



Research Paper

## Improving the Dynamic Capability of Food and Beverage Companies Based in West Java, Banten and Jakarta through Ownership Advantages and the Level of Export Adoption

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**ABSTRACT:-** Competition in the business world is getting increasingly fierce without considering the existence of state borders, especially with the rise of intra-regional trade cooperation such as the establishment of the ASEAN Economic Community which will start on December 2015. The waves of globalization and regionalization of the world economy have changed the ways companies run their business. Domestic companies do not only face business competition from their domestic competitors but also from their overseas competitors. In other words, integration between the domestic market and the global market is taking place. On the other hand, consumers are faced with a great variety of products and services to choose produced either from their own home country or from abroad. The research aims to determine and analyze the effects of companies' ownership advantages and the condition of the level of export adoption on the dynamic capability of food and beverage companies based in West Java, Banten and Jakarta. This descriptive research was conducted using the descriptive survey method, i.e. collection of data done on an object in the field by using questionnaires as the primary data collection instrument to see the development of the condition of the variables under study in companies engaged in food and beverage industries in West Java, Banten and Jakarta. The result show: 1) Based on the descriptive analysis of all the variables, dimensions and indicators, in general, they belong to the high category. 2) Based on the results of the empirical examination, it can be concluded that there is a positive and significant relationship between ownership advantages and the level of export adoption, (3) Based on the hypothesis testing results, it can be concluded that there is a simultaneous effect of the variable: ownership advantages and the level of export adoption on the dynamic capability, which belongs to the high category.

**Keywords:-** Dynamic Capability, Food and Beverage Companies, Ownership Advantages, The Level of Export Adoption,

### I. INTRODUCTION

Nowadays, competition in the business world is getting increasingly fierce without considering the existence of state borders, especially with the rise of intra-regional trade cooperation such as the establishment of the ASEAN Economic Community which will start on December 2015. The waves of globalization and regionalization of the world economy have changed the ways companies run their business. Domestic companies do not only face business competition from their domestic competitors but also from their overseas competitors. In other words, integration between the domestic market and the global market is taking place. On the other hand, consumers are faced with a great variety of products and services to choose produced either from their own home country or from abroad.

To deal with such conditions, a company is required to have the ability to address the rapidly changing environment and to survive in any market conditions in order to maintain a sustainable competitive advantage. Business sustainability and improved performance of companies based in a particular country become a key to competitiveness of that country against other countries in the world. Porter (1990) states that the international competitiveness of a particular country largely depends on performance of the companies based in this particular country since competition in the international market is between actually a company against the other companies, not between a states against the other states, and in the cube theory of competitiveness proposed by Garelli (2006) which formulates a model of how a country manages its competitiveness position, it is stated that

the essence of the model is value creation by the companies. Companies are the only place where the economic value is created by combining the production factors.

The sector of manufacturing industries has provided the largest contribution to Indonesian GDP growth since 2012. After further analysis, it is found that the subsector of this industrial sector which has the largest share is food and beverage industries. This is understandable, given the population of Indonesia is very large and this provides a great market potential for the products of food and beverage industries. In addition, many Indonesian food and beverage industries make innovations drawn from the local wisdom such as bottle-packaged tea beverage products which promote tea-drinking habits of Indonesian society, although tea plants have indeed become an Indonesian local plant. Indomie products also make innovations by bringing the Indonesian culinary taste such as *soto ayam* (Indonesian chicken soup), *soto mie* (a.k.a mee soto is Indonesian noodle soup), *iga penyet* (squeezed ribs) and *rendang* into instant noodle products.

A number of Indonesian food and beverage companies which dominate the domestic market and already have a well-known brand are Indofood, Mayora, ABC, Garuda Food, Aqua, VIT, and Sariwangi. Even, some of their products have also been consumed in various countries through exports. These good brand and reputation are of course the result corporate ownership advantages, i.e. the way the corporate management use knowledge management supported by the use of advanced processing technology and good marketing strategies to produce products that are acceptable and meet market expectation so that the resulting products can be a product that is highly competitive and dominates the market.

Food and beverage companies which products have dominated the domestic market will do business development through export activities as stated by Gao et al. (2010: 380) that a particular company that already has an internal competence will be encouraged to do export. The research aims to determine and analyze the effects of companies' ownership advantages and the condition of the level of export adoption on the dynamic capability of food and beverage companies based in West Java, Banten and Jakarta.

## II. LITERATURE REVIEW

The basic concept used in this research refers to the Grand Theory (GT) of of the strategic management, i.e. the configuration school since the objective of this research is to investigate the effect of the ownership advantages and the level of export adoption of food and beverage companies based in Indonesia in achieving the dynamic capability of the companies. As asserted by Mintzberg et al. (1998: 325), to be able to effectively control the changes, the focus should not be put on the changes themselves. Likewise, those changes should not be considered as the force that can be controlled. One can control changes by continuously improving his/ her capability so that when changes occur, she/ he can adapt to and overcome any consequences arising from such changes. Meanwhile, the Middle Range Theory (MRT) in this research refers to strategies of horizontal growth. According to Wheelen & Hunger (2010: 259), a particular company is assumed to grow horizontally if it expands its operations to several different geographic areas or it diversifies its products or services in a particular market. Based on these GT and MRT, theoretical models consisting of three variables were then arranged. These three variables are: *ownership advantages*; *the level of export adoption*; and *dynamic capability*.

**Ownership Advantages.** The concept of ownership advantages in this research combines the definitions of ownership advantages proposed by Wang (2006: 384), Yiu et al. (2007: 522), Buckley & Hashai (2009: 59), Verbeke & Yuan (2010: 104), Lopes (2010: 78) and Cui (2010: 753) because the researcher assumes that the six of this research departed from the same initial concept of internationalization activities of a company within the framework of Dunning's eclectic paradigm view and that the ownership advantages is established by the capability that is built internally by the company or *firm-specific* in nature. The definition of ownership advantages in this study is an advantage which is formed based on the specific characteristics of the company and its ability to accumulate specific intangible assets such as technological and marketing knowledge; and also superior managerial capability to control and coordinate international transactions; that can make a company to grow and diversify better than any other companies domestically or globally. Based on the definition of ownership advantages, there are three dimensions that can be formulated, namely: (i) the dimension of technological knowledge with the following indicators: the intensity of spending on research and development, awards received, patents received and a company's ability to improve or upgrade its production technology; (ii) the dimension of marketing knowledge with the following indicators: search for and collection of information about the products and the strategies of competitors, knowledge or information about customer needs, continuous research on market changes and trends, as well as integration of information about competitors' products as a benchmark in product design; (iii) the dimension of the superior managerial capability with the following indicators: attracting and retaining well-trained and competent top managers, top management can do better overall control over the performance of the organization in general and can see new opportunities and potential obstacles.

**The Level of Export Adoption.** The variable of the export adoption rate in this research refers a number of studies conducted by Spowart & Wickramasekera (2012: 71), Wickramasekera & Oczkowsky (2006: 44-45), and Lim et al. (1991: 53). The definition of the level of export adoption refers to Lim et al (1991: 530) that the rate of export adoption can be defined as a management decision to create opportunities and to provide directions necessary for a company to export. The definition of export adoption level in this study itself, refers to the study of Lim et al., (1991: 530) which states that the level of adoption export is a management decision to create opportunities and provide guidance needed by the company to export. When management has a strong will to export and then create opportunities and clear paths in order to succeed in export activities then the company is categorized to have reached the export adoption level.

The construct dimension for the level of export adoption in this research is developed by referring to the research by Leonidou and Katsikeas (1996: 521-523). The first dimension is commitment of the management to make the use of export opportunities in markets located far from the place of production by using the indicators adopted from the research by Ellis (2011: 109), namely the number of new business opportunities found by management in the last 6 months, the possible number of business opportunities the management can predict in the near future as well as the readiness level of the management to identify new business opportunities. The second dimension is the level of control of the management to overseas operations. To measure this dimension of the level of control of the management to overseas operations, indicators derived from the research by Pak and Park (2004: 6-7) were employed, namely the intensity level of the research and development activities, the level of international experience, and the level of cultural distance.

**The Dynamic Capability.** Reviews of the literature on the concepts of the dynamic capability in this study largely refer to the articles written by Duh (2013: 25), Hung (2013: 53), and Lopez (2005: 667). Based on the definition from these three studies, the dynamic capability can be defined as the company's ability to integrate, build, and reconfigure internal and external competencies in facing a rapidly changing environment as well as to survive in any market condition in order to maintain a sustainable competitive advantage.

The dimensions used to reflect the dynamic capability were then developed, namely *seizing* and *transforming*. Indicators to measure the dimension of *seizing* are *designing business models to satisfy customers and capture value; securing access to capital and the necessary human resources; good incentive design; and strong relationships must also be forged externally with suppliers, complementors, and customers*. Meanwhile, indicators to measure the dimension of *transforming* are *adopting loosely coupled structures; embracing open innovation; developing integration and coordination skills; and (4) Managing strategic fit so that asset combinations are value enhancing*.

### III. RESEARCH METHODS

This descriptive research was conducted using the descriptive survey method, i.e. collection of data done on an object in the field by using questionnaires as the primary data collection instrument to see the development of the condition of the variables under study in companies engaged in food and beverage industries in West Java, Banten and Jakarta. The unit of analysis in this research consists of companies engaged in food and beverage industries based in West Java, Banten and Jakarta which have exported, while the unit of observation consists of the middle and top management of companies (managers, directors or managing directors). This research aims to measure the effects of the independent variables of ownership advantages and the level of export adoption on the dynamic capability or which is also called as the model of influences (the structural model) by employing *Partial Least Square (PLS)-path modeling (PM)* as an analysis tool used as an approach to the modeling and solution techniques. In this research, the author collected as many as 76 companies. This sample size is considered to have fulfilled the minimum sample size to examine the research model.

### IV. OWNERSHIP ADVANTAGES

Ownership advantages of companies engaging in food and beverage industries based in West Java, Banten and Jakarta generally show indicates a good market knowledge dimension which is reflected by the indicator of knowledge of customer needs and the indicator of continuous research on market changes and trends with the same high value, i.e. 81.6%, as can be seen from the highest score for the variable of ownership advantages. Ownership advantages of food and beverage companies based in West Java, Banten and Jakarta is generally quite high, but it is more due to the high market knowledge and managerial capability. The dimension of technological knowledge in general has not shown high performance as reflected in the low achievement of the three indicators belonging to this dimension. This indicates that although food and beverage companies based in West Java already has a culture of research & development, unfortunately it has not been supported by a regulatory system that supports recognition of patents.

## V. THE CONDITION OF THE LEVEL OF EXPORT ADOPTION

The level of export adoption of companies engaging in food and beverage industries in West Java, Banten and Jakarta generally shows a good dimension of management commitment to make the most of export opportunities, especially for the indicators of the possible number of business opportunities the management can predict as well as the readiness level of the management to identify new business opportunities, with a score of 64.5%. While for the dimension of the level of control of the management over overseas operations, the highest indicator is the level of international experience of companies engaging in food and beverage industries in West Java, Banten and Jakarta (64.4%). The indicator with the lowest achievement that reflects the variable of the export adoption level might indicate that companies engaging in food and beverage industries based in West Java, Banten and Jakarta which have been already exporting their products prefer export destinations with a quite high level of cultural diversity. However, considering that in these countries the population of Indonesia who works as Indonesian workers is quite high, the export activities are therefore carried out in an attempt to penetrate the market. Moreover, it can be concluded that as a result of the low level of cultural similarities of export destinations, these companies failed to identify market opportunities in the last 6 months.

## VI. THE CONDITION OF THE DYNAMIC CAPABILITY

Reviews of the literature on the concepts of the dynamic capability in this dissertation largely refer to the articles written by Duh (2013: 25), Hung (2013: 53), and Lopez (2005: 667). Based on the three studies, the dimensions used to reflect the dynamic capability were then developed, namely *seizing* and *transforming*. Indicators to measure the dimension of *seizing* are *designing business models to satisfy customers and capture value; securing access to capital and the necessary human resources; good incentive design; and strong relationships must also be forged externally with suppliers, complementors, and customers*. Meanwhile, indicators to measure the dimension of *transforming* are *adopting loosely coupled structures; embracing open innovation; developing integration and coordination skills; and (4) Managing strategic fit so that asset combinations are value enhancing*.

The dynamic capability of companies based in West Java which engage in food and beverage industries generally indicates that the companies have been successful adopting a flexible organizational structure (79.00%), as can be seen from the highest score for the variable of the dynamic capability. A flexible organizational structure in line with the definition of the dynamic capability, i.e. the ability of a company to integrate, build, and reconfigure both internal and external competencies to address the rapidly changing environment and to survive in any market conditions in order to maintain a sustainable competitive advantage. Organizational flexibility is necessary given the market destination of the food and beverage companies spread across developed countries in Europe, USA and Japan, as well as across developing countries in Asia such as the ASEAN countries, India, and China, the Middle East region and Africa, which demand different product characteristics. Characteristics of consumers in developed countries are the well-maintained quality of the food and beverages in terms of the cleanliness and security from hazardous substances. Price is not a big deal for consumers in developed countries. By contrast, consumers in developing countries are very sensitive to the price and do not pay too much attention to quality. In general, the dynamic capability of companies engaging in food and beverage industries in West Java, Banten and Jakarta has been considered good. The increased level of food and beverage export in 2011 to 2013 as well as the significant contribution of food and beverage industries to the regional gross domestic product in 2013 might also reflect the dynamic capability of companies engaging in food and beverage industries.

## VII. THE MEASUREMENT MODEL ANALYSIS.

Results partial 2 hypothesis testing are shown in Table 1 below.

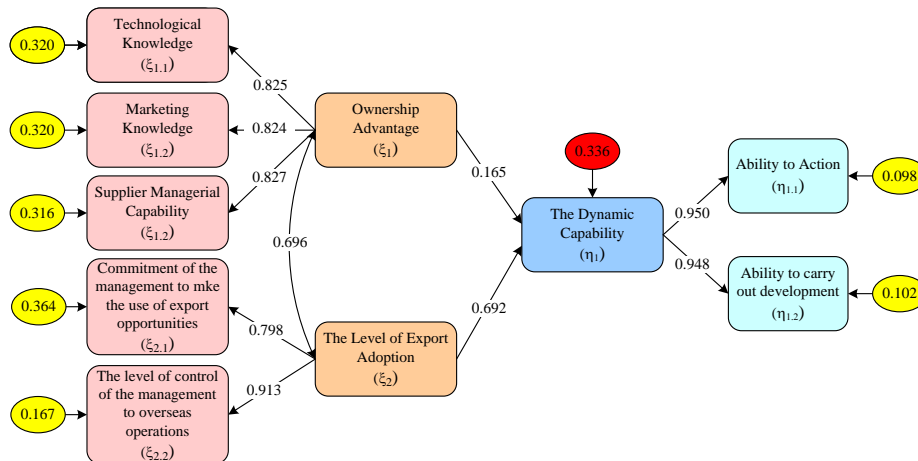
**Table 1. Relationship Ownership Advantages ( $X_1$ ) and The Level of Export Adoption ( $X_2$ )**

Variable	Coefficient of Relationship	P value	Conclusion
$\xi_1 \leftrightarrow \xi_2$	0.696	0.000	<b>Significant</b> ( $H_0$ rejected)

Based on Table 1 above, it can be seen that there is a significant relationship between ownership advantages ( $\xi_1$ ) and the level of export adoption ( $\xi_2$ ) with the magnitude of the correlation coefficient by 0.696, which belongs to the *strong* category. This findings indicates a strong alignment between Ownership Advantages ( $\xi_1$ ) and the Level of Export Adoption ( $\xi_2$ ). The increase in the ownership advantages is in line with the increase in the export adoption level and vice versa. It suggests that food and beverage companies have dominated the market or, rather, companies which have already had ownership advantages are companies that have exported their food and beverage products. Examples of these companies among others are PT. Mayora,

PT. Garuda Food, PT. ABC, and PT. Indofood. These companies, in addition to having ownership advantages represented from their market share domination, can also be seen from the indicator of awards they have received in production technology.

Results for the calculation of the third research hypothesis suggest that there is a significant effect of ownership advantages( $X_1$ ) and the level of export adoption ( $X_2$ ) on the dynamic capability (Y) of food and beverage companies based in West Java, Banten and Jakarta, both simultaneously and partially, as shown in Figure 2 below.



**Figure 1 . Effect of Ownership Advantages( $X_1$ ) and The Level of Export Adoption ( $X_2$ ) on The Dynamic Capability (Y) of Food and Beverage Companies Based in West Java, Banten and Jakarta, Both Simultaneously and Partially**

The mathematical model could be written in the following equation:

$$\text{Dynamic Capabilities} = 0.165 \times \text{Ownership Advantages} + 0.692 \times \text{The Level of Export Adoption}$$

This model explains that ownership advantages provides a sufficient effect on dynamic capability of only 0.165 of the standard deviation or in other words by  $0.165^2 \times 100\% = 2.72\%$  of the variability in dynamic capability can be explained by the variable of ownership advantages. Meanwhile, the variable of the export adoption level provides a much greater effect by 0.692 of the standard deviation or  $0.692^2 \times 100\% = 47.89\%$  of the changes that occur in the dynamic capability variable is explained by the variable of the export adoption level. This means that changes in the export adoption level variable provides a greater influence than the variable of ownership advantages on changes in the dynamic capability.

To examine the simultaneous hypothesis, the F-statistic test was used which results are shown in Table 2 below.

**Table 2. Testing Results Simultaneous Hypothesis ( $H_2$ )**

Hypothesis	R <sup>2</sup>	Pr > F	Conclusion
Effect of Ownership Advantages ( $X_1$ ) and The Level of Export Adoption ( $X_2$ ) on The Dynamic Capability (Y) of Food and Beverage Companies Based in West Java, Banten and Jakarta, Both Simultaneously and Partially	0.664	0.000	Significant ( $H_0$ rejected)

The table above presents the recapitulation of the hypothesis testing to examine the existence of the simultaneous effect of ownership advantages ( $X_1$ ) and the level of export adoption ( $X_2$ ) on the dynamic capability (Y) of food and beverage companies based in West Java, Banten and Jakarta. After doing the calculation, the obtained value of the coefficient of determination ( $R^2$ ) reaches 0.664. The  $R^2$  value ranges from 0 to 1. The higher the value of  $R^2$ , the better the proposed model in explaining the phenomenon under study. The  $R^2$  value by 0.664 can be considered *high* (Hair et al., 2013: 175). The  $R^2$  value by 0.664 can be interpreted that 66.4% of the changes in the dynamic capability (Y) of food and beverage companies based in West Java, Banten and Jakarta can be explained by the variables of ownership advantages ( $X_1$ ) and the level of export adoption ( $X_2$ ).

Based on the results of the above simultaneous hypothesis testing, the value for the probability of errors of the hypothesis testing ( $Pr > |F|$ ) is equal to 0.000, which is smaller than the predetermined error probability value at  $\alpha = 5\%$  and thus it can be concluded that  $H_0$  is rejected and it can be said that there is a simultaneous influence of the variables of ownership advantages ( $X_1$ ) and the level of export adoption ( $X_2$ ) on the dynamic capability (Y). Although the ownership advantages and the level of export adoption simultaneously affect the

dynamic capability, but the level of export adoption provides a greater influence, meaning that the ownership advantages built in the domestic market and in the international market through exports (in the level of export adoption) will be able to affect the dynamic capability.

**Partial Hypothesis 1:** Ownership Advantages ( $\xi_1$ ) Affects Dynamic Capability ( $\eta_1$ ) of Food and Beverage Companies Based in West Java, Banten and Jakarta.

Results partial 1 hypothesis testing are shown in Table 3 below.

**Table 3. Effect of Ownership Advantages ( $X_1$ ) on The Dynamic Capability (Y)**

Variable	Influence Coefficients	p-value	Effect SiYe ( $f^2$ )	Conclusion
Ownership Advantages( $X_1$ )	0.165	0.085	0.042	Not Significant ( $H_0$ be accepted)

Based on Table 3 above, it can be seen that the influence of ownership advantages on the dynamic capability reaches 0.165 of the standard deviation or 2.72% ( $0.165 \times 0.165 \times 100\%$ ). The magnitude by 2.72% suggests that the effect of the ownership advantages on changes in the dynamic capability is only 0.02%. The value of the siYe ( $f^2$ ) effect by 0.042 is close to the value by 0.02 and therefore it is concluded that the influence of ownership advantages ( $X_1$ ) on the dynamic capability (Y) belongs to the *very weak* category.

The testing results using the possibility of errors in testing (p-value) as the parameter generate the error probability value for the influence of ownership advantages ( $X_1$ ) on the dynamic capability (Y) by 0.085, which is greater than the predetermined value of probability of error at  $\alpha = 5\%$  which means that  $H_0$  is accepted or in other words ownership advantages ( $X_1$ ) does not have a significant effect on the dynamic capability (Y) of food and beverage companies based in West Java, Banten and Jakarta.

Based on these findings, it can be concluded that the dynamic capability built by the ownership advantages which depends solely on the domestic market will not be as high as that built through market internationalization, i.e. export. It becomes reasonable amidst increasingly globalizing business competition where the application of the entry barrier is dismantling through trade agreements both multilaterally and bilaterally or regionally.

**Partial Hypothesis 2:** The Export Adoption Level ( $\xi_2$ ) Affects Dynamic Capability ( $\eta_1$ ) of Food and Beverage Companies Based in West Java, Banten and Jakarta. results partial 2 hypothesis testing are shown in Table 4 below.

**Table 4. Effect of Export Adoption Level ( $X_2$ ) on The Dynamic Capability (Y)**

Variable	Influence Coefficients	p-value	Effect SiYe ( $f^2$ )	Conclusion
The Export Adoption Level ( $X_2$ )	0.692	0.000	0.307	Significant ( $H_0$ rejected)

Based on Table 4 above, it can be seen that the influence of the export adoption level on the dynamic capability reaches 0.692 of the standard deviation or 47.89 % ( $0.692 \times 0.692 \times 100\%$ ). The magnitude by 47.89% suggests that changes in the export adoption level affect changes in the dynamic capability by 47.89 %. The value of the effect size ( $f^2$ ) by 0.307 is close to the value by 0.35 and therefore it is concluded that the influence of the export adoption level ( $X_2$ ) on the dynamic capability (Y) belongs to the *strong* category.

The testing results using the possibility of errors in testing (p-value) as the parameter generate the error probability value for the influence of the export adoption level ( $X_2$ ) on the dynamic capability (Y) by 0.000, which is smaller than the predetermined value of probability of error at  $\alpha = 5\%$  which means that  $H_0$  is rejected or in other words the export adoption level ( $X_2$ ) significantly affects the dynamic capability (Y) of food and beverage companies based in West Java, Banten and Jakarta. The effect of the level of export adoption on the dynamic capability is positive, meaning that the better the level of export adoption the better the dynamic capability (Y) of food and beverage companies based in West Java, Banten and Jakarta. The export activities of a particular company will increase the company's management skills in understanding the market of its export destination. Moreover, if the export destinations are more than one, the company should be able to understand a variety of different export destination markets in which each has customers with different needs. Corporate management is expected to have the dynamic capability, i.e. the ability to integrate, build, and reconfigure internal and external competencies of the company to deal with the rapidly changing environment.

The effect of ownership advantages on the dynamic capability is small and insignificant. So far, the research stating that there is a significant effect of the ownership advantages on the dynamic capability is not

stated explicitly. On the other hand, the variable of the export adoption level by contrast has a significant effect on the dynamic capability of a company. These findings are consistent with those of Kuivalainen et al., (2010: 139-140), Golovko & Valentini (2011: 364) and Khalid & Larimo (2012: 235), which concludes that there is a relationship between a company's internationalization activities (for example, export) and the increase in and the development of the company's dynamic capability.

### **VIII. CONCLUSIONS AND SUGGESTIONS**

Based on the results of the initial exploration on the existing condition of food and beverage industries in West Java, Banten and Jakarta as well as the results of the analysis of both descriptive and empirical research on ownership advantages, the level of export adoption, and the dynamic capability, the following conclusions can be drawn: (1) Based on the descriptive analysis of all the variables, dimensions and indicators, in general, they belong to the *high* category. This shows that in general food and beverage companies based in West Java, Banten and Jakarta have a relatively good capability even though they still need to pay attention on a few things such as patent issues, awards in the field of production technology, costs spent on research & development, the level of cultural similarities, new business opportunities found by the management in the last 6 months, the intensity of the activities on research and development, and the level of success of the company in designing a good incentive system, (2) Based on the results of the empirical examination, it can be concluded that there is a positive and significant relationship between ownership advantages and the level of export adoption. It indicates an alignment between the ownership advantages and the level of export adoption, meaning that an increase in the ownership advantages is proportional to the increase in the level of export adoption and vice versa, (3) Based on the hypothesis testing results, it can be concluded that there is a simultaneous effect of the variable: *ownership advantages* and *the level of export adoption* on the dynamic capability, which belongs to the *high* category. This means that efforts to increase the dynamic capability depend both on the ownership advantages and the level of export adoption. The effect of ownership advantages on the increase in the dynamic capability is much lower than the effect of the level of export adoption. This means that in this era of free trade, ownership advantages that is built only in the domestic market is not sufficient to affect the improved dynamic capability of a company. Meanwhile, a company's level of export adoption provides a much greater influence on the increase in the dynamic capability than the ownership advantages does. For those reasons, companies currently are required to increase their ownership advantages through internationalization of markets through exports in order to increase their dynamic capability.

The suggestions that can be offered include, first: Based on the problem mapping either from the indicators or the dimensions of the variables used in order to increase ownership advantages, some recommendations for companies include increasing the frequency for R & D activities as well as increasing awareness for getting the patents for both the brand and the production process. In addition, to increase ownership advantages, another suggestion to take is to increase the accessibility of information through increased cooperation in information exchange between the government (the Investment Coordinating Board, Ministry of Trade and Industry, Ministry of Finance and other relevant ministries) and the association of business actors in food and beverage industries in relation to the road map for industrial development, interest in making an investment, development of performance of food and beverage industries per type of product and the provision of facilities/ fiscal incentives along with the technical implementation guidelines for food and beverage industries. Second, in relation to the second variable, the level of export adoption, recommendations that can be given are that companies should diversify the market internationalization destination country to countries with more cultural similarities to the culture of the companies in order to improve their dynamic capability. Third, to encourage improvement in the dynamic capability of food and beverage industries in general the government (Ministry of Industry in cooperation with relevant ministries) should design a implementative road map to address challenges in the existing condition in food and beverage industries such as encouraging the development of import substitution industries of raw materials/ supporting materials and encouraging the growth of related industries (i. e. packaging industries, advertising industries, product designs) in order to encourage the export adoption level. Fourth, companies engaging in food and beverage industries should continue to increase their ownership advantages through marketing efforts. The higher their level of the export adoption, the higher their ownership advantages. In the future, companies should expand export destinations to countries with many cultural similarities such as the ASEAN countries. In order to increase market penetration, it is obviously necessary to increase market knowledge one of which is through understanding the culture of export destinations. Fifth, the Government needs to encourage food and beverage businesses which promote/ explore food and beverages peculiar to Indonesia into a worldwide product, especially by considering that Indonesia's *rendang* ranks eleventh among top 50 culinary icons. In addition, *kopi luwak* or civet coffee has also been internationalized due to its individuality which makes it the most expensive coffee in the world.

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