THE ROLE OF ECONOMIC EFFICIENCY AND BUSINESS STRATEGY TO ACHIEVE COMPETITIVE ADVANTAGE

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Abstract

An among company base on the organizational environments could lead conducts within an implementing economy of scale and the level of efficiency in identifying the number and variety of products and services that produce business can be profitable for the long term, to achieve competitive advantage in the industry. An asymmetric situation-based approach based on Agency Theory describes corporate business governance in which the company owner as a principal hires agent (company managers with various functional levels) to run the business of operating the organization in a complex industry. Meanwhile, analysis based on strategic choice theory pays attention; the relationship between managers of different functional levels and options, the constantly shifting market dynamics with the latest technological advances and innovations that continue to be made between business competitors, and the level of relationship between managers and the market are dynamic. For this reason, the author will develop a new concept of business
strengthening that has the role of Economics, Efficiency, and Business Strategy to achieve Competitive Advantage in Companies in Industry in Indonesia with an approach based on Agency Theory and Strategic Choice Theory.

Keywords:
Agency Theory and Strategic Choice Theory, Business Strategy, Competitive Advantage, Economics Efficiency

1. Introduction

The companies face horizontal boundaries and must gain a competitive advantage in the industry. Regarding economic efficiency and agency efficiency, the strategies carried out by the company can be chosen appropriately by managers with reliable calculations (H.-J. Chang & Wang, 2013; Susilo & Julius, 2019; Kaleka & Morgan, 2017).

The concept of microeconomics is cornerstone within generic strategic to drive long-run business than the daily corporate barrier and economic topics are robust to the propositions and scope for an economics. An economies would like to provide some companies scale to gain cost advantages over competitors in very narrow industries and are a key determinant of market structure and market entry (Cosnita-Langlais & Rasch, 2023; Hidayah et al., 2020; Ramachandran et al., 2020).

Efficiency in identifying the number and variety of products and services that produce business can be profitable for the long term, so as to achieve competitive advantage in the industry, as in the scheme to understand how companies in the industry continue to grow and developing capabilities, growing growth, and creating competitive advantage, leading to higher profits (and higher wages) above the level of perfect competition, is an important part of understanding capitalism and the economy modern and can be seen in scheme 1, below (Chakraborty et al., n.d.; López-Cabarcos et al., 2015):

**Figure 1.** Essential Elements to Understand for the Capitalism and the Recent Decade of Economy Pursue for the Profitability.
Performance-based business models describe contexts that, although they may increase productivity, are in fact relatively easy to replicate and therefore could not support the specific performance advantages of company in a sustainable way. Companies regulate activities and hedge their lives as they pursue continued competitive domestic and global gains (Braimah et al., 2021).

Achieving a sustainable competitive advantage, derived from innovation rather than from some type of market restriction, is arguably more important than (static) efficiency inquiry because it focuses on how companies develop, learn, and, in some cases, become great and benefit their stakeholders (Lu et al., 2021).

Capital intensive production, transaction costs, and current efficiency-oriented agency theories simply should not provide the important questions that managers, as resource allocators (servants of many stakeholders) faced. Despite significant advances, traditional microeconomics does not address the dynamic allocation of resources, the maintenance of difficult-to-replicate positive differentiation, and the sources of growth in employment and profits at the enterprise level (Arvidsson, 2020; Ferraz Raposo et al., 2022).

The dynamic capabilities enable corporate to cost-effectively create and update their resources, reconfigure them as needed to innovate, and respond to (or bring about) changes in the market. Environment and business environment in general. The Company and senior management speculate on evolving consumer preferences, business and technology issues; validate and refine them; then continue by rearranging assets and operations.
The robust dynamic capabilities pursue the high-performance conducts within the new product development, a well inform an organizational culture, and best assessment of the business within entire stakeholders and the newest technological impacted. The right management style includes asset coordination, business agility and forward-looking leadership. For application purposes, dynamic capabilities include three main groups: (1) identifying and assessing threats, opportunities, and customer needs (sensing); (2) mobilize resources to seize new opportunities while capturing their value (capture); and (3) continuous organizational innovation (transformation) (Kohler, 2022; Sato & Aggarwal, 2020).

Engaging in continuous or semi-continuous sensing, jamming, and switching activities is essential if a company wants to sustain itself as a customer, competitor, and technological development. Dynamic capabilities lie partly in individual managers and especially in senior management teams, who must take on an entrepreneurial role in discovering and exploiting opportunities. At certain critical junctures, the ability of the CEO and management team to recognize key developments or trends, then describe a response and lead the company on the path forward, is perhaps the most important characteristic. Most important part of a company's dynamic capabilities (H.-J. Chang & Wang, 2013; ma, 1999).

Business gap with empirical business in Indonesia in the Semen Indonesia Strategy is committed to realizing four of four pillars of long-run business conducts within the targeting for the sustainable economic should be growth, aware to the climate change and a renewed energy, the consistency of circular economy, the society and the community. Regarding financial performance, SMGR and subsidiaries posted a net profit of IDR 2.02 trillion throughout 2021. This figure is 27.61 percent lower than SMGR's achievement in 2020 of IDR 2.79 trillion. The Company also posted revenue of IDR 34.95 trillion during the year ended December 31, 2021, or a decrease of 0.60 percent compared to 2020's revenue of IDR 35.17 trillion.

Cement sales volume is still supporting the company's revenue of IDR 28.54 trillion, still lower than in 2020 of IDR 29.02 trillion. A few other posts that contributed to SMGR's revenue were slag sales of IDR 3.19 trillion, finished and ready-mixed concrete IDR 1.76 trillion, cement bags IDR 128.7 billion, land rentals IDR 35.03 billion, industrial estate land IDR 58.91 billion, mining services IDR 16.70 billion, and others IDR 1.21 trillion.
The SMGR's cost of revenue swelled 2.81 percent to Rp24 trillion, from Rp23.3 trillion previously. Several expenses that increased include the use of raw materials of IDR 1.64 trillion, fuel and energy manufacturing expenses of IDR 8.59 trillion, rent of IDR 95.39 billion.

Moreover, a Joint Venture with a Japanese cement company, Taiheiyo Cement Corporation, will acquire shares owned by PT Solusi Bangun Indonesia Tbk. through additional capital with preemptive rights (HMETD) or rights issue worth US $ 220 million. The corporate action took place in July 2021. TCC's investment plan in the company is approximately US $ 220 million or its equivalent in rupiah. At the same time, the issuer with stock code SMCB also signed a cement offtake master agreement between the company and TCC. With the additional capital, SMCB hopes to strengthen its capital structure and develop business activities as Dynamic capabilities.

The novelty of this research and study is based on figure 1 above, related to the role of adding managerial leadership based on dynamic capabilities to fill the gap in Agency theory in the form of an asymmetric condition in a complex and rapidly growing industry and can have reliable company competitiveness and has implications for large corporate profits (Bogers et al., 2019; K. Chang et al., 2016; Fu et al., 2020; Ross, n.d.).

Furthermore, the purpose of this study is to find an orchestration model for strengthening the selection of qualified business strategies so that they have reliable competitiveness based on Agency theory and Strategic Choice theory, to fill the research gap that arises in business competition. Strategic choice theory will control and underlie Executive decisions play a significant role in business success by predicting business competition in complex industries, with the central issue being strategic innovation and repositioning. Companies can proactively adopt and shape a trustworthy organizational environment (Karake, 1995; Malik et al., 2019; Putra Pratama et al., 2023; Sanderson, 2004; Tribbitt & Yang, 2017).

2. Literature Review

Indeed, an Agency theory could explain corporate governance by describing company, the owner is a manager who hires an agent (manager) to manage the activities of operational organizations within the enterprise to gain a highly competitive advantage. Agency theory explains corporate governance by describing the entrepreneur as a manager using an agent. (Company
managers with various functional levels) to run the business of operating an organization in a complex industry (Hult, 2011).

The central element of agency theory is the so-called agency problem which will arise when the interests of managers of different functional levels in running a business and the owners of the company have different interests from each other. Due to the information asymmetry between managers of various strategic functional levels and owners, it is likely that managers will act opportunistically, for the benefit of managers themselves, rather than the interests of owners (K. Chang et al., 2016; Mitnick Professor of Business & Katz, n.d.; Steen et al., 2006; Tate et al., 2010). As cross-cultural differences magnify uncertainty issues in complex businesses with multi-industry, asymmetric metric in terms of information and monitoring, establishing effective agency relationships in multinational markets may be more difficult than in domestic markets (Belanche Gracia et al., 2015). Strategic choice theory will control and underlie managers' decisions playing a tremendous role in the success of companies in anticipating corporate competition in complex industries, with the central issue being the strategic renewal and repositioning companies can enact and actively shape a reliable organizational environment (Malik et al., 2019).

Strategic choice theory posits that managerial decisions can play a significant role in an organization's ongoing success or failure in the marketplace, in product development efforts, and/or in market positioning and segmentation. Strategic choice analysis involves (1) relationships between managers at different functional and preference levels, (2) ever-changing market dynamics with the advancement of new technology and continuous innovation among business competitors, and (3) the relationship between managers and the dynamic market (Bettis et al., 2014; Gulati et al., 2000; Kipley et al., 2012).

Strategic decisions should be made by the organization as the primary driver rather than the marketing channel or market partner. Organizations can adopt and adhere to certain types of growth strategies that align with the company's core competencies and dynamic opportunities. Strategic Choices articulates the political processes that put institutions and structures under strain and then places them in a meaningful context (Bakker, 2017; Marshak & Heracleous, 2023; Snihur & Eisenhardt, 2022a; Steen et al., 2006).

It views the agency's relationship with structure and environment as dynamic within a sustainable business framework. The strategic choice approach not only brings together several competing perspectives but also takes an indeterminate and potentially evolvable perspective.
Strategic choices will place organizational learning in the context of the organization as a sociopolitical system (Claro & de Oliveira Claro, 2011; Sanderson, 2004).

The research model that will be proposed to find an orchestration model for strengthening the selection of qualified business strategies so that it has reliable competitiveness based on Agency theory and Strategic Choice theory, to fill the research gap that arises in business competition (Arshed et al., 2022; Blackburn et al., 2022; Fernando et al., 2021; Ray & Miglani, 2022; Rojo Gallego Burin et al., 2020; Zhang et al., 2022).

The proposed research model orchestration model strengthens the selection of qualified business strategies so that they have competitiveness, can be seen in figure 2, below:

**Figure 2: Proposed Orchestration Model to Strengthen the Selection of Qualified Business Strategies and Reliable Competitiveness Based On Agency Theory and Strategic Choice Theory**

![Proposed Orchestration Model](image-url)

**Source:** Development by Authors, 2023
2.1 Empirical Description

In empirical explanation, it includes data (primary data and secondary data) based on previous research as a review of scientific literature as a basis for empirical evidence, building models from further research that are exploratory/descriptive with Case Study design and the phenomenology approaches to explore and explore the empirical experience of experts in one Multinational-Company (Ivens et al., 2016; Meikle et al., n.d.; Zittoun, 2020).

In the next model design after this literature review, which is in the form of an orchestration model to strengthen the selection of qualified business strategies and reliable competitiveness based on Agency theory and Strategic Choice theory in Indonesia (Mishra & Dey, 2022; Siu-Lun Ting et al., 2009; Vanwynsberghe & Khan, 2007; Yin, 2011).

3. Research Methods

This research method is based on a review of theory and literature to explore the role of managers in making the right decisions in choosing the right business strategy to win tight business competition. To follow up the study of the proposed model, with consideration of complex and sustainable business competition, researchers will continue exploration with a case study approach (Ewing et al., 2022; Mathew, 2019).

Further studies and research will be conducted with in-depth interviews with 30 participants, namely experts in the multi-industry field with a role as strategic business decision-makers, for long-term business development (Hung, 2018; Sanderson, 2004; Snihur & Eisenhardt, 2022).

4. Result and Discussion

In the first stage of the results of this study pay attention to the vertical boundaries that require companies to be more efficient, companies must decide what make or Buy decisions need to be used. A firm's decision to conduct the activity itself or the purchase from an independent business is called a make or buy decision. Additionally, perform means the company performs the activity itself, and Buy means the company relies on an independent company to perform the activity, possibly under contract (Kurien, 2015).

A company has acquired an input supplier that currently produces the input because it carries out operations in-house. Typical make or buy decisions by manufacturers include
developing their own sources of raw materials, providing their own shipping services, or operating their own retail sites. Some highly integrated companies, Kimberly owns Clark's Scott Paper division of forests, Lumber mills and consumer paper products manufacturing. Italian fashion icon Benetton dyes fabrics, designs and assembles clothes, and operates retail stores. Other companies carry out a limited range of activities. Leo Burnett, creator of Tony the Tiger, focused on creating brand icons for consumer products companies (Chui & Ip, 2017; Mundi & Kaur, 2022; Smith et al., 2021).

Many common abilities can be achieved or supplemented by one of the following several methods. The following three options can be used individually or in combination: 1). Should: choose to develop new capabilities within existing organizations by selecting and developing people, teams, tools, and processes, then training and exposing them to new ways of doing things work, 2). Buy: acquires new capabilities by acquiring existing organizations or hiring key people with the necessary knowledge, 3). Rental price: Add new capacity by recruiting temporary contracts and consultants (Marshak & Heracleous, 2023).

Take these principles and explore how businesses can develop strategies to overcome market forces. Introduces the basics of competitive analysis by discussing competitor identification and market definition, and examines four different ways in which business competition exists, including: perfect competition, monopoly, monopolistic competition and oligopoly. Additionally, although an intuitive approach to identifying competitors is often enough to make business decisions, it can be subjective. If possible, improving the visual approach to data would be helpful. As Economics Primer points out, the rate of substitution of products for each other is measured by the cross-price elasticity of demand (Bıçakcıoğlu-Peynirci & Morgan, 2022; Chen et al., 2022).

5. Conclusions and Advice

The research model to be proposed is expected to allow finding orchestration models for strengthening the selection of qualified business strategies so that they have reliable competitiveness based on Agency theory and Strategic Choice theory, to fill research gaps that arise in business competition.

In production will be able to generate a significant sales economy when the minimum efficiency is large relative to market measures. The company must gain significant market share
to achieve minimum efficient scale or risk losing money at significant costs. A company's decision to conduct operations on its own or to purchase from an independent company is called a make or buy decision. Additionally, perform means the company performs the activity itself, and Buy means the company relies on an independent company to perform the activity, possibly under contract. Finally, among those companies that have acquired input suppliers, they now produce the inputs because it carry out operations in-house. Typical make-or-buy decisions by manufacturers include developing their own sources of raw materials, providing their own transportation services, or operating their own retail businesses.

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