

The 2nd International Conference on Business and Banking Innovations (ICOBBI)
“Nurturing Business and Banking Sustainability”
Surabaya, 14th - 15th August 2020

Proceeding Book of
The 2nd International Conference on Business and Banking Innovations
(ICOBBI) 2020
“Nurturing Business and Banking Sustainability”
Surabaya, 14 - 15th August 2020

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Indonesia**

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FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 2nd International Conference on Business and Banking Innovations (ICOBBI) with the topic “*Nurturing Business and Banking Sustainability*”. This proceeding contains several researches articles from many fields in Marketing, Management Technology, Finance, Banking, Human Resources Management, Information System Management, and Islamic Economics.

The 2nd International Conference on Business and Banking Innovations was held on 14th – 15th August 2020 by virtual (online) meeting and organized by the Master Management Study Program of STIE PERBANAS Surabaya in Collaboration with six Higher Education Institutions in Indonesia and five Universities from Asia countries. Keynote speakers in this conference were: Prof. Angelica M..Baylon, Ph.D (Director of the Maritime Academy of Asia and the Pacific, Philippines), Chonlatis Darawong, Ph.D. (Head of the Master of Business Program Sripatum Chonburi University - SPU Graduate School Bangkok, Thailand), Prof. Madya Dr. Reevany Bustami (Director of Centre for Policy Research and International Studies Universiti Sains Malaysia), Associate Prof. Dr. Ellisha Nasruddin (Graduate School of Business Universiti Sains Malaysia), Associate Prof. Pallavi Pathak Ph.D. (School of Management Sciences, Varanasi, India) and Prof. Dr. Tatik Suryani (Head of the Master of Management Study Program of STIE Perbanas Surabaya, Indonesia).

I would like to give high appreciation to the Rector of STIE Perbanas Surabaya for his support at this event. Acknowledgments and thank you to all the steering and organizing committees of the ICOBBI for the extra ordinary effort during the conference until this proceeding published. Thank you very much to all presenter and delegates from various Universities. Beside it, I would like to express our gratitude to the six universities, namely Universitas 17 Agustus Surabaya, Universitas Surabaya, Universitas Dr. Soetemo Universitas Dian Nuswantoro Semarang, STIE 66 Kendari, Institut Institut Bisnis dan Keuangan Nitro Makassar which has been the co-host of this event.

Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website <https://pascasarjana.perbanas.ac.id>.

Chair of the Master Management Study Program
STIE Perbanas Surabaya

Prof. Dr. Tatik Suryani, M.M.

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The Effects of Human Capital and Strategic Partners On Strategic Planning and Organizational Performance (Study at PT Segar Murni Utama)

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ABSTRACT

This study aims to determine the effect of human capital and strategic partners on strategic planning and organizational performance. The analysis technique used is the famous variance-based SEM called Partial Least Square (PLS). The results of validity testing prove that all indicator variables and item questions in the research instrument are valid. The results of this study indicate that the effect of human capital on strategic planning is significant. The effect of strategic planning on organizational performance is significant. The direct effect of human capital on organizational performance by involving strategic planning (mediating variables) is non-significant.. The direct effect of human capital on organizational performance without involving strategic planning variables is significant. From the results of this test show strategic planning is as a complete mediation variable in the influence of human capital on organizational performance. The Strategic partners has a significant effect on strategic planning. The effect of strategic planning on organizational performance is significant. The direct influence of the strategic partner on organizational performance by involving strategic planning variables is non-significant. And the direct influence of the strategic partner on organizational performance without involving strategic planning variables is significant. Strategic planning is as a complete mediation variable in the relationship of strategic partners with organizational performance. Then strategic planning mediates the effect of strategic partners on organizational performance is proven.

1. INTRODUCTION

The global economy and the business world today are changing rapidly and complexly, causing various problems to arise in companies. In such a change, innovative networks and the global economic knowledge movement are adding momentum, so that companies realize that competition and strategic information-based corporate management methods in the previous century have fundamentally changed towards knowledge-based, in which strategic collaboration has become important as a mindset. and competitive strategy practices (Leibold et al., 2005).

In such an uncertain and changing environment, the long-term survival of an organization is highly dependent on management's response to internal and external challenges (Athiyaman & Robertson (1995). Strategic planning allows companies to anticipate changing conditions (Taylor, 1997; Jauch & Glueck). , 2004) and provides a map of the journey and the intended direction and how to achieve it (Shapiro, 2009). Companies that are involved in strategic planning tend to develop more during tough competition than those that do not (Athiyaman & Robertson, 1995). important that can help the organization is doing its job better. facilitate strategy development and implementation, and the organization becomes more sensitive to customer and market needs (Bonn & Christodoulou, 1996; Obeng & Ugboro 2008). Strategic planning is vital for the organization. in maintaining its survival (Robbins & Coulter, 2007; Jauch & Glueck, 2004; Wheleen & Hunger, 2004). Baldrige National Quality Program (2008), establishes strategic planning as one of the components of the system to achieve superior performance. Strategic planning has been shown to have a significant effect on organizational performance (Phillips, 1996; Brews & Purohit, 2007; Rudd et al., 2008).

In connection with the role of resources in c organizational performance, there has been a paradigm

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shift, that intangible assets are more important than tangible resources (Allanson, 2009; Galbreath, 2008) in strategic decision making (Pehrsson, 2008). Human capital-based organizational performance appraisal is an interesting thing that companies need to develop. Human capital is one of the main components of intellectual capital (intangible assets) owned by a company. So far, the assessment of company performance has used more physical resources (tangible assets) (Dharmaningsih et al, 2017). Successful organizations need employees who will do more than just their formal duties and are willing to deliver performance that exceeds expectations. Human capital is the economic value of human resources related to a person's knowledge, skills, innovation, and ability to carry out their duties, to create value to achieve organizational goals (Abdullah, 2016).

Strategic planning can effectively achieve organizational performance is also very much determined by the capabilities of the human resources who will compile and realize the strategic plan that has been set. The success of the strategic management process largely depends on the level to which the HR Management function is involved (Noe et al., 2006). Each component of the strategic planning process, namely formulation, implementation, and evaluation of strategies, will involve people-related business issues, therefore, the HR Management function needs to be involved in each of these components. The HR executive is seen as a strategic partner with other executives and is actively involved in the strategic decision-making process (Ulrich, 1997). Strategic partners focus on activities to match HR practices and strategies with corporate strategies. In playing this role, HR executives work to become strategic partners, helping to ensure the success of the company's strategy. With this role, the HR executive increases the organization's capabilities in formulating and executing strategies. Strategic partners are important and can contribute significantly to strategic planning (Ulrich, 1997; Noe et al., 2006).

PT Segar Murni Utama is a company engaged in bottled drinking water (AMDK) with the trademark "MOJO TRAS". Established since 2010, PT Segar Murni Utama has experienced problems in the form of a decrease in employee performance as seen from not achieving the production target level each year.

From the entire series of explanations above, the formulations of the research problems are: 1) Do human capital and strategic partners affect strategic planning ?; 2) Does strategic planning affect organizational performance ?; 3) Do human capital and strategic partners have a direct effect on organizational performance? 4) Does human capital affect strategic partners ?; 5) Does strategic planning mediate the influence of human capital on organizational performance ?; 6) Does strategic planning mediate the influence of the strategic partner's role on organizational performance?

2. THEORETICAL FRAMEWORK AND HYPOTHESES

The conceptual framework describes intangible resources and capabilities in the form of human capital and strategic partners that can influence strategic planning and subsequently affect organizational performance. Human capital and strategic partners can contribute directly to organizational performance. Strategic planning can mediate the relationship between human capital and organizational performance. Strategic planning can also mediate the relationship between strategic partners and organizational performance.

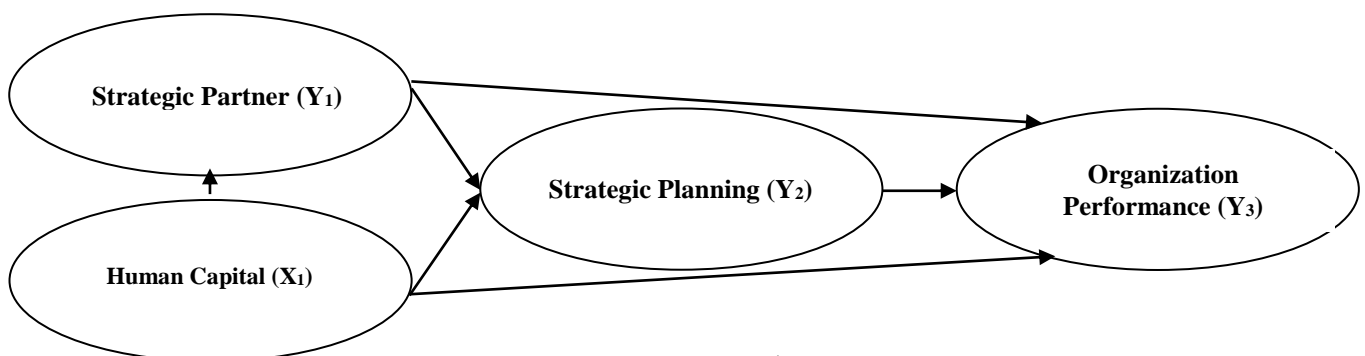


Figure 1. Frameworks

Based on the research conceptual framework, the research hypothesis can be formulated as follows:

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- Hypothesis 1 : The better the human capital, the more precise the strategic planning will be.
- Hypothesis 2 : The better the strategic partner, the more precise the strategic planning will be.
- Hypothesis 3 : The more precise strategic planning, the more organizational performance will be
- Hypothesis 4 : The better the human capital, the better the organizational performance
- Hypothesis 5 : The better the strategic partner, the better the organizational performance.
- Hypothesis 6 : The better the human capital, the better the strategic partner.
- Hypothesis 7 : Strategic planning will mediate the influence of human capital on organizational performance.
- Hypothesis 8 : Strategic planning will mediate the influence of strategic partners on organizational performance.

3. RESEARCH METHOD

Population, Sample, and Respondents

Research This research was conducted at PT Segar Murni Utama. In this study, no sampling was carried out, so the entire population (42 employees) was used as the object of research. Respondents for the study were top management and middle management, including Director, Deputy Director, Head of Division, and all employees.

Research Variables and Measurements

The variables in this study can be identified as exogenous variables, namely Human Capital (X) and endogenous variables including Strategic Partner (Y1), Strategic Planning (Y2), and Organizational Performance (Y3). Each of these variables is a latent (unobserved) variable measured by several indicators. Each indicator consists of several items which are further elaborated into question items in the research instrument as observable variables.

Human Capital (X)

Human Capital Strategy (HCS) is a way for companies to use human capital to beat their competitors and maximize profits. The components in HCS include Human Capital Theory, Human Capital Vision, and Strategic. The explanation of these terms is as follows: 1) Human Capital Strategy (X1): a plan for how an organization will produce a long-term competitive advantage through people. 2) Human Capital Theory (X2): a causal explanation of how people generate business value. 3) Human Capital Vision (X3): a blueprint for success, what the conditions for long-term competitive advantage through people have been achieved. 4) Strategic Components (X4): the most important result to achieve the human capital vision.

Strategic Partner (Y1)

Variable The role of the strategic partner of HR (Y1) in this study is the strategic role of the Division / Division that regulates HR within the hospital organization. This construct is measured by the following 10 indicators: The role of the Human Resources Division / Division in helping the organization achieve its goals (Y1.1); Participation of the Human Resources Division in the process of defining organizational strategy (Y1.2); The role of the HR Division / Division in ensuring that the HR strategy is in line with the organizational strategy (Y1.3); The ability of the Human Resources Division / Division to help the strategy occur (Y1.4); Views on the Field / Division of HR as an organizational partner (Y1.5); Provision of time by the Division / Division of HR for strategic issues (Y1.6); Participation of the Human Resources Sector / Division in organizational planning (Y1.7); The role of the Division / Division of HR in aligning HR strategy and organizational strategy (Y1.8); The role of the HR Division / Division in developing processes and programs related to HR strategy to carry out organizational strategy (Y1.9); and Trust in the Human Resources Division / Division in helping achieve the strategic objectives of the hospital (Y1.10).

Strategic Planning (Y2)

The strategic planning variable (Y2) in this research is the process of preparing a hospital strategic plan, which includes 3 stages, namely: the strategy formulation stage, the strategy implementation, and the strategy evaluation stage, referring to (David, 2005, Thompson, et al. 2006, Pearce & Robinson. , 2006, Rudd, et al, 2008). This stage is also an indicator for measuring strategic planning variables and can be identified as follows: Strategy formulation (Y2.1); Strategy implementation (Y2.2); and strategy evaluation (Y2.3).

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growth in net income, growth in assets, and the results obtained by owners of capital in the last three years. Customer perspective (Y3.2), measured from customer satisfaction, namely the level of customer complaints includes tangible aspects, reliability responsiveness, assurance, and empathy, referring to SERVQUAL from Parasuraman et al. (1991). The operational process perspective (Y3.3), in this study focuses on the delivery of service to customers in an efficient, consistent, and timely manner, which is a characteristic of service quality. Learning and growth perspective (Y3.4), measured by employee satisfaction and in operations measured by the level of employee complaints on the dimensions of job satisfaction (Robbins, 2006). In measuring the data, a Likert scale was used with an assessment interval from a score of 1 (strongly disagree) to a score of 5 (strongly agree).

Data Collection

Data were collected from primary and secondary sources. Secondary data were collected from several data centers and other relevant publications. Primary data were collected directly from respondents using research and interview instruments. The research instrument was first carried out a tryout to test its validity and reliability. The results of the validity test prove that all variable indicators and question items in the research instrument are valid ($r > 0.30$). The research instrument is also reliable, considering that the four variables have acceptable reliability (Cronbach's Alpha > 0.60).

Data analysis technique

The analysis technique used is variance-based SEM which is known as Partial Least Square (PLS). Based on the research conceptual framework built based on theory and previous research studies, the empirical model of this research can be described.

In this study, all variables are latent variables with reflective indicators so that the evaluation of the measurement model (outer model) uses convergent and discriminant validity of indicators and composite reliability for indicator blocks. The Goodness of Fit model is measured using R-square predictive relevance for the structural model (inner model). Q-Square predictive relevance for the structural model (inner model), measures how well the observed value is generated by the model and also its parameter estimates. The magnitude of Q2 with a range of $0 < Q2 < 1$, the closer to the value 1, the better the model.

4. DATA ANALYSIS AND DISCUSSION

Evaluation of Measurement Model (Outer Model)

From the results of the outer model test, it can be seen that the outer loading of each indicator and the square root of the average variance extracted (AVE) value of each latent variable is compared with the correlation between other latent variables in the model (Appendix). By paying attention to the information in the Appendix, it is evident that the outer loading value of all indicators is above 0.5 and the T-statistic is above 1.96 so that the indicators of each variable are valid as measuring variables. The four variables, Human Capital (X), Strategic Partner (Y1), Strategic Planning (Y2), and Organizational Performance (Y3), have an AVE value above 0.5, and the AVE root value for each variable is higher than the correlation between variables. Thus the research model has sufficient discriminant validity. The value of Composite Reliability also meets a number above 0.70, so it can be concluded that the reliable indicator block measures the construct.

Evaluation of the Structural Model (Inner Model)

In this structural model, there are three dependent variables, namely the role of the strategic partner of HR (Y1), strategic planning (Y2), and organizational performance (Y3). Based on the coefficient of determination (R^2) of each structural model (Appendix), it is proven that $Q2 = 0.93$, a value close to number 1. This means that the goodness of fit of the structural model is very good. In other words, it can be interpreted that the information contained in the data 93% can be explained by the model, the remaining 7% is explained by errors and other variables that are not in the model.

Hypothesis Testing Results

The results of the path coefficient validation test on each path for the direct effect are presented in Table 4. From the information in Table 4, the results of hypothesis testing can be explained as follows.

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Table 1. Hypothesis Testing Results of Direct Effect between Variables

No	Hubungan Antar Variabel	Koefisien Jalur (Standardize)	T-Statistisc	Keterangan
1	Human capital (X) → Perencanaan Strategik (Y ₂)	0.401	2.298	Signifikan
2	Strategic Partner (Y ₁) → Perencanaan Strategik (Y ₂)	0.408	3.309	Signifikan
3	Perencanaan Strategik (Y ₂) → Kinerja Organisasi (Y ₃)	0.603	1.982	Signifikan
4	Strategic Partner (Y ₁) → Kinerja Organisasi (Y ₃)	0.142	0.575	Non Signifikan
5	Strategic Partner (Y ₁) → Kinerja Organisasi (Y ₃)	0.135	0.169	Non Signifikan
6	Human capital (X) → Strategic Partner SDM	0.720	10.100	Signifikan
Pengujian Perencanaan Strategik Sebagai Variabel Mediasi : Model Tanpa Variabel Mediasi				
7	Human capital (X) → Kinerja Organisasi (Y ₃)	0.379	2.271	Signifikan
8	Strategic Partner (Y ₁) → Kinerja Organisasi (Y ₃)	0.235	4.362	Signifikan

Human Capital (X) is proven to have a significant positive effect on strategic planning (Y₂). This result can be interpreted that better knowledge management is, the better or more precise strategic planning will be. Hypothesis 1 is proven.

A strategic partner (Y₁) also has a positive and significant effect on strategic planning (Y₂). These results provide evidence that the better or the strategic partner in the organization, the better or more appropriate strategic planning is. This means that hypothesis 2 is proven.

From the test results, it is also proven that strategic planning (Y₂) has a significant positive effect on organizational performance (Y₃). These findings can be interpreted as the better / more precise strategic planning, the better or the better the organizational performance. Thus hypothesis 3 is proven.

From the results of this test, it turns out that human capital (X) has a positive but not significant effect on organizational performance (Y₃). These results indicate that the better or worse the capital is, it does not have a direct effect on making organizational performance better or worse. Thus hypothesis 4 is not proven.

Strategic Partner (Y₁) also has no significant effect on organizational performance (Y₃). This test shows that the more strategic or not, it does not have a direct effect on making the organization's performance better or worse. From this analysis, it turns out that hypothesis 5 is also not proven.

Human Capital (X) has a significant positive effect on Strategic Partner (Y₁). From the results of this test, it can be stated that the better the human capital, the better the role of strategic partner HR. Hypothesis 6 is proven.

By paying attention to the test results presented in Table 4, the results of the testing of the mediating variables can be described as follows. The influence of human capital on strategic planning is significant. The effect of strategic planning on organizational performance is significant. The direct effect of knowledge management on organizational performance by involving strategic planning (mediating variables) is non-significant with a path coefficient of 0.135. Meanwhile, the direct effect of human capital on organizational performance without involving strategic planning variables is significant with a path coefficient of 0.380. From the results of this test, it shows that strategic planning is a perfect mediation variable (complete mediation) in human capital on organizational performance. Thus hypothesis 7 is proven.

Testing the mediating variables on the strategic partner relationship with organizational performance can be explained as follows. Strategic partners have a significant effect on strategic planning; the effect of strategic planning on organizational performance is significant; the direct influence of strategic partners on

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organizational performance by involving strategic planning variables is non-significant, with a path coefficient of 0.143; and the direct influence of strategic partners on organizational performance without involving strategic planning variables is significant, with a path coefficient of 0.236. Thus, from this test, it can be concluded that strategic planning is a perfect mediation variable (complete mediation) in the relationship between strategic partners and organizational performance. This result means that the more strategic the executive role of human resources is, the better or better organizational performance will be through good or appropriate strategic planning. Thus hypothesis 8, that strategic planning mediates the influence of strategic partners on organizational performance, is proven.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

CONCLUSION

An important and interesting finding from the results of this study is proof that human capital and strategic partners are important intangible resources for organizations to be able to produce good or appropriate strategic planning. Human capital has also proven to be an important resource for executives to improve their capabilities in playing an active role and participating in deciding strategic organizational issues. Human capital and strategic partners are proven not to be direct determinants of organizational performance, but their contribution to organizational performance is through strategic planning. Research findings can confirm the resource-based view of the firm, especially on the resource-based strategic approach (Barney, 1991; Grant, 1997; Collis & Montgomery, 1998). The resource-based view of the firm emphasizes that the company's resources (tangible, intangible, and capability) can be a source for estimating and implementing strategies, which can increase the efficiency and effectiveness of the company and can encourage the development of an organization's competitive advantage. According to this view, intangible resources or capabilities that are valuable, rare, and difficult to imitate are the sources of an organization's sustainable competitive advantage. The resource-based strategy (Grant, 1997; Collis & Montgomery, 1998), namely a resource-based strategy approach, emphasizes that the company's resources and capabilities act as the basic principles of strategy and determinants of company profitability.

The findings of this study also reinforce the concepts of Ulrich (1997) and Noe et al. (2006), related to the change in the role of the personnel division (fully administrative) into a strategic HR division. The executive acts as a strategic partner (strategic partner) in line with other senior management in the organization and is actively involved in strategic decision making. In this research, it is proven that human capital and strategic partners are valuable intangible resources and become a source of organizational capabilities to be able to carry out strategic planning well, which is very much needed in the face of rapidly changing environmental changes. Strategic planning that is based on human capital and strategic partners can be valuable, rare, and difficult to imitate organizational capability perfectly to achieve improved organizational performance which is a source of competitive advantage.

IMPLICATION

A good application of human capital can increase the accuracy of strategic planning. These results indicate that the implementation of Human Capital Strategy, Human Capital Theory, Human Capital Vision, Strategic Components has been proven to improve the organization's ability to identify opportunities, challenges, strengths, and weaknesses, so that the formulation, implementation, and evaluation of strategies can be carried out appropriately. Strategic partners can also improve the organization's ability to carry out strategic planning. This indicates that executives who are actively involved as strategic partners of the organization can improve the accuracy of strategy formulation, implementation, and evaluation or control. The implementation of good strategic planning is proven to be able to improve organizational performance. This shows that the activities of formulating, implementing, and evaluating appropriate strategies can improve organizational performance, in terms of financial, the customer (customer satisfaction), operational processes (service quality), and growth learning (employee satisfaction). Knowledge management is able to increase the strategic role of HR partners. This indicates that well-executed Human Capital Strategy, Human Capital Theory, Human Capital Vision, Strategic Components can improve the capabilities of HR executives in playing the role of strategic partners, helping organizations deal with strategic issues. The application of human capital is proven not to directly improve organizational performance. Likewise, strategic partners are also not directly able to improve

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organizational performance. These results indicate that the proper implementation of Human Capital Strategy, Human Capital Theory, Human Capital Vision, Strategic Components is proven not to be a direct determinant of improving organizational performance. Likewise, HR executives who are actively involved in helping organizations deal with strategic issues do not directly improve organizational performance.

Based on the findings of this study, the application of human capital can improve organizational performance through the implementation of good strategic planning. Strategic planning perfectly mediates (complete mediation) the influence of knowledge management on organizational performance. This indicates that the implementation of good knowledge management is not a direct determinant of organizational performance, but its existence is an important input throughout the strategic planning process so that efforts to improve organizational performance can be achieved. In fact, strategic partners are not directly able to improve organizational performance. It is proven in this study, strategic planning perfectly mediates (complete mediation) the relationship between strategic partners and organizational performance. This illustrates that the active involvement of executives as strategic partners is not a direct determinant of organizational performance. However, the strategic role of the executive is a source of organizational capabilities in the strategic planning process, in an organization's efforts to improve its performance. Overall, it can be said that strategic planning that is based on human capital and strategic partners, can be an organization's strategic capabilities that are valuable, rare, and cannot be imitated and substituted. Such capabilities can be the core competencies of an organization to improve or enhance performance, which is a source of organizational competitive advantage in the face of a rapidly changing business environment.

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