Capability Gap and Strategies for Superior Performance
A Strategic Marketing Perspective

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Keywords: Capability gap, unique resources, superior customer value, superior performance.

Abstract: The phenomenon of the ASEAN economic community (AEC) and or other economic communities have the potential to cause problems of capability gap for domestic/national companies. Changes in market types and patterns of interaction between actors in the market, from domestic to international or multinational or global, make the environment and competition more complex and dynamic, and involve a broader array of actors and macro forces, while the degree of flexibility and adaptability of domestic/national companies to respond to those changes is relatively diverse. The company's management is required to continually revitalize its strategy that allows the company to be highly competitive. The problem lies not only in the choice of the strategic basis, but also with the strategic orientation. Unique resources of a company can be a key input in designing and executing the company's strategy, and focusing on superior customer value as its orientation. This is important to ensure superior performance and enable the company to develop its unique resources, and maintain/enhance its strategic fit and superiority.

1 INTRODUCTION

Indonesia's national companies in different industries and scales face a problem of capability gap. ASEAN Economic Community (AEC), as an economic union, has not only agreed to reduce/remove internal trade constraints among member countries, but with freedom in the movement of production factors, and coordination and harmonization of socioeconomic policies as well. The pattern of interaction between firms and/or market actors is very complex, companies with other companies in AEC, companies in AEC with companies in other countries and/or economic communities, and AEC with other companies and/or economic communities.

The changes in type and/or market coverage, from domestic to international or multinational or global, have made the environment and competition more dynamic, and involved a broader array of actors and macro forces. For national companies, this situation can lead to a problem of capability gap. The shift in market requirements is very dynamic, while the degree of flexibility and adaptability of national companies to respond it is relatively diverse (Agus Rahayu, 2013: 2). This has the potential to make it difficult for national companies to survive and/or develop. A study shows that changes in high and dynamic environmental and market requirements make it difficult for companies to understand and fulfill them (Agus Rahayu, 2004: 119). In the long run, national companies deal with the threat of sustainability issues.

Inability of a company to respond to external opportunities and threats, or the occurrence of capability mismatch, will result in a decrease in competitiveness and / or impediments to the performance of the company (Agus Rahayu, 2013: 2). Companies will have difficulty in maintaining and developing their internal resources and advantage (Day and Reibstein, 1997: 53). National companies are required to continuously redefine and revitalize their management and/or strategies to ensure the suitability of environmental requirements and competition with their internal strength (Agus Rahayu, 2013: 2). This is relevant to meeting the need for effective strategies for managing the above mentioned sustainability threats.

AEC, as an economic union, is an evolution of free trade area (FTA), customs union, and common market. FTA involves two or more countries agreeing to reduce and/or remove internal constraints in their trade. Each country, independently, may continue its trade policies with other countries outside the countries that agree on the FTA. There is an additional agreement in the

Rahayu, A.
Capability Gap and Strategies for Superior Performance - A Strategic Marketing Perspective.
In *Proceedings of the 2nd International Conference on Economic Education and Entrepreneurship (ICEEE 2017)*, pages 46-49
ISBN: 978-989-758-308-7

form of determination of external boundaries and free movement of production factors, that individually occurs in the custom union and common market. In the economic union (Keegan and Green, 2008: 78-80), member countries do not only agree to reduce/remove internal constraints in trade among them, but there is an agreement on the free movement of production factors (labor, capital, information, and others), as well as coordination and harmonization of socioeconomic policies (establishment of central banks, single currency, and others).

In the market perspective, the market type and/or target market of FTA and/or economic union countries develops from international, multinational and global markets. There is a difference in business and/or marketing orientation, product planning, and marketing mix decisions on/in different market types (Keegan and Green, 2008: 17; Kotabe and Helsen, 2004). The business environment and/or marketing environment becomes more widespread, describing the market situation consisting of environmental elements, encompassing key actors and macro forces of international or multinational or global scope/scale. The environmental elements interact with patterns that are very diverse and complex. The interactions in the environment lead elements, key actors and macro forces to affect each other. An economic union can be a macro and/or dominant force against the main perpetrators in the market or against other economic unions. A careful and continuous observation or analysis of strategic factors of dynamic environment is essential for management to get the right input into its decision. It requires an effective and efficient support of information systems.

There is a difference in business and / or marketing orientation, product planning, and marketing mix decisions across the different types of markets (Kotabe and Helsen, 2004). Marketing orientation in international, multinational, and global markets is polycentric, regiocentric, and geocentric respectively. Product planning at each market type is based on the needs of the target country customers, regional product standardization, and global products with local variations. In this context, a number of issues should be considered, including: standardization, localization / adaptation, and production sites and/or methods.

2 METHODS

This study is descriptive from various literary perspectives with case study approach on economic union. Stages include internal and external environmental analysis, formulation and selection of strategies, implementation and evaluation.

The steps taken to achieve the goal are 1) List all the variables that need to be researched, 2) Search for each variable on "subject encyclopedia", 3) Select descriptions of necessary materials from available sources, 4) Check the index that contains the variables and topics of the problem studied, 5) Furthermore, the more specific is to look for articles, books, and biographies that are very helpful to obtain materials that are relevant to the problem under study. 6) Once relevant information is found, the researcher then "reviews" and organizes the literature in order of importance and relevance to the problem under study, 7) Information materials obtained are read, recorded, organized and rewritten. 8) In the last step, the process of research writing of the materials that have been collected together in a concept research.

3 RESULTS AND DISCUSSION

3.1 Strategies for Superior Performance

3.1.1 Market Entry Strategies

In accordance with the market types or levels, international or multinational or global, the target market involves two or more countries or regions or across countries and regions. National companies with a polycentric or regiocentric or geocentric marketing orientation deal with the issue of developing and implementing the right strategy to enter the market. Some activities or options may be selected in entering international or multinational or global markets, such as export, overseas manufacture / production, and investments in local companies or operations. The selection and execution of the activities to enter the market is based on consideration of the market situation and internal strength of the company. In practice, company management can work with other agents or elements in the market (strategic alliances, collaborations, joint ventures, etc.).

In a market perspective, the substance of an effective strategy relates to a company's management capability in achieving capabilities match or value match. It deals with the ideal conditions that are required to create and / or offer superior customer value (value creations) that can be met.

3.1.2 Unique Resources as a Source Advantage

The unique resources or core-competence of a company is its source of advantage or superiority (Agus Rahayu, 2013: 11). Hill and Jones (Agus Rahayu, 2013: 12) assert that core-competencies or distinctive competencies are derived from unique and valuable resources. Not all company resources are core-competence or source of advantage for the company concerned. A resource can be categorized as core-competence or a source of advantage when it meets the criteria of valuable, rare, perfectly irreplaceable conditions , and can be organized in various competitive situations (Hit, Hoskisson, and Ireland, 2007: 81-84; Barney in Wheelen and Hunger, 2010: 186).

Companies with unique resources can potentially respond to existing threats and opportunities so well that they can survive and thrive. In contrast, companies with weak internal resources have the potential to deal with difficulties in responding to threats and opportunities that result in bankruptcy and shut-down (Agus Rahayu, 2013: 12). A study by Mardjo Soebiandono (Agus Rahayu, 2013: 12) shows that the uniqueness of resources influences the company's competitive strategy and performance. A company considers internal resources or strengths in formulating its marketing strategies. In this case, there are efforts to synergize the scattered resources in all the main functions of the company even though the proportion is not optimal (Agus Rahayu, 2004: 227).

The strategy chosen by management should enable the company to use its core competence in responding to external environmental opportunities and neutralizing its threats. Core-competence or distinctive-competence is a unique strength that enables a company to achieve superiority in efficiency, quality, innovation and customer responsiveness, so as to create superior value and competitiveness (Hill and Jones 2009: 111). The ability of the company to understand and develop continuously within these aspects is a requirement for the company sustainability.

3.1.3 Strategic Foundation and Direction

A successful competition requires companies to understand their external and internal environment in an integrated manner. Understanding the market needs/demands and meeting them better than competitors is at the heart of a successful strategy (Urban and Star, 1991: 6). Strategies that are based solely on internal environments or internal resources are not effective enough to achieve superior performance without being directed or adapted to external environmental or market conditions. Conversely, the high potential profitability of a market will not effectively be a competitive advantage without being supported or responded by the company's internal resources (Agus Rahayu, 2011: 9).

In spite of integrated base strategies, many companies are unable to achieve positional advantage (Agus Rahayu, 2011: 9). In this case, the problem does not only lie in the selection of the strategic foundation, but also with the strategic direction and/or orientation. The effectiveness of the strategic foundation and direction chosen and/or used can be traced by analyzing the benefits provided and/or received by the customers compared to the cost incurred. In this context, customer value must be a strategic orientation (Agus Rahayu, 2013: 15). A study by Agus Rahayu, Suwatno, and Ayu Krishna (2013: 89) shows that the customer value orientation of a company has effects on the company competitiveness.

In situations where a company can create and / or offer higher customer values that those offered by competitors, the company is superior. In contrast, the lower customer values will not encourage the company to be superior (Agus Rahayu, 2013: 15).

The performance and sustainability of a company depends on its unique resources and strategies chosen to empowering those resources to respond to and enhance streamline market attractiveness or profitability potential. The ability of a company to match unique resources with its market attraction or profitability potential enables the company to achieve strategic fit (Agus Rahayu, 2013: 15). This potential becomes the company's unique strength in creating and/or offering a unique customer value. The condition is highly relevant to achieving superior performance and enables the company to maintain and improve its strategic fit by investing in the development of its unique resources. In the long term, the company will attain a high degree of sustainability.

4 CONCLUSIONS

The phenomenon of AEC and or other economic communities lead to changes in market types and patterns of interaction between firms in the market, from domestic to international or multinational or global. The environment and competition become very complex and dynamic, and involve a broader spectrum of actors and macro forces. The marketing orientation develops into polycentric or regiocentric or geocentric patterns.

Companies that possess unique resources can potentially respond to threats and opportunities so well that they can survive and thrive. Meanwhile, companies with weak internal resources may deal with potential difficulties in responding to threats and opportunities that result in bankruptcy and discontinuation or cessation. A company's unique resources can be the main input in designing and executing its strategy to achieve superior performance. Company management must be able to identify, develop and empower its unique resources to respond to the increasingly complex and dynamic environmental opportunities and threats of the economic community.

The ability of a company to match unique resources with its market attractiveness (domestic, international, multinational, and global) enables it to achieve strategic fit. This potential becomes its unique strength in creating and/or offering its unique customer value. The condition is highly relevant to achieving superior performance and enables the company to maintain and improve its strategic fit by investing in the development of its unique resources, while maintaining and / or enhancing its advantage.

Achievement of superior performance and/or sustainability of the company is ultimately determined by its management competence in addressing the situation during the process of formulating and executing the strategy. Management needs to continuously observe the strategic situation in order to identify or analyze the unique resources, and develop and empower them to respond to market attractiveness or streamline the potential profitability of a market (domestic, international, multinational, or global).

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