

ABSTRACT

The objective of this research is to study the affects of the company internal competencies, namely, are production competence and marketing competence along with business strategy to the business performance. This research also study the affect of production competence and marketing competence to the business unit strategy (the chosen business strategy). With modification, the measurement technique to measure production competence which had been developed by Vickery et al. in USA, is used in this research. This technique is also used to measure marketing competence, while return on asset (ROA) and return on equity (ROE) are used to measure the business performance.

The scope of study are the public manufacturing companies in Indonesia, especially consumer goods manufacturer. The respondents are business units, and the objects of study are production competence, marketing competence, business strategy, and business performance at business unit level. This research uses primary and secondary data and cross sectional data.

Hypotheses are tested by regression analysis with Logistic Model (Logit Model) and multiple regression. Inferential statistic is used to test the hypothesis at $\alpha = 0,05$ level of significance.

The result of this research confirms that hypothesis 1, hypothesis 2, and hypothesis 3, that production competence and marketing competence affect the business strategy. The increasing of production competence will increase the probability or tend to choose the cost leadership oriented strategy, while the increasing of marketing competence will increase the probability or tend to choose the differentiation oriented strategy. The seven (7) other hypotheses can also be confirmed in this research, that production competence, marketing competence, and business strategy in an individual and collective way, affect business performance in ROA and ROE. Production competence and marketing competence positively affect to the business performance. Business strategy also affects the business performance, but types of business strategy do not differently affect to the business performance. This result also indicates that the measurement technique of production competence and marketing competence can be used in this research, and still can be developed in the future research.

Key words: Production competence, Marketing competence,
Business strategy, Business performance,
Manufacturing company.