

The Effect of Business Level Differentiation, Integrated Level Strategy and Corporate Level Strategy on Competitive Advantage is Mediated by Internal Innovation at Indonesian Army Hospitals

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Abstrak

This study aims to analyze the influence of business level differentiation strategies (Business Level Strategy Differentiation), Integrated Level Strategy (Integrated Level Strategy), and Corporate Level Strategy (Corporate Level Strategy) on Competitive Advantage in military hospitals. In addition, this study also explores the role of internal innovation as a mediating variable in the relationship between business strategy and competitive advantage. Taking into account the unique challenges faced by TNI AD hospitals, this research contributes to understanding how business strategies can increase competitiveness through internal innovation. This research was carried out quantitatively using a sampling method using the total sampling technique, where the number of samples used was 162 leaders of TNI AD class C hospitals. Data processing was carried out using the Structural Equation Modeling (SEM) method with SmartPLS Ver 4 software to analyze the relationship between exogenous and endogenous variables and test the mediating role of internal innovation in the model. The results of the study show that from several hypotheses tested, business level strategies (Business Level Differentiation) do not have a direct influence on competitive advantage or internal innovation. However, the Integrated Level Strategy and the Corporate Level Strategy have a positive effect on competitive advantage and internal innovation. In addition, internal innovation has been shown to mediate the influence of integration-level strategies on competitive advantage, but it does not mediate the relationship between business-level strategies and corporate-level strategies on competitive advantage. The theoretical implications of this study confirm that an integrated organization-level strategy can improve competitiveness through operational efficiency and innovation. Managerially, these findings indicate that military hospitals need to strengthen their culture of innovation and optimize integration strategies so that internal innovation can contribute more significantly to competitive advantage. The limitation of this study lies in the scope of the sample that only involves TNI AD class C hospitals, so the results cannot necessarily be generalized to hospitals with different levels or ownership. This research has a novelty in applying the concept of corporate strategy in the context of non-profit public service organizations, especially military hospitals. The study also combines three types of business strategies in one integrative model, providing a holistic perspective on how different strategies can complement each other in improving hospital competitiveness.

Keywords: Business Level Differentiation, Integrated Level Strategy, Corporate Level Strategy, Competitive Advantage, Internal Innovation

INTRODUCTION

The importance of improving *competitive advantages* It is very crucial in facing increasingly fierce business competition. Companies are required to adapt and meet customer expectations through superior quality products and services. *Competitive advantages* is key for companies to survive and thrive in a dynamic market (Evawati et al., 2024). In achieving this advantage, companies need to implement effective

competitive strategies, as well as innovations that can provide added value. With a focus on improving *competitive advantages*, companies can maintain their position in the market while increasing attractiveness in the eyes of customers, which ultimately creates ongoing loyalty (Adrai & Perkasa, 2024).

Strategic management involves the process of planning, implementing, and evaluating organizational strategies (Indrawan & Murtopo, 2023). This includes identifying opportunities and challenges, developing action plans, maximizing *competitive advantages*, and implement initiatives to achieve *competitive advantages*.

Any company that deepens strategic management well has the ability to adapt to changing environments, capitalize on market opportunities, and manage risk effectively (Cahyadi et al., 2024). Therefore, a deep understanding of strategic management concepts, theories, and practices is very important for decision-makers and organizational leaders, especially in the implementation of hospital management such as the Indonesian National Army Hospital (TNI AD) (Sofyan & Sukirno, 2021). TNI AD HOSPITAL is a health facility owned by the Indonesian National Army that provides medical services for members of the Indonesian Army and their families as well as to civilian society.

The Indonesian Army Hospital has a strategic role in maintaining the health of military personnel and supporting the success of defense missions. The service of the Indonesian Army Hospital plays a role in ensuring the welfare and readiness of its members to carry out the tasks given by the state.

With rapid growth in this sector, especially with the increasingly aggressive entry of private hospital industry players, the Indonesian Army Hospital faces an increasingly great challenge to maintain and improve its position in the market. One of the problems that arises is how the TNI AD Hospital can develop an effective strategy to deal with this increasingly fierce competition (Diani & Santoso, 2013).

Increased *Competitive Advantage* in various organizations, including hospitals managed by the Indonesian Army, depend on the implementation of the right strategy at every level. Kireru et al. (2016), Aisyah (2020), Jaya et al. (2021) and Ishola (2022), states that *Business Level Strategy Differentiation* is an important factor that can support *competitive advantages*, where differentiation in services is the key to winning the competition. Meanwhile, Orishede (2022), Ramadan et al. (2022) and Izediuno et al. (2024) states that *Integrated Level Strategy*, which brings together various operational elements and resources efficiently, greatly supports the improvement of competitiveness. On the other hand, Kabugi & Allan (2021) and Mohamed & Basar (2023) emphasizes that *Corporate level strategy* provide a clear direction for the entire organization to compete in various lines of business on an ongoing basis.

As the complexity of challenges in the fields of health and national defense increases, hospitals managed by the Indonesian Army are facing pressure to expand their capacity while implementing more resilient and competitive business strategies.

The complexity of the relationship between *integrated level strategy* styles, *competitive advantages*, and *internal innovation* in the context of organizations is also highlighted in various studies. An *effective Integrated Level Strategy* style creates strong *competitive advantages* while encouraging the creation of an environment that supports *Internal Innovation*. This strengthens the organization's competitiveness in an ever-changing market. As such, this research provides valuable insights for business practitioners and stakeholders in designing strategies that fit their corporate context to achieve competitive advantage and sustainable growth.

RESEARCH METHODS

This study uses a quantitative approach by testing hypotheses based on the relationship between variables. The analysis unit in this study is individuals involved in the Indonesian National Army Hospital (TNI), especially the head of the TNI Army hospital. In this study, the population used consisted of 162 leaders of Rumkit TNI AD class/Type C as many as 33 hospitals. The number of samples used in this study used the entire population as a research sample, which amounted to 162 respondents. The data processing method in this study is by comparing *structural equation modeling (SEM)* with SmartPLS Ver 4.

RESEARCH RESULTS

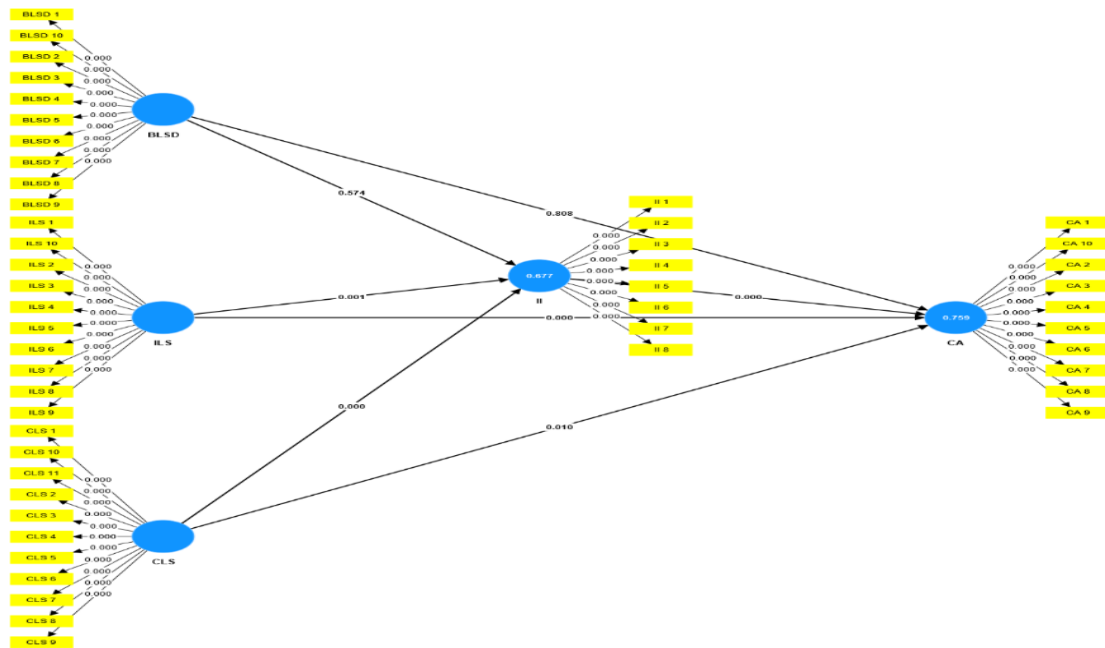


Image: inner Model

Source: Primary Data Processed Through SmartPLS 4 (2024)

Hypothesis Test

Based on the data processing that has been carried out, the results can be used to answer the hypothesis in this study. The hypothesis test in this study was carried out by looking at the T-Statistics value and the P-Values value. The research hypothesis can be declared acceptable if the P-Values value < 0.05 (Hair et al., 2024). The following are the results of the hypothesis test obtained in this study through the inner model:

Table 1 Test of Direct and Indirect Influence Hypotheses

Hypothesis	Influence	Estimation	P Values	Conclusion
H1	There is an influence of <i>Business Level Differentiation</i> on <i>Competitive Advantage</i>	-0.019	0.808	Not Supported
H2	There is an influence of <i>Integrated Level Strategy</i> on <i>Competitive Advantage</i>	0.362	0.000	Supported
H3	There is an influence of <i>Corporate Level Strategy</i> on <i>Competitive Advantage</i>	0.263	0.010	Supported

Hypothesis	Influence	Estimation	P Values	Conclusion
H4	There is an influence of <i>Internal Innovation</i> on <i>Competitive Advertising</i>	0.333	0.000	Supported
H5	There is an effect of <i>Business Level Differentiation</i> on <i>Internal Innovation</i>	0.071	0.574	Not Supported
H6	There is an influence of <i>Integrated Level Strategy</i> on <i>Internal Innovation</i>	0.369	0.001	Supported
H7	There is an influence of <i>Corporate Level Strategy</i> on <i>Internal Innovation</i>	0.455	0.000	Supported
H8	There is an influence of the mediating role of <i>Internal Innovation</i> between <i>Business Level Differentiation</i> on <i>Competitive Advantage</i>	0.024	0.570	Not Supported
H9	There is an influence of the mediating role of <i>Internal Innovation</i> between <i>Integrated Level Strategy</i> on <i>Competitive Advantage</i>	0.123	0.009	Supported
H10	There is an influence of the Role of <i>Internal Innovation</i> mediation between <i>Corporate Level Strategy</i> on <i>Competitive Advantage</i>	0.152	0.007	Supported

Source: Primary Data Processed Through SmartPLS 4 (2024)

Discussion of Research Results

Based on 10 research hypotheses, in detail, there are 7 direct influence hypotheses, there are 2 unsupported hypotheses and 5 supported hypotheses. Then, 3 indirect influences were found: 1 hypothesis with unsupported indirect influences and 2 supported hypotheses. The discussion of the results of the research can be described in detail as follows

The Effect of *Business Level Differentiation* on *Competitive Advantage*

The results of the study show that the first hypothesis (H1), which states that *business level differentiation* has no effect on *competitive advantage*, is not supported. These findings are in line with the research of Samad (2018), who noted that differentiation strategies do not always have a significant impact on competitive advantage, as their effectiveness is highly dependent on the context of implementation. In Pehrsson's (2010) research, differentiation is only effective if it is relevant to market needs and supported by the exploitation of core competencies. In addition, Teeratansirikool et al. (2013) assert that differentiation can affect competitive advantage when combined with other strategies, such as operational efficiency. In the case of the Indonesian Army Hospital, the differentiation applied has not shown a significant impact on competitive advantage, indicating that this strategy is not yet fully relevant to the needs of patients. Abdulwase et al. (2021) also emphasized that the success of differentiation is highly dependent on the organization's ability to create unique services that are relevant to customer preferences, which in the context of the Indonesian Army still faces limitations in the aspect of service personalization.

The Effect of *Integrated Level Strategy* on *Competitive Advantage*

The results of the study show that the second hypothesis (H2) in this study is supported, which indicates that the *Integrated Level Strategy* (ILS) has a significant effect on *Competitive Advantage* (CA). These findings are in line with several previous studies that have stated that an integrated level strategy can increase competitive advantage through resource optimization and operational efficiency (Kash et al., 2014). Some studies also emphasize that the success of this strategy depends on the involvement of employees and stakeholders in the planning and implementation of the strategy (Gathmyr et al., 2024).

The results of this study show that the strategies implemented have been successful in increasing the competitiveness of hospitals through more effective resource management. In addition, the study also confirms that involving employees and stakeholders in strategic planning can improve job satisfaction, commitment, and service quality, all of which play a role in strengthening patient loyalty (Gathmyr et al., 2024).

The Influence of *Corporate Level Strategy* on *Competitive Advantage*

The results of the study show that the third hypothesis (H3) in this study is supported, which indicates that Corporate Level Strategy (CLS) has a significant influence on Competitive Advantage (CA). These findings are in line with several previous studies, such as those put forward by Liou & Gao (2011), which stated that effective resource management contributes to the improvement of production systems and customer service. In addition, Limbu et al. (2020) note that strategic initiatives such as corporate social responsibility (CSR) can strengthen a hospital's reputation and increase patient loyalty, thereby strengthening the organization's competitive position.

As stated by Panchapakesan et al. (2010), high quality of service is directly correlated with customer satisfaction levels. In addition, Farhikhteh et al. (2020) emphasized that innovation in corporate strategies can strengthen organizational competitiveness. Therefore, the Indonesian Army Hospital needs to continue to strengthen these elements to further increase its competitive advantage in the healthcare industry.

The Influence of *Internal Innovation* on *Competitive Advantage*

The results of the study show that internal innovation has a significant effect on competitive advantage, so the fourth hypothesis (H4) in this study is accepted or supported. These findings are in line with the concept that internal innovation can increase organizational competitiveness. However, some previous studies have highlighted challenges in implementing internal innovations, especially in the healthcare sector. Distanont & Khongmalai (2018) state that while internal innovation can improve operational efficiency, factors such as an organization's resistance to change and resource limitations can affect its effectiveness. In this context, internal innovations at the Indonesian Army Hospital have been well implemented and have shown a positive influence on competitive advantage. However, the challenges in the application of new technologies in the distribution process still need further attention.

The Effect of *Business Level Differentiation* on *Internal Innovation*

The results of the study show that the fifth hypothesis (H5) in this study has been rejected, where the Business Level Differentiation strategy does not have a significant influence on Internal Innovation. These findings are not in line with several previous studies that have linked differentiation strategies to increased innovation in organizations. For example, a study by Ngo (2022).

In further analysis, although differentiation strategies have been implemented very well, the results show that implementation on some specific aspects does not directly encourage internal innovation.

Thus, although the differentiation strategy has been well executed, the study confirms that its success in driving internal innovation relies heavily on a culture of innovation, resource alignment, and integration of service innovation. By strengthening these factors, organizations such as the Army Corps of Engineers can increase the effectiveness of differentiation strategies in driving internal innovation and ultimately improve competitive advantage and overall organizational performance.

The Influence of *Integrated Level Strategy* on *Internal Innovation*

The results of the study show that integrated level strategy has a significant effect on internal innovation. In the context of the TNI AD Hospital, the implementation of this

strategy creates strong coordination in the improvement of medical services, operational procedures, and the development of health technology (Weng et al., 2015). An integrated strategy also contributes to alignment between long-term strategic objectives and daily operational needs, accelerating decision-making, improving efficiency, and fostering collaboration between departments (Glover et al., 2020). The impact is not only seen in the increase in technical innovation but also in service management, such as improving the quality of patient services and optimizing human resources (Kirchner & Akdere, 2017).

In addition, the Integrated Level Strategy increases the capacity of internal innovation through more effective and collaborative use of resources (S. Zhang et al., 2022). This allows hospitals to identify innovation opportunities holistically, such as the development of new treatment methods, optimization of the use of medical devices, and the application of efficient health information technology systems. Synergy between departments within hospitals supports the acceleration of the dissemination of knowledge and experience, creating a culture of sustainable innovation (Iqbal et al., 2022). With this approach, the TNI AD Hospital is better able to face challenges in the complex and dynamic health sector, while improving the competitiveness and overall quality of health services.

The Influence of *Corporate Level Strategy* on *Internal Innovation*

The results of the study show that the seventh hypothesis (H7) in this study is supported, which states that Corporate Level Strategy has a significant influence on Internal Innovation. These findings are in line with several previous studies that emphasize that effective corporate strategies can enhance internal innovation through optimal resource allocation and organizational structural support (Hidayah et al., 2021).

In the Corporate Level Strategy variable, the results of the study show that the corporate strategy has been well designed and implemented. These results confirm that an efficiency-oriented corporate strategy not only strengthens resource management, but also supports flexibility in the development of innovations, especially in the adoption of technology and the improvement of healthcare distribution methods (Alkhurairji et al., 2016).

Thus, the results of this study provide insight that Corporate Level Strategy plays an important role in encouraging internal innovation at the TNI AD Hospital. Factors such as technological readiness, involvement of medical personnel, and support for the implementation of innovations at the operational level are the main keys in ensuring the success of internal innovations.

The Influence of *the Role of Internal Innovation* Mediation between *Business Level Differentiation* on *Competitive Advantage*

The results of the study show that internal innovation cannot mediate the influence of business level differentiation on competitive advantage. Thus, the eighth hypothesis (H8) in this study is not supported. These findings suggest that differentiation strategies tend to have a direct impact on competitive advantage without going through internal innovation as an intermediary mechanism (Lopes et al., 2018; Montellier et al., 2022).

The Influence of *the Role of Internal Innovation* Mediation in *Integrated Level Strategy* on *Competitive Advantage*

The results of the study show that internal innovation can significantly mediate the influence of integrated level strategy on competitive advantage in TNI AD Hospitals. These findings are in line with previous research that highlighted the important role of innovation in strengthening organizational competitiveness. Ghanem et al. (2015) affirm

that internal innovation enables organizations to create added value by encouraging the exchange of ideas and collaboration across departments, while Ivany et al. (2019) emphasize that internal innovation contributes to the improvement of service processes and responsiveness to changing market needs.

The Influence of the Role of Internal Innovation Mediation between Corporate Level Strategy on Competitive Advantage

The results of the study show that internal innovation is able to mediate the influence of corporate level strategy on competitive advantage. Thus, the tenth hypothesis (H10) in this study is accepted. These findings are in line with previous research that confirms that strategies at the corporate level play an important role in shaping the direction of innovation that contributes to organizational competitiveness (Anning-Dorson, 2018). An effective corporate level strategy allows hospitals to define a strategic portfolio of services, allocate resources optimally, and build partnerships with external parties to accelerate innovation (Le & Lei, 2018). With a targeted strategy, hospitals can develop specific health services that have not been widely explored, providing added value for patients and other stakeholders (Kusumadewi & Karyono, 2019).

CONCLUSIONS

In the results of the hypothesis test, it can be seen that the dominant influence in the direct relationship is found in Integrated Level Strategy, Corporate Level Strategy, and Internal Innovation on Competitive Advantage, each of which has a significant influence. In addition, Integrated Level Strategy and Corporate Level Strategy also have a significant effect on Internal Innovation. In indirect influence, Internal Innovation proved to be a partial mediator in the relationship between Integrated Level Strategy and Corporate Level Strategy to Competitive Advantage, showing that although these two strategies directly affect Competitive Advantage, they are also strengthened through Internal Innovation. In contrast, Business Level Differentiation does not have a significant influence either directly or indirectly on Competitive Advantage.

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