Effects of Supply Chain Strategy on Company Performance: The Moderating Role of Competitive Advantage

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Abstract. **The research aims to determine and analyse the effects of Supply Chain strategy on company performance through competitive advantage. Based on the description, this research was causal associative, using primary data with 343 respondents. Data collection technique used questionnaire; the instrument measurement scale was semantic differential. The Data were analyzed using Structural Equation Model (SEM), which was operated using AMOS program. The results show that 1) supply chain strategy has a positive effect on competitive advantage, 2) competitive advantage has a positive effect on company performance, 3) supply chain strategy has no direct effect on company performance, but it has an indirect effect on company performance through competitive advantage. The implication of an effective company policy is to give priority to agile strategies, responsive to product innovation by adjusting the dynamic needs of consumers. The novelty of current research is a new model that links the supply chain strategy variable with company performance, using competitive advantage as a moderating variable.**

Keywords. *supply chain strategy, competitive advantage, company performance.*

1. Introduction

Intense competition requires companies to produce quality, cheap, and flexible products. They also must be able to give satisfaction to customers. Globalization requires companies to compete fiercely by always trying to keep up with the changing demands of consumers. The right strategic planning for the company is expected to increase customer satisfaction. When the consumers' desires are fulfilled, they can become loyal customers, and ultimately can increase the company profits in a long term [1].

Globalization opens broad opportunities for companies to manage supply chain effectively. Supply chain is a system where an organization distributes goods/services to its customers. Supply chain strategy is a conceptual formulation to determine the best goals and configurations of the supply chain to achieve the goals set [2]. Lean strategy emphasizes cost reduction, flexibility, focuses on reducing waste and improving processes that has no added value. On the other hand, Agile strategy emphasizes the overall ability to respond quickly and effectively to unexpected changes in costs in the market and an increase in the level of environmental changes both in volume and variation [3].

The success of an organization is determined by the ability of leaders to determine the right strategy [4]. The right supply chain strategy is expected to maximize the company value. The goal is to make internal integration and collaboration, relationships with suppliers become more efficient, increase bargaining power, create value chains that are able to improve competitive advantage and company performance on an ongoing basis. Previous research stated that supply chain strategy had a positive effect on supply chain practices [5], [6]. Supply chain practice had a positive effect on competitive advantage [7], [13]. Supply chain practice had a positive effect on company performance [7], [9], [12], [14], [15], [16]. Research on supply chain management performance analysis using a qualitative descriptive approach was also carried out by [17], [18], but no research has been found that quantitatively links the influence of supply chain strategy, competitive advantage and company performance in a Structural Equation Model (SEM). Based on this background, the researchers are interested in finding the effect of supply chain strategy on company performance through competitive advantage, by taking the case in Kimia Farma Group, Indonesia. Kimia Farma Group, Indonesia is the first and largest company in pharmaceutical industry in Indonesia, founded by Dutch East Indies Government, in 1817, a state-owned pharmaceutical company that runs its business from upstream to downstream, ranging from manufacture, distribution and retail.

2. Literature Review

2.1. Supply Chain Strategy

Supply chain strategy according to [19] consists of: 1. Lean (Just in Time, Relationship with supplier, Cycle/setup time reduction), 2. Agile (Speed in responsiveness, Change in batch size), 3. Resilient (Developing visibility, Lead time reduction, Demand Based management), 4. Green (Reduce variety of

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material, Reduce environmental impact. In this research, we refer to a research conducted by [11], [20], [21] that the Supply Chain Strategy variable consists of Lean & Agile dimensions.

Lean Strategy emphasizes cost reduction, flexibility, focuses on reducing waste and improving processes that has no added value. Lean supply chain focuses on cost and efficiency (lean cost, efficiency-driven supply chain). According to [21], lean supply chain is a paradigm based on cost reduction & flexibility and focuses on the improvement process. Lean goal is to reduce waste, meet consumer needs and achieve company profits. Lean implementation includes: minimizing inventory, optimizing resources, disseminating information to the network, just in time and lead time [3].

Agile Strategy emphasizes the overall ability to respond quickly and effectively to unexpected changes in costs in the market and an increase in the level of environmental changes both in volume and variation [3]. Agile aims to achieve the right product, right quantity, right condition, right place, right time and right price. Agile Implementation is inventory management on the response to needs, buffer capacity, fast response to consumer needs, product visibility in the market, dynamic alliance, supplier speed, flexibility, quality and shorter lead times [3]. Based on the above theoretical basis, the researchers measure the strategy variable using Lean and Agile dimensions. Supply chain strategy according to [7], [8], [12], [14], [16] also has a direct effect in improving company performance. An effective supply chain can increase the competitive advantage of a company [8], [10], [13]. Therefore, to verify the relationship the hypothesis is as follows:
H1 = Supply chain strategy has a positive effect on Competitive Advantage.

2.2. Competitive Advantage

Competitive advantage is the search for competitive positions that are profitable and sustainable in an industry, as an arena for competition. According to [22], competitive advantage as the implementation of strategies that facilitate cost reduction and exploitation of market opportunities and neutralization of threats. Companies can have a competitive advantage if they succeed in designing a strategy and implementing it [4]. The competitive advantage variable consists of Price/Cost, Delivery dependability, Flexibility, Safety, Insurance, Packaging, Labeling, documentation [10]; Innovation, Cost, Service, Quality [20]; Product differentiation, Cost leadership, Quick respond [9]; Price/Cost, Quality, Delivery Dependability, Product Innovation [23]; Price, Quality, Delivery Dependability, Product Innovation, Time to Market [7], [24]; Price/Cost, Quality, Delivery Dependability, Product Innovation [12]. Based on the above theoretical basis, the researchers measure the competitive advantage variable using dimension of price, quality, innovation and time to market. Competitive advantage has a positive effect in improving company performance [9], [13], [25]. Therefore, to verify the relationship, the hypothesis is as follows:
H2 = Competitive Advantage has a positive effect on Company Performance.

2.3. Company Performance

Company performance is the final result of a business process. Company performance is how well the company achieves market-oriented goals as well as its operational and financial objectives. Previous research states that company performance variable consists of: Time to market measure, Delivery dependability, Quality factor, Cost Factor, Profitability [26]; Average return on investment, Average profit, Profit Growth, Average return on sales [27]; Financial criteria (Return of Investment, Sales profit margin, Growth ROI), and Market criteria (Sales growth, Market share growth, Overall competitiveness concern) [12]; Financial & Stewardship, Customer Service, Internal Business Operation, Employee & Organization, Innovation [6]; Financial Performance, Operational Performance, Market Based Performance [7]. In this research, the company performance was measured using dimension of financial performance, operational performance and market-based performance. Financial Performance is a measurement based on accounting data. Operational Performance is a measurement based on input and internal business process. Market Based Performance is a measurement based on changes from external companies or markets. Supply chain strategy is believed to boost companies to improve their performance [5], [6]. Therefore, to verify the relationship the hypothesis is as follows:
H3 = Supply Chain Strategy has a positive effect on company performance.

Company performance is influenced by many factors, one of which is the company's ability to determine the right strategy to achieve the goals set [4]. The model thinking framework illustrates that establishing an appropriate supply chain strategy is expected to have a positive impact on competitive advantage and company performance, as shown in Figure 1.

Figure 1. Research Framework

The thinking framework above explains how the supply chain strategy affects company performance, both directly and indirectly through competitive advantage. The model consists of 3 latent variables: supply chain strategy, competitive advantage and company

performance. Supply chain strategy was measured using lean and agile dimensions. Competitive Advantage was measured by Price, Quality, Innovation and Time to Market dimensions. Company performance was measured in 3 dimensions which were financial performance, operational performance and market-based performance.

3. Method

The type of data used was primary data and the data collection technique used questionnaire. The population were PT. Kimia Farma (KF) Tbk, PT. Kimia Farma Trading & Distribution (KFTD) and PT. Kimia Farma Apotik (KFA) as well as Principal & Supplier of third parties (position at the level of Supervisor, Assistant Manager, Manager, General Manager and Director). Respondents were employees of Kimia Farma Group (KF, KFTD, KFA) & Principal, spread in 68 cities in Indonesia. The respondent criteria were people who were directly related to the supply chain activities and a total of 343 samples were collected. This met the sample requirements needed for Structural Equation Model (SEM) analysis, which was a minimum of 100 to 200 samples [28]. Data measurement used semantic differential scale with closed question answers. Sampling was carried out by purposive sampling, respondents were chosen deliberately based on the ability of respondents to answer the questions given. Data were distributed using Google form, distributed on August and received in full again on September 2018. Data analysis used Structural Equation Model (SEM), which was operated with AMOS version 22.

Data validity testing used Confirmatory Factor Analysis (CFA) Test with Convergent Validity test. Reliability testing used construct reliability (CR) and variance extracted (VE). Data normality testing was carried out by deleting outlier data using a critical value of ± 2.58 at a significance level of 0.01. Goodness of Fit test was carried out using six measurements of Goodness of Fit Indices (GFI), AGFI, Tucker-Lewis Index (TLI), Root Mean Square Error of Approximation (RMSEA), AIC and Expected Cross Validation Index (ECVI).

4. Conceptual Framework

4.2 Supply Chain Strategy

Supply chain strategy was measured using dimension as follows: 1) Lean, a supply chain strategy that focuses on cost saving and efficiency by eliminating unnecessary processes and non-value added, 2) Agile is a supply chain strategy that focuses on speed and responsiveness to the fulfillment of customer needs by providing fast and effective responses on the changes in customer needs. A complete operationalization of the variable supply chain strategy can be seen in Table 1.

Table 1. Operationalization of Supply Chain Strategy

Variable	Dimension	Indicator	Code
Supply Chain Strategy	Lean	Reduce damage/defects/not according specifications	SCL1
		Effective production/delivery time in accordance with planning	SCL2
		Selection of locations close to the market/consumer	SCL3
		Production/delivery according to the needs of consumer	SCL4
		Carry out inspections in accordance with the frequency set by the company	SCL5
	Agile	Quick response to changes in costs	SCA1
		Quick response to changes in volume/market needs	SCA2
		Quick response to changes in delivery time	SCA3
		Quick response to changes in design	SCA4
		Quick response to changes in quality standards	SCA5

Source : [2], [3], [5], [11], [19], [20].

3.1. Competitive Advantage

Competitive advantage generates added value and benefits that can be felt by companies and consumers. The competitive advantage variable in this case was measured by four dimensions as follows:

a. Price: organization is able to compete with major competitors based on low or lower prices.
b. Quality: organization is able to offer quality products and performance to create higher value for customers.
c. Product innovation: organization is able to produce products with new features in the market.
d. Time to Market: organization is able to introduce new products faster than its main competitors.

The competitive advantage variable has 4 dimensions and several indicators as in Table 2.

Table 2. Operationalization of Competitive Advantage

Variable	Dimension	Indicator	Code
Competitive Advantage	Price	Competitive price	CAP1
		Lower price	CAP2
	Quality	Quality product	CAQ1
		Delivery on time	CAQ2
		Right delivery of quantities and products	CAQ3
	Innovation	In accordance with the market wish	CAI1
		In accordance with the needs of customers	CAI2
		Superior products	CAI3
	Time to Market	Pioneer	CAT1
		Product development speed	CAT2

Source : [7], [9], [10], [12], [23], [24].

3.2. Company Performance

Company performance is the final result of a business process. Organization's performance is how well the organization achieves market-oriented goals as well as operational and financial objectives. Measurement of company performance variables used dimension: 1) financial performance: measurement based on accounting data, 2) operational performance: measurement based on input and internal business processes, 3) market-based performance: measurement based on changes from external companies/markets. Some indicators stated in the operationalization of the company performance variable can be seen in Table 3.

Table 3. Operationalization of Company Performance

Variable	Dimension	Indicator	Code
Company Performance	Financial performance	Sales	CPF1
		Profit	CPF2
		Growth	CPF3
		Productivity level	CPF4
		Cost reduction	CPF5
	Operational performance	On time delivery	CPO1
		Fulfillment	CPO2
		Day in inventory	CPO3
		Inventory level	CPO4
	Market based performance	Market Share	CPM1
		Customer Satisfaction	CPM2

Source : [7], [9], [12], [27].

Modeling using Structural Equation Modeling (SEM) with structural equation is as follows:

CA = β_1 SCS + e_1 .....(1)

CP = β_2 CA + β_3 SCS + e_2.....(2)

Expected signs: β_1, β_2, β_3 > 0

where:

SCS = Supply Chain Strategy

CA = Competitive Advantage

CP = Company Performance

5. Research Analysis.

The questionnaire was distributed using Google Form and all respondents filled in completely, then 343 samples were obtained. The following are the characteristics of respondents based on gender, age, company origin, position, years of service and work unit, as in Table 4.

Table 4. Characteristics of Respondent

Characteristics of Respondents		Frequency	Percentage
Gender	Male	194	56.56%
	Female	149	43.44%
Age	< 20 years	1	0.29%
	20 to < 25 years	32	9.33%
	25 to < 30 years	100	29.15%
	30 to < 35 years	60	17.49%
	≥ 35 years	150	43.73%
Company	3rd Party Principal	17	4.96%
	KF	36	10.50%
	KFA	266	77.55%
	KFTD	24	7.00%
Position	Supervisor	73	21.28%
	Assistant Manager	202	58.89%
	Manager	61	17.78%
	General Manager	4	1.17%
	Director	3	0.87%
Work Period	< 5 years	136	39.65%
	≥ 20 years	57	16.62%
	10 s/d < 15 years	30	8.75%
	15 s/d < 20 years	59	17.20%
	5 s/d < 10 years	61	17.78%
Work Unit	Pharmacy	252	73.47%
	Distributor	23	6.71%
	Head Office	62	18.08%
	Manufacture	3	0.87%
	Warehouse	3	0.87%

Source : Data processing results (2019)

Table 4 describes that the results of questionnaire obtained by respondents by sex, were dominated by male 56.56% and subsequently female 43.44%. The majority of this research respondents aged ≥ 35 years old by 43.73%, then 25 to <30 years old by 29.15%, 30 to <35 years old by 17.49%, 20 to <25 years old by 9.33% and the smallest percentage were respondents aged under 20 years old by 0.29%. Based on the company origin, it was showed that the majority of respondents were from PT. Kimia Farma Pharmacy by 77.55%, which represented KF pharmacy network in Indonesia, then PT. Kimia Farma (Persero) Tbk by 10.50%, PT. Kimia Farma Trading & Distribution by 7.00% and Third Party Principal by 4.96%. Characteristics according to position indicate that the majority of respondents who filled out the questionnaire had Position equivalent to Assistant Manager by 58.89%, then equivalent to Supervisor by 21.28%, equivalent to Manager by 17.78%, equivalent to General Manager by 1.17% and equivalent to Director 0.87%. Based on the work period, it was showed that the majority of respondents had work period of <5 years by 39.65%, then 5 to <10 years by 17.78%, 15 to <20 years by 17.20% ≥20 years by 16.62% and 10 to <15 by 8.75%. Based on work units, it was illustrated that the majority of respondents by 73.47% came from Pharmacy work unit, Headquarter 18.08%, Distributor 6.71% and Manufacture and Warehouse gave the same frequency results of 0.87%.

5.1. Confirmatory Factor Analysis

Confirmatory Factor Analysis (CFA) aims to find out whether indicators can explain a construct. In this research, CFA was analyzed by looking at the significance level of 0.05 and the value of the standardized estimate above 0.5 [29]. The analysis was carried out on 1st CFA, which was the indicators on dimensions and 2nd CFA, which was the dimensions on latent variables. If there was something that was not in accordance with the requirements, then the indicator must be deleted and another CFA test was carried out until the results met the requirements. CFA test was carried out on supply chain strategy, competitive advantage and company performance variables.

Output Regression Weight of supply chain strategy variable showed that the probability of all indicators, Lean and Agile dimensions was significant at 0.001. Standardized estimate loading values in Lean dimension were SCL1 (0.708), SCL2 (0.782), SCL3 (0.625), SCL4 (0.841), SCL5 (0.757) and Agile dimension indicators were SCA1 (0.756), SCA2 (0.886), SCA3 (0.882), SCA4 (0.741), SCA5 (0.704). The loading value of Lean dimension on supply chain strategy variable was (0.823) and Agile (0.867). Standardized estimate value of supply chain strategy variable showed a figure above 0.5. This shows that all indicators and dimensions are valid, and can explain the supply chain strategy variable ([29], [30]).

Output Regression Weight of competitive advantage variable showed the probability of all indicators and dimensions was significant at 0.001 (***). The standardized estimate value of indicator in Price dimension was CAP1 (0.937), CAP2 (0.645), indicator in Quality dimension was CAQ1 (0.665), CAQ2 (0.872), CAQ3 (0.908), indicator in Innovation dimension was

CAI1 (0.822), CAI2 (0.881), CAI3 (0.890), indicator in Time dimension was CAT1 (0.887), CAT2 (0.929). Standardized estimate value of dimension in competitive advantage was Price (0.636), Quality (0.883), Innovation (1,000), and Time to Market (0.864). All loading factor (estimate) values of competitive advantage variable were above 0.5. This shows that all indicators and dimensions are valid, and can explain the competitive advantage variable ([29], [30]).

The Output Regression Weight of Company Performance variable showed that the probability of all indicators and dimensions was significant at 0.001 (***). Standardized estimate value of indicator in Financial Performance dimension was CPF1 (0.853), CPF2 (0.862), CPF3 (0.841), CPF4 (0.920), CPF (0.648). Indicator in Operational Performance dimension was CPO1 (0.856), CPO2 (0.801), CPO3 (0.867), CPO4 (0.878). Indicator in Market Based Performance dimensions was CPM1 (0.913), CPM2 (0.916). Standardized estimate value of dimension in company performance was Financial Performance (0.847), Operational Performance (0.943), Market Based Performance (0.955). All loading factor (estimate) values were above 0.5, this shows that all indicators and dimensions are valid, and can explain Company Performance variable well [29], [30].

5.2. Reliability Construct Test

Reliability test is a test to measure the internal consistency from the indicators of a formed variable which shows the degree to which each indicator indicates a common formed variable [29]. There are two test methods that can be used: composite reliability (CR) and variance extracted (VE). The cut-off value of construct reliability was at least 0.70 while the extracted variance was at least 0.50 [30]. CR and VE test results indicated that the value of (CR & VE) 1nd CFA of lean dimension (0.7 & 0.6); agile dimension (0.7 & 0.6); 2nd CFA of strategy variable (0.9 & 0.9); 1nd CFA of price dimension (0.7 & 0.7); quality dimension (0.7 & 0.7); innovation dimension (0.8 & 0.8); time to market dimension (0.8 & 0.8); 2nd CFA of competitive advantage variable (0.8 & 0.7); 1nd CFA of financial performance dimension (0.8 & 0.8); operational performance dimension (0.8 & 0.7); market based performance dimension (0.9 & 0.8); 2nd CFA of company performance variable (0.9 & 0.9). All dimensions and indicators of the research construct had Construct Reliability test factor scores of more than 0.7 and Variance Extract of more than 0.5. Tt means that all indicators and dimensions in this research are valid and reliable.

5.3. Normality and Outlier

Multivariate normality analysis on AMOS 24 was performed using critical ratio (CR) criterion of multivariate in kurtosis. If CR value was in the range between ± 2.58, it meant that the data were normally distributed in multivariate [29]. Normality test results showed that the CR value for multivariate was 114.928> 2.58. This means that the overall (multivariate) data distribution is not normal. To fulfill the normality assumption, it is necessary to conduct an outlier test by removing the outlier data. Outlier data were obtained by comparing the mahalanobis distance value with Chi-square table at a significance of 0.001. In this research, the Chi-square table value was 61.098. So the d-square mahalanobis value of more than 61.098 was stated as outlier data. The 35 outlier data that were obtained must be deleted. After the outlier were removed the normality test was conducted again. The normality test output still shows that multivariate remains abnormal. The multivariate CR value of 48,480 was still above 2.58. To overcome multivariate abnormal data, the effect test can be analyzed with bootstrapping technique [30].

5.4. Goodness of Fit Test

The test results of complete model structure and model modification, it is obtained Goodness of Fit data as shown in table 5.

Table 5. Goodness of Fit

Goodness of Fit	Required acceptance limit*)	Results after modification	Decision
CMIN/DF	≤ 2.00	1.554	Good Fit
GFI	≥ 0.90	0.885	Marginal Fit
AGFI	≥ 0.90	0.858	Marginal Fit
NFI	≥ 0.90	0.936	Good Fit
RFI	≥ 0.90	0.926	Good Fit
IFI	≥ 0.90	0.976	Good Fit
TLI	≥ 0.90	0.972	Good Fit
CFI	≥ 0.90	0.976	Good Fit
RMSEA	≤ 0.08	0.042	Good Fit

*) Source : [29], [33]

Absolute Fit Index test compares directly the sample covariance matrix with estimate, one of which is chi-square test (x^2). This research had a large number of samples and indicators, so it tended to increase the chi-square. Cases for large sample size and large indicator must be equipped with other test equipment such as Goodness of Fit (GFI), Adjusted Goodness of Fit Index (AGFI) and Root Mean Residual (RMR) [33]. GFI test result obtained was 0.885 and AGFI value was 0.858. The GFI and AGFI figures ranged from 0 to 1, on the condition if it was close to 1 then the model would be better. RMR test aims to calculate the residual or difference of the sample covariance with estimate of covariance, and the result obtained was a value of 0.065. If RMR was close to zero, it indicated a fit model. RMSEA value obtained was 0.042 under 0.08, so it can be said that the model is fit [33].

Incremental Fit Index is a test comparing certain model with null model (baseline model), which is a model that assumes all indicators do not correlate with each other. NFI, CFI, IFI and TLI measuring instruments had values range from 0 to 1, where, in general the values were above 0.9, so it indicates that the model is fit. NFI obtained a value of 0.936. CFI obtained a value of 0.976. IFI obtained a value of 0.976 and TLI obtained a value of 0.972. With a high number was close to1 even some above 0.9, the incremental fit index of the model can be considered fit.

Parsimony Fit Index is a test comparing complex model with simple model. The model is considered fit if the numbers of PRATIO, PNFI, PCFI are between the ranges of saturated model and independence model. PRATIO obtained a value of 0.911, PNFI = 0.801, PCFI = 0.864. from these results the model is considered to be fit because it is in the range of values from 0 to 1 [33].

The use of 4-5 GOF criteria is considered sufficient to assess the feasibility of a model, on the condition that each GOF criteria which is Absolut Fit Index, Incremental Fit Index and Parsimony Fit Index is represented ([28] and [30]). So it can be concluded that the whole model is considered feasible and hypothesis testing can proceed to find out how much the effect between variables in the model. The complete structure has been modified and declared fit, then a complete model is made as shown in Figure 2.

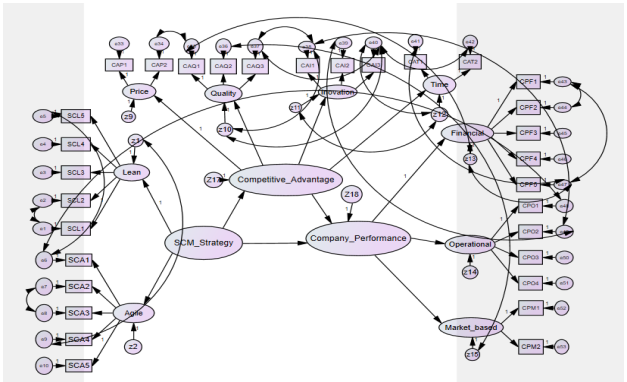

Figure 2. The Effect of Supply Chain Strategy on Company Performance through Competitive Advantage Model

Figure 2 above is the result of hypothesis test output using bootstrap method, because after the removal of 35 outlier data, there was still abnormal distribution. Bootstrapping is a resampling procedure where the original sample is treated as a population. Multiple sub samples with the same sample size as the original sample are then taken randomly with replacement from the population. With this method, the researchers can create multiple samples from the original data base [30].

6. Discussion

The data were declared valid, reliable and the model was good fit, then the hypothesis test was performed. The results of hypothesis test about the effect between latent variables and the relationship of latent variables with their dimensions can be seen in Table 6.

Table 6. Standardized Regression Weights

			Std Estimate	S.E.	C.R.	P
Competitive Advantage	<---	SCM Strategy	,793	,104	8,787	***
Company Performance	<---	Competitive Advantage	,936	,092	8,974	***
Company Performance	<---	SCM Strategy	,015	,060	,249	,804
Agile	<---	SCM_Strategy	1,023	,115	11,438	***
Lean	<---	SCM_Strategy	,832			
Price	<---	Competitive_advantage	,628			
Innovation	<---	Competitive_advantage	,954	,100	11,273	***
Quality	<---	Competitive_advantage	,948	,081	9,733	***
Time to market	<---	Competitive_advantage	,826	,118	10,903	***
Operational	<---	Company_performance	,988	,082	16,482	***
Finance	<---	Company_performance	,828			
Market Based	<---	Company_performance	,956	,075	16,223	***

Source: Data processing results (2019)

The results of the analysis in Table 6 show that hypothesis 1 (H1) is accepted, and the supply chain strategy has a positive effect on competitive advantage with a significant level of 0.001, that, each increase in one unit of the supply chain strategy can increase competitive advantage by 0.793. The supply chain strategy is supported by agile dimension with a loading factor value of 1.312, then followed by the lean dimension with a loading factor of 1.000. Agile strategy has a stronger relationship with the dimension of supply chain strategy compared to lean. These results state that quick response to changes in design is necessary.

The analysis shows that hypothesis 2 (H2) is accepted, that competitive advantage has a positive effect on company performance with a significant level of 0.001. An increase in one unit of competitive advantage can improve company performance by 0.936. The strongest relationship of the competitive advantage variable is explained sequentially by innovation dimension with a loading factor value of 0.954, quality dimension (0.948), time to market dimension 0.826 and price dimension (0.628). These results state that in accordance with the needs of customers is necessary. This research supports the theoretical concept proposed by [34], that competitive advantage can be built through product differentiation, cost leadership and quick respond. The results of this research are also supported by [8] successful in proving that competitive advantage has a positive effect on the performance of manufacturing companies in East Java; [7] prove that competitive advantage has a positive effect on company performance; [9] prove that competitive advantage has a positive effect on company performance

in Indonesia [25], [13] prove that competitive advantage has a positive effect on the performance of hospitality industries in Bandung.

The results of hypothesis 3 (H3) show another thing, where H3 is rejected. The supply chain strategy has no significant effect on company performance. The strongest relationship of company performance variable is explained by dimensions of operational performance with a loading factor value of 0.988, then market-based performance with a loading factor of 0.956 and the weakest is the dimension of financial performance with a loading factor value of 0.828. Supply chain strategy has no direct effect on company performance, but its effect is indirect on company performance through competitive advantage, this can be seen in (Table 7).

Table 7. Indirect Effect

X Variable	Mediator	Y Variable	Coefficient
Supply Chain Strategy	Competitive advantage	Company performance	0.742

Table 7 states the indirect effect of supply chain strategy on company performance through competitive advantage is 0.742. Each increase in one unit supply chain strategy can improve company performance through competitive advantage by 0.742. Company performance improvement can be achieved through supply chain strategies that are aligned with competitive advantage activities including launching the development of innovative products in a timely manner with quality and prices in accordance with consumer expectations. Furthermore, the relationship between indicators and their dimensions can be seen in Table 8.

Table 8. Standardized Regression Weights

			Std Estimate	S.E.	C.R.	P
SCL1	<---	Lean	,743			
SCL2	<---	Lean	,779	,060	16,357	***
SCL3	<---	Lean	,734	,086	12,644	***
SCL4	<---	Lean	,862	,080	14,901	***
SCL5	<---	Lean	,790	,074	13,696	***
SCA5	<---	Agile	,826			
SCA4	<---	Agile	,836	,066	17,401	***
SCA3	<---	Agile	,824	,062	17,254	***
SCA2	<---	Agile	,822	,068	17,176	***
SCA1	<---	Agile	,822	,063	17,283	***
CAP1	<---	Price	,969			
CAP2	<---	Price	,631	,097	8,518	***
CAQ1	<---	Quality	,678			
CAQ2	<---	Quality	,878	,113	13,818	***
CAQ3	<---	Quality	,894	,107	14,018	***
CAI1	<---	Innovation	,839			
CAI2	<---	Innovation	,896	,056	20,353	***
CAI3	<---	Innovation	,883	,055	19,774	***
CAT1	<---	Time	,882	,042	21,604	***
CAT2	<---	Time	,923			
CPF1	<---	Finance	,871			
CPF2	<---	Finance	,885	,037	27,876	***
CPF3	<---	Finance	,886	,048	21,651	***
CPF4	<---	Finance	,934	,045	23,998	***
CPF5	<---	Finance	,973	,077	15,502	***
CPO1	<---	Operational	,905			
CPO2	<---	Operational	,843	,042	21,569	***
CPO3	<---	Operational	,885	,041	24,185	***
CPO4	<---	Operational	,853	,045	22,144	***
CPM1	<---	Market-based	,923			
CPM2	<---	Market-based	,912	,038	26,576	***

Source: Data processing results (2019)

Table 8 states that company policy is more responsive to the market needs which is the right decision to support agile and supply chain strategies. Product development speed policies effectively support time to market and competitive advantage. Whereas, on time delivery is effective to support operational performance and company performance. These results state that agile strategy is effective in increasing competitive advantage and company performance compared to lean.

7. Conclusion

The supply chain strategy has a positive effect on competitive advantage. Likewise, competitive advantage has a positive effect on company performance. Supply chain strategy does not directly affect the company's performance, but indirectly influences the company's performance through competitive advantage.

The strongest relationship of supply chain strategy is explained by agile, competitive advantage by innovation, and company performance by operational performance. The implication of an effective company policy is to give priority to agile strategies, responsive to product innovation by adjusting the dynamic needs of consumers. The on time delivery policy is effective in improving operational performance and ultimately can improve company performance.

The novelty of current research is a new model that links the supply chain strategy variable with company performance, using competitive advantage as a

moderating variable. This research contributes to theory in increasing knowledge, proposing dimensions, and proposing conceptual frameworks of supply chain strategies, competitive advantage and company performance. For practitioners, it can be an effective policy reference, especially for the pharmaceutical industry. Further research suggestions need to be tested on different industry groups. Limitation of the research, SEM is very sensitive to the amount of data, that is more observations will of course the better, but on the other hand will cause CMIN value is greater so that Ho is rejected.

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