

THE EFFECT OF VALUE CREATION AND BUSINESS STRATEGY ON THE PERFORMANCE OF REGIONAL DEVELOPMENT BANK IN INDONESIA

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ABSTRACT

Nationally, the performance of Regional Development Banks has not been quite good, judging from the growth in assets. Presumably because the problems in the implementation of business strategy and the development of value creation. Based on this background, this study aims to examine the effect of value creation and business strategy on the performance of Regional Development Banks in Indonesia. This study is verification which the observations in cross section / one shot. The unit of analysis is the Regional Development Bank in Indonesia totaling 26 BPD. The results showed that the value creation has a greater impact on performance than the business strategy.

Keywords: value creation, business strategy, company performance

INTRODUCTION

1.1 Research Background

Currently there are 26 *Regional Development Banks* scattered throughout Indonesia. However, in practice, the performance of *Regional Development Banks* has not shown an optimal performance, judging from the total assets owned. Total assets of *Regional Development Banks* nationally in December 2015 amounted to IDR. 475 trillion. If the entire *Regional Development Banks* supposed to merge into one bank, then the total number of assets is ranked fifth of nationwide commercial banks under the Bank BRI (PT), Bank Mandiri (PT), BCA (PT), and Bank BNI (PT). The figure is equivalent to 7.7% of the total assets of all commercial banks nationwide.

The highs total assets from year to year is owned by *Regional Development Banks of* Jabar and Banten, which at the end of 2015 reached IDR. 83 trillion, while the lowest total assets is owned by the *Regional Development Banks* of Central Sulawesi, which at the end of 2015 amounted to IDR 4 trillion. The profit during the period 2011-2015 amounted to IDR 1.4 trillion earned by *Regional Development Banks* of Jabar and Banten in 2015. The biggest losses during the period 2011-2015 was experienced by *Regional Development Banks of* Riau and Riau Islands amounted to IDR. 384 billion in 2013 and IDR. 468 billion in 2014.

In additional the data also showed a high volatility performance. Once happen a profit rose 263 times that experienced by BPD Maluku in 2015. On the other hands the loss of two consecutive years experienced by *Regional Development Bank of* Riau and Riau Islands is a negative performance which widens the range of volatility.

That phenomenon shows that despite being in the industry that has strong uniformity pressure, but the posture and the performance of banks in the industry vary widely. Variations can be seen from the posture and performance (Rufaidah, 2014, p. 15) of banks in Indonesia. The difference between posture and performance among the top 10 commercial banks in terms of assets with other 108 banks is very large, including with regional development banks, more than 50 percent of the bank's business controlled by the ten banks. In addition to posture and performance are imbalances between banks, inequality posture performance and geographical location is also happening in the banking business. More than 45 percent of the national banking business took place in Jakarta.

Based on these facts indicate that the performance of the national regional development bank has not been classified as good, judging from the growth in assets. Meanwhile Norton and Kaplan (2008) measures the performance of companies based on four perspectives: financial, customer, internal processes, and learning and growth. In the financial perspective, the performance is measured by ROA. While from the above data, it appears that in the average, the assets growth of regional development bank is not optimal, in fact some of them have experienced negative growth.

The cause of those facts, allegedly associated with the business strategy that has not exactly run by regional development bank. In the opinion of Hubbard and Beamish (2011) business strategy is the organization's efforts to reposition its business more competitive than its competitors. In line with the opinion of Wheelen et al. (2015), business strategy focus on improving the competitive position of a product or services of a business unit or company in a particular industry or a particular market segment where the company or business unit competes. Business strategy in the form of competitive strategies (competing

against all competitors in excellence) and or cooperation strategy (in cooperation with one or more companies to achieve advantages over competitors).

All types of banks operating in Indonesia, has a standard of banking products and services. In accordance with the bank's function as an intermediary institution, bank financing generic products such as current accounts, savings and time deposits absolutely owned by all banks. The same thing with the generic product in the form of credit financing and investments. Banking services provided by each of the banks also have minimum standards. Currently, all commercial banks operating in Indonesia have had an on-line system. This service allows customers to transact not only at the branch where the account opening but also through other branches. Similarly, the service of automatic teller machine (automatic teller machines-ATM). All commercial banks in Indonesia already have ATM outlet for holders of accounts. (www.bi.go.id/id/iek/produk-jasa-perbankan)

The development of the payment systems coloring intense competition among banks in its application. In the 1990s, the innovation competition of non-cash payment instruments is particularly the case for ATM and debit cards. Since the decade of the 2000s to the present, after all banks have ATM services, competition shifts in credit cards, electronic money and electronic banking as a base branchless banking. The tendency of the current competition is competition-based digital services, namely electronic banking, internet banking, mobile banking, SMS banking, e-payment and e-money. However, from a variety of such services, has not been optimally developed by BPD. These services are still lost prestige compared to the national banking system.

Meanwhile, several studies have shown the importance of business strategy in improving corporate performance. Hahn and Powers (2010) suggests the impact of Cost leadership to better performance than others, which do not use the generic strategies. Valipour et al. (2012) found that in the firms with a cost leadership strategy, there is a positive relationship between leverage; cost leadership strategy and dividend payout to performance. Moreover, Banker et al (2014) shows that cost leadership and differentiation strategies have a positive impact on contemporary performance.

Another phenomenon that is thought to have an impact on the performance of regional development bank is value creation. Where is described by Kotler and Keller (2012) that in the process of value creation, marketers need to take steps which are: to identify benefits for new customers in the customer standpoint, then use the core competencies of business domain that run by the company, and select and managing business partnerships based on network collaboration.

Value creation can be done with the development of personalized service issues which are of particular concern. Public service is no longer sufficient for clients who have a large portfolio of business with banks in general terms is often referred to as prime customers. Personal services that are specifically required to answer prime customers' banking needs. Fast and precise as the free queue, special officer, a special room, special rates, up to products and special activities need to be reserved for prime customers. The entire top 10 banks in terms of assets considered it necessary to provide premium services to the prime customer. It can be seen from the availability of excellent service in the whole of the bank. While the regional development bank seem to have not developed yet the concept, mostly still struggling in the business domain that have been implemented so far and have not fully develop or innovate to develop new business domains that provide better customer benefits for its customers.

Based on the research background, it is interesting to study the effect of value creation and business strategy on company performance regional development bank in Indonesia.

1.2 Literature Studies

Value creation is defined by Kotler & Keller (2012, p.79) as:

“To exploit a value opportunity, the company needs value-creation skills. Marketers need to: identify new customer benefits from the customer's view; utilize core competencies from its business domain; and select and manage business partners from its collaborative networks. To craft new customer benefits, marketers must understand what the customer thinks about, wants, does, and worries about. Marketers must also observe who customers admire, who they interact with and who influences them”

In the banking, Obloj dan Sengul (2012, p.308) suggest “we define the value created by employees as their contribution to the objective function of the firm and the value appropriated by employees as the amount of the created value that is retained by them”.

Teresa (2016, p. 467) explained a source of value creation:

“First, scholars have suggested that the ‘source’ of value creation is a historical question rather than an immutable, transhistorical law (Elson, 1979; Mann, 2010; Postone, 1995); and second, value creation may occur in the realm of circulation through financial (Marazzi, 2011) and cultural activities (Hardt, 2005)”

Besides, Dodd dan Dyck (2015, p.314) explained the measurement of value creation:

“Value creation is measured at a societal level of analysis, and is evident “when the aggregate utility of society's members increases after accounting for the opportunity cost of all the resources used in that activity” (Santos, 2012, p. 337). For example, value creation occurs when a firm uses resources in a new way that provides more benefit for more people than had been the case without the firm”.

Many studies about business strategy have done by researcher. Peña, Jamilena, and Molina (2012) ensure the importance of market orientation as business strategy in tourism sector.

Erturk *et al.* (2010) stated:

“This is true of earlier kinds of strategy discourse by Porter who in the early 1980s had argued that a firm’s competitive-ness, and thus its value creating capacity, depended on the ability of its divisional units to select and apply successfully one of three generic strategies to exploit industry opportunities, measured by his five-forces framework (1980, 1985)”.

Hoehn-Weiss and Barden (2014, p.227) stated:

“Alliances can be particularly valuable tools for new-venture managers. In essence, alliances are voluntary, cooperative inter-organizational arrangements involving exchange, sharing or codevelopment of products, technologies, or services (e.g. Gulati, 1998).”

Kiple, Lewis, and Jeng (2012, p.8) showed 10 technological factors impact on business strategy:

“The importance of the respective factors to the firm’s future business strategy can be assessed as follows:

- Determine the gaps between the future environment and the firm’s historical strategic position.
- Provide an estimate of the firm’s future technological competitive position if the firm continues using its historical strategy.
- Identify the changes in the technological strategy factors that should be made” (2012:8).

David (2013) have some measurement of performance: *Return on Investment (ROI), Return on Equity (ROE), Profit Margin, Market Share, Debt to Equity, Earnings per share, Sales growth, Assets growth.*

Hahn & Powers (2010) used *ROA to emasure the performance of bank, while* Al - Tamimi (2010) used ROA and ROE.

Peña, Jamilena, Molina, and Pino (2016) found the relationship between differentiation strategy and perceived value. Guo (2013), shown that longrun partnetship with client impact on the management of credit risk, revenue, so can improve wealth and income of shareholder.

1.3 Research Objective

The study aim to examine :

1. *The relationship between value creation and business strategy of regional development bank in Indonesia.*
2. *The effect of value creation and business strategy on the performance of regional development bank in Indonesia.*

METHODOLOGY

This is a verifivation study. The study conducted in an time horizon bersifat that cross section/one shoot. The tool analysis used is Partial Least Square Path Modeling (PLS-PM). This study conducted to the unit analysis is regional development bank in Indonesia. The secondary data show that there are 26 regional development banks in Indonesia, so that implemented the cencus method.

DISCUSSION

This section presents the analysis of the effect of value creation and business strategy to the regional development bank's performance Prior to the analysis, firstly presented the outer and inner models as follows:

Table 1
Goodness Model

	GoF
Outer model	0.980
Inner model	0.841

The calculations show the value of goodness of fit for outer model is 0.980 and inner models for amounted to 0.841. Value close to 1 indicates that the proposed research model can be expressed as good or according to research data. In other words, the research model is able to reflect the phenomenon under study.

3.1 Measurement Model

Below is validity and reliability of items and dimension through the measurement model.

3.1.1 Value Creation

Value creation is measured by three dimensions of customers benefit, business domain, and business partner. Calculation of the validity coefficient for each dimension and indicators are presented in the following path diagram:

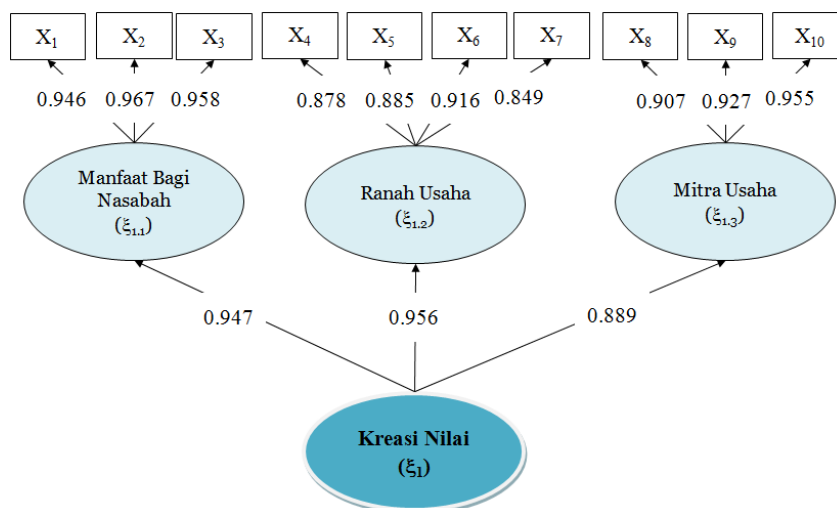


Figure 1 Measurement Model of value Creation

All the indicators and dimensions have a loading factor or validity coefficient greater than 0.500 so that it can be concluded valid. The dimensions of the greatest validity coefficient is the dimension of the business domain, which means this dimension in describing the most dominant in variable value creations. The analysis for each indicator is presented in the tables below:

Table 2 Customer Benefit

Indicator	code	Loading	R ²	Variance Error
	X1	0.946	0.895	0.105
	X2	0.967	0.935	0.065
	X3	0.958	0.917	0.083
Composite reliability		0.970		
Average Variance Extracted		0.916		

The results of analysis of the indicator validity in measuring the dimensions of customer benefit showing that all the indicators have loading or validity coefficient greater than 0.500 so that it can be concluded as valid indicator. Composite reliability coefficient greater than 0.700 and the average variance extracted is also greater than 0.500 which shows all indicators are reliable to measure the dimensions of customer benefits. These results conclude that all indicator are valid and reliable in measuring the dimensions of customer benefit. The most dominant item describes the dimensions of customer benefit is the item X2.

Table 3 Business Domain

Indicator	Code	Loading	R ²	Variance Error
	X4	0.878	0.772	0.228
	X5	0.885	0.783	0.217
	X6	0.916	0.839	0.161
	X7	0.849	0.721	0.279
Composite reliability		0.934		
Average Variance Extracted		0.778		

The results of analysis of the indicator validity in measuring the dimensions of business domain showing that all the indicators have loading or validity coefficient greater than 0.500 so that it can be concluded as valid indicator. Composite reliability coefficient greater than 0.700 and the average variance extracted is also greater than 0.500 which shows all indicators are reliable to measure the dimensions of business domain. These results conclude that all indicator are valid and reliable in measuring the dimensions of business domain. The most dominant item describes the dimensions of business domain is the item X6.

Table 4 Business Partner

Indicator	Code	Loading	R2	Variance Error
	X8	0.907	0.823	0.177
	X9	0.927	0.859	0.141
	X10	0.955	0.912	0.088
Composite reliability		0.951		
Average Variance Extracted		0.865		

The results of analysis of the indicator validity in measuring the dimensions of business partner showing that all the indicators have loading or validity coefficient greater than 0.500 so that it can be concluded as valid indicator. Composite reliability coefficient greater than 0.700 and the average variance extracted is also greater than 0.500 which shows all indicators are reliable to measure the dimensions of business partner. These results conclude that all indicator are valid and reliable in measuring the dimensions of business partner. The most dominant item describes the dimensions of business partner is the item X10.

Table 5 Value Creation

Dimension	Code	Loading	R2	Variance Error
Customer Benefit		0.947	0.897	0.103
Business domain		0.956	0.914	0.086
Business partner		0.889	0.791	0.209
Composite reliability		0.952		
Average Variance Extracted		0.868		

The results of analysis of the dimension validity in measuring the variable of value creation showing that all the dimensions have loading or validity coefficient greater than 0.500 so that it can be concluded as valid dimension. Composite reliability coefficient greater than 0.700 and the average variance extracted is also greater than 0.500 which shows all dimension are reliable to measure the variable of value creation. These results conclude that all indicator are valid and reliable in measuring the variable of value creation. The most dominant item describes the variable of value creation is business domain.

3.1.2 Business Strategy

Variable of business strategies is measured by two dimensions of competitive and cooperative strategies. Calculation of the validity coefficient for each dimension and indicators are presented in the following path diagram:

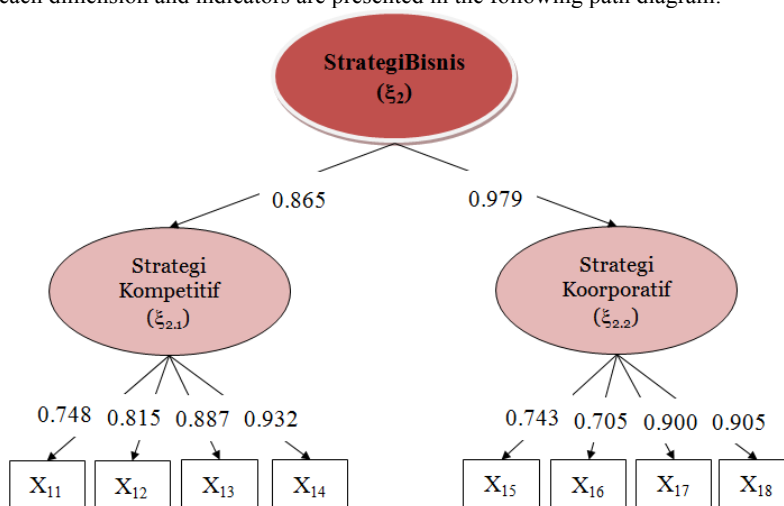


Figure 2 Measurement Model of Business Strategy

All the indicators and dimensions have a loading factor or validity coefficient greater than 0.500 so that it can be concluded valid. The dimensions with the greatest validity coefficient is the cooperative strategy which means that this dimension is most dominant variable in describing business strategy. The analysis for each indicator is presented in the tables below:

Table 6 Competitive Strategy

Indicator	Code	Loading	R2	Variance Error
	X11	0.748	0.560	0.440
	X12	0.815	0.664	0.336
	X13	0.887	0.786	0.214
	X14	0.932	0.869	0.131
Composite reliability		0.911		
Average Variance Extracted		0.720		

The results of analysis of the indicator validity in measuring the dimensions of competitive strategy showing that all the indicators have loading or validity coefficient greater than 0.500 so that it can be concluded as valid indicator. Composite reliability coefficient greater than 0.700 and the average variance extracted is also greater than 0.500 which shows all indicators are reliable to measure the dimensions of competitive strategy. These results conclude that all indicator are valid and reliable in measuring the dimensions of competitive strategy. The most dominant item describes the dimensions of competitive strategy is the item X14.

Table 7 Cooperative Strategy

Indicator	Code	Loading	R2	Variance Error
	X15	0.743	0.552	0.448
	X16	0.705	0.497	0.503
	X17	0.900	0.809	0.191
	X18	0.905	0.819	0.181
Composite reliability		0.889		
Average Variance Extracted		0.669		

The results of analysis of the indicator validity in measuring the dimensions of cooperative strategy showing that all the indicators have loading or validity coefficient greater than 0.500 so that it can be concluded as valid indicator. Composite reliability coefficient greater than 0.700 and the average variance extracted is also greater than 0.500 which shows all indicators are reliable to measure the dimensions of cooperative strategy. These results conclude that all indicator are valid and reliable in measuring the dimensions of cooperative strategy. The most dominant item describes the dimensions of cooperative strategy is the item X18.

Table 8 Business Strategy

Dimension	Code	Loading	R2	Variance Error
Competitive strategy		0.865	0.749	0.251
Cooperative strategy		0.797	0.635	0.365
Composite reliability		0.912		
Average Variance Extracted		0.692		

The results of analysis of the dimension validity in measuring the variable of business strategy showing that all the dimensions have loading or validity coefficient greater than 0.500 so that it can be concluded as valid dimension. Composite reliability coefficient greater than 0.700 and the average variance extracted is also greater than 0.500 which shows all dimension are reliable to measure the variable of business strategy. These results conclude that all indicator are valid and reliable in measuring the variable of business strategy. The most dominant item describes the variable of business strategy is cooperative strategy.

3.1.3. Bank Performance

Bank performance variables measured by four dimensions of the financial perspective, customer perspective, internal process perspective and learning and growth perspective. The results of preliminary calculations indicate how many items that had the mark of each other as follows:

Table 9
Item Selection at Dimension of Financial Perspective

Indicator	Code	Loading
	Y1	0.600
	Y2	-0.732
	Y3	-0.737
	Y4	-0.601
	Y5	-0.798
	Y6	-0.695
	Y7	0.816
	Y8	0.673
	Y9	0.452
	Y10	-0.826
	Y11	0.434

Furthermore, by trial and error chosen the most appropriate item in the model are items that give a positive dimension to the value of the validity of the variables. After the process of selecting the items, found a combination of best item in measuring the financial perspective in this model is (y₂, y₃,y₄,y₅,y₆, and y₁₁). The validity coefficient for each of dimensions and indicators presented in a path diagram below:

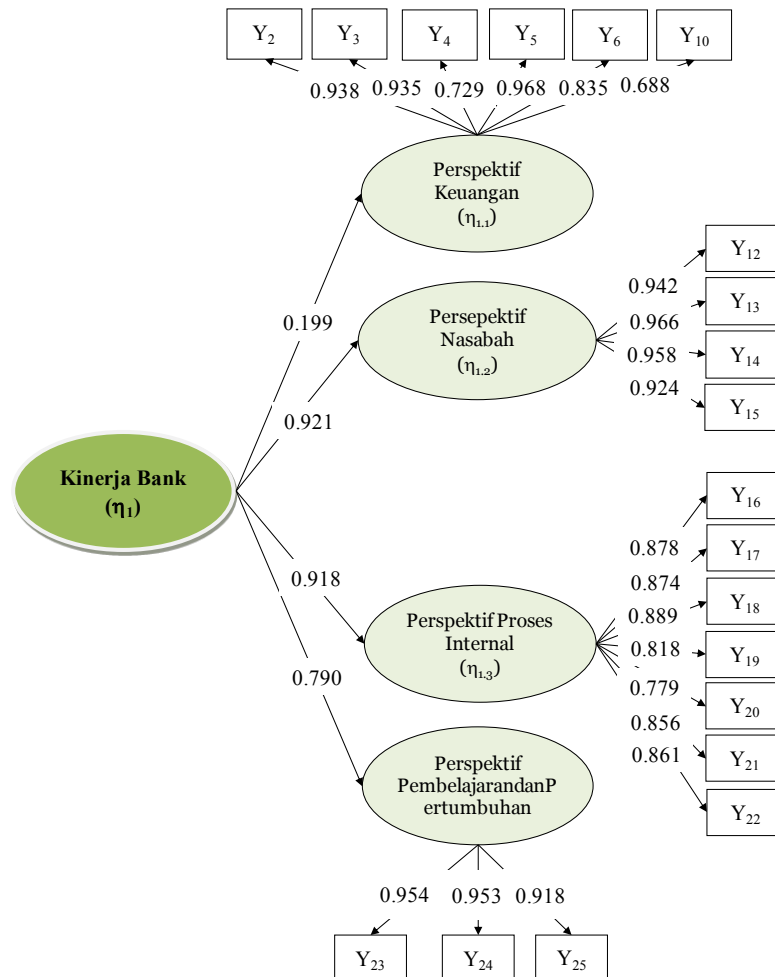


Figure 1 Measurement Model of Bank Performance

It is seen that the dimensions of the financial perspective has the smallest loading factor but still be positive so that they remain inserted into the measurement model. In addition, all items from these dimensions has a high loading factor.

Table 10 Financial Perspective

Indicator	Code	Loading	R2	Variance Error
	Y2	0.938	0.880	0.120
	Y3	0.935	0.874	0.126
	Y4	0.729	0.532	0.468
	Y5	0.968	0.937	0.063
	Y6	0.835	0.698	0.302
	Y10	0.688	0.474	0.526
Composite reliability		0.942		
Average Variance Extracted		0.732		

The results of analysis of the indicator validity in measuring the dimensions of financial perspective showing that all the indicators have loading or validity coefficient greater than 0.500 so that it can be concluded as valid indicator. Composite reliability coefficient greater than 0.700 and the average variance extracted is also greater than 0.500 which shows all indicators are reliable to measure the dimensions of financial perspective. These results conclude that all indicator are valid and reliable in measuring the dimensions of financial perspective The most dominant item describes the dimensions of financial perspective is the item Y5.

Table 11 Customer Perspective

Indicator	Code	Loading	R2	Variance Error
	Y12	0.942	0.888	0.112
	Y13	0.966	0.934	0.066
	Y14	0.958	0.917	0.083
	Y15	0.924	0.853	0.147
Composite reliability		0.972		
Average Variance Extracted		0.898		

The results of analysis of the indicator validity in measuring the dimensions of customer perspective showing that all the indicators have loading or validity coefficient greater than 0.500 so that it can be concluded as valid indicator. Composite reliability coefficient greater than 0.700 and the average variance extracted is also greater than 0.500 which shows all indicators are reliable to measure the dimensions of customer perspective. These results conclude that all indicator are valid and reliable in measuring the dimensions of customer perspective The most dominant item describes the dimensions of customer perspective is the item Y15.

Table 12 Internal Process Perspective

Indicator	Code	Loading	R2	Variance Error
	Y16	0.876	0.768	0.232
	Y17	0.874	0.764	0.236
	Y18	0.899	0.808	0.192
	Y19	0.818	0.670	0.330
	Y20	0.779	0.607	0.393
	Y21	0.856	0.732	0.268
	Y22	0.861	0.742	0.258
Composite reliability		0.949		
Average Variance Extracted		0.727		

The results of analysis of the indicator validity in measuring the dimensions of internal process perspective showing that all the indicators have loading or validity coefficient greater than 0.500 so that it can be concluded as valid indicator. Composite reliability coefficient greater than 0.700 and the average variance extracted is also greater than 0.500 which shows all indicators are reliable to measure the dimensions of internal process perspective. These results conclude that all indicator are valid and reliable in measuring the dimensions of internal process perspective The most dominant item describes the dimensions of internal process perspective is the item Y18.

Table 13 Learning and Growth Perspective

Indicator	Code	Loading	R2	Variance Error
	Y23	0.954	0.909	0.091
	Y24	0.953	0.908	0.092
	Y25	0.918	0.843	0.157
Composite reliability		0.959		
Average Variance Extracted		0.887		

The results of analysis of the indicator validity in measuring the dimensions of learning and growth perspective showing that all the indicators have loading or validity coefficient greater than 0.500 so that it can be concluded as valid indicator. Composite reliability coefficient greater than 0.700 and the average variance extracted is also greater than 0.500 which shows all indicators are reliable to measure the dimensions of learning and growth perspective. These results conclude that all indicator are valid and reliable in measuring the dimensions of learning and growth perspective The most dominant item describes the dimensions of learning and growth perspective is the item Y23.

Table 14 Variable of Bank Performance

Dimension	Code	Loading	R2	Variance Error
Financial perspective		0.199	0.040	0.960
Customer perspective		0.921	0.848	0.152
Internal Process Perspective		0.918	0.843	0.157
Learning and Growth Perspective		0.790	0.623	0.377
Composite reliability		0.829		
Average Variance Extracted		0.588		

The results of analysis of the dimension validity in measuring the variable of bank performance showing that all the dimensions have loading or validity coefficient greater than 0.500 so that it can be concluded as valid dimension. Composite reliability coefficient greater than 0.700 and the average variance extracted is also greater than 0.500 which shows all dimension are reliable to measure the variable of bank performance. These results conclude that all indicator are valid and reliable in measuring the variable of bank performance. The most dominant item describes the variable of bank performance is customer perspective.

3.2 Model of the Effect of Value Creation and Business Strategy on Bank performance

Furthermore, is the analysis of the inner model. Results of inner coefficient calculation model is presented in the path diagram below:

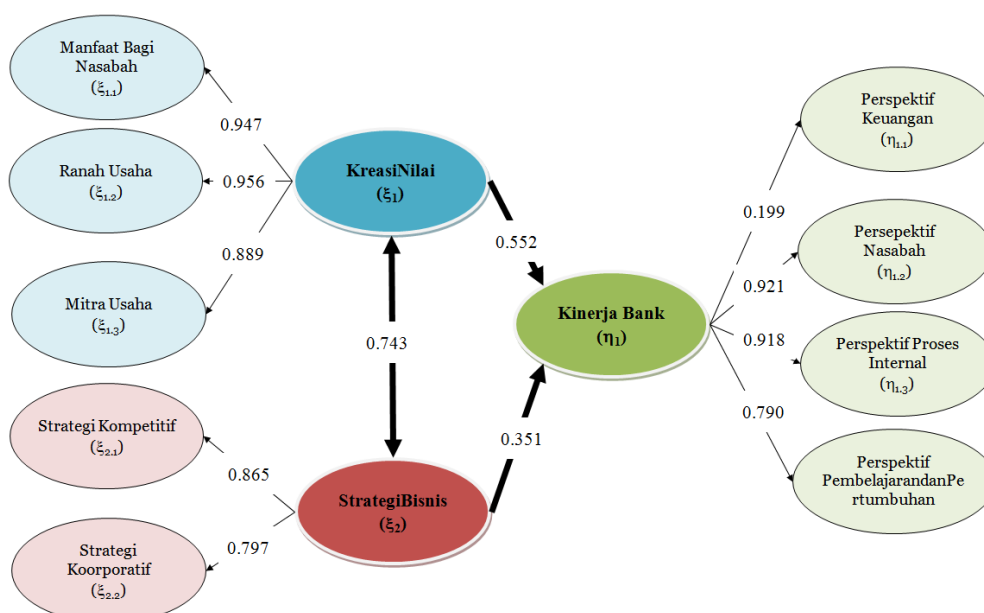


Figure 4. the Effect of Value Creation and Business Strategy on Bank performance

The analysis finds the high values for the coefficients of the inner. The correlation coefficient between value creation and business strategy reaches 0.743, the effect of value creation influence on the bank performance for 0.552 and the effect of business strategies on the bank performance for 0.351. Path diagram can be presented in the following statistical models:

$$\eta_1 = 0.552\xi_1 + 0.351\xi_2$$

The analysis also found that the determination coefficient of the model of the influence value creation and of business strategy on the bank performance of by 0.725. The value informs that amounted to 72.5% changes in performance can be explained by changes that occur in the variable of value creation and business strategies through the linear relationship.

Hypothesis 1

- H₀: ρ = 0 Value creation has no close correlation with business strategy of regional development bank in Indonesia.
 H₁: ρ ≠ 0 Value creation has close correlation with business strategy of regional development bank in Indonesia.

The analysis finds the correlation between value creation with business strategy for 0.743 that indicate a strong correlation between value creation and business strategy. This shows that the higher creation of value, the higher its business strategy, and vice versa. The correlation coefficient greater than zero indicates that the null hypothesis is rejected and the alternative hypothesis is accepted, which means the creation of value correlates closely with the business strategy in regional development bank in Indonesia.

Hypothesis 2

- H₀: β₁=β₂=0 Value creation and business strategy does not affect the performance of regional development bank in Indonesia, either simultaneously or partially
 H₁: β_i≠0 Value creation and business strategy affect the performance of regional development bank in Indonesia, either simultaneously or partially.
 i=1, 2

To test the simultaneous hypothesis used determination coefficient R², if the value is greater than zero then the alternative hypothesis is accepted. The analysis finds determination coefficient of 0.725. The coefficient of determination is greater than 0 indicates that the null hypothesis is rejected and alternative is accepted, which means that value creation and the right business strategy have positive effect on the performance of regional development bank in Indonesia, either simultaneously or partially.

Partial Hypothesis

- H₀: β₁₁= 0 Value creation does not affect on the performance of regional development bank in Indonesia
 β₁₂= 0 Business strategy does not affect on the performance of regional development bank in Indonesia
 H₁: β₁₁≠ 0 Value creation does affect on the performance of regional development bank in Indonesia
 β₁₂≠ 0 Business strategy does affect on the performance of regional development bank in Indonesia

To test the partial hypothesis used the effect coefficient, if the value is greater than null it is mean the alternative hypothesis is accepted. The calculation shown below:

Table 15
Effect Coefficient

Latent variable	Value	f ²
Value Creation	0.552	0.457
Business Strategy	0.351	0.185

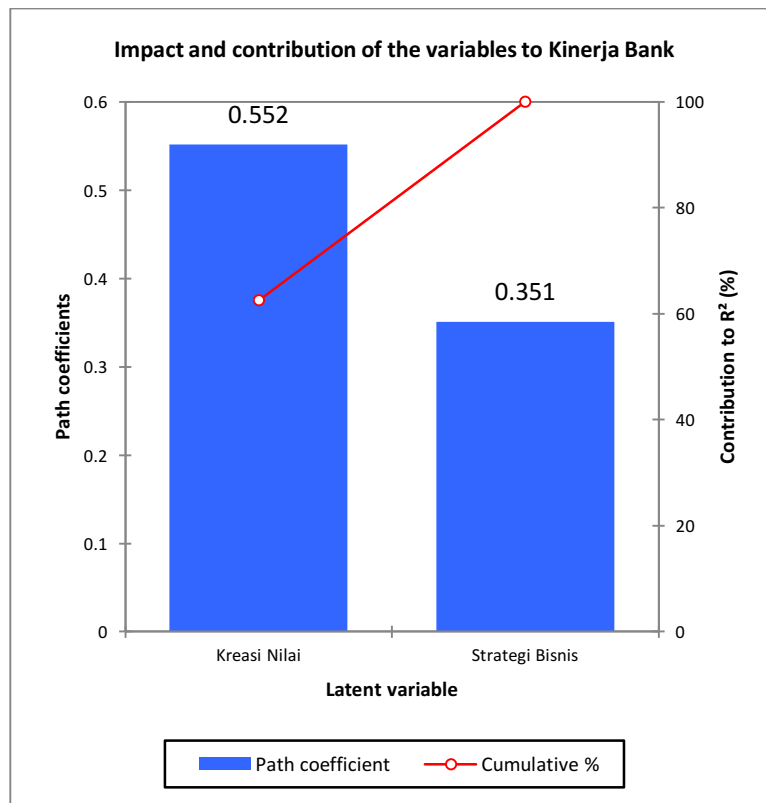


Figure 5 Effect of Value Creation and Business Strategy

The calculation show that value creation has a greater effect of 0.552 on bank performance meanwhile the effect of business strategy for 0,351. The value of effect size of value creation as amounted to 0.457 greater than 0.36 show the strong effect of value creation on bank performance, meanwhile effect size of business strategy on bank performance only 0.185 greater than 0.15 indicates a medium effect.

The effect of two variables is greater than 0 so that can be concluded that hypothesis null is rejected for the value creation and business strategy that means value creation affect on the performance of regional development bank in Indonesia, so as business strategy affect on on the performance of regional development bank in Indonesia.

CONCLUSION AND SUGGESTION

Value creation has a greater contribution than business strategies in improving the performance of regional development bank in Indonesia. So that the efforts to improve performance in the short term should be a higher priority to the development of value creation, particularly related to the dimensions business domain, customer benefit, and business partner.

Hopefully the findings could be used as a reference for researchers to develop further research related to the banking industry in particular the Regional Development bank by use the results of these findings as part of the premise in preparing the framework.

Expected further research on the banking company or Regional Development bank at a different viewpoint with this research such as Human Resource Management or Marketing Management.

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