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ANALYSIS OF STRATEGIC PARTNERSHIP STRATEGY TO ACCELERATE THE BUSINESS GROWTH OF PERTAMINA

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ABSTRACT

This reseach analyze the strategic partnership strategy to accelerate the business growth of Pertamina, in another word to explain an effect of non-financial performance of Pertamina. The objectives of study is to reveal the current strategic partnership strategy that implemented by Pertamina and to recommend the advance strategic partnership to accelerate their business growth. This research used qualitative research approach and explanatory method which employs both primary data and secondary data to gauge the impacts of strategic partnership onto Pertamina. The result of analysis shows that strategic partnership contributes moderately towards acceleration of the business growth of Pertamina.

Kata Kunci: *Strategic Partnership, Business Growth, Pertamina*

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INTRODUCTION

Globalization is the process to enter into wider scope that is world (Nurhaidah, 2015). In the era of globalization, the company must be able to survive and maintain their existance in the international market due to the number of business transaction involved many countries (Daniel, Radebaugh, and Sullivan, 2011). Moreover, the business paradigms were shifted to customization, economies of scale, and focus on core competences (Talay & Cavasgil, 2008). In order to run longer and to accelerate the business growth, the companies must be able to adapt and have powerful strategies to execute the business operation in multiple geographic markets by applying vertical integration, diversification, the formation of strategic partnership, or implementation of merger and acquisition, all across the national borders (Barney and Hesterly, 2012).

For the past 10 years, the trend has changed significantly; the focus of company is not control over competitor, but similarly a win-win collaboration and solution. The network may expand to include endless strategic partnerships with other firms in the same industry or other industries to capture the larger market share. With growing number of companies, the form of strategic business partnership such as an associate companies or strategic alliance, joint venture, and partnership are required. Strategic partnership means establishing a strategic business partnership in facing competition. This kind of strategy is very common at this time to face the globalization such as Royal Dutch Shell (RDS) or Shell company implemented joint venture with Exxon as its strategic partnership (Hasanah, 2014) that makes them to become a market leader in the oil and gas industry. Another example is Petronas.

They apply joint venture with Trans Thai Malaysia (TTM) to develop the transportation and processing of gas for the Malaysia-Thailand Joint Development Area (MTJDA) plant located in Songkhla, Southern Thailand. Petronas has proven them self as the world second largest exporter of LNG and successfully delivered over 8.400 LNG cargoes over 30 years of supplying across the world (Petronas, 2012). Moving forward to oil and gas industry in Indonesia, Indonesia National Oil and Gas Mining (Pertamina) is a state-owned enterprise (BUMN) focusing on the mining of oil and natural/ national gases. Now, Pertamina concentrates to make the company larger by building strategic partnership through strategic alliance, partnership, and joint venture.

Pertamina has changed its vision “To be a World Class National Oil Company” by creating long-term corporate strategy for the period of 2012-2016. It is “aggressive upstream and profitable downstream" (Pertamina, 2013). In accomplishing the target in upstream side, it sets target to become "technology leader" through partnership effort as well as driving the research and development capabilities (Pertamina, 2011). In addition, it also implements of sustainable Crude Oil Management Strategy (COMS) toward global best practice and to conduct assessment on strategic partnership for capability improvement in the supply of crude oil's operational excellence. It is the strategy to get profitability in refinery business strategy (Pertamina, 2012).

Furthermore, Pertamina pays attention to enlarge its strategic partnerships through world class partnership or with well-known companies each with its own excellence and relevant to its core business to improve the capabilities. It emphasizes the improvement of capabilities in 3 aspects. The first is strengthening brand image to obtain access into new market, the following aspect is taking the opportunities to acquire new competencies, and the last one is optimizing expenditures and revenues (Pertamina, 2014). According to Dr. Tanri Abeng, MBA as president commisioner of Pertamina said that Pertamina is now focusing on building more strategic partnership by Joint Venture with ArabCo company for downstream and Fairfield in upstream in the short time. He added that the purposes are to leverage and obtain the source of crude oil, develop people, and deliver higher revenue.

LITERATURE REVIEW

The company must keep sustaining and growing, they must have a brilliant strategy to win the competition, mainly in internalization era (Daniel, Radebaugh, and Sullivan, 2011). One of the common strategy internalization is strategic partnership to expand the market (Ahmad, 2014) by collaborating with either other industry or the same industry. It means the company should work with the other ones in facing challenges.

A strategic partnerships is collaboration with the stake holder (supplier, partners, contractors, and other providers) that allows to focus on what they do best, farm out everything else and quickly provide value to the customer (Pearce and Robinson, 2011). In line with Pearce and Robinson, a strategic partnership is an agreement between companies that is of strategic importance to one or both companies' competitive viability. It plays an important role to combine their own strategy to compete and survive with their competitors. It will enlarge the capabilities and power to reduce the risk if they work as a team (Daniel, Radebaugh, and Sullivan, 2011).

To explain the reasons why the firms use strategic partnerships as their strategy is proposed by Pearce and Robinson will be used here. It will leverage the core competencies of the company in seeking certain projects work or input. Limited budget and lack of experience, sources, and management skills are the second reason, especially in oil and gas business. It needs much money to be invested to run the projects.

The following reason is leading to networking and relationship. It allows key player to build valuable relationship. They will learn more about each other capabilities and gain advantage or benefit from referral and other similar behavior with the aim of creating win-win solution. It is predicted that more than 500 global corporations expand the business with 60 core strategy partnership. It is one of the indicator how aggressive the big cooperation to make bigger its market share. Lets see the evolution of Partnership Strategy below in Table 1.

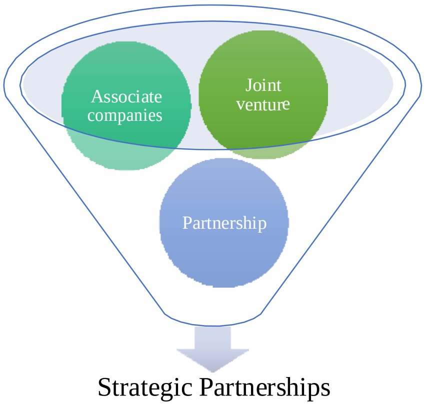
Table 1. The Evolution of Strategic Partnership

1970's	**1980's**	**1990's**
Product Performance	**Position in the Sector**	**Capabilities and Competencies**
Produce using the most recent technologies.	Construct position in the sector.	Access to new opportunities through a constant flow of innovation.
Marketing beyond national borders.	Consolidate position in the sector.	Anticipate rivals to maximize the creation of value.
Sales based on product performance.	Economies of scale and scope.	Reduce total cost for the product of client segment.
		Acquire advantages in responding to changing condition and emerging opportunities.

Source: Adapted from Harbison and Pekar (1998)

The table above explains the evolution of strategic partnerships over the last few decades. In 1970s, the main objective was the performance of the product. It aimed to acquire the best raw material, the lowest cost and the most recent technology and improve market penetration internationally, but mainstay was product. Next decade, the main factors was consolidating of the company's position in the sector, utilizing alliances to build economies of scale and scope. And in the 90's, the centre of attention of strategic partnerships was collapsing barriers between many geographical market and blurring of border to make better the capabilities and competencies of the companies in order to gain competitive advantage over its competitor. This research concerns on strategic partnership strategy in order to accelerate the business growth of Pertamina.

Figure 1. Forms of Strategic Partnership in Pertamina



Source: Author Modification

METHOD

Budget participation is defined as how far the involvement of managers in the budgeting process. In this study participation variables were measured using a modified budget adopted instruments of Eker (2007). The instrument consists of six indicators, namely involvement in the preparation of the budget, revised budget reasons, the frequency of the advice in the budget, the amount of influence exerted, the importance of the contribution, and the frequency of a given opinion.

Organizational Commitment variable was measured using an instrument developed by Eker (2007) which consists of the nine indicators used are the willingness of employees to help the leadership, the pride of the organization, the willingness to accept the task, the similarity values that employees with organizational values, pride to be part of organization, the influence of the organization for employees to excel, employee satisfaction choose the organization as a place to work, concern for the fate of the organization, and the assessment of the organization's employees.

Measurements for job satisfaction was developed by Puspaningsih (2002) ie how fair people/employees are treated by superiors at work, salary received, the fulfillment of the value of individual work, his current role, relationship with colleagues, relations with superiors, career promotion and equipment support the work. Managerial performance is usually determined on the basis of the classic manager functions that include managerial achievement in the planning, investigation, coordination, evaluation, monitoring, staffing, negotiation, and representation. Then the managerial performance is the result of efforts made in the task manager within the organization (Mahoney et al, 1963).

Sampling and Pre-Test

The sampling method used in this research is *purposive sampling method,* sampling technique with particular consideration (Sugiono, 2011),where objects were sampled in this study has determined the criteria beforehand. In this study the number of questionnaires that will be distributed as many as 45 respondents according to the number of managers within the University of Sultan AgengTirtayasa. Analysis tool used is *Structural Equation Model* with *Partial Least Square (PLS-SEM)* wherein the recommended sample size ranged from 30 to 100 (Ghozali, 2008).

Before the instrument used to collect the data needed to be done first then test to get a valid instrument *(valid)* and reliable *(reliable)* empirically, *pre-test* analysis tools used factor analysis (SPSS). In this study, there are five hypotheses tested, the analysis tools used in this research is Structural Equation Model with Partial Least Square (SEM_PLS). In analysis using PLS two things are done is first rate Outer Model or Measurement Model, then assess Inner Structural Models or Models.

RESULT AND AND DISCUSSION

From the results of hypothesis testing showed that the entire hypothesis is accepted or the data support the hypothesis. Budgetary participation was positively related to organizational commitment, with the original sample values of 0.604 and significant estimate the value of t-statistics for 8266 were greater than 1.96. The results support the first hypothesis, which means H 1 received, that there is a positive relationship between budgetary participation and organizational commitment.

Budgetary participation was positively related to job satisfaction, with the original sample values of 0.686 and significant estimate the value of t-statistics for 9802 were greater dari1,96. H 2 study results received, that there is a positive relationship between budgetary participation and job satisfaction that there is a positive relationship between budgetary participation and job satisfaction.

Budgetary participation has a positive relationship with the managerial performance, with the value of the original sample estimate obtained at 0.107 and significant value of 2.605 t-statistic greater than 1.96. The results support the hypothesis H3 received third meaans, that there is a positive relationship between budgetary participation and managerial performance.

Based on the test results of the analysis show that the hypothesis of four analysis results support the hypothesis is accepted. Based on the data that has been processed to researchers, the results of the calculations in the table above is known that organizational commitment linked to managerial performance, with the value of the original sample estimate for 0284 and significant value of 1,977 t-statistic greater than 1.96. The results support the hypothesis H 4 fourth means is acceptable, it can be dijelaskanbahwa there is a positive relationship between organizational commitment to managerial performance.

Based on the test results of the above analysis supports the hypothesis that the fifth or H 5 accepted. High job satisfaction can improve managerial performance. Based on the data that has been processed to researchers, the results of the calculations in the table above is known that job satisfaction has a significant positive relationship on managerial performance, with the value of the original sample of 0634 and significant estimate the value of t-statistic of 5.084 greater than 1.96. The results support the hypothesis that the fifth is a positive relationship between job satisfaction and managerial performance.

Organizational Commintment and Job Satisfaction Partially Act as Mediating Variable

The study involved organizational commitment and job satisfaction as a mediating variable. Analysis of mediating variables can be done through two approaches: the difference between the coefficients and multiplication. The first approach is done by examination through analysis with and without the mediating variables, while the second method is done by using the procedure Sobel (Hair, Anderson, Tatham and Black, 2008).

First, the budget participation variables affecting organizational commitment. Sultan Ageng Tirtayasa University should undertake activities thatfoster attachment, trust, and a feeling of belonging to the organization, so that each individual will prioritize the interests of the organization as compared to private interests.

The second implication of job satisfaction are high can affect managerial performance. In an effort meningatkan job satisfaction is the justice the first leaders in treating individuals, provide compensation or remuneration in accordance with performance, the fulfillment of individual values, their satisfaction with the position taken, which existence of relationships both with colleagues, good relations between superiors and subordinates, job security, aswell as a means of supporting the work.

Managerial performance that both can be affected by the influence of the participation of a high budget, organizational commitment higher than any manager, as well as their job satisfaction is higher than the manager, so it can affect managers to work well and be more accountable for their work, it will have an impact on improvement of managerial performance. Factors to consider to improve performance is the first of a manager must have the ability in planning, such as planning a work program for the current planning will carry out the activities and work programs have been drawn up, it should have investigative abilities, can coordinate well with co-workers and other work units, should havethe ability to conduct surveillance, selection of staff, have the ability to negotiate with other parties as well, and has the ability in the forum to represent theorganization well.

CONCLUSIONS

This study focuses on the effect of budget participation on managerial performance with the mediation of organizational commitment and job satisfaction. The results showed that of the five hypothesis result that the data supports the entire hypothesis or the hypothesis is accepted. The first hypothesis is accepted, that there is a positive relationship between budgetary participation and organizational commitment. Managers who are involved in budget participation can better understand the purpose of the organization and responsible for the job.

Results of the second hypothesis that the participation of high budget can increase job satisfaction, when managers involved in budget participation, and is given a major role in the preparation of the budget, as requested for menymbangkan advice, opinions, giving reasons in case of budget revision will lead to confidence good to carry out their duties, so that will have an impact on the work satisfactory. Hypothesis H 3 that the participation of high budget can improve managerial performance. Managers who are involved in participation can better understand the purpose of the budget, work program compiled, the manager will be working hard to achieve goals. This will affect the attitude of managers in improving the effectiveness of the organization and the more efficient a manager in carrying out its work to achieve organizational goals.

Results show that the fourth hypothesis that high organizational commitment can improve managerial performance, a manager who has high organizational commitment can improve managerial performance. This means that when a manager has a high organizational commitment, managers can work hard, capable of receiving all types of work for the survival and promote the organization and will have a sense of pride for being part of the University of Sultan AgengTirtayasa.

Job satisfaction can increase performance manjerial means hypothetical fifth received, this means that when a manager has the job satisfaction is high then a manager will be happy to do the job properly and responsibly, it will have an impact on the effectiveness and the more efficient a manager in achieving organizational goals.

Research Limitation

This limitation is expected to be addressed in subsequent studies that measure the relatively small sample consisting of 45 respondents, as the questionnaires are not all get into the hands of the respondents or when the respondent was no time for a lot of bustle and this research only using questionnaires without the direct interview to the respondents, so the emergence of the possibility that the results will be biased because respondents bias just fill with not serious.

Based on the results of the above conclusions, this study can be used to provide optimum benefit to the object of study and research also can be as a comparison in other studies, for further research it is expected to increase the number of the sample size by using the object of other research, and may conduct research with interviews directly to the respondents, so that research results better reflect the real situation.

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