HOW GOVERNMENT INVOLVEMENT AND NON MARKET CAPABILITY AFFECT THE ORGANISATIONS' PERFORMANCE?
A THEORETICAL REVIEW

Sabihaini
National Development University “Veteran” Yogyakarta, Department of Management, SWK 104
Ring Road, Yogyakarta 55283
E-mail: sabihaini@yahoo.com

ABSTRAK

Non-market capability is important because the company capabilities have been considered not optimal in improving company performance, especially companies operate in an environment with high government control or corporations whose produce public products or services. This article was developed with reference to the contingency theory to assess the suitability of government involvement, resources, strategy and performance.

Key words: The involvement of the government, resources, non market capability and performance

1. INTRODUCTION

In political or regulatory uncertainty environment, a company, in addition to have capability, as proposed by Carmeli et al. (2004) and Thompson and Strickland (2003), is also required to have non-market capabilities (Bonardi et al. 2006; Wan 2005). Wan (2005) stated that non-market capabilities allow companies to influence public policy or reduce the negative impacts of market to company. Non-market capabilities describe internal processes, resources, and company knowledge in relation with political activities that are not distributed among companies.

Non-market capability is specific company’s capabilities and not all companies can have. Companies that have a non-market capabilities will be more effective in influencing public policies (Baron, 2003 and Hillman et al. 2004). Non-market capabilities can be realized by company through communication with executive, legislature and other stakeholders. For example, communications and lobbying in order to apply price adjustments, communications related to government involvement in program management and technical assistance through the commitment and participation of local governments in the form of sharing fund for company investments. With these capabilities, strategic environment changes, in particular political environment, will not negatively impact company performance. In fact, potential negative impacts will be minimized (Bonardi et al. 2005). This article was developed with reference to the contingency theory to assess the suitability of government involvement, resources, strategy and performance.

Contingency Theory

The contingency view originally developed in 1950s by management experts, such as Woodward (1958), Fiedler (1967) and Pennings (1985). Contingency theory was developed in response to management experts thoughts in early 1950s that emphasized the “one best way” in organization management. Contingency theory does not restrict the dimensions of organization’s environment, but provide opportunities for companies and researchers to develop according to their circumstances. Contingency theory states that there is no one best way to manage, lead or make decisions within company. However, the optimal action is determined
by environment both internally and externally. Experts in contingency theory attempted to identify important variables that affect organizational performance.

Contingency theory was developed by Burns and Stalker (1961) about environment impact on organizational structure, Woodward (1965) about impact of technology on organizational structure as well as Lawrence and Lorsch (1967) in his study about environment impact on organizational integration and differentiation. Research Coff et al. (2006) describes how technology improve skills of company’s resources. Coff et al. suggests the need for caution in improving process the skill-based technology, because the technology also possible to be imitated by others. In summary the model contingency theory can be described as shown in Figure 1.

Weill and Olson (1987) proposed a number of important assumptions underlying the contingency theory, namely:

1. Fit; The interaction between contingency variables (e.g., between technology and organizational structure), the better organization performance.
2. Rationality; resource organizations act in ways that always leads to achieves organizational goals effectively, therefore there are always goals/objectives in broad consensus within organization/company.
3. Situational determinism; for example, environment is given and manager and organization can not influence it.
4. Deterministic models; clear causal inferences are often made.
5. Empirical methods of cross-sectional and non-historical.
6. Linear models of contingency variables.

Sources: Weill, Peter (1987) and Olson, Margrethe H, 1989

Figure 1. Contingency Theory Model

Observing the development issues of corporate environmental management strategy, it can be said that there are linkage between issues development with contingency theory. The management strategies development at early year 1950/1960, stressed the importance of strategic planning approach (Leibold et al. 2005). In 1970 emphasis given on balancing the opportunities and threats of market with company strengths and weaknesses. In 1980 the emphasis was on industrial environments, known as Five Forces model of Michael Porter. In 1990, company’s attention refers to internal environment with reference to resource-based view (RBV) theory, which emphasized to resource factors and capabilities as a excellence source and superior performance.

Successful implementation of strategy will be determined by external and internal environment. This concept is supported business environment theory (Pearce and Robinson 2007, Thompson and Strickland 2003, Whelen and Hunger 2004), and strategy (Porter 1980 and 1985; Pearce and Robinson 2007). Environment (external and internal) and strategies are elements that are difficult to separate. Attention to importance of external environment in corporate strategy analysis and performance improvements have been developed by Porter in 1980s. Porter (1980 and 1985) describes environment as institutions or forces outside organization, such as suppliers, customers, competitors, government regulation, public pressure. Organizations or companies have less control and its potential forces can influence organization performance (Hashim et al. 2009). Robinson (1982) examined the importance of “outsiders” (parties or groups who are
outside organization) in strategic planning of a small company in Georgia. Robinson (1982) show the firms that including "outsiders" into strategic planning has a better performance compared to other companies. Concept importance of external environment further developed by Griffin (1987), Robbins (1996).

The experts of next period classify the external environment with different terms. Pearce and Robinson (2007) uses the remote environment term, Wheelen and Hunger (2004) and Johnson et al. (2006) use macro environment term. But can be inferred from them that external environment grouping consists of the political, economic, social, technological, ecological and legal (law). Some experts use the components of external environment as a determinant variable of strategy and company performance, but different location and research timing, some researchers choose to make adjustments in using one or more environment dimensions such as government regulations made by Chen et al. (2005), Chen et al. (2005) and Sabihaini 2011; government intervention by Sun and Tong (2003), or political control (political control) by Chang and Wong (2004). External environment is important, such as government intervention (government involvement), arguing that government involvement play an important role to increase company’s performance, now and in the future (Yulianto 2000). However, Sabihaini (2012) find that the increasingly complex environment needs higher support of government and BI, but bank performance achievement level was lower. Contribution of internal environment is also an important concern to improve performance and create a competitive advantage for company. Description of company’s internal environment basically refers to concept of resource-based view which was pioneered by Penrose (1959) in his book Theory of the Growth of the Firm, that can facilitate strategic management and organization economics.

Penrose (1959) provide a logical explanation to uncover causal relationships between resources, capabilities, and competitive advantage, which contributes to the resource-based theory of competitive advantage. Penrose (1959) provides at least three major arguments about the relationship between company’s resources, productive opportunities, and profitable growth. (1) Company can create economic value and not because it has the resources, but because the effective resource management and innovative. (2) a causal relationship between resources and creation of productive opportunities for growth and innovation. In this case manager serves as a catalyst in conversion of resources into corporate capabilities and new product applications that lead to innovation and economic value creation. (3) Penrose (1959) describes the driving of rate and direction of growth. Managerial availability and technical talent will be an obstacle to company growth rate within a certain period of time if the knowledge and resources underutilized and ultimately will lead to inefficiencies in company. Penrose divides resources into; physical, human and organizational resources (Figure 2).

Based the explanation above, it can be said that in order to create corporate growth, the resources availability is not enough. Here is required effective management and always make innovations to new economy values in line with company capabilities to gain an excellence. In addition, special knowledge owned by company managers, managers experiences to share with others, managers entrepreneurs vision and company specific capacity for learning and differ are also part of company’s resources.
Wernefelt (1984) emphasize the importance of company resources ownership. Wernefel explained that with the resources, company will make proPatability and optimal product-market activities that larger than the other companies. In addition, company's resources such as brand names, in-house knowledge of technology, skilled labor, trade contacts, machinery, eFcient procedures and capital can be used as a barrier entry in the competition. Accordingly, Wernefelt stressed the importance to always keep company dominant source of ownership compared to other companies because if a resource become easy to have, then these resources are no longer able to create the maximum beneP t for company. Nevertheless, there are several attempts to obtain a potential resources in improving company performance namely with merger and acquisition (Wernefelt, 1984). Another important resource for companies is intangible resources. Barney (1986a) states that corporate culture is a source of competitive advantage, because the culture is typical on any company that is very difcult to replicate. Corporate culture, according to Barney (1986a), consists of values, beliefs, assumptions, and symbols which company does business. Accordingly, Barney (1991) explains that in order company's resources can to create excellence, it must be heterogeneous and immobile. In addition, these resources must also meet four criteria follows:

1. Value; resources should able to generate value for company. A resource is worth if company with the resources could to develop or implement a strategy to improve company eFciency and effectiveness.
2. Rareness; resource should qualify the scarcity.
3. Imperfect imitatibility; these resources are not easy to imitate or imperfect and expensive to imitate.
4. Substitutability; owned resources should not be easily substituted or has no substitution.

In addition to the nature and criteria, Peteraf (1993) explains that in order to develop a competitive advantage, there are four conditions that must be met by an enterprise resource, namely: 1) heterogeneity,
2. imperfect mobility, 3). ex-post limits to competition, and 4). ex-ante limits to competition. Furthermore, RBV concept has been developed through empirical studies such as Amit and Schoemaker (1993) and Carmeli et al. (2004). Amit and Schoemaker (1993) enrich RBV concept by suggesting three potential resources to form a competitive advantage and will affect company's strategy and performance: 1) physical capital, 2) structural capital, and 3) human capital. furthermore, Oliver (1997) developed into resources capital and institutional capital. Capabilities enable companies to create and exploit external opportunities and develop excellence resilient. Capability is company capacity to take advantage from integrated resources in order to achieve the desired goal. Company capabilities are dynamic, nonp ermanent, speciP c for the companies and can not be obtained in market, difcult to be copied and accumulated in the process of lifelong learning and continuous. The company capacity to build its own organizational capabilities, a meta-capability, is inP uenced by the institutional quality of the socio-cultural environment (Spanos and Prastacos 2004). This mean, the resour
and company capabilities are two things that can not be separated. The resources are a source of company capabilities (Hitt et al. 2009).

Dahan (2005) divides three forms of resources that will be utilized in building and developing company’s non market capabilities, namely: financial, human resources and politics. On the other hand, the non market that built capability allow companies to get benefit from interaction with government and other stakeholders. Company management capabilities in building relationships with stakeholders to create an opportunity for companies to get support and involvement the government through allocation some resources owned by government such as financial resources, physical resources or other programs forms can stimulating performance acceleration achievement for company (Faccio 2007; Bonardi et al. 2005).

**Sources:** Carmeli et al. 2004

**Figure 3.** Conception Carmeli and Tishler about Resources-Based View

Company will gain economic benefits (rents) because of the advantages derived from durable resources and capabilities (durability), can not be imitated (imitability), rare (scarcity), not traded (low tradeability), limited substitutability, accuracy (appropriability), associated with strategic industry factors (overlap with strategic industry factors) and complementary (Amit and Schoemaker 1993). As shown in Figure 3, that company performance are determined by the resources and capabilities possessed and also by environmental uncertainty, new economy and organizational size. The resources measured by: 1) managerial skills, 2) human capital, 3) perceived organizational reputation. Capability is measured by: 1) internal auditing, 2) organizational culture and organizational communication (Carmeli et al. 2004). Company capabilities is a collection of relevant attributes such as knowledge (know-how), skills, abilities, attitudes that evolving and embedded within organization. Companies that succeed/high performance are usually characterized by company knowledge base that embedded and reflected by major source of corporate excellence in the competitive environment. Therefore, company capability will be created through the integration of knowledge and human capital (Spanos and Prastacos 2004) or a set of physical facilities and skilled manpower, and particularly the ability and expertise of companies top manager.
O'Regan and Ghobadian 2004) to improve performance (Amit and Schoemaker 1993). Therefore, company developed a unique capability to anticipate changes in external environment that tends to harm and managing them effectively to achieve corporate objectives.

Distinctive capabilities company that born from the a potential resource will allow company to get economic benefits (called rent in Penrose 1959, Amit and Schoemaker 1993). With the capabilities, company will responsive to any changes that occur in the environment. It can be argued that company’s resources that distinctive and dynamic will be able to create excellence and optimum performance for company. Companies with the resources and dynamic characteristic, in addition to form a distinctive capability, will also form a non-market capabilities. Non-market capability is important for any company, particularly that loaded with government involvement in the form of policy. Policy (politics) change as a form of external forces that tend to threaten company should be able to responded with the typical capabilities of non-market capabilities (Bonardi et al., 2006; Wan 2005). Non-market capability is not only managerial skills that able to manage corporate resources that can be controlled, but also must be able to manage company from the negative impact of external environment, such as government involvement.

The environment is not the only component that affects company performance. The implemented strategy also determine the company success to improve its performance (Pelham 1996). Strategy basically a set of integrated activities to achieve the goals by co-alignment or adjustments to environment to get opportunities and preventing threats from environment. Accordingly, many factors must be considered to create appropriate strategy. Thompson and Strickland (2003) asserts that factors that must be concerned in forming strategy is external and internal environment. Strategies choice that can be implemented by companies, according with Pearce and Robinson (2007), are generic strategy from Michael E. Porter or Grand Strategy. Generic strategies developed by Porter include; strategy of cost leadership, differentiation and focus. Grand strategy consists of; concentrated growth, market development, innovation, horizontal integration, vertical integration, concentric diversification, conglomerate diversification, turnaround, divestiture, liquidity, bankruptcy, joint ventures, and strategic alliances.

Performance is an overview of achievement level from program implementation or policies to achieve vision, mission, goals, and objectives of organization. Performance measurement used is no longer focus on financial information, just as has been done by the previous management experts (Maskell, 1991; Ghalayini et al. 1997; Jagdev et al. 1997.) Information from corporate financial statements in describing performance as a whole still not optimal, so non-financial information should also be included. In the analysis was also used both quantitative and qualitative analysis (Kaplan and Norton 1996; Neely 2002).
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Table 1. Performance Concept from Some Experts

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<tr>
<th>Experts Performance Concept</th>
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<tr>
<td>2. Cost unit</td>
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<td>3. Price</td>
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<td>4. Proportion factor</td>
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<td>5. Proportion costs</td>
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<td>6. Product mix, and</td>
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<td>7. Input allocation</td>
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<td>Malcolm Baldrige National Quality Award (1987)</td>
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<td>1. Leadership</td>
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<td>2. Strategic planning</td>
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<td>3. Customer and market focus</td>
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<td>4. Information and analysis</td>
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<td>5. Management and development of human resources</td>
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<td>6. Process management</td>
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<td>7. Business Results</td>
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<td>Kaplan and Norton (1996) 1. Finance</td>
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<tr>
<td>2. Customer</td>
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<td>3. Internal business processes</td>
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<td>4. Innovation and learning</td>
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<tr>
<td>2. Labor</td>
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<td>3. Supplier</td>
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<td>4. Regulators and the public</td>
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<td>5. Investor</td>
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**Sources:** Phusavat et al. (2009), Talwar (2011)

In addition to performance measurement concept as stated by strategic management experts, also known the Malcolm Baldrige National Quality Award (MBNQA). It was introduced first time at 1987 in the USA which aims to encourage the competitiveness of any company. MBNQA concept introduces 7 indicators namely of quality management: leadership, strategic planning, customer and market focus, information and analysis, management and development of human resources, process management and business results. From some performance measurement concepts, it is found that each indicators in each concepts or variables can be grouped into financial indicators and non-financial indicators, particularly on recent concepts.

This is in line with Kotha and Nair (1995) that a company performance relates to specific environment and strategy. Specific environment is a translation of contingency theory (eg Burns and Stalker 1961; Woodward 1965. Lawrence and Lorsch 1967; Thompson 1967) which states that every company will face a different environment compared by other companies. Therefore, there is no one type of strategy that can be applied to all kinds of environmental and corporate (Woodward 1965; Lawrence and Lorsch 1967). Analysis goal the linkages between environment, strategy and performance is to examine the environment role that will create a strategy to improve company performance (Pearce and Robinson 2007). Strategy implementation needs to consider the suitability of environment faced to improve company performance. Therefore, environment and strategy affect company performance. The better enterprise environment that supported by appropriate strategies, the better company performance (Pearce and Robinson, 2007; Johnson et al. 2006).
 Closure

Strategy adopted by company is a response of any measures taken by government to keep internal conditions (resources) owned. Resources are managed effectively and efficiently to create optimum capability in improving company performance. Wernefelt (1984) explains that resources plays an important role for companies if they wants to get more profitability than the other companies. Wernefelt (1984) stressed the importance of keeping company resources in order always dominant in comparison to other companies because if a resource becomes easy to have, then these resources are no longer able to create maximum benefit for company (Wernefelt 1984). Policy change as one of external environment has an important role to company. Company should be able to respond with the typical capabilities of non-market capabilities (Bonardi et al., 2005; Wan 2005). Non-market capability is not only managerial skills that could to manage the controlled corporate resources, but also must be able to manage company from the negative impact of external environment such as government involvement.

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TAKAFUL: OPPORTUNITIES AND CHALLENGES IN INDONESIA

Januar Eko Prasetio1
Faculty of Economic
University of Pembangunan Nasional “Veteran” Yogyakarta
Jalan SWK 104 (Lingkar Utara), Yogyakarta 55283, Indonesia

ABSTRACT

Takaful is one of the instruments transactions, which are tailored to the operational system of Islamic sharia. So the contract, the fund management mechanism, the operating mechanism of the company, the corporate culture (shariah corporate culture), marketing, product, etc. must be in accordance with sharia. But that should also be underlined is that sharia is not merely to run the system operational in accordance with the principles of Sharia, but more than that, it’s also had to implement a value which is the “heart” of the Islamic principles.

Keywords: Takaful, Gharar, Maysir, Riba

1. BACKGROUND ISSUES

Initially, the discourse of Islamic insurance is included in the contemporary Islamic law. In the early days of Islam, which at the time of the Prophet Muhammad and the Islamic period subsequent, yet known financial institution insurance. No texts of the Qur’an or the Hadith of the Prophet that describes the theory and practice of insurance operations as currently understood. Historically the discussion about the emerging insurance in the 18th century, which in his lifetime Ibn Abidin (1784-1836), a scholar of Islamic jurists among Hanafi madhhab, who responded insurance practices in his book Raddul Mukhtar, the al-musta’min (the requesting the warranty).

As part of the contemporary fiqh issues, the discourse about sharia allows for ijtihad studied. Among contemporary scholars, including Ahmad Mustafa Zarqa, including one of the scholars who can accept the practice of insurers with a record does not conflict with the values that exist in Islam. In this case, insurance accepted and executed after adjustments through the process of “Islamisation”. Practices that do not conform with Islam issued in the operational activities of insurance, such as the practice of riba (interest), maisir and gharar.

Insurance practices among Muslim scholars through the institutions can ijma ‘jama’i (mutual agreement), as a fatwa institutions in the Indonesia Ulema Council (MUI) or non Bahtsul masa’il at NU and Muhammadiyah the Legal Affairs Committee. In 2001, MUI through the National Sharia Board (DSN), has issued a fatwa on the general guidelines as an initial guide Takaful Islamic insurance industry operations in Indonesia. The purpose of this fatwa as an initial guide Takaful operations in Indonesia.

In the next stage, the insurance sharia fatwas issued by the DSN-MUI can be used as materials in the process of economic positivisasi sharia law which is currently under construction by a Working Group (Working Group) Supreme Court Indonesia.

On the other hand, need attention in the matter of Takaful system is operational and covenants used in the Takaful. On the issue of the contract is found in Takaful operations that are not based on a single contract, but more use of a combination of several contract. For example, Islamic insurance prodi

1 Economic Faculty UPN “Veteran” Yogyakarta