes the empirical condition of a company in any size that agreed. To determine the performance that achieved, therefore it is conducted the performance assessment (Frankl, 2006: 85).

The companies performance assessment implies a process or system of assessment that concerns on work ability implementation of a company (organization) based on a specific standard (Kaplan and Norton, 1996; Lingle and Schiemann, 1996).The performance assessment is aimed at motivating personnel to achieve organizational goals and obey the standards of behavior that was previously determined, in order to produce the action and the results that desired by the organization. The standards of behavior can be either management policy or formal plan which outlined in the strategic plan, program and budget of the organization. The performance assessment is also used to suppress and stimulate desired behavior through feedback of the work result in time and the rewards, both intrinsic and extrinsic.

Company performance assessment can be measured by the standard of the financial and non-financial. The Financial standard that used to find out the result of actions which have been done in the past and it is equipped with a non-financial standard of customer satisfaction, productivity and cost effectiveness of business processes / internal as well as productivity and commitment of personnel who will determine the financial performance in the future. Financial standard indicates as the result of the various actions that occur out of the financial problems. The Improving of financial returns that indicated by the standard of ROE is the result of a variety of operational performance such as follow:

1. Increase of customer confidence towards the products that produced by the company
2. Increase of productivity and cost effectiveness of business processes that used by the company to produce products and services
3. Increase of productivity and personnel commitment.

Thus, if the top management wishes to multiply the company's financial performance, then the focus of attention should be directed to motivate personnel in multiplying performance on non-financial or operational perspective, hence there is where there is the real drivers of long term financial performance.

The statement above explains that the activity of performance assessment consists of two types of standards, i.e., financial and non-financial. This standard is designed to assess how the performance of activities and the final results are achieved. There is also a performance assessment that designed to reveal if there is stagnation of improvements that will be done. The center activities of performance assessment are divided into three main dimensions, such as : (1) efficiency, (2) quality, (3) time.

Dill (1996) says that there are five university standard dimensions, as follow:

- 1) Design a curriculum
- 2) Design pedagogic
- 3) Quality of implementation
- 4) The condition of graduates (outcome)
- 5) The availability of resources

Times Higher Education Supplement (THES) in assessment using the criteria as follow:

1. Quality of research
2. Readiness of graduate employment
3. international view
4. Learning quality

While the Academic Ranking of World Universities (ARWU) that conducted by the Institute of Higher Education, Shanghai Jiao Tong, China using the following criteria:

1. Total of the graduates who get international awards
2. total of award that given to head of staff
3. The number of researchers who are cited by other researchers
4. research publication
5. Percentage of articles that published on 20% of the best international journals.
6. The total costs that budgeted for research

#### *Competitive advantage*

Competitive advantage is an outcome of firms' successful strategy implementation. It can be obtained by offering superior value to the customer through either unique benefits that offset a higher price or lower prices than competitors for equivalent benefits (Wagner, 2006). For achieving a competitive advantage, firms need to create positive value which equals or exceeds their competitors and outperforms other competitors. They have taken their competitive advantages for supporting excellent business performance. Building the competitive advantage, both low cost competition strategy and product differentiation strategy (Tien et al., 2005). They become valuable strategies that help firms succeed in business operations, gain better marketing effectiveness and achieve superior firm performance and growth. Similarly, competitive advantage is a firm's perceived competitive strength relative to competitors in markets (Navarro et al., 2010). It is a direct antecedent of performance through the relative superiority of the firm's value offered determines target customers' buying behaviors and the outcomes of this behavior for the performance. Firms can create competitive advantage by conceiving new ways to conduct activities in the value chain for delivering superior value to customers (Weerawardena and O'Cass, 2004). Therefore, the proposition are posited as below:

***Proposition 5: Competitive advantage has a positive influence on organizational Performance.***

#### *Strategic leadership*

Strategic leadership is defined as an ability of firms to anticipate, envision and maintain flexibility, and empower others to create a strategic chance and a viable future of the organization (Kjelin, 2009). It explicitly relates to firms' ideologies, identities, missions, and views that enhance them to achieve their different core competencies. Evidently, it distinctively supports them to make strategic decisions; create and communicate a vision of the future; develop key competencies and capabilities; improve organizational structures, processes and controls; manage multiple constituencies; select and develop the next generation of leaders; sustain an effective organizational culture; and infuse ethical value systems into an organization's culture (Boal and Hooijberg, 2001). Firms with greater strategic leadership tend to achieve more competitive advantage and gain superior business performance in dynamic environments. Thus, strategic leadership becomes a key determinant of driving and explaining competitive advantage. Also, strategic leadership refers to an ability of firms to develop, focus, and enable their structure, human, social capital, and capabilities to meet real-time

opportunities and threats (Boal and Schultz, 2007). It encourages them to make sense of and give meaning to environmental turbulence and ambiguity, and provides a vision and road map that allow them to evolve and innovate.

#### Absorptive Capacity

Absorptive capacity refers to an ability of firms to recognize, learn and value knowledge from new and external information and sources, acquire and assimilate it in their duties, functions, operations, and activities (Zahra et al., 2009). It explicitly enhance them to bring in externally generated knowledge that improves their ability to build those capabilities conducive to performance, survival, growth, and sustainability. Also, absorptive capacity is the ability of firms to use and exploit their experiences to identify new information and to integrate this information to establish practical knowledge for an ongoing business (Eriksson and Chetty, 2003).

#### Adaptive capacity.

Adaptive capacity is defined as an ability to adapt to unknown environmental conditions and to cope with changes, uncertainty and unpredictability in the business conditions and markets (Stabel and Sydow, 2002). It helps firms achieve organizational effectiveness, survive and sustain in highly volatile and complex environments through indicating best practices with the creation of more choices, discretions, opportunities, and variable interpretations in their business operations. Firms with more adaptive capacity tend to reflect equilibrium-seeking behavior and maximize fitness to existing conditions. They seem to effectively learn, act, maintain, and transform their business duties, functions, practices, operations, activities, and strategies in order to enhance business excellence and again corporate sustainability. Likewise, adaptive is an ability of firms to reconfigure resources and coordinate processes promptly and effectively to meet and respond to rapid environmental changes (Zhou and Li, 2010).

#### Managerial wisdom.

Managerial wisdom is an ability of firms to take the right action at a critical moment based on an understanding of the environment changes and an effective response (Phipps and Burbach, 2010). It enhances firms to identify new strategic direction for succeeding environmental changes quickly and changes within an organization via their expertise and knowledge. Firms with great managerial wisdom tend to solve and reframe problems using different and possible contradictory information and scenarios, providing substantial strategic flexibility and another source of competitive advantage, and being essential for complex decision making and applying knowledge and for welfare reasons. Thus, managerial wisdom can become a key tool in explaining and defining firms' performance and success. Moreover, adaptive capacity is an ability of firms to perceive changing organizational patterns over time, recognize rates of change occurring in the internal and external environments of the organization, and judge the importance of organizational phenomena (Malan and Kriger. 1998).

Therefore, the proposition are posited as below:

***Proposition3: Strategic leadership has a positive influence on competitive advantage.***

***Proposition4: Strategic leadership has a positive influence on firm performance.***

#### *Internet Strategy*

##### Information richness strategy

Information richness strategy is defined as the acquisition, distribution and exploitation of information with the internet-trading contexts (Walters, 2008). It is an ability to use information effectively in order to develop competitive advantage and performance. Firms with great information richness tend to enhance their potentials for collecting, transmitting and storing information via better accessing to relevant and current data, and facilitating more efficient usage of this data and create rapid interaction with suppliers and customers. Then, they are likely to gain more customer satisfaction and achieve superior profitability, growth and sustainability. Also, information richness strategy refers to the amount of information that can be conveyed through a communication medium (Loand Lie, 2008). It is the ability of information and message to change understanding within a time interval (Ngwenyama and Lee, 1997).

##### Relational exchange strategy.

Relational exchange strategy is defined as the ongoing behaviors which create and transfer value to an independent channel member as determined by the interactions and associations of channel partners' personnel (Siguaw et al., 2003). It includes high levels of idiosyncratic investment, communication and customer orientation through exchanges over time, trust and planning, non-economic and social satisfaction outcomes, and exchange control and evaluation mechanisms. It is an exchange between channel members who have an exchange history and plans for future interactions (Li and Ng, 2002). Likewise, relational exchange strategy explicitly encourages the perceptions of customer orientation, supplier investment and supplier communication (Fink et al., 2007). Channel members can jointly develop policies directed toward the achievement of certain goals. Firms with higher relational exchange are likely to incorporate overt signals of an ongoing

relationship which includes mutual benefits and risks and a communication system to convey partnering activities and relationship satisfaction outcomes. Thus, they tend to have better competitive advantage and achieve superior organizational performance. For the service industries, relational exchange strategy helps firms achieve competitive advantage in the changing business scenario because it is essential to create a satisfying, pleasurable and memorable customer experience (Jain and Jain, 2006).

Joint-learning strategy.

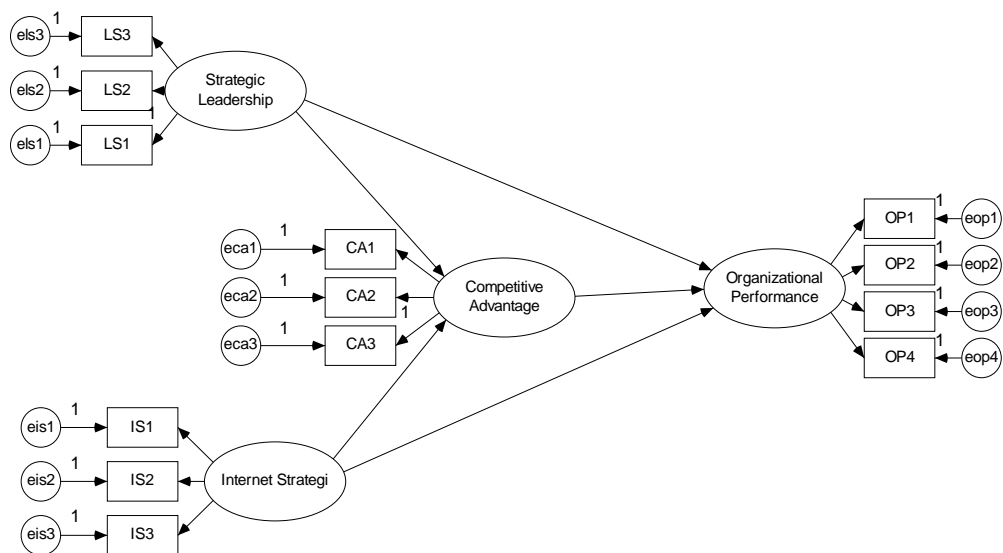
Joint-learning strategy is the acquisition, distribution, interpretation, and storage of information and know-how, and the development and exploitation of knowledge as a core competency and foundation for achieving competitive advantage and performance through collaboration (Walters, 2008). It has a significant traction via network oriented economy as a route to sustainable competitive strength within deep learning activity of information and know-how. Firms distinctively concentrate on exchange of experiences and systematic reflections that encourage them to gain new ideas, knowledge and contacts which inspire them to take development actions (Holmquist, 2009). Accordingly, joint learning strategy is an ability of firms to create and develop ideas and knowledge via collaboration with members. It helps them generate valuable business operations and practices in order to gain market outcomes and corporate performance. It is a joint activity between the transaction parties, concerning individually or with other partners to create a higher value that just generating a benefit (Kwon, 2009).

Therefore, the propositions are posited as below:

**Proposition 1: Internet strategy has a positive influence on competitive advantage.**

**Proposition 2: Internet strategy has a positive influence on firm performance.**

**Model Pengaruh Internet Strategy dan Strategic Leadership pada Competitive Advantage terhadap Organizational Performance**



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