BUSINESS COMBINATION STRATEGY TO ENHANCE COMPANY COMPETITIVE ADVANTAGE

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Abstract

This article explores the implementation of hybrid strategy as an approach to enhance competitive advantage amid dynamic and uncertain market conditions. The strategy integrates cost efficiency and product differentiation simultaneously, enabling companies to reach broader market segments without compromising quality and added value. Using a descriptive qualitative approach, this study analyzes literature and case studies from manufacturing and FMCG companies that have successfully applied this strategy. The findings indicate that hybrid strategy enhances operational efficiency, strengthens innovation, and fosters sustainable customer loyalty. Furthermore, it supports business sustainability from both social and environmental perspectives. Thus, hybrid strategy is not merely an alternative but a holistic strategic solution in addressing competitive challenges and digital transformation.

Keywords: *hybrid strategy, competitive advantage, efficiency, innovation, business strategy*

INTRODUCTION

The business environment significantly influences societal needs, leading to substantial changes in demand and supply patterns. As in economic theory, when demand for goods or services increases, businesses are driven to expand their supply to meet growing market needs. Changes in the national economic conditions serve as a key indicator in assessing the direction and intensity of these dynamics (Maryani, L., & Chaniago, H., 2019). According to data from Indonesia's Central Statistics Agency (BPS), the country's economy grew by 5.03% year-on-year (y-o-y) in 2024. Although slightly slower than the 5.05% growth in 2023, this pace still reflects the resilience of the national economy amid global challenges. On the production side, the Other Services sector recorded the highest growth at 9.80%, indicating rising demand for more flexible and innovative services. Meanwhile, on the expenditure side, Household-Serving Nonprofit Institutions' Consumption Expenditure (PK-LNPRT) surged by 12.48%, highlighting the active role of civil society in the economy and increased consumption through social and community institutions.

This phenomenon signals a shift in consumption behavior, presenting new opportunities for businesses to develop adaptive strategies tailored to these market segments. It underscores the relevance of flexible, integrated strategies—such as combination strategies—in maintaining a company's competitive advantage. In a business landscape shaped by economic pressures, shifting social trends, or digital transformation, companies must not only prioritize efficiency but also innovate consistently to address dynamic supply and demand.

Strategy is critical for any business; it represents a long-term plan that integrates a company's core objectives and actionable steps into a "cohesive whole" (Favari, 2020). The interplay of multiple factors guides modern managers in developing strategic initiatives. However, implementing the right strategy is challenging—it requires deep entrepreneurial knowledge and skills. Many Indonesian business actors lack such expertise, leading to suboptimal strategy execution. Without the right strategic foundation, companies struggle to survive in competitive markets (Safitri, P., & Fajrin, Z., 2019).

In formulating business strategies, companies must identify their strengths and weaknesses while assessing external opportunities and threats. Prior research by Ritter and Gemünden (2004) and Hankinson (2000) suggests that business strategies can measure a company's performance capabilities (Harjadi, D., & Wachjuni, W., 2019). Innovation, whether direct or indirect, positions a company for competitive advantage. Such advantage stems from diverse activities—design, production, marketing, delivery, and product support. To adapt to dynamic environments, companies must innovate by generating new value propositions, ideas, and improved services that satisfy customers. Porter (2005) identifies five competitive forces shaping industry rivalry: Competitive rivalry, Threat of new entrants, Threat of substitutes, Bargaining power of buyers, Bargaining power of suppliers.

Among these, competitive rivalry demands particular attention. In today's fast-paced, globalized, and digitalized business era, companies must balance operational efficiency with value creation for consumers.

Successful companies are those that simultaneously combine cost efficiency with product/service differentiation—a hybrid or combination strategy. This approach allows firms to integrate multiple strategic methods, such as cost reduction while offering unique value. When executed consistently and aligned with company resources, combination strategies can create sustainable competitive advantages.

However, implementing such strategies is not without challenges. Companies must manage operational complexity, align cross-functional teams, and ensure strategic consistency. A deep understanding of market context and consumer needs is also essential to ensure the strategy effectively delivers value and competitive edge.

METHOD

This study employs a descriptive qualitative approach to gain an in-depth understanding of how business combination strategies enhance a company's competitive advantage. Data was collected through literature reviews and case study analyses of relevant companies, sourced from academic journals, annual reports, and official publications such as BPS (Central Statistics Agency).

The analysis was conducted using thematic analysis techniques, categorizing data into dimensions such as efficiency, innovation, and market adaptation. Data validity was ensured through source triangulation and iterative literature reviews. This approach was chosen to provide a contextual and comprehensive understanding of combination strategies in modern business.

Theoretical Framework: Business Strategy

Business strategy refers to long-term plans and policies designed to achieve a company's competitive advantage in the market. According to Chandler (2018), strategy involves setting organizational goals and allocating resources to achieve them. In practice, business strategy determines how a company competes, captures market opportunities, and differentiates itself through operational, marketing, and financial decisions.

Strategies must be dynamic, adapting to external changes such as technology shifts, consumer demand, and economic conditions. Thus, companies should not rely on a single strategy (e.g., cost leadership or differentiation) but integrate them into a hybrid (combination) strategy. This allows firms to reduce costs while offering unique value, strengthening their competitive position sustainably.
Mudrajad Kuncoro (2005) in his book *"Strategy: How to Achieve Competitive Advantage"* summarizes several strategic frameworks:

1. Miles & Snow’s Adaptive Strategy (1978) – Emphasizes business adaptability in uncertain conditions.
2. Abell’s Business Definition Framework (1980) – Defines business along three dimensions:
   - Customer groups (who the organization serves)
   - Customer needs (what needs the organization fulfills)
   - Core technology/competencies (how the organization meets those needs)
3. Porter’s Generic Competitive Strategies (1980) – Based on:
   - Competitive advantage (cost leadership vs. differentiation)
   - Competitive scope (broad vs. narrow market focus)

Combination (Hybrid) Strategy

A hybrid strategy integrates cost leadership and differentiation simultaneously to create greater competitive value. It enables companies to offer affordable yet high-quality products/services, expanding market reach while strengthening competitiveness. In dynamic business environments (economic shifts, digital transformation, changing consumer preferences), this strategy allows firms to respond flexibly.

The primary goal is enhanced customer value—delivering superior quality at competitive prices.Research by Ritala (2021) and Sinha & Thakur (2022) shows hybrid strategies drive innovation, operational efficiency, and market adaptation. By balancing cost efficiency and differentiation, companies avoid Porter's "stuck in the middle" trap and achieve sustainable competitive advantage.
Competitive Advantage
Competitive advantage is a company's ability to deliver greater value than rivals, securing a superior market position. It is achieved through:
1. Cost leadership (operational efficiency)
2. Differentiation (unique value propositions)

However, long-term success requires sustainable competitive advantage developing core competencies (Zimmerer et al., 2008) such as:
- Superior quality
- Customer service excellence
- Innovation
- Speed-to-market

RESULT AND DISCUSSION

1. Case Study Evidence
   - PT Unilever Indonesia combines supply chain efficiency (digital logistics) with product innovation (consumer research).
   - PT Mayora Indah Tbk uses lean manufacturing (cost control) and market segmentation (tailored products).
   - Studies (Hasan et al., 2023) show these firms achieve higher net profits and market share than competitors using single strategies.
2. Responsiveness to Market Dynamics Hybrid strategies enable firms to adapt to technological disruption, economic crises, and shifting consumer trends (Zhu & Wang, 2022).
3. Challenges
   - Requires strong cross-department coordination (e.g., aligning cost-focused teams with innovation-driven units).
   - Needs unified KPIs and strategic communication (Sinha & Thakur, 2022).
4. Customer Loyalty & Sustainability
   - Hybrid strategies enhance brand trust by offering affordable premium products (Chatterjee et al., 2023).
   - Supports sustainability through eco-efficient operations and green product differentiation (Hart & Milstein, 2022).

CONCLUSION

The combination strategy (hybrid strategy) has proven to be an effective approach in enhancing a company's competitive advantage amid dynamic and uncertain market competition. By integrating cost efficiency with product/service differentiation, companies can maintain competitive cost structures while simultaneously creating unique value propositions that are difficult for competitors to replicate. This approach enables firms to respond flexibly to market changes, drive sustained innovation, and expand consumer segments by adapting products and services to evolving market preferences.

The successful implementation of a combination strategy requires:

- Cross-functional alignment within the organization,
- A collaborative corporate culture, and
- Visionary strategic leadership.

Beyond improving financial performance and operational efficiency, this strategy also strengthens customer loyalty and brand reputation. Moreover, in today's business landscape—where corporate social responsibility (CSR) and sustainability are increasingly prioritized—the combination strategy provides a foundation for companies to generate positive environmental and social impact while remaining economically competitive.

Thus, the combination strategy is not merely an alternative to single-focus strategies (cost leadership or differentiation) but rather a holistic, adaptive, and future-oriented approach. Companies that consistently and effectively implement this strategy will be better positioned to:

- Navigate global challenges,
- Drive digital transformation, and
- Sustain long-term competitive advantage.

For these reasons, the combination strategy deserves strong consideration as a core framework for long-term business strategy formulation.

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