

Best Practices Sharing in The State-Owned Enterprise and Performance



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Background

- 1. The challenge of the state-owned enterprises (SOEs) is how to effectively meet the demand of market forces (Moynihan, 2006)**
- 2. P.T. PLN (Persero) is the sole provider of electricity to the public in Indonesia; yet it shows some market failure, such as black out in many locations in the islands state, slow response to complaining customers.**
- 3. However, the government does not prefer the SOEs to be privatized; rather it undertakes strategic transformation for better public services and improved financial performance (Smith and Trebilcock, 2001).**
- 4. It implies internal transformation to greater market effectiveness, from inertia of state economy (Hovey and Naughton, 2007)**
- 5. SOEs need to build organizational knowledge as a basis for value system, enhancing employees' public services (Szulanski, 2003; Fong, 1999).**
- 6. KM can become value driver for transforming organization infrastructure and employees' dedication to public services (Plessis, 2005)**

Background:

1. **Internal resource and capability becomes a strong resource of competitive advantage** (Barney, 1991)
2. **Public service demand is increase** (Moynihan, 2006)
 - **The government-owned company is not good yet at its service** (Basri, 2007)
 - **No black-out, quick response to complaining of customer**
3. **Performance of public service is not good yet** (Barzelay, 2001).
 - **There are “knowledge drain” in company** (English & Baker, 2006)
 - **Public Company is still limited at mastering best practices to provide high performance service and to increase competitive advantage** (Jorgensen, 2004)
4. **In strategic management dicipline, best practices are one of the company’s internal resource and capabilities in strategy implementation** (Teece, Pisano and Shuen, 1997)
 - **Best practices are a foundation for effective service.**
5. **Disseminations of best practices ensures more on company’s effective performance and becomes a strong resource of competitive advantage** (Szulanski, 2003)

Research Issues:

- 1. The core element in knowledge management lies on the concept of best practices as new value system for public enterprises (Szulanksi, 2003; de Vries, 2006).**
- 2. The process for spreading best practices in an organization is knowledge sharing and transfer, to overcome the knowledge gap (Zack, 1999).**
- 3. However, dissemination of best practices meets many barriers (Kerwin & Woodruff, 1998); among others, bureaucratic inertia in the SOEs (Hannan, Polos, Carrol, 2004), jealousy among divisions, low incentive, Not-Invented-Here or NIH syndrome (Szulanski, 1996).**
- 4. This research proposes: Antecedent condition needs to be created in company to accelerate the sharing of best practices, namely:
→ Understanding of knowledge characteristics, collaboration, adaptation, leadership, and transfer implementation of best practices, for supporting company's performance**

Central Research Question :

How to get best practices spread well in company of the SOE, in that “re-using valuable knowledge” in other units can be done by a unit with its best practices that can be useful to increase company’s performance.

Research Questions (Specific) :

- 1. In what way tacit knowledge and explicit knowledge influence best practices sharing within the state-owned company ?**
- 2. Do trust and cooperation influence best practices sharing within the state-owned company?**
- 3. Do replication ability and routines influence best practices sharing within the state-owned company ?**
- 4. Does leadership influence best practices transfer within the state-owned company ?**
- 5. Does implementation transfer increase the influence of best practices sharing toward the achievement of the state-owned company performance?**
- 6. Does the best practices sharing increase performance within the government-owned company ?**

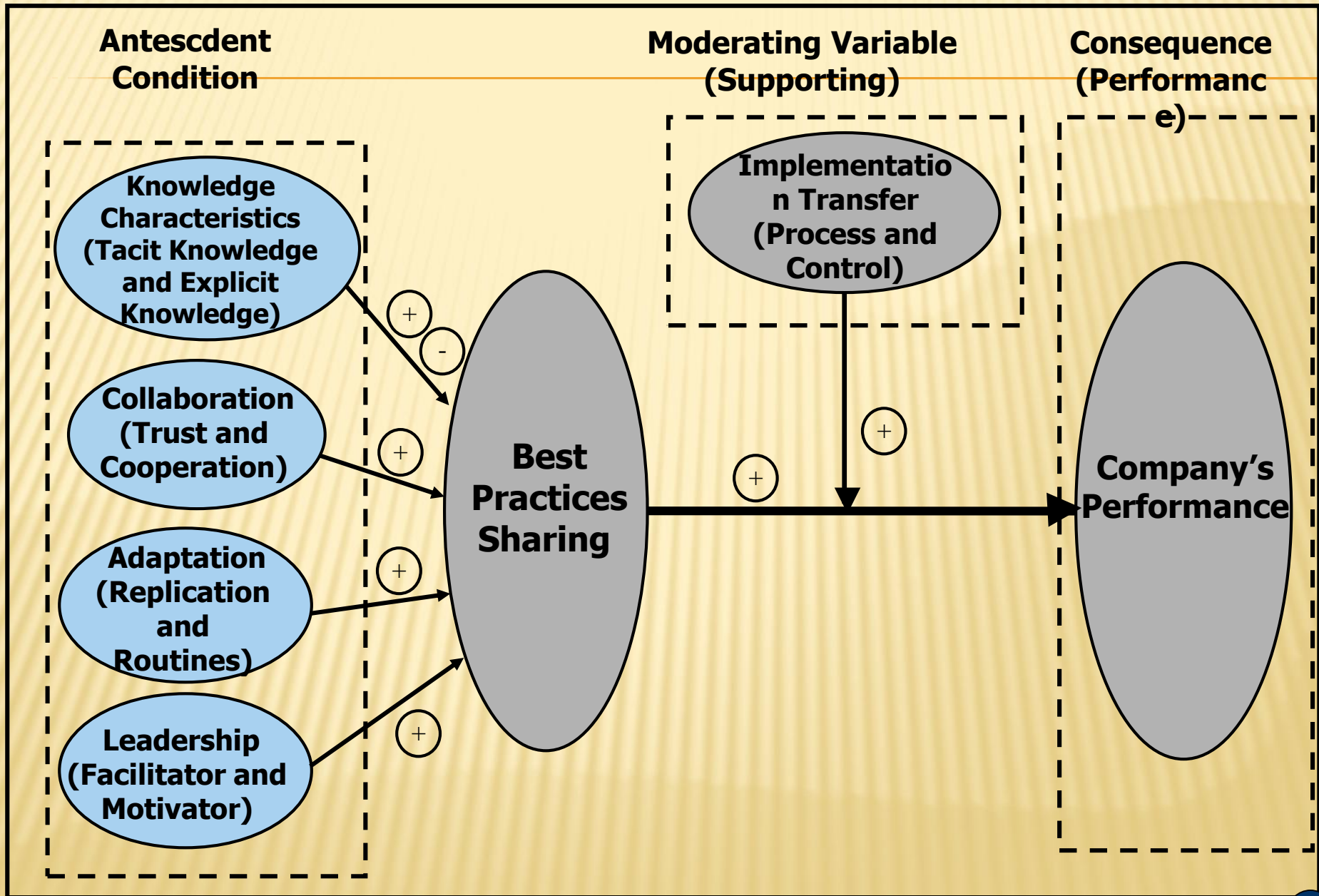
Previous Research :

- 1. Factors influencing knowledge transfer (Rogers, 1983) :**
 - a). Characteristic of knowledge transferred,**
 - b). Characteristic of source,**
 - c). Characteristic of recipient, and**
 - d). Characteristic of context in which transfer occurs**
- 2. Difficulties of routine knowledge transfer are caused by (Zander & Kogut, 1995).**
 - a). Individual skill involved, and**
 - b). Cooperation management created in company.**
- 3. Stickiness situation that goes slow on transfer of knowledge (Arrow, 1962), namely: social condition when best practices appear from the work environment of giver may differ from the social condition of recipient.**
- 4. Origins of stickiness are among others (Szulanski, 1996):**
 - a). Lack of absorptive capacity of recipient,**
 - b). Causal ambiguity, and**
 - c). Arduous relationship between source and recipient.**

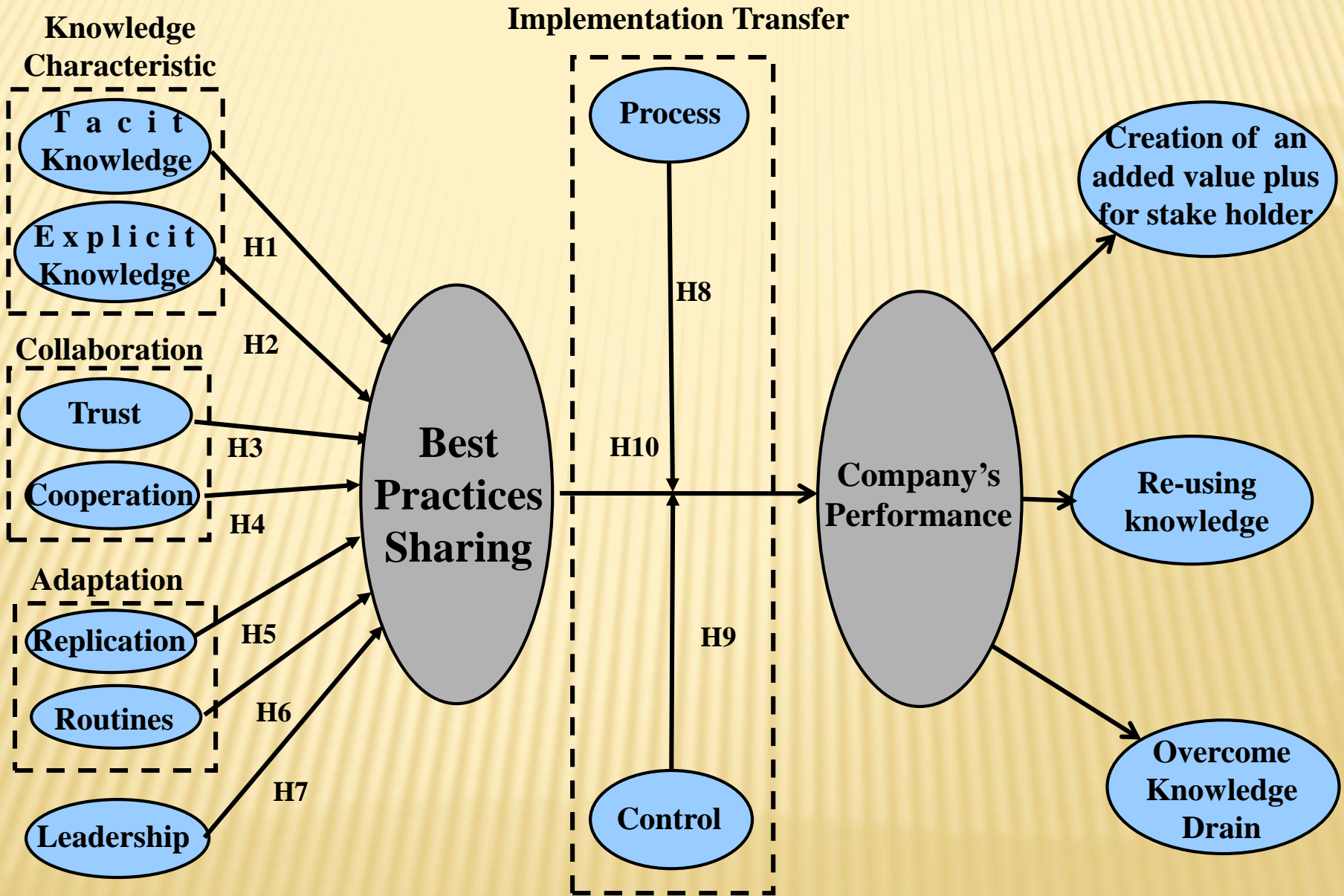
Conceptual Framework:

- 1. Best practices sharing consist of:**
 - a) Knowledge characteristic (tacit and explicit knowledge) (Polanyi, 1996; Nonaka, 1994; Szulanski, 1996; 1997; Von Hippel, 1998)**
 - b) Collaboration (trust and cooperation) (Collins & Smith, 2006; Nahapiet and Ghoshal, 1998; Szulanski, 1996; Fukuyama, 1996)**
 - c) Adaption (replication & routines (Ghemawat, 2007; Zook, 2004)**
- 2. Performance of public company consists of:**
 - a) Creation of an added value for stakeholders (Liebowitz & Beckman, 1998; Buzzell, Gale, Sultan, 1975)**
 - b) Spread and re-using valuable knowledge (Szulanski, 2003; Bukowitz dan Williams, 1999; Levitt & March, 1988; Stankosky, 05)**
 - c) Overcome knowledge drain/loss (English dan Baker, 2006; DeLong and Mann, 03; Parise, et al., 2006; Poruban & Clark, 2001)**
- 3. Leadership, as facilitator and motivator (Ireland & Hitt, 1999; Child, 1972; Thomas, 1988; Boal & Hooijberg, 2000; Leibold et al., 2005)**
- 4. Transfer implementation as process and control (Kim, Hwang dan Suh, 2003; Karlsen and Gottschalk, 2003; Desouza and Awazu, 2006).**

Research Model



Research Hypotheses



Research Design

1. Method of Research:

The Structural Equation Model (SEM) with the Confirmatory Factor Analysis (CFA), to be analyzed for the whole model (combining model).

2. Population and Sample:

Population : SOE (PLN) with all the branches and business units

Sample : General Manager and Manager of the Branches

Unit Analysis : Branch and Business Units

3. Source of Data: Sending the questionnaire to selected branches and Business Unit

4. *Pre-Test*: executed to 30 respondents, carrying out *bootstrapping*.

5. Data Analysis: Lisrel Program 8.72

6. Method of Analysis:

- Evaluation of the fit of research model
- To check the validity and reliability of model
- Evaluating of Loading Factor within the latent variables

Hypotheses :

- H1: Tacit knowledge in a company decreases best practices sharing.**
- H2: Explicit knowledge of a company increases best practices sharing.**
- H3: The atmosphere of social trust within a company increases sharing best practices.**
- H4: Cooperation atmosphere among knowledge worker within a company increases best practices sharing transfer.**
- H5: Capability of replicating best practices within a company increases best practices sharing.**
- H6: Ability to carry out routines of best practices within the company increases best practices sharing.**
- H7: Leadership increases the influence of best practices sharing.**
- H8: Best practices sharing increases company performance.**

Research Contribution

1. Theoretical Contribution

Provide anew understanding the importance of transforming the value system in the SOE in terms of knowledge transfer as routine and best practices as value management for public service.

2. Managerial Contribution

Useful for CEO/Managers in the emerging country in designing a way-out of the demand for increasing service through the utilization of the transfer of knowledge and best practices in the company, to meet global challenge of domestic and foreign direct investment.



Thank you