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Impact of Industry Competitive Forces and Resources to Corporate Strategy on Indonesian State-Owned Enterprises Performance

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ABSTRACT

Objective of this study is to reveal the relationship between industry competitive forces and resources where both variables then influencing corporate strategy and its implications to corporate performance of Indonesian SOEs partially or simultaneously. The units of analysis are companies whose are incorporated in the four sectors of Indonesian SOEs with the total number of 140 companies and sample units are 50 companies. Primery data gathered by questionaires and indepth interviews to SOEs directors and functional managers. Quantitative data analyzed by PLS model 2.0 version (Partial Least Square). The finding shows that industry competitive forces and resources are correlated, and partially or simultaneously effecting corporate strategy where corporate strategy influencing corporate performance significantly. Finding model shows that the influence of resources and industry competitive forces directly to corporate performance is smaller compare if it is indirect through corporate strategy. Therefore, direct influence model better not to be used.

Keywords: Industry Competitive Forces, Resources, Corporate Strategy, Corporate Performance

INTRODUCTION

The existence of state-owned companies is very strategic, not only to the industry within, but also to the state, where the profit generated is also as the income to the state. Income from SOEs could be used to fund many infrastructures and government projects. As organ of the state to manifesting an Indonesian prosperous and righteous society, the Indonesian government concerned and obliged to boost the performance of SOEs. However, eventhough

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government roles in Indonesian SOEs are significant, problems in SOEs management are still relatively numerous. The SOEs' performance report in year 2009 – 2011 shows a declining trend, especially at the corporate value (ROA and ROE). If we see from the nominal of profit, SOEs' corporate profit in year 2009 was Rp 45,115 trillion, then becoming Rp 49,95 trillion in year 2010. In year 2011, the corporate profit is becoming Rp 69,36 trillion. The profit was increasing each year. But on the other hand, there is a challenge in how to increase the corporate value, that is shown by Return of Assets (ROA) and Return of Equity (ROE), because between year 2009 – 2011, they are declining each year.

From the performance variable, Many of SOEs are not healthy. Total numbers of Indonesian SOEs were 140 corporations. In year 2010, there were 76 SOEs healthy and 9 SOEs experienced losses. The rest did not submit their financial reports. In year 2011, there were 73 SOEs healthy and 18 SOEs losses. The rest did not submit their financial reports (SOEs Reports 2011 – 2012). "A State Owned Enterprise is said healthy based on operational performance, financial performance and administrative performance." (Indonesian SOEs' Ministry Decree year 2002 regarding healthy criteria of a State-Owned Enterprise).

From the administrative performance, SOEs performance also not good in annual report, Corporate Work Planning and Budgeting (CWPB), Periodic Corporate Report and Nurturing Small and Medium Businesses. This can be seen in book year 2011 where not all SOE has completed their auditing process. In accordance with the law, audit report should be submitted in the month of Mei at the following year, so CWPB of SOE in year 2012 was using estimated figures. It was predicted that the SOEs performance was caused by inaccurate strategy implemented. This is in line with Capron *et al*. (2007), which stated that "corporate strategy such as diversification effected the corporate performance." Su dan Vo (2010) said that "corporate strategy and financial structure could improve corporate performance.

The inaccurate strategy implemented by the Indonesian SOEs was indicated by several attempts to ameliorate faint SOEs. Until the first semester of year 2011, there were 15 SOEs in restructuring and revitalization process, either at due diligence stages, proposed scheme, agreement and approval of the scheme or implementation and monitoring stages. In addition to restructuring through Asset Management Companies (AMC), the Ministry of SOEs undertook capital restructuring with the National budget, funding from GATHNBAS (Government Assistance That Has Not Been Assigned Status) and loan from the IFA / SLA (Investment Fund Accound / Sub Loan Agreement) to becoming SCP (State capital Participation). However, the corporate strategy implemented by the Indonesian SOEs did not accurate, even though government support was increasing. Preliminary observation seems to show some trends that suboptimal corporate performance and inaccurate corporate strategy because of Management capability to examine carefully and to adapt industry competitive forces. This can be indicated by (1) many business opportunities which apparently difficult to be developed, (2) the companies cannot fulfill the market demand, (3) product and price competitiveness compare to private companies are still weak, (4) having constraint in technology update and (5) weakness in penetrating the market. This condition made SOEs often missed in reaching out potential market, both local and international.

David (2013) stated that the nature of competition in an industry can be viewed in the five forces, i.e.; threat of new entrance, threat of substitute products or services, bargaining power of customers (buyers), bargaining power of suppliers and intensity of competitive rivalry. Beside the problem to adapt industry competitive forces, it is also alleged that SOEs were not capable to perform resources quality development. This can be seen from the statement of the Ministry of State-Owned Enterprises (2011) that 37 SOEs have agreed to sign to synergize cooperation among them, where this cooperation was in the form of resources utilization of each company. Pearce dan Robinson (2013) said that based on Resource Based View (RBV), every company has its own fundamental way because each company has its unique bundle of resources, consists of tangible and intangible assets and organizational capability to utilize those assets. In principle, internal resources are input for the company to execute business process activities.

The low quality of internal resources was indicated by trend of shortcomings in the ownership of tangible assets, such suboptimal working capital that became an obstacle in the process of finishing a job order and production apparatus which relatively old. Besides that, Indonesian SOEs also facing problem with the ownership of intangible assets, especially in terms of the creation of many product brands which are not well-known at the market and not so good company reputation, and impaired organizational capability management particularly in creating a superior work culture. For the business in private sector, internal factor usually addresses the external factor, thus the correlation between the variable of industry competitive forces and the variable of resources already was reasonable. However, at the SOEs, apparently there is a tendency of the occurrence of capability gap, which mean the internal factor not always address to the changing of the external factor, which then causing capability mismatch. Therefore, the correlation between industry competitive force and resources is doubtful. Probably the correlations among those two variables tend to be small, so it is necessary to do a test in order to find out or how small is the correlation.

According to the SOEs' performance report, there are several main issues, which are; (1) low assets productivities, (2) inferior corporate values, (3) inadequate financial and capital structure, (4) principles of good corporate governance has not been implemented yet, (5) the quantity and quality of human resources were not balanced yet, and (6) lack of cooperation and synergize activities among SOEs. From the side of the leadership in business, SOEs has not been considered as a main perpetrator in business leadership. All the above can be indicated as SOEs failure in the situation analyses.

This paper is organized as follows : Section 2 reviews the literature; Section 3 lays out the methodology; Section 4 contains a discussion of the empirical findings; and Section 5 provides conclusions.

LITERATURE REVIEW

David (2013) stated *"According to Porter, the nature of competitiveness in a given industry can be viewed as a composite of five force: Rivalry among competing firm, Potential entry of new competitors, Potential development of substitutes products, bargaining power of suppliers, bargaining power of consumers*. Wheelen & Hunger (2012) made industry competitive forces concept from Porter's five forces concept plus the sixth forces, which is stakeholder forces.

Liu *et al*. (2011) took the opinion of Wernerfelt dan Kraaijenbrink *et al* (1984) who said that *"resources are defined as anything firms use to conceive or execute market strategies to improve performance"*.

Wong *et al*. (2011) proclaimed *"Internal resources can be grouped into three categories: physical resources, human resources, and organizational resources. Physical resources include all plant and equipments, location, technology, raw materials, machines. Human resources include all employees, training, experience, intelligence, knowledge, skills and abilities. Organizational resources include firm structure, planning processes, information systems, patents, trademarks, copyrights, and databases. Internal resources are more important than external resources to sustainable competitive strength and organizational performance"*.

Cater and Cater (2009) suggested *"Proposed conceptual model of the relationship among company resources, competitive advantage and performance"*. Resources analyzed includes physical resources, financial resources, human capital, structural capital and customer capital. *"The results show that a cost advantage is positively affected by financial resources and customer capital, while a differentiation advantage is positively affected by financial resources and all three components of intellectual capital. In addition, both forms of competitive advantage positively influence a company's performance"* (Cater & Cater , 2009). Their study showed that cost advantage was positively influenced by financial resources and customer capital. Differentiation advantage was positively influenced by financial resources and the three component of intellectual capital. Besides that, both competitive advantage positively influenced company's performance.

Wheelen and Hunger (2012) *"Corporate strategy is primarily about the choice of direction for a firm as a whole and the management of its business or product portfolio"*.

Caldart and Ricart (2006) said that corporate strategy dynamic framework, based on three aspects which are related one and another, they are cognition (to identify success key factors), corporate strategic initiative and architecture design. For the consideration of analysis unit in this research are corporation in Indonesian SOEs, therefore measurement of corporate performance is referring to SOEs essential criteria report, by looking at score level and SOEs predicate rating, as reported in Infobank magazine No. 402 September 2012 page 25, which explained that SOEs predicates are very good, good, good enough and not good. Based on Ministry of SOEs' decree No. Kep-100/MBU/2002 dated 4 June 2002 regarding assessment of health level of Indonesian SOEs, the health level of SOEs was stipulated based on evaluation of accounting book year, pervaded (1) dimension of financial performance dimensi kinerja keuangan; (2) dimension of operational performance; dan (3) dimension of administrative performance. With framework model Fig. 1, therefore, with the objectives of this research are:

1. To acquire the result of assessment regarding in adapting industry competitive forces, utilization of resources, corporate strategy implementation, and corporate performance of Indonesian State-Owned Enterprises.
2. To acquire the result of assessment regarding the correlation between industry competitive forces with corporate resources of Indonesian State-Owned Enterprises.
3. To acquire the result of assessment regarding the impact of industry competitive forces and resources to corporate strategy of Indonesian State-Owned Enterprises either partially or simultaneously.
4. To acquire the result of assessment regarding the impact of corporate strategy to corporate performance of Indonesian State-Owned Enterprises.
5. To acquire the result of assessment regarding the impact of industry competitive forces and resources to corporate performance of Indonesian State-Owned Enterprises either directly or indirectly via corporate strategy.

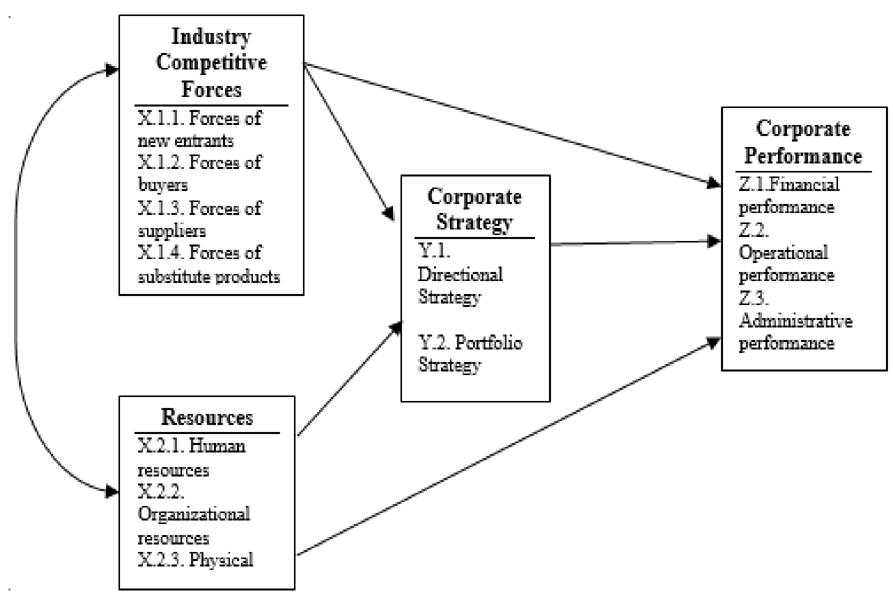

Figure 1 Framework Model

From model above, several hypotheses can be suggested as follow:

1. Indonesian State-Owned Enterprises are having good capability to to adapt industry competitive forces, good capability to utilize resources, good implemention in corporate strategy and having a good level of corporate performance.
2. Industry competitive forces are correlated with resources.
3. Industry competitive forces and resources have impact to corporate strategy of Indonesian State-Owned Enterprises either partially or simultaneously.

4. Corporate strategy has impact to corporate performance of Indonesian State-Owned Enterprises.
5. Industry competitive forces and resources have impact to corporate performance of Indonesian State-Owned Enterprises either directly or indirectly via corporate strategy.

RESEARCH METHOD

Sample Determination Technique

Population in this reseach are the companies those are incorporated into the Indonesian State-Owned Enterprises from four business sectors with a total number of 101 companies which randomly chosen. Based on the population, sample numbers of 50 companies were taken and distributed appropriately to each sector proportionally by using table random.

Table 1 Sample Distribution

No	Sector	Number of companies	%	Sample (companies)
1	Agriculture, Forestry and Fishery	25	24.75	12
2	Processing Industry	31	30.69	15
3	Transportation and Warehousing	23	22.77	11
4	Financial Services & Insurance	22	21.78	11
	Total	101	100	50

Source: Ministry of State-Owned Enterprises (2013)

Designing the Test of Hyphothesis

The research design used consists of (1) descriptive analyses and (2) quantitative data analyses by using Partial Least Square (PLS) model.

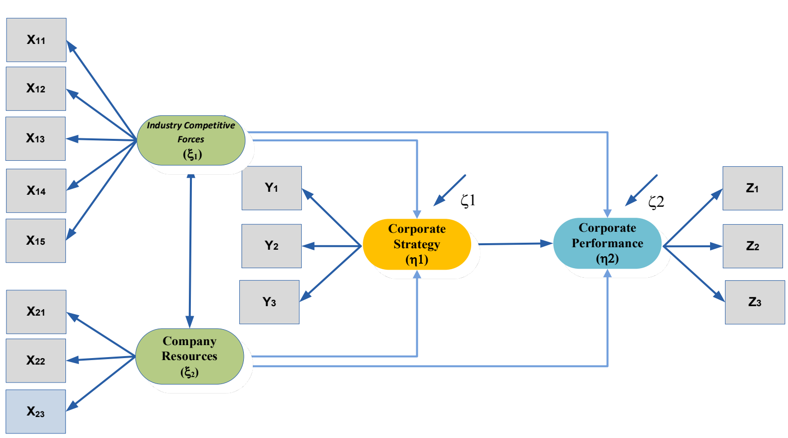

Figure 2 Structural Equation Model based components or Varians (PLS)

FINDINGS AND DISCUSSION

Table 2 below shows the average index of each variable:

Tabel 2 Hipotesis Testing with Average Index Value

Variables	Average	t count	Explanation
Industry Competitive Forces	3,62	-7,11	Not significant
Resources	3,73	-3,86	Not significant
Corporate Strategy	3,50	-7,13	Not significant
Corporate Performance	3,45	-11,20	Not significant

Source: Output SPSS (2014)

Based on table 2, it can be seen that first hypothesis is not significant, where all t_{count} < 2,011 011 (t_{tabel} at α=0.05). This proved that all variables that support to increase corporate performance are sluggish. This is consistent as what described at research background and problem identification that Indonesian SOEs was not strong in anticipate industry competitive forces, the resources were not unique, corporate strategy was not accurate, corporate performance was not high.

The survey report shows that all variable was under scale 4 on Likert scale. Likert scale that used in this study was 5 Likert scale where 3 is average, 4 is good and 5 is optimum. The findings show that all variables were below 4 at Likert scale or below good category

Table 3 Average Index of dimensions that forming variables

X1	Industry Competitive Forces	Value
X1.1	Forces of new entrants	3.48
X1.2	Forces of buyers	3.66
X1.3	Forces of suppliers	3.54
X1.4	Forces of substitute products	3.60
X1.5	Forces of competitors	3.81

X2	Resources	Value
X2.1	Human Resources	3.82
X2.2	Organizational Resources	3.80
X2.3	Physical Resources	3.58

Y	Corporate Strategy	Value
Y1	Directional Strategy	3.82
Y2	Portfolio Strategy	3.80
Y3	Parenting Strategy	3.58

Z	Corporate Performance	Value
Z1	Financial Performance	3.82
Z2	Operational Performance	3.80
Z3	Administrative Performance	3.58

Source: Research survey n=50

Based on table 3, variable Resources shown the highest average index. However, variable resources are still under good category.

Measurement Model Analysis (Outer Model)

Measurement model demonstrate relationship model among indicators and latent variables. The purpose of measurement model analysis is to analyze the validity of dimensions and indicators which were used to measure research variables those are spatially construct. Table 4 below is showing square root of Average Variance Extracted (AVE) and composite reliability. Suggested value of AVE score is > 0.5

Tabel 4 Score of AVE dan Composite Reliability

Variables	AVE	Composite Reliability
Industry Competitive Forces	0,655	0,904
Resources	0,797	0,922
Corporate Strategy	0,831	0,937
Corporate Performance	0,912	0,969

Source: Primer data processed by Smart PLS(2014)

Chin (2000) stated that if loading factor of measurement model is greater than 0,50 or if the value of tcount from the loading factor is greater than ttable then dimension of variable could be declared valid in measuring variables. Composite Reliability is used to view reliability or dimension reliability level in measuring research variables. When value of Construct Reliability is greater than 0,70 (Nunnaly,1994) then dimension of variable could be declared reliable in measuring research variables. Besides, measurement model analysis can also provide dimensions that are related most closely to the research variables by looking at dimension which has the biggest loading factor. Based on the above information, then we can find out which one is the most dominant indicator reflecting the research variables. Table 5 below is displaying measurement model analysis regarding the validity of each variable and its indicators;

Tabel 5 Measurement Model Analysis (Outer model)

	Dimensions	Loading Factor	Deviance	t-count	Explanation
X1.1	Forces of new entrants	0,650	0,081	8,053	Valid
X1.2	Forces of buyers	0,775	0,045	17,131	Valid
X1.3	Forces of suppliers	0,861	0,022	39,863	Valid
X1.4	Forces of substitute products	0,879	0,021	41,547	Valid
X1.5	Forces of competitors	0,857	0,024	35,098	Valid
X2.1	Human resources	0,899	0,018	50,854	Valid
X2.2	Organizational resources	0,916	0,012	74,314	Valid
X2.3	Physical resources	0,862	0,025	34,691	Valid
Y1	Directional Strategy	0,928	0,011	81,989	Valid
Y2	Portfolio Strategy	0,900	0,019	46,302	Valid
Y3	Parenting Strategy	0,907	0,015	61,094	Valid
Z1	Financial Performance	0,941	0,010	93,809	Valid
Z2	Operational Performance	0,968	0,006	162,810	Valid
Z3	Administrative Performance	0,957	0,010	100,478	Valid

Source: Primer data processed by Smart PLS (2014)

The measurement model analysis shows that forces of substitute product is the most valid dimension in reflecting industrial competitive forces, followed by forces of supplier, forces of competitos, forces of buyers, and forces of new entrants. Meanwhile for the corporate resources latent variable, organizational resources is the most dimension to get attention, followed by human resources and physical resources. And for the corporate strategy latent variable, directional strategy is the dimension that reflecting the most for Indonesian SOEs corporate strategy, followed by parenting strategy and portfolio strategy. Latent variable of corporate performance, organizational performance is the dimension that reflecting corporate performance the most, followed by administrative performance and financial performance.

Structural Model Analysis (Inner Model)

Inner model analysis (structural model) is the analysis that indicate the link between latent variables. In detail, inner model analysis associated with the hypothesis proposed. Prior to prove whether the research hypothesis is supported by empirical facts or not, the first stage is to test the overal model fit. To indicate the overal model acceptable or not, we do "goodness of fit test" or GOF. Goodness of fit test is to prove a hypothesis, that theory has been used in accordance with the empirical data or those theory has been supported with data (Model fit with data). Inner model to be evaluated using goodness of fit model (GoF), namely shows the difference between the observed values and the values predicted by model. In addition, testing conformity also indicated by the value of Q2, where the value over 80% are considered good. Following is the value of GoF and Q-square on construct :

Table 6 Structural Model Test (Inner Model)

Variables	R Square	Communality	GoF	Q-Square
Industrial Competitive Forces		0,655	0,730	0,849
Resources		0,797		
Corporate Strategy	0,608	0,831		

Source: Primer Data processed by Smart PLS (2014)

The table above gives the critical value to test the model. Both GoF value and Q-square value indicates the value greater than 0.70 , which means that the research model has been supported by the empirical conditions or fit model. The measurement result shows that substitute product forces is the most valid dimension in reflecting industrial competitive forces, followed by supplier forces, competitor forces, distributor and consumer forces, and new entrants forces. Meanwhile for the corporate resources latent variable, organizational resources is the most dimension to get attention, followed by human resources and physical resources. And for the corporate strategy latent variable, directional strategy is the dimension that reflecting the most for Indonesian SOEs, followed by parenting strategy and portfolio strategy.

Even though index of competitors forces (3.81) is higher than substitute product forces (3.60) but based on hypothesis testing, substitute product forces shown the highest coefficient (0.879). Coefficient described the contribution level (determination coefficient R^2) of each variable is (coefisien^2 x 100%). So even though the performance of dimension is not the highest, but level of influence of this dimension is the highest in shaping the influence of variable of industry competitive forces to variable corporate strategy. The same thing applied to dimension of Human resources (3.82) is higher than organizational resources (3.80). Based on hypothesis testing, organizational resources shown the highest coefficient (0.916), while human resources shown 0.899.

Figure 3 below displays the result of model testing using Smart PLS 2.0

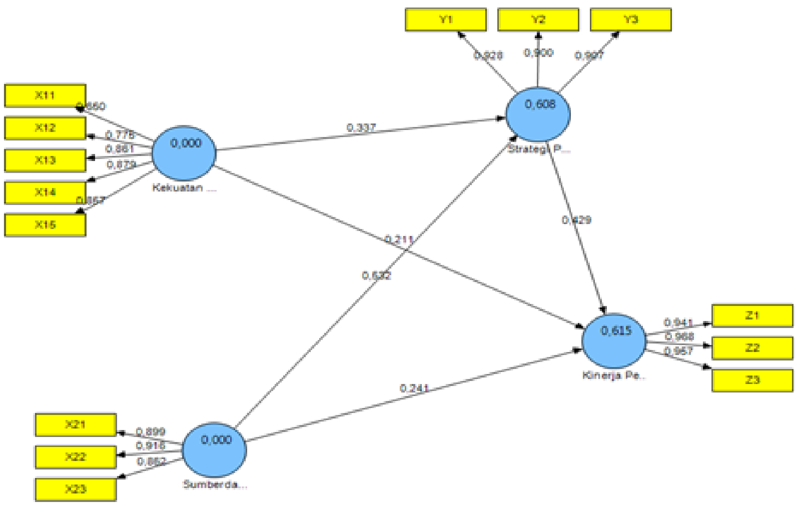

Figure 3 Result of Research model

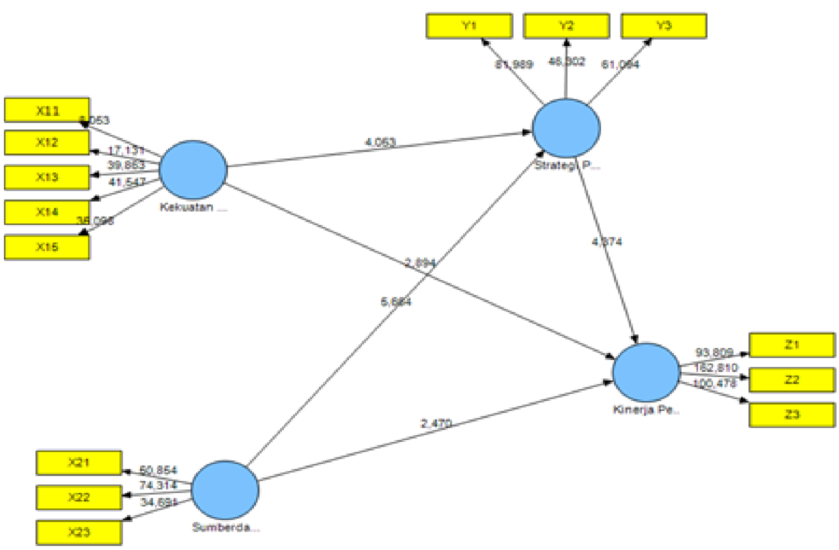

Figure 4 Result of ’t’ test research model

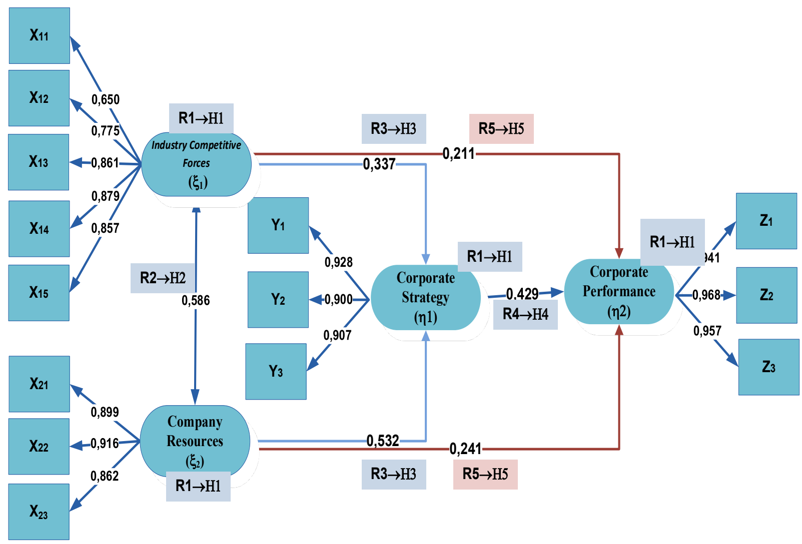

Figure 5. Result of the research

Research finding based on picture 5 above revealed that both independent variables, industry competitive forces or resources, have a less impact if they influencing to corporate performance directly without having corporate strategy as an intervening variable. Based on picture 5, the novelty of this research is as below on picture 6:

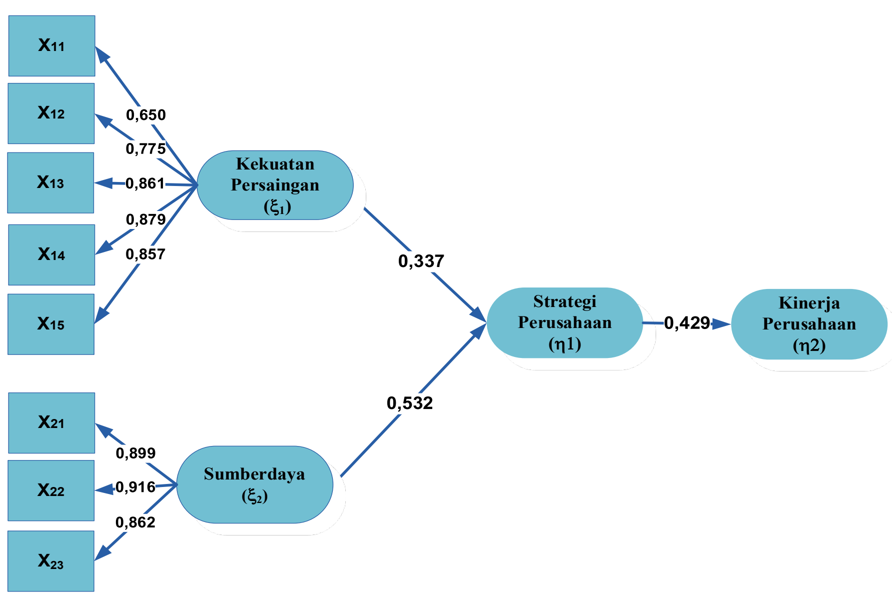

Figure 6 Research Novelty (Finding Model)

Corporate performance has three dimensions which are financial performance, operational performance and administrative performance. The greatest dimension that reflecting corporate performance is financial performance (3.82). Regardless this is still under score 4 (good) in Likert scale. Followed by operational performance 3.54 and administrative performance 3.34. All the scores are under scale 4, which means that this corporate performance is not good in Likert scale from 1 to 5, where 4 is good and 5 is very good.

Result of the survey shows that Indonesian SOEs care more to financial performance. All the effort to increase the performance is measured by financial performance. However, why the financial performance is below good category? If we noticed the lowest performance is administrative performance that explained effectivity and efficiency of Indonesian SOEs are low. Corporate periodic statement report is not achievable as it was targeted. Many of Indonesian SOEs has not surrendered their yearly financial statement. For the financial planning and budgeting statement report, the Indonesian SOEs made them irregularly which then affecting corporate operational activities. If the financial planning and budgeting are not clear, how the company can run their business properly? Some activities may not function well since there is not enough cash to run it. It is hard to believe that a corporation with multi billion Dollars assets has not aware to administrative performance.

Indonesian SOEs are doing a reversed performance. They should pay more attention to the administrative performance which will affect the operational performance and at the end will increase the financial performance. Selecting which performance as the first priority is a vital thing to choose as is one important matter in the corporate strategy.

Corporate strategic constitutes strategic platform or organizational capability to overcome the business in diverse environment with a host of strategic capability (Wheelen and Hunger, 2012). Based on the field survey, using three dimension of directional strategy, portfolio strategy, and parenting strategy, it was revealed that corporate strategy influence corporate performance significantly. The survey shows that directional strategy (0.928) has the greatest influence in reflecting corporate strategy. Directional strategy covers growth, stability, and retrenchment. Followed by parenting strategy (0.907) then portfolio strategy (0.900). Parenting strategy indicators cover corporate understanding for their resources, corporate capabilities and skill in their business unit to support the success of corporate business and level of mentoring in business development. Portfolio strategy covers; level of management implementation in developing corporate competitiveness in every business unit and level of management in unit business development.

The survey shows that Indonesian SOEs has not entirely looked at companies as resources and ability that can be used to develop values for their business units and at the same time generate synergies among their business units. Parenting strategy focusing on corporate core competencies and focus on the values of relationship between parent's company with its business units. The lack sense of parenting strategy indicators influences corporate performance. Indonesian SOEs do not have a serious willing to build a new product, don't care much about servicing the client and not have high attention how to present the product nicely. The main point is the Indonesian SOEs do not try to maximize their capability. This is all at the parenting strategy. Indonesian SOEs infact must emphasis their corporate strategy to what is their core business, and at this point they must focusing on the parenting strategy.

The finding in this research shows that Indonesian SOEs are doing a reversed strategy. It is not wise to do strategy on growth, stability and retrenchment, if the company are not maximizing their capability, not serious in their core competencies. Consequently, companies are not focusing, take an example PT. Rajawali Nusantara Indonesia (RNI). This company is not focus on sugar production, where sugar is for runner of the company establishment. The fact is there are many sugar companies under RNI corporation were plodded in facing the invasion of imported sugar.

As for the dimension that reflecting industry competitive forces, the greatest dimension that reflect the most is substitute product forces, followed by supplier forces, then competitor forces, buyer forces and the last was new entrant's forces. The threat from substitute product constitutes industry competitive forces because consumers are now faced to substitute product with lower price and similar quality or perhaps even better quality. Companies within the industry are competing with substitute product.

The research finding shows that the Indonesian SOEs doesn't care much to the new entrants. It is truly regrettable for the new comer within the industry will be the prospective competitor in the future. We can take an example how duopoly corporations, Airbus and Boeing in anticipating PT. Dirgantara Indonesia (PTDI), the Indonesian aircraft manufacturer. PTDI as a new comer in the aircraft builder didn't have a change to grow. Both Airbus and Boeing are paying a serious attention to the forces of new entrants, and they don't give a chance to the entrants to grow. Do not only good in extinguishing the fire, but how to prevent the fire from happening since the very beginning. Prevention is far more important.

The new comer within the industry will not only produce a substitute product, but also destabilize distribution systems and supplier network, if the new comer is making the similar product or complementary product. That new comer will use the same distribution systems as well will use the same supplier network. For the raw material purpose, that mean there will be more demand than supply which will increase the price of material, and at the end will make the production cost higher than before. We can see PT. Pos Indonesia, where in the past they didn't pay serious attention to DHL, FEDEX or many new entrants. Nowadays PT. Pos Indonesia is trying to survive with mostly from the government projects.

Indonesian SOEs made mistakes since the very beginning. They didn't anticipate competition, but rather how to overcome the competition. It is better to avoid competition by eliminate the competitor start from the very beginning like duopoly Airbus and Boeing do, which is start the competition since the competitor is coming as a new entrant. Indonesian SOEs are doing a reversed strategy, they focus more on how to win the competition.

Industry competitive forces are an external factor, which means opportunity and threat. To catch the opportunity and/or to overcome the threat, the company must look at their internal resources. Success is a cross section meeting point between the readiness of internal resources and opportunities. When the opportunity cannot be taken, that remains the threat, because the opportunity was taken by the competitor. People who are working at the Indonesian SOEs are smart and brilliant people. The natural resources, geography of the country as the physical resources are very good. But the organizational culture and hierarchy structures made the job placement not filled with the right man on the right job. This situation made the human resources cannot perform their best abilities. Organizational culture and hierarchy structure influence planning process and corporate information systems, which then affects corporate strategy formulation.

Research finding model (Figure 6) gives a solution alternative in improving the corporate performance, which is managing resources as a vital thing to do. Organization establishes forces in a performance cultures, enable all the component of energy to focus for the strategic objectives achievement. Internal resources together with external condition formulate the corporate strategy to achieve the ideal corporate performance.

CONCLUSION

Indonesian SOEs' management relatively not strong yet in facing the industry competitive forces and resources was not unique yet. They also did not apply the corporate strategy appropriately and the corporate performance was not high as targeted. This is in accordance with the research background. Industry competitive forces has relationshiop with resources. Utilization of resources is in accordance with the external condition. In facing the industry competitive forces, resources are needed.

Industry competitive forces and resources influence Indonesian SOEs corporate strategy partially or simultaneously. Resources can influence corporate strategy, but the impact is not as great if not considering the external factor, because the strategy will become not in accordance with the market situation. Industry competitive forces influence corporate strategy, but if not considering the internal resources, the strategy can become inappropriate. If the internal resources are not enough, the strategy will become like a dream, because not have enough resources. The combination of resources based view and market based view will have a great impact on the corporate strategy.

Corporate strategy influence corporate performance. The accuracy of corporate strategy influence corporate performance. Industry competitive forces and resources influence corporate performance partially or simultaneously eventhough not significant. Without a strategy it is like having a war without strategy and tactics. Corporate strategy can be optimal when using corporate strategy, because it will maximize the utilization of resources.

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