

The Influence of Cost Leadership Strategy, Difference and Focus on the Performance of the Company at PT. Pwi

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Abstract

The purpose of this study is to determine the effect of cost leadership strategy, differentiation strategy and focus strategy on company performance. The case study in this study was taken from PT. PWI, which is a manufacturing company engaged in the production of shoes and footwear. The population taken in this study, namely the employees of PT. PWI with a sample of 96 respondents who work within the scope of PT. PWI. The dependent variable (Y) in this study is company performance, while the independent variable (X) includes: Cost advantage strategy (X1), Differentiation Strategy (X2) and Focus Strategy (X3). Data analysis method using path analysis with IBM SPSS statistics 16 program which is fully carried out by the author and also related parties. The results of this study indicate that the cost advantage strategy, differentiation strategy and focus strategy have a positive and significant impact on company performance. The differentiation strategy is the most influential strategy compared to the other two strategies.

Keywords:

Cost Advantage Strategy, Differentiation Strategy, Focus Strategy and Company Performance

1. Introduction

In the era of globalization as it is today, there is a lot of competition that occurs in an increasingly widespread business world. We can see that business development in Indonesia is increasingly open and business access is increasingly competitive, so responding to business competition requires a strong marketing strategy.

Strategy is a way to achieve goals based on analysis of internal and external factors because strategy is a comprehensive and integrated plan regarding efforts to realize goals and objectives by taking into account the availability of organizational resources and environmental conditions faced. In a company, it is very necessary to have a strategy known as a generic strategy which is a fundamental way for companies to achieve profitability above the industry average by having a sustainable competitive advantage. The strategy consists of: cost leadership strategy, differentiation strategy, and a focus strategy (either a cost advantage focus or a differentiation focus).

PT PWI is no exception. PT. PWI is a manufacturing company engaged in the footwear industry for export targets to various countries that absorb a lot of labor from the surrounding community. From the current phenomenon, it can be seen in the company's performance which tends to decrease. In order to help overcome this problem, an appropriate and optimal strategy is needed so that PT. PWI rose from adversity.

Based on the above, the researcher is interested in discussing and conducting research with the title "The Effect of Cost Leadership Strategy (Cost Leadership), Differentiation and Focus on Company Performance at PT. PWI".

1.1. Literature Review

1.1.1. Cost Leadership Strategy (Cost Leadership) (X1)

The cost advantage strategy is a competitive advantage strategy that takes into account the existence of competitors rather than customers by focusing on lower prices to buyers. A cost leadership strategy requires aggressive construction of efficient scale facilities, vigorous efforts to achieve cost reduction due to experience, tight cost and overhead control, avoidance of marginal customers, and minimizing costs in areas such as research and development (R&D), service, sales, advertising, etc. Low cost relative to competitors is the theme that animates the whole strategy, although quality, service and other areas cannot be ignored.

This research focuses on the effect of cost advantage strategy on company performance within the scope of PT. PWI. The greater the value of the influence given by the cost advantage strategy on the company's performance, it can be ascertained that the profits to be obtained in the future will also increase.

Hypothesis 1: It can be seen that there is a positive and significant influence between the variables of the cost advantage strategy on the company's performance at PT. PWI.

1.1.2. Differentiation Strategy (X2)

A differentiation strategy is a company strategy that seeks to create a unique product to face competitors in its industry. This uniqueness can be seen from the product characteristics that offer the value that consumers are looking for so that the product is unique and different in the eyes of consumers. In principle, the differentiation strategy is to take the customer as the main focus. This strategy builds the buyer's perception of superior quality, product design, technology, image, material weight or service.

This research focuses on the effect of the differentiation strategy on the company's performance within the scope of PT. PWI. This strategy has been used by PT. PWI for a long time, this is evident from the many variants and models of products produced by the company and of course enjoyed by many consumers. Because the more differentiation strategy can be implemented properly, it will generate more profits for the company itself and will indirectly impact the company's performance for better.

Hypothesis 2: There is a positive and significant influence between the differentiation strategy variables on company performance at PT. PWI.

1.1.3. Focus Strategy (X3)

The focus strategy is used to build a competitive advantage in a narrower market segment. This type of strategy is intended to serve the needs of consumers who are relatively small in number and in their decision making to buy are relatively not influenced by price.

The focus strategy is very different from the other two strategies, because this strategy emphasizes the choice of a narrow competitive scope in an industry and can choose a cost focus or differentiation strategy. Within the scope of PT. PWI focus strategies are also often carried out, especially for products that are limited, or usually only made when there are events with small quantities.

Hypothesis 3: There is a positive and significant influence between the Focus strategy variables on company performance at PT. PWI.

1.1.4. Company Performance (Y)

According to Febriyani and Zulfadin (2003), company performance is an important thing that must be achieved by every company anywhere, because performance is a reflection of the company's ability to manage and allocate its resources. Performance Assessment aims to determine the contribution of a part of the company to the organization of the company as a whole, provide a basis for assessing the quality of performance of internal managers in the company, and provide motivation for section managers in selling their parts in tune with the main objectives of the company's organization as a whole. (Mulyadi, 2017)

In this study, the company's performance is taken as the dependent variable that determines the benchmark of the independent variables, namely the cost advantage strategy, differentiation strategy and focus strategy. It is expected that the company's performance will increase by knowing the most suitable strategy to be applied in PT. PWI.

2. Methodology

The approach and type of research used in this study uses an explanatory research approach with quantitative data. This is because this research wants to explain the causal relationship between the variables through hypothesis testing in PT. PWI. In this study, the researcher will conduct an analysis by interviewing, observing/observing and will document all phenomena in the field that are related to the main purpose of this research, besides that the researcher also uses previous research as literature material used for the preparation of this research.

The object of this research is the employees of PT. PWI with research samples using the Lemeshow calculation formula with 96 respondents related and in accordance with the criteria of the object of this study. As for the criteria for the object of this research, namely:

1. Gender used by men and women
2. Age (20-40 Years)
3. Term of Office (<5 Years to >10 Years)

And as for the analytical technique stages of this study using the help of SPSS v.16 application software, including:

1. Classic Assumption Test

- a. Normality test
 - b. Multicollinearity Test
 - c. Correlation Test
 - d. Heteroscedasticity Test
2. Multiple Linear Regression Analysis
 3. Hypothesis test
 - a. Test-T (Partial Test)
 - b. Test-F (Simultaneous Test)
 - c. Coefficient of Determination Test (R²)

2.1. Research Framework

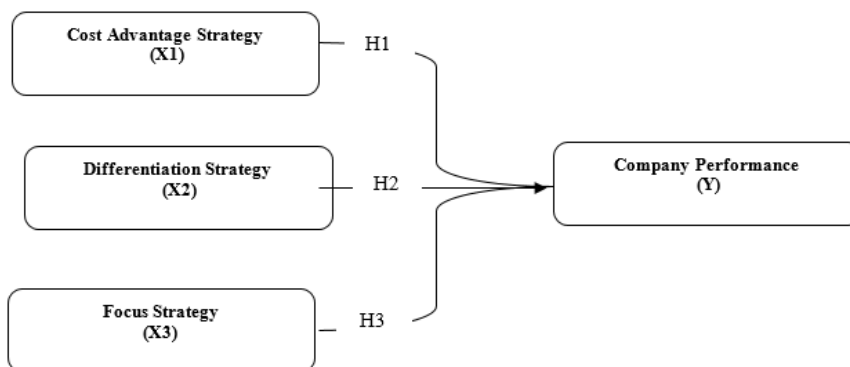


Figure 1 : Research Framework
Source: Data Processed By The Author

3. Description and Research Result

This study emphasizes the hypothesis between testing the effect of the independent variable on the dependent variable. From the first test to the last sample, it was carried out using the multiple linear regression analysis technique method. The discussion in this section is the result of observations based on the results of statistical tests carried out on the influence of each variable.

3.1. Testing the First Hypothesis

In testing the first hypothesis, it states that the cost advantage strategy has a positive and significant effect on company performance. Here are the results of testing the hypothesis:

Table 1. Hypothesis Testing 1
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.013a	.001	.019	.354587

Sumber : SPSS v.16

a. Predictors: (Constant), Cost Advantage Strategy

3.1.1. Regression Equation

The results of the coefficient of determination (R²) with the company's performance as the dependent variable and the usual advantage strategy as independent show that the Adjusted R Square value of 0.19 means that 19% indicates that the independent variable affects the dependent variable and the remaining 81% is influenced by other variables besides the variable. Cost advantage strategies such as differentiation strategy and focus strategy or it could be other strategies this is in accordance with the value of the coefficient of determination (R²) which shows that above that 0.71% of the company's performance value is affected by cost leadership strategies, differentiation strategies and focus strategies while the remaining 29 % affected by other strategies besides these 3 strategies.

3.2. Testing the Second Hypothesis

In testing the second hypothesis, it states that the differentiation strategy has a positive and significant effect on company performance. Here are the results of testing the hypothesis:

Table 2. Hypothesis Testing 2

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.009a	.001	.027	.362462

Sumber : SPSS v.16

a. Predictors: (Constant), Deference Strategy

3.2.1. Regression Equation

The results of the coefficient of determination (R^2) with the company's performance as the dependent variable and the usual advantage strategy as independent show that the Adjusted R Square value of 0.27 means that 27% indicates that the independent variable affects the dependent variable and the remaining 73% is influenced by other variables besides the variable. Differentiation strategies such as cost advantage strategy and focus strategy or it could be other strategies this is in accordance with the value of the coefficient of determination (R^2) which shows that above that 0.71% of the company's performance value is affected by cost leadership strategies, differentiation strategies and focus strategies while the remaining 29 % affected by other strategies besides these 3 strategies.

3.3. Third Hypothesis Testing

In testing the third hypothesis, it states that the focus strategy has a positive and significant effect on company performance. Here are the results of testing the hypothesis:

Tabel 3. Pengujian Hipotesis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.011a	.000	.025	.254324

Sumber : SPSS v.16

a. Predictors: (Constant), Strategi Fokus

3.3.1. Regression Equation

The results of the coefficient of determination (R^2) with the company's performance as the dependent variable and the usual advantage strategy as independent show that the Adjusted R Square value of 0.25 means that 25% indicates that the independent variable affects the dependent variable and the remaining 75% is influenced by other variables other than the variable. Focus strategies such as cost advantage strategies and differentiation strategies or it could be other strategies this is in accordance with the coefficient of determination (R^2) which shows that above that 0.71% of the company's performance value is affected by cost leadership strategies, differentiation strategies and focus strategies while the remaining 29 % affected by other strategies besides these 3 strategies.

4. Discussion of Research Results

4.1. Effect of Cost Leadership Strategy on Company Performance

The statistical results of the t test for the cost advantage strategy variable show a value of 5.049 with a significance value of $5.049 > 0.05$ while the regression coefficient value shows a positive value of 0.27. so that it can be concluded that the differentiation strategy has a positive effect on company performance.

This is supported by previous research conducted by Yanti et al., (2022) which shows that the cost advantage strategy has a positive effect on company performance. If the cost leadership strategy can be carried out correctly and in accordance with market share, it will directly or indirectly affect the performance of the company, namely PT. PWI in the eyes of employees and the wider community.

4.2. The Effect of Differentiation Strategy on Company Performance

The statistical results of the t test for the differentiation strategy variable show a value of 0.494 with a significance value of $0.494 > 0.05$ while the regression coefficient value shows a positive value of 0.19. so that it can be concluded that the cost advantage strategy has a positive effect on company performance.

This is supported by previous research conducted by Damayanti (2019) which shows that the differentiation strategy has a positive effect on company performance and has the greatest influence value compared to others. If the differentiation strategy can be carried out properly and in accordance with consumer interests and with a careful and precise time, then it will directly or indirectly affect the performance of the company, namely PT. PWI in the eyes of employees and the wider community.

4.3. Effect of Focus Strategy on Company Performance

The statistical results of the t test for the focus strategy variable show a value of 3.645 with a significance value of $5.645 > 0.05$ while the regression coefficient value shows a positive value of 0.27. so that it can be concluded that the focus strategy has a positive effect on company performance.

This is supported by previous research conducted by Yanti et al., (2022) which shows that the focus strategy has a positive effect on company performance. If the focus strategy can be implemented better, it is possible that the impact it will give is greater than other strategies.

5. Conclusion and Suggestion

5.1. Conclusion

Based on the results of the research that has been done above, the following conclusions can be drawn:

1. The statistical results of the t test for the cost advantage strategy variable show a value of 5.049 with a significance value of $5.049 > 0.05$ while the regression coefficient value shows a positive value of 0.27. so that it can be concluded that the differentiation strategy has a positive effect on company performance.
2. The statistical results of the t test for the differentiation strategy variable show a value of 0.494 with a significance value of $0.494 > 0.05$ while the regression coefficient value shows a positive value of 0.19. so that it can be concluded that the cost advantage strategy has a positive effect on company performance.
3. The statistical results of the t test for the focus strategy variable show a value of 3.645 with a significance value of $5.645 > 0.05$ while the regression coefficient value shows a positive value of 0.27. so that it can be concluded that the focus strategy has a positive effect on company performance.

5.2. Suggestion

From this research, the researcher would like to give advice to various related parties, including:

1. For Companies
In this study, it appears that the differentiation strategy has a stronger influence than other strategies, therefore the researcher would like to suggest that the company maintain this strategy to use and the other two strategies to be further improved so that it has a greater influence on company performance than when this research was made.
2. For Further Researchers
It is hoped that further researchers can find related strategies so that companies know more in detail about the strategies that will be applied within their company

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