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DETERMINANTS OF QUALITY BASED DIFFERENTIATION: GOVERNMENT POLICY AS MODERATING

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Abstract

The research focus is analyzing, and describing strategic efforts and steps to implement dynamic capability management as an intangible resource to improve company performance through competitiveness variables; take advantage of pro-innovation and quality-based differentiation opportunities as mediation, and moderated by government policies that can accelerate the influence of dynamic capabilities on company performance. To answer the objectives and focus of this research, testing with direct and indirect relationships between variables uses a quantitative approach with the structural equation method. The research sample used proportion stratified, random sampling obtained the validity of the respondents as many as 168 people as representatives of 168 palm oil companies in Indonesia, while the population of this study was 289 companies. Thirteen path coefficients are positive, and path analysis of moderation has a significant but negative effect. So it can be concluded that Dynamic Capability, Pro Innovation Exploitability, Competitive Advantage and Quality Based Differentiation play an important role in improving company performance. However, government policies can slow down the performance of the palm oil industry. Therefore, it is important for business players in the palm oil industry in Indonesia to be able to better know the direction of national policies so that in the future they will not be wrong in determining the company's business strategy and remain in line with government policies.

Keywords: Dynamic Capability, Pro Innovation Exploitability, Competitive Advantage, Quality Based Differentiation, Firm Performance, Government Policy, Palm Oil, Sustainability

INTRODUCTION

Palm oil products are one of Indonesia's leading commodities for plantations and the number one producer of palm oil in the world. The area of oil palm plantations in 2019, based on data from the Central Statistics Agency in 2020, is 14.7 million hectares and is the largest plantation compared to other plantation commodities, such as coconut, rubber, coffee, cocoa, tea, and tea and tobacco. Around 58% of the total plantation area among these commodities is oil palm plantations. Therefore, palm oil is the leading commodity of national plantation products, and the palm oil industry which is a strategic industry in the Indonesian economy today and in the future. In its role as one of the backbones of the economy in Indonesia, the Palm Oil industry plays a role in terms of employment, and poverty reduction, and has an important role in non-oil exports, and the most important thing is that palm oil is part of the national food and energy security, because in addition to Palm oil can be processed into downstream products such as cooking oil, oleo chemical and biodiesel oil which can replace diesel oil. The production of palm oil in the form of Crude Palm Oil (CPO) and Crude Palm Kernel Oil (CPKO), which is derivative oil after Fresh Fruit Bunches (FFB), is processed where the product shows an increase from 2015-2019. CPO production in 2019 was 47.1

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million metric tons, and CPKO was 4.6 million tons. The use of palm oil for downstream products in the country tends to increase from 2018 to 2019, due to the increasing need for the food sector, and the use of biodiesel as a fuel for transportation engines and industrial machinery is increasing due to the mandatory B30 program, namely mixing 30% biodiesel oil with diesel oil, where previously only 20%. Therefore, palm oil as a national commodity plays a very significant role in Indonesia's trade balance in the non-oil and gas sector; wherein 2019, the role of palm oil exports in the non-oil sector was 10% based on BPS 2020 data.

However, despite being the largest palm oil-producing country in the world, this cannot be separated from various main problems in terms of declining export performance; for example, from 2017 to 2019, there was a decline in export performance from 77% to 72%. It, of course, has an impact on the decline in the number on the trade balance of the non-oil and gas sector in Indonesia from 2017 to 2019, from 13.3% (20,341 million USD) in 2017 to 10% (15,574 million USD) in 2019. Problems with the decline two main factors cause the export performance of palm oil. For example, in internal factors, the problems that occur are; first, efficiency and effectiveness in the production line are not optimal, which can cause high production costs. Second, process technology both in the upstream and downstream sectors that have not been updated. Third, is the complexity of the supply chain, from the procurement of materials to the arrival of products to consumers? Fourth, policies governing industrial governance.

Meanwhile, in terms of external factors, the problems that occur come from: first, competition for similar vegetable oils in the global competition sector (Rapeseed Oil, Soybean, Sunflower, Tanola, etc.) originating in European countries, America and Russia. Second, there are trade barriers aimed at the Indonesian government, such as accusations of anti-subsidy and anti-dumping aimed at Indonesian palm oil-based biodiesel. Third, the imposition of very high import tariffs by export destination countries reduces the rate of palm oil exports entering the destination country.

Departing from these problems, of course, synergies are needed from all stakeholders related to increasing resources and strengthening institutions to be able to encourage more competitive competitiveness. Of course, by looking at internal and external factors, pro-innovation creativity is needed, namely an innovation that digs deeper and in detail on existing resources, an innovation that can solve problems both internal and external to the company because ordinary innovation will not be able to solve problems. - Existing problems. Internal factors, with an activity that is very pro-innovation, it is hoped that efficiency and effectiveness of production can be achieved, then pro-innovation in the management of oil palm plantations also needs to be improved, because until now there are still industries in clearing land by burning forests, where Of course, with the principle of pro-innovation, it is hoped that this can be avoided. Government policies as an external factor can also moderate companies to be more pro-innovation to produce more valuable downstream products. Based on the problem of declining export performance as described previously, this research takes an approach from the Resource Advantage Theory of Competition theory

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(Hunt Shelby, 2020), where the theory of competitive resource advantage is how to manage superior resources so that they can compete in very dynamic market dynamics. . In this theory, one of them is how dynamic capabilities (Dynamic Capability) encourage an increase in company performance. Researchers see that this is very relevant to the object of research which is experiencing a decline in company performance in the field of palm oil exports; the next reason the palm oil industry is experiencing very tight competition with other vegetable oil industries, on the one hand, domestic challenges also greatly affect it.

Each company's dynamic capabilities are expected to take advantage of the value of existing resources within the company to exploit existing opportunities by carrying out the pro-innovation concept, namely an innovation that can break through current problems to improve the company's performance. These innovations can be applied in product development, technology and supply chain systems where from raw materials to products to final consumers can be received on time. Furthermore, production efficiency and effectiveness are needed to have the superior value that can compete in the market. Several studies related to how dynamic capabilities can affect company performance directly or indirectly, such as: The role of dynamic capabilities in mediating the dynamic influence of the environment and managerial capabilities on company performance in small and medium-sized companies (Permana, Laksamana et al. 2020), new product development and sustainable performance a role of dynamic capabilities and intra-national environmental forces (Liu, et al. 2020), dynamic capabilities and performance of SMEs as a moderating effect of market orientation (Hernández-Linares, Kellermanns et al. 2020), the relationship between dynamic capabilities and firm performance which is influenced by exploitation and exploration capabilities (Zhan and Chen 2010), agility in managing dynamic capabilities to overcome the dilemma of innovators (O'Reilly and Tushman 2008), dynamic environment on company performance (Chan, et al. 2016, Corral de Zubielqui and Jones 2020), technological change (Chan, et al. 2016), Dynamic Capabilities and Diversification (Sik, 2013) and Dynamic Capabilities for company innovation (Bayighomog et al. 2018).

Dynamic capability is a strategy to manage existing resources to improve company performance. The better the dynamic capability of a company, the better the company's performance, but studies show inclusive findings; this is a research gap to re-confirm the influence of dynamic capabilities on company performance. The study shows that the positive impact of the dynamic capability strength will be positively correlated with organizational performance (Peng, Zhang et al., 2019); the study concludes that the company's dynamic capability has a positive and significant relationship with company performance, and the dynamic capability strength has a negative correlation with organizational tension. Significantly (Peng, et al., 2019), the effect of dynamic capabilities on the performance of small and medium enterprises is moderated by market orientation (Hernández et al., 2020); this study shows that there is a positive relationship rather than dynamic capabilities on firm performance mediated by innovation (Saenchaiyathon and Liengjindathaworn 2019). Other studies show that dynamic capabilities have no direct effect on organizational performance (Takahashi et al. 2017), enhance store performance, and knowledge resources and learning mechanisms positively affect dynamic capabilities (Chien

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and Tsai 2012). Another study shows that there is no significant effect of dynamic capabilities on company performance (Mustikaningsihet al. 2019), from the four dimensions of dynamic capability variables, namely, Sensing Capability, Learning Capability, Integrating Capability, Coordinating Capability of these four dimensions, Sensing Capability and Coordinating Capability does not show an effect on company performance (Hernández-Linares, Kellermanns et al. 2020). According to Mustikanningsih (2019), where the influence of dynamic capabilities on company performance is insignificant, which contradicts one of the studies from Shih-Yi (2012), which shows that the effect of dynamic capabilities on company performance is significant. Therefore, as a novelty in this study, the pro-innovation opportunity exploitation variable is a new variable in this study.

Exploiting pro-innovation opportunities is one of the company's strategies in exploiting existing market opportunities with pro-innovation of existing resources. This variable was developed from the Resourced Advantage Theory of Competition (Hunt and Morgan 1996, Hunt Shelby 2001, Hunt and Madhavaram 2019) which is related to strategic capabilities (Nguyen, Yu et al. 2015). Previous research has revealed a positive and significant relationship between strategic planning and the performance of small and medium-sized companies and how the influence of strategic capabilities can positively improve brand innovation performance (Donkor, Donkor et al. 2018). Zhan & Chen (2010) research also reveals that when firms operate in a more autonomous organizational environment, exploratory capabilities will become stronger concerning firm performance, and when operating in a more autonomous organizational environment, exploitation capabilities will become stronger concerning organizational performance with company performance (Zhan and Chen 2010). Furthermore, dexterity in exploration and exploitation capabilities affects firm performance (Sahi, Gupta et al. 2020), further how exploitation opportunities affect firm performance (Kuckertz, Kollmann et al. 2017).

Research related to strategic orientation, which includes market orientation and technology orientation, has a positive relationship to new product performance (Liu and Chen 2015), then what has been observed and criticized by many authors, innovation has become a form of global competition and industry self-promotion, promising new technologies. Which will better serve society at large, but the consideration of failure has been effectively prevented by the pro-innovation bias (Nguyen 2018); this forms the basis of a synthesis of a new variable, namely the exploitation of pro-innovation opportunities. Another variable that builds the model is competitiveness; better utilization of capabilities will certainly increase the company's competitiveness; this is very relevant to the palm oil industry, which has high competition with similar vegetable oils such as rapeseed, sunflower, and others sourced from the palm oil industry. From outside countries such as Europe and America, this is also following previous research which revealed that the effect of dynamic capabilities to increase company competitiveness is significant (Li & Liu 2014), and better competitiveness will improve company performance (Wong 2012). Another variable that builds the research model is quality-based differentiation; the reason the researcher includes this variable is that when the dynamic capabilities of palm oil companies are getting better, creativity in producing palm oil products that are more valuable and different will certainly increase and

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in the end will increase performance (Iyer, Davari et al. 2019). This model is also refined by the addition of government policies that moderate the company's performance and the dependent variable, namely company performance (Donkor, Donkor et al., 2018, Zhang, Wu et al., 2018, Abeysekara, Wang et al., 2019, Mariyono, Kumar, Singh et al. 2020) this is also following one of the factors that affect the company's performance in the RAToC theory (Shelby, 1996; Fred, 2013), this is because the palm oil industry cannot be separated from all policies in the form of government regulations both upstream sector (oil palm plantations) and downstream sector (palm industry) which will affect the company's performance.

Therefore, objectively the focus of this study is how to analyze, and describe the efforts and steps for implementing dynamic capability management as an intangible resource to improve company performance through competitiveness variables; exploiting pro-innovation and quality-based differentiation opportunities as mediation, and moderated by government policies that can accelerate the influence of dynamic capabilities on the company's performance. To answer the objectives and focus of this study, testing with direct and indirect relationships between variables using a quantitative approach to the structural equation method is the step we take. So that the results of this study are expected to contribute managerially to practitioners, especially in the palm oil industry and can also contribute to science in the field of strategic management.

LITERATURE REVIEW

Every organization or company aims to improve organizational performance financially and non-financially. To obtain the intended purpose, the company must be able to manage its internal resources well. The management of the company's organization must be able to see whether the resources owned have a competitive advantage, be able to identify whether competitors also own the resources owned by the company's organization, even if the resources owned are easily imitated by competitors, and the most important thing is that the company's organization can exploit resources which are owned. It follows what Barney (1991) said regarding company resources that must be valuable and competitive, not easily imitated, and organizations can exploit them (Barney 1991). RAToC theory reveals that intangible resources include organizational learning, interpersonal relations; entrepreneurial skills and capabilities; culture; brands, and so on (Hughes and Morgan 2007). The implication of heterogeneous and immobile intangible resources is the potential to create value and achieve a competitive advantage over the company to be called a superior strategy. In terms of obtaining sustainable profits, companies must be able to manage and utilize resources that are difficult to imitate or obtain by competitors; furthermore, according to the theory of resource advantage, companies that have a comparative advantage in organizational resources will occupy a superior market position and, to achieve superior performance finance.

Dynamic capability is all the company's expertise in managing its internal and external resources to create value in winning the competition in a dynamic and fast-paced environment (Teece, Pisano et al. 1997; Sik Cho 2013). Designing a business requires an

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iterative process; ultimately, adjustments are often required. Therefore, it is necessary to realize business model innovation in adapting business conditions to the business environment; in this case, a company's dynamic capabilities become the expected resources (Randhawa, Wilden et al., 2020). There are four main dimensions of dynamic capabilities: Sensing, Learning, Integrating, and Coordinating (Pavlou and El Sawy 2011, Darawong 2018). Sensing capability is an organizational capability to analyze and evaluate market conditions, consumer demand trends and competitor conditions that are changing very dynamically and rapidly; the company must anticipate this by reconfiguring processes or resources to get superior competition. Teece, Pisano et al. 1997). Learning Capability is a skill in understanding new processes and technology and being able to adapt and have the skills to change existing processes for the better (Teece, Pisano et al. 1997). Finally, integrating capability is combining individual knowledge within the team to create a new operational capability for the team unit, and any integration between the operational unit teams will result in superior organizational performance (Pavlou and El Sawy 2011).

Coordinating capability is the ability to harmonize work rhythms between individuals and distribute tasks, resources, and activities in terms of operational units (Pavlou and El Sawy 2011). Dynamic capabilities will increase the company's output because the company makes operational changes efficiently and effectively to respond to market changes (Lin, Sheng et al., 2020). For example, companies can make operational changes, including production technology, by carrying out engineering to get higher quality products (Peng, Zhang et al., 2019), and can also develop human resources to enrich the knowledge of their workforce. Companies can also reconfigure their organizational structure so that the company's organization is more agile. Another dynamic capability of the company is how the company can explore existing market opportunities so that what should be a threat to the company becomes an opportunity for the company's business development through the company's innovations (Saenchaiyathon and Liengjindathaworn 2019). In the research of Correia et al., (2020), which is the main reference in this study, it reveals 3 (three) dimensions in measuring the dynamic capabilities of a company, including: First, the company's strategic capabilities, namely, the company can quickly see new business opportunities or possible threats, Companies with employees leadership who have entrepreneurial characteristics and companies that can combine employee knowledge with the company's vision. Second, Research and Development Capability, namely, the Company must have the ability to evaluate its strengths and weaknesses so that it can improve it, the Company can know the direction and time for product and business development, and the Company has the flexibility to adapt to develop new products or technologies. Third, Organizational Management Capability: The Company must be flexible to understand and meet customers' specific needs, and be flexible in communicating and coordinating effectively between departments and coordinating with consumers or the community to meet appropriate needs.

H1: Dynamic capabilities have a positive and significant effect on improving company performance.

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Exploiting pro-innovation opportunities is a company strategy in exploiting existing market opportunities with pro-innovation of its resources to improve company performance. This variable was developed based on the RAToC theory (Wang, Capon et al. 2018, Hunt and Madhavaram 2019, Hunt 2020, Varadarajan 2020); companies must be able to utilize their internal resources to win against superior competition. Every dynamic company, in the face of dynamic environmental changes, must also, of course, be able to take advantage of or exploit all the opportunities that exist by utilizing its internal resources with a pro-innovation model (Lee, Woo et al. 2017), this will certainly be a unique differentiation from the company in managing the company both in terms of human resources, technology, processes and logistics management. In RAToC theory, the strategic capability is an intangible resource that can be used to improve company performance (Nguyen, Yu et al., 2015). Several studies show that there is a positive and significant relationship between strategic planning and the performance of small and medium-sized companies (Donkor, Donkor et al., 2018), and the influence of strategic capabilities that can positively improve brand innovation performance (Nguyen et al., 2015). With good strategic capabilities, internal resource exploration capabilities will be stronger in improving company performance in dynamic environmental conditions (Zhan and Chen 2010). When a company operates in a more autonomous organizational environment, in addition to exploration capabilities, namely digging deeper into internal resources, another important thing is the capability to exploit existing resources to become more valuable so that it directly improves company performance (Zhan & Chen, 2003). 2010).

The results of previous studies related to dynamic capabilities on company performance, which became the basis of this study, were results showing that dynamic capabilities had a positive and significant effect on company performance (Lechner and Dowling 2003, Hamza 2009, Chien and Tsai 2012, Yoshikuni and Albertin 2017, Cao Duan et al. 2019, Peng, Zhang et al. 2019). In this research, Peng (2019) defines dynamic capabilities into two dimensions, namely exploration capabilities and exploitable capabilities. The study results show that when a company utilizes limited internal resources by exploring and exploiting more deeply, existing weaknesses are found to be covered so that they can face a rapidly changing business and ultimately improve the company's performance. Furthermore, Chien's (2012) research proves how dynamic capabilities positively and significantly affect store performance (Chien and Tsai, 2012).

The results of other studies show that there is no relationship or influence of dynamic capabilities on company performance. For example, the results of Takasahi's research (2017) show that there is no direct relationship between dynamic capabilities and company performance, but dynamic capabilities will have a positive and significant relationship when mediated by marketing capabilities. Hernandez (2020), said in his empirical study that of the four dimensions of dynamic capability, only two dimensions did not affect the company's performance, namely the sensing dimension and coordination between teams. Mustikaningsih (2019), in his empirical study, also shows that dynamic capabilities have no significant effect on company performance. Further research that forms the basis for further research is research related to the influence or relationship of dynamic capabilities on competitiveness

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(Li and Liu 2014, Yang, Zhang et al. 2015; Mohamad and Zin 2019, Sánchez-Gutiérrez, et al. 2019). Sanchez (2019) states that when management capabilities (Management capabilities) align with increased marketing and innovation, there will be a higher level of competitiveness. Furthermore, (Mohamad and Zin 2019) states that when management knowledge as part of resources gets better, it will better affect the company's competitiveness.

H2: Increasing dynamic capabilities will increase the company's competitiveness.

H8: Increasing competitiveness will improve company performance.

According to the theory of competitive resource advantage, capabilities and competencies are intangible, one of which is the firm's capacity to distribute resources profitably through a product-market strategy (Shelby 2001). Manufacturing capability as one of the company's resources can create a manufacturing strategy that will encourage or influence manufacturing outcomes in producing quality and unique products and having a different image from competitors (Swink and Hegarty 1998). Sink (1998) says that product innovation differentiation is more successful if the manufacturing strategy emphasizes process innovation, control, and understanding. The company's strategy in implementing a good Proactive Market Orientation has a positive and significant influence on the quality of differentiation-based products (Iyer, Davari et al., 2019). Previous research has shown that quality-based differentiation influences and affects competitiveness (Choon et al. 2000, Lin, et al. 2016). In his research, Choon (2000) suggests that North American companies in the past responded to the entry of foreign-made products by emphasizing the need for better product quality. The results show that innovation and effective product development are crucial in responding to global competition. The results of other studies show the weak quality of products produced by manufacturing companies in Malaysia, causing the competitiveness of companies in that country (Devadason 2011).

Several previous studies have shown that the company's capability to use a quality-based differentiation strategy has a relationship or influence on company performance. The results of previous studies on quality-based differentiation mediate the relationship between proactive market orientation and brand performance in a positive and significant way (Iyer, Davari et al., 2019). In the service industry, unique quality is something that has a selling value so that it increases the level of consumer satisfaction with the value of the services provided. In general, research that shows a manager's perception of good quality does not significantly affect company profitability; in this case, the research was tested in the hotel industry analysis unit (Kukanja and Planinc 2018). Previous studies such on the effect of dynamic capabilities on a company's innovation (Nguyen, Yu et al. 2015, Darawong 2018, Nguyen 2018, Wang, Chen et al. 2019, Zhou and Cao 2019, Oduro 2020), the effect of good strategic planning on performance companies (Liu and Chen 2015, Donkor, Donkor et al. 2018, Varadarajan 2020). Research related to how exploration and exploitation capabilities of owned resources affect company performance (Zhan and Chen 2010, Kuckertz, et al. 2017, Wendra, et al. 2019, Sahi, Gupta et al. 2020). Company innovations that are pro-sustainable in nature will affect the company's performance (Xie, et al. 2019, Hiong, et al. 2020; Maldonado et al 2020). The company's capability to implement a strategy to exploit pro-

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innovation opportunities will be able to increase the company's creativity in producing quality products by utilizing available resources, including technology, science and strategies that are different from competitors in the market, so this will certainly increase the power of the company. superior competitiveness and ultimately improve company performance (Devadason 2011: Coffie 2016; Madhani 2016; Rodríguez et al. 2017; Mohamad and Mat Zin 2019, Sánchez-Gutiérrez, Cabanelas et al. 2019, Tarraço, Bernardes et al. 2019). Based on Oduro (2020), there are limited resources. Science is not an obstacle to the company's open innovation, but obstacles in carrying out the company's strategy will have a negative influence on the company's innovation. On the other hand, research to Novianto (2018), where in his research, resource managers have a significant influence on the successful implementation of renewable energy by being moderated by Government policies related to renewable energy.

H3: Increasing dynamic capabilities will increase the exploitation of pro-innovation opportunities.

H5: The more pro-innovation opportunities are exploited, the more competitive the company will be.

H9: Increasing Quality Based Differentiation will increase Competitive Advantage

H6: The more pro-innovation opportunities are exploited, the higher the company's performance

H7: The more pro-innovation opportunities are exploited, the more quality-based differentiation will be.

H12: Increasing Dynamic Capability mediated by Pro Innovation Opportunity Exploitability significantly improves firm performance.

The conceptual model in this study is to describe the relationship between variables originating from the basic theoretical as presented in the previous section. Dynamic capabilities as an intangible resource of a company organization, especially in unit analysis research, namely in the palm oil industry, will be able to encourage the creation of a superior competitiveness both at the domestic and export levels. Companies that can increase dynamic capabilities will also improve strategies for exploiting pro-innovation opportunities, where when exploiting good pro-innovation opportunities will certainly increase the company's competitiveness and creativity in creating a product or service with superior quality-based differentiation from competitors. Dynamic capabilities will also encourage creativity in creating products with different qualities and uniqueness from competitors, such as the specific specifications of palm oil products. The distinctive quality-based differentiation of the palm oil industry will also encourage the company's competitiveness. In the end, this model presents a study where dynamic capabilities that encourage exploitation of pro-innovation opportunities and competitiveness and produce different quality-based products will improve the company's financial and non-financial. Although the company has dynamic

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and pro-innovation capabilities in the palm oil industry, in practice, this industry cannot be separated from the policies or the government that regulates it.

H4: Increasing dynamic capabilities will increase quality-based differentiation.

H10: Increasing Quality Based Differentiation will increase Firm Performance

H11: Increasing Dynamic Capability mediated by Competitive Advantage will have a significant effect on improving firm performance.

H13: Increasing Dynamic Capability mediated by Quality Based Differentiation will significantly improve firm performance.

H14: Moderation of the Government Policy variable by involving the Dynamic Capability variable significantly affects company performance.

METHODS

The sample in this study is part of the population of the palm oil industry, where each company represents one sample. Respondents in this study were at least Assistant Managers, Managers and Directors from the strategic management, commercial/ (trading), corporate affairs, sustainability, production, and operational departments, or directors or managers who were relevant to this study representing one company. Where N is the total population, which is 289 oil palm companies obtained through the data set registered with related associations and data from the Oil Palm Plantation Fund Management Agency (BPDPKS) of the Ministry of Finance of the Republic of Indonesia in 2019-2020 which is 289. This study consists of several dependent, independent, mediating, and moderating variables. The reliability test is concerned with consistency in a certain time interval. Therefore, reliable instruments will be able to measure repeatedly but still produce the same data (consistent). Testing the reliability of the question items used is the Alpha Cronbach method with an acceptable cut of point with a value of 0.6 (Sekaran, 2013). In terms of validity and reliability testing, researchers used 30 respondents representing 30 companies that were the sample of this study based on random selection. Submission of the research instrument in the form of a questionnaire was submitted through a questionnaire form on google form and then submitted via email and Whatsapp. Based on the results of the validity and reliability tests of the instrument, it shows that all research variables are valid because the correlation coefficient value of all items or statement items is greater than 0.3 and all research variables have a Cronbach Alpha value greater than 0.6, meaning that it can be concluded that all statement items can be trusted for their reliability. Therefore, it can be concluded that all statement items are valid and reliable and can be used to measure each indicator and its dimensions in further analysis of the research model.

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RESULTS AND DISCUSSION

Some of the procedures carried out in this study are; in the first procedure, after the data is collected, the data is inputted using Microsoft Excel; the second procedure is to group the frequency distribution of respondents' answers to measure the total score and average value of respondents' answers using SPSS. The third procedure is to check the data outliers using SPSS by looking at the data distribution; if a Z-score value is found between +2.98 and -2.98, the data will be removed from the data set. The results of the outlier testing of this study did not show an extreme Z-Score value, so it can be concluded that there are no outliers in our data. After checking the outlier data, then entering the fourth procedure, namely normality testing, after we checked for normality using the Kolmogorov-Smirnov method, we found that the results of the data test were not normally distributed; Therefore, we used an analytical test tool using Smartpls as a statistical test tool that is specifically used to test the causality of non-parametric data variables. The next fifth procedure is statistical data analysis which consists of several stages such as: determining the standard deviation value, the average value of the distribution of respondents' answers, and loading factor > 0.60 (Fornell & Larcker, 1981; Sarstedt et al., 2014); inner-model testing with assessment criteria > 0.60 (i.e., Cronbach alpha, composite reliability and AVE) (Chin, 1998).

The locations of the companies included in this study are 54% on the island of Sumatra, and 27% in Kalimantan, Sulawesi & Papua. Furthermore, the palm oil industry category, which includes food grade, namely oil palm plantations that have palm oil mills as CPO producers, is around 66% and produces cooking oil and its derivatives at 23%. The oleo chemical-based industry category is 3%, namely industries that produce cosmetic and chemical products; for the biodiesel, industry category is around 6%, which produces environmentally friendly diesel fuel. Overall, this industry in terms of employment of fewer than 500 people is around 65 companies or 38%, and employment between 501-1000 people is 62 companies or 36%, and absorption of more than 1000 people is around 46 companies or 27%. In this study, the respondents were the Director/General Manager, Ast. Manager and Senior Assistant Manager, Manager and Senior Manager, and others relevant to this research. The results showed that of the 173 respondents representing each company in the palm oil industry, 84% were male, and 16% were female who had a career in the palm oil industry.

Respondents have the most age between 30-50 years, namely 79%, under 30 years 5% and the rest over the age of 50 years by 16%. Respondents' work experience that exceeds 10 years of service in the palm oil industry is 64%, and work experience is between 5 to 5 years. 10 years, 27%, and the work experience of respondents under 5 years is around 9%, which shows that the selected respondents are following this study. The positions or positions of the respondents who are company representatives in this study are managers and senior managers, having a share of 59% in the study, Director and General Managers are around 20%, and middle management consists of assistant managers and senior assistant managers around 19 %, the rest are administrators of association organizations such as the daily chairman of APROBI, the general chairman of APOLIN, and also the deputy general chairman of GAPKI, this is certainly enriching in exploring the development of the palm oil

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industry in Indonesia. Respondents in this study worked in the Trading/Marketing and Commercial section as much as 40%, the Production/Operational Management/Supply Chain/Sustainability section at 28%, the strategic management section of the company at 16%, and the Corporate Affair/Corporate Communication section, and others were purchasing, organizational management and others relevant in this study about 6%.

The results of respondents' answers to the company's Dynamic Capability, which consists of 3 (three) dimensions, namely Organizational Strategy Capability, which consists of 3 (three) indicators, Research and Development Capability, which consists of 3 (three) indicators, and Organizational Management Capability which also consists of 3 (three) indicators as the third stage of testing, and the presentation of the statistical data loading factor as the fifth stage of the test, it is stated that the model fit and quality indicators for Average path coefficient (APC) = 0.298, $p < 0.001$; Average R-squared (ARS) = 0.492, $p < 0.01$. Average adjusted R-Squared (AARS) = 0.483, $p < 0.01$. Average block VIF (AVIF) = 2,385 and is ideal because it is smaller than 3.3, and Average full collinearity VIF (AFVIF) = 1,968. Therefore it can be concluded that the research model is a very good fit model because it meets the criteria for the goodness of fit structural model.

The test results based on Figure 2 show that the results of 10 (ten) direct influence paths between the variables tested are significant with a significance value of P 0.05, namely: (1) dynamic capability variable has a significant effect on company performance; (2) the dynamic capability variable has a significant effect on competitiveness; (3) the dynamic capability variable has a significant effect on exploiting pro-innovation opportunities; (4) the dynamic capability variable has a significant effect on quality-based differentiation; (5) the variable of exploiting pro-innovation opportunities has a significant effect on competitiveness; (6) the pro-innovation opportunity exploitation variable has a significant effect on quality-based differentiation; (7) the quality-based differentiation variable has a significant effect on competitiveness; (8) the competitiveness variable has a significant effect on the company's performance; (9) the variable of exploiting pro-innovation opportunities has a significant effect on company performance; (10) the quality-based differentiation variable has a significant effect on company performance. At the same time, the demonstration of the indirect effect of dynamic capability (KaDi) on firm performance (KiPe) through competitiveness (DaSa) is positive and significant, which can be seen from the coefficient value from KaDi to DaSa of 0.25 with a P-value <0.01 and a coefficient value of 0.25. from DaSa to KiPe 0.38 with P-Value <0.01, i.e., the two P-Value values of the relationship do not exceed the alpha value (α) = 0.05. It is also supported based on the processing of WarpPls 7.0; the results of the coefficient on the effect of the mediation also show a value of 0.261, and the P-value of an indirect relationship is P-Value < 0.001.

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Table 1. Path Coefficient Test Results

Hypothesis	Path Analysis	Coeff.	P-Value	Description
H1	Dynamic Capability → Firm Performance	0.20	< 0.01	Support
H2	Dynamic Capability → Competitive Advantage	0.25	< 0.01	Support
H3	Dynamic Capability → Pro Innovation Opportunity Exploitability	0.70	< 0.01	Support
H4	Dynamic Capability → Quality Based Differentiation	0.35	< 0.01	Support
H5	Pro Innovation Opportunity Exploitability → Competitive Advantage	0.32	< 0.01	Support
H6	Pro Innovation Opportunity Exploitability → Firm Performance	0.15	0.02	Support
H7	Pro Innovation Opportunity Exploitability → Quality Based Differentiation	0.44	< 0.01	Support
H8	Competitive Advantage → Firm Performance	0.38	< 0.01	Support
H9	Quality Based Differentiation → Competitive Advantage	0.19	< 0.01	Support
H10	Quality Based Differentiation → Firm Performance	0.17	< 0.01	Support
H11	Dynamic Capability → Competitive Advantage → Firm Performance	0.25	< 0.01	Support
H12	Dynamic Capability → Pro Innovation Opportunity Exploitability → Firm Performance	0.26	< 0.01	Support
H13	Dynamic Capability → Quality Based Differentiation → Firm Performance	0.35	<0.01	Support
H14	Dynamic Capability → [mod] GP → Firm Performance	-0.12	< 0.049	Support

Source: Data processed (2022)

The demonstration of the relationship between direct, indirect and moderating path analysis in table 1 states that the p-value is in the category confidence level of significance <0.05, meaning that testing the independent variable on the dependent variable, which also involves intervening and moderating variables can be interpreted as having a significant effect. Therefore, all hypotheses are declared accepted; The thirteen hypotheses also mean that the involvement of the independent variable and the intervening variable has a positive impact on the dependent variable; or it can be concluded that the increasing Dynamic Capability, Pro Innovation Opportunity Exploitability, Quality Based Differentiation, there is a direct and significant increase in Competitive Advantage and Firm Performance. However, the involvement of government policy as a moderating variable between Dynamic Capability and firm performance can be interpreted as not having a real effect. It means that the impact of

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government policy in this case study can weaken the causality between dynamic capability and firm performance.

In the first dimension of dynamic capability, namely in terms of strategic organizational capabilities where almost all respondents agree with an average value of 4.29 that by increasing the strategic organization of oil palm companies, they will be able to win the global competition. Respondents agreed that companies should continuously carry out their strategies, such as capturing wide plant-based business opportunities in European countries or American countries, not focusing only on Asian countries, of course when Indonesian palm oil companies can take advantage of this and this threat can be managed into new business opportunities in Indonesia. In similar vegetable industries, almost 85% of respondents, directors, and middle management of corporate organizations see that the company's organizational strategy can be developed to see the positive side of every vegetable oil business opportunity globally. On the other hand, improving the company's organizational strategy must be strengthened by the entrepreneurial spirit of the leader or owner of the company's organization itself, so that it can synchronize and align the company's vision with employees. It is very interesting when the company leaders can explain to employees related to the company's vision in the future, such as conveying the company's expansion plans to other countries, so it is necessary to socialize and prepare human resources in that direction to capture vegetable oil business opportunities there, either directly or indirectly. It will encourage employee morale and ultimately improve the company's performance. In addition, the company needs to conduct a management review of the company's strengths and weaknesses periodically in management meetings at the lower management level (such as daily supervisor and operator meetings), middle management (meetings of managers from all department lines), and also top management meetings (Head of Business unit meetings) this needs to be done to get input from all levels related to internal problems such as defective products due to inappropriate oil quality, consumer complaints, especially from palm oil exporting countries, production technology that is no longer reliable and obsolete. , and environmental issues are also discussed in every meeting. It needs to be done so that the company as a whole can see the company's internal constraints or weaknesses. Every input from all members of the company's organization becomes an input for the company to address the company's weaknesses, but on the other hand, the company must honestly be able to explain the company's advantages and the company's performance that has been achieved periodically. It needs to be done to encourage employee morale to work more.

The long-term goal of that is to create innovation for companies; besides producing palm oil products, they can also process product innovations into biodiesel oil, bio avtur oil or HVO (Hydrogenation Vegetable oil) as a fuel substitute. The development of this new product is, of course, produced following consumer desires or needs, so it is necessary to conduct global market research to answer this need. In the end, there are times when every new product development certainly requires the addition of new technology and upgrading of new technology to produce a perfect process to produce the new product. Ability to improve the capability of a good organizational strategy will also encourage building a good supply chain system to ensure the availability of products on an ongoing basis. The findings of our study

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also indicate that when the dimensions of the company's organizational strategic capabilities are increased, there will be an increase in the dimensions of exploiting pro-innovation opportunities, namely the dimensions of building new business models. It shows that when companies get new business opportunities or global business threats in the vegetable oil industry and can manage them into a business opportunity for palm oil companies; this will encourage the company's creativity to design a new company business model, namely a new and innovative business design that different from similar vegetable companies.

Furthermore, with the increase in the dynamic capabilities of the company, it will certainly encourage an increase in the configuration dimensions of the business prospects of palm oil companies, such as a scheme on how a palm oil company business entity can re-evaluate its business to answer existing vegetable oil business opportunities. Managerially, our study respondents also agreed to reconfigure the business to respond to consumer needs for previous consumer dissatisfaction in foreign markets. Furthermore, respondents also agreed that increasing the company's strategic capabilities will encourage cooperation with consumers by building a business cooperation platform as the third dimension of exploiting sustainable pro-innovation opportunities to answer consumer needs in countries such as Europe and America. In the form of process technology collaboration, the goal is to provide benefits and sustainable co-creation.

This dynamic capability improvement will also encourage companies to develop quality control procedures for raw materials, production processes and final products very well. Increasing dynamic capabilities will also encourage the application of new technologies to produce quality products that exceed consumer expectations. Increasing dynamic capabilities, especially in the dimensions of research capabilities and new product development, requires companies to improve further the expertise and skills of members of the company's organization to align with the resulting innovative products. The ability of a good corporate organizational strategy capability, such as in terms of how to capture new business opportunities in both local and global markets, as well as being able to map changes in market behavior which in the end requires a re-evaluation of the company's resource capabilities so that it is better, it will be able to produce a products that are right on target and meet market needs. It needs to be done so that no waste is otherwise detrimental to the company because the products produced, although new, do not answer the needs of consumers.

The last dimension that is very important according to the respondents who can improve the dynamic capabilities of the company and ultimately increase the company's performance is the company's organizational management capability, which is almost 90% with a value of 4.29 respondents agree that the better able to manage company organizational management will improve company performance. Companies must be flexible when getting input from internal customers, namely from line departments within each company organization and most importantly, also very flexible in receiving input from feedback from customers on the products they receive, meaning that they do not maintain that the palm oil products produced are already the best, so that there is always room for development. The management of the

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company's organization must also be very routine and scheduled to interact directly with company employees to find out the condition of workers so that the company can respond to any existing work problems. Apart from that, increased interaction with communities around the company also greatly affects the company's performance. For this reason, companies must be able to prepare social and environmental programs in the form of educational support such as scholarship programs, environmental conservation programs, health and so on, as evidence of the company's concern for the surrounding community. Furthermore, the most important thing is to interact with consumers directly through the provision of scientific discussion forums internationally by inviting consumers to become a place to promote Indonesian palm oil, and also how to promote in the global community of leaders to campaign for palm oil.

The findings of our study also found that there were 12% of respondents in giving a neutral response, and 1% disagreed with the statement in this study, because, according to them, there are still many companies in improving their capabilities not in a good way so that it actually reduces the performance of the company itself. As for some examples that they think are a problem are corporate governance when opening new land for oil palm plantations in a way that is not environmentally friendly, so this has become the spotlight of foreign media. It supports the research of Zhan & Chen, 2010 which says that when a company has better strategic capabilities, the exploration capability of internal resources will be stronger in improving company performance in dynamic environmental conditions. Furthermore, Zhan & Chen said that the capability to exploit better resources would directly improve the company's performance (Zhan & Chen, 2010). Furthermore, the results of this study also strengthen support for the strength of dynamic capabilities to be positively correlated with organizational performance (Michael Yao-Ping Peng, Zhaohua Zhang, Hsin-Yi Yen 3, and Shu-Mi Yang, 2019; Shih-Yi Chien, Ching-Han Tsai, 2012). Research also proves that research that states that dynamic capabilities do not have a significant effect on company performance (Dewi Mustikaningsih, et al., 2019) are refuted by the results of this study, especially in the palm oil industry, it is very necessary to increase the company's dynamic capabilities internally and externally. To encourage increased company performance. In addition, this study supports previous research which revealed that increasing dynamic capabilities would improve company performance (Li & Liu, 2014; Mohamad & Mat Zin, 2019; Sánchez-Gutiérrez et al., 2019; Yang et al., 2015). Yang (2015) revealed that strategic flexibility has a positive and significant impact on increasing the competitiveness of the company and furthermore, According to Sanchez (2019), when management capability (Management Capability) is in line with increased marketing and innovation, there will be a higher level of competitiveness.

The results of this study also indicate that an increase in the dimensions of the business model, which includes the design of a new business that produces palm oil that is different and distinctive from other vegetable oils, will increase the company's competitiveness. With the dimensions of this business model, it will win the global vegetable oil competition. The business model designed is to answer very specific market needs and must be built quickly to win against the existing competition. In the dimension of the configuration of business

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prospects, evaluating the weaknesses of the process so far so that they can win the competition, the findings of our study find that there are still many palm oil industries in Indonesia that still use old technology, which is very ineffective and inefficient, causing the resulting product to be a product that is not environmentally friendly where every product produced has production waste that pollutes the environment. It needs to be evaluated according to respondents so that outside parties who are consumers of palm oil can see that the governance of the palm oil industry is environmentally friendly. Respondents also agreed that building a business platform with consumers is very necessary as a medium for informing palm oil products that are superior to other oils, so the involvement of the dimension of Exploiting Pro-Innovation Opportunities can play an active role in improving Company Performance.

The results of this study support previous research which revealed a relationship between exploiting pro-innovation opportunities and increasing company competitiveness (Łącka, 2015; Sekuloska, 2015; Gupta et al., 2016; Husain et al., 2016; Mohamad & Mat Zin, 2019; Sánchez- Gutiérrez et al., 2019; Tariq et al., 2019; Xie et al., 2019; Oduro, 2020). Research results from Sanchez (2019) show that innovation in terms of marketing (Marketing Innovation) has a positive and significant effect on increasing the competitiveness of the company as well as Mohamad's (2019) statement which also proves in his empirical study that innovation will increase the competitiveness of the company. It is in line with the results of this study where the better exploitation of pro-innovation opportunities will directly and significantly increase the company's competitiveness, for that the company must be able to explore existing business opportunities more deeply so that they can win the global competition in the palm oil industry. Able to formulate a business in detail to answer existing business opportunities and transform new business models, or existing business configurations to each line of the production department, it is necessary to develop human resources in line with company goals. The results of our research also show that increasing the competitiveness of the company will improve the company's performance. It means that when the company wins the global competition in the vegetable oil industry, it will increase the effectiveness and efficiency of the company, which in turn increases its profits. Therefore, palm oil companies in Indonesia need to increase their ability to analyze changes in market behavior and market needs in detail, this is of course, by involving the strength of the company network in the country where consumers are located, because the main strengths in the innovation aspect are opportunity and speed. See market needs. The results of this study support previous research, which has revealed that better competitiveness will increase company performance (Wong, 2012; Lam, 2012; Kasımoğlu et al., 2016; Ussahawanitchakit, 2017). Ussahawanitchakit (2017), in his research, reveals that better business competitiveness will increase the company's success; this is reinforced by this research where the increasing competitiveness of the palm oil industry will improve company performance.

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CONCLUSION

Theoretically, the results of this study reinforce our understanding of the RAToC (Resources Advantage Theory of Competition) theory proposed by Shelby, 2001 that companies can manage the expertise and skills of each worker and combine them at a certain level to produce products that have a comparative advantage. Furthermore, Shelby said the implication of heterogeneous and immobile intangible resources is the potential to create value and achieve a competitive advantage over the company to be called a superior strategy. It is in line with the results of this study that when the dynamic capabilities of the palm oil industry are further enhanced, it will improve the company's performance both directly and indirectly, namely through increasing company competitiveness, and exploiting pro-innovation opportunities, and quality-based differentiation. Apart from that, the results of this study also further strengthen previous research, which proves that dynamic capabilities are all the company's expertise in managing internal and external resources owned to create value in winning the competition in a dynamic and fast environment. Furthermore, in this dynamic capability research, it has been revealed that when the company has better organizational strategic capabilities, its ability to research and develop palm oil products improves. Therefore, managing organizational management will positively improve the company's performance directly. Also, performance can increase, of course, through increasing company competitiveness, increasing the ability to exploit the company's pro-innovation opportunities and also increasing quality-based differentiation, which will further improve company performance.

Furthermore, this research provides one of the contributions of several new research variables in existing marketing, namely the pro-innovation opportunity exploitation variable, which is a variable built from the synthesis of several previous studies (Kuckertz et al., 2017; Liu & Chen, 2015; Nguyen, 2018 ; Nguyen et al., 2015; Zhan & Chen, 2010), from the model built, the pro-innovation opportunity exploitation variable is a company strategy in exploiting existing market opportunities with pro-innovation on the resources it has to improve company performance. In this study, these variables go through the three dimensions they have, namely building a business model, configuring business prospects, and a forum for joint business creation, through the indicators, it has proven to be able to improve the company's performance directly. The variable of exploiting pro-innovation opportunities can also improve the company's performance indirectly by increasing the company's competitiveness and the ability to produce quality-based palm oil products. The most important thing in this study to answer the research objective is exploiting pro-innovation opportunities can mediate the indirect effect of dynamic capabilities on company performance. New business and how to take advantage of global threats into new business opportunities. Other dimensions such as research and development and the dimensions of the company's organizational management are also proven to influence dynamic capabilities' influence on company performance. The more dynamic the company's dynamic capabilities will increase the research and development capabilities will also increase as well as expertise in organizational management so that the company's performance will be efficient and effective. This research has also strengthened the RAToC theory, which states that there is one policy premise as a condition

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that can affect the dynamic capabilities of company performance. It is very interesting because the results of the study reveal that government policies in the palm oil industry have a negative and significant relationship with their role in moderating the influence of dynamic capabilities on company performance, meaning that the research illustrates that existing government policies actually slow down the influence of dynamic capabilities on company performance. Respondents, in this case, the managers and directors of the company, see that dynamic capabilities, which include the dimensions of organizational strategy capabilities, research and development capabilities and better organizational management, will not necessarily improve company performance if government policies do not support the industrial climate or the policies made are supportive. However, the policy managementis not following the expected vision.

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