

The Effect of The Resources and Capabilities to Competitive Advantage and Company's Performance of "Batik" Micro

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Abstract

Purpose

: This study aims to demonstrate and explain the effect of the resources and capabilities to competitive advantage and company's performance in a comprehensive.

Desain/Methodology

/Approach

: This research use quantitative methods with positivism approach using associative research type. Total sample 255 companies. Data analysis using SEM (Structural Equation Modelling).

Finding

: The results show that the resources are valuable and rare has an effect significantly to competitive advantage and company's performance. While the company's capabilities are valuable, rare and inimitable does not affect to the competitive advantage but has an effect significantly to company's performance.

Originality/Value

: This study measure the company's performance by combining the perspective of the resources, capabilities and competitive advantage on batik micro in Madura Island, Indonesia.

Keywords Resources, Capabilities, Competitive Advantage, Company's Performance, Batik

Paper Type Research paper

1. Introduction

Performance for each company is very important because it shows the achievement efforts. A number of theories explain many factors that affect the company's performance, but in general can be divided into internal and external factors (Sampurno, 2011; Kuncoro, 2006; Purnomo and Zulkieflimansyah, 2005; Hitt *et al.*, 2001; Wright *et al.*, 1996). The internal factors that affect of company's performance are the resources and capabilities, while the external factors are competition. This research focus more on the internal factors that are known as the concept of resource based view (Penrose, 1959; Wenerfelt, 1984; Barney, 1991; Barney *et al.*, 2007).

The substance of the resource based view considers the placement as well as the proper use of the resources and capabilities to create a competitive advantage, which in turn affect company's performance (Penrose, 1959; Wenerfelt, 1984, Barney 1991; Teece *et al.*, 1997; Barney *et al.*, 2007). Corporate's resources are all assets that could shape tangible and intangible. Company's capability is in fact the company resources that intangible due to its specific then some experts distinguish it from company resources in general (Penrose, 1959; Teece, 1993; Schoemaker, 1993; Barney 1991; Ljungquist, 2007; Barney *et al.*, 2007; Makadok, 2001 in Landrogger *et al.*, 2010). The core difference with other resources capabilities are capabilities inherent in the processes and routines of that firms become specifications or uniqueness, which can not be traded while other resources can be traded.

Company's resources referred to as company supplies (Amit and Schoemaker, 1993) a very meaningful strategic for the company (Barney 1991; Barney *et al.*, 2007; Caharbaghi and Lynch in Hsieh, 2008; Eisenhardt and Martin, 2000 in Wiklund *et al.*, 2003) when included in VRIN, valuable, rare, inimitable and non substitutable for further processing. Company's capabilities is the ability, proficiency, expertise, personnel skills