

Strategy Alignment as an Effort to Create an Innovation Process to Improve Organizational Performance

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Abstract: This study aims to investigate the effect of strategy alignment as an effort to create an innovation process to improve organizational performance. The sample used in this study came from the Credit Union Cooperative which is under the auspices of the Indonesian Credit Union Cooperative Center (PUSKOPCUINA) Federation Network. Data was collected using a survey method to the management leaders of the Credit Union Cooperative. By using the path analysis method, the result shows firstly, that strategy alignment has a positive and significant influence on the innovation process. Secondly, strategy alignment has a positive but not significant effect on organizational performance. Thirdly, the innovation process has a positive and significant impact on organizational performance. In addition, by using the Sobel test, the result of the study shows that there is a mediating effect of the innovation process in mediating strategy alignment on organizational performance.

Keywords: *Innovation Process, Organizational Performance, Strategy Alignment*

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1. INTRODUCTION

The performance of an organization is one of the determining factors for the existence of an organization. Awareness about the importance of organizational performance is due to high business competition between organizations and increased consumer awareness of needs and wants. It is this consumer criticality of the organization's performance that encourages the organization to always maintain its performance, make improvements and developments so that customer's satisfaction is maintained.

Performance measurement is important to ensure that the team or personnel within the team carry out their duties properly in implementing the company's or organization's strategy. Performance measurement is expected to be a motivation in achieving the goals of the organization's strategy and also as a control against predetermined standards of behavior in order to be able to produce the desired actions. In another related study, it was found that there is a relationship between administrative and technical innovation and organizational performance and this relationship is important because synergizing innovation simultaneously improves overall company performance. Furthermore, innovation plays a role in performance planning and market orientation, and it is also found that market orientation significantly contributes to performance.

The concept of digital cooperatives that are being introduced is a good business prospect. The development of information technology has had a significant impact on humanity, one of which is the presence of internet-based digital technology which has succeeded in changing various lives. Apart from that, the passing of the Job Creation Law has helped to encourage the cooperative management system to be more modern and ultimately more in demand by the public.

Strategic alignment between business strategy and information system strategy needs to be carried out as a response to the company's challenges which are now facing increasingly competitive business competition. Teo & King (1999) emphasize the importance of BP-ISP integrity, which has been empirically demonstrated to boost the contribution of information systems to firm performance. However, companies are investing less in information systems and information technology development as a result of a misalignment between business and information systems strategies within corporations (Henderson & Venkatraman, 1993). Thus, increasing performance and competitive advantage will be difficult to achieve.

Delafrooz et al. (2013) stated that service innovation can make consumers very satisfied with the services provided by the company. This happens because the company is able to provide updates in service delivery both from the methods or ways used to serve consumers, improve interactions with customers needed to maintain communication, as well as the development of services provided to customers.

Service quality provides an impetus to customers to establish strong relationships with the company. The relationship that exists occurs because the company is able to provide good service which can be seen from the attractive appearance of the employees, the speed to perform services and the accuracy in solving problems faced by consumers, so that consumers feel satisfied to perform services (Kotler & Keller, 2013).

Gunday et al. (2011) in their empirical study classifies innovation into four types, namely organizational innovation, product innovation, process innovation, and marketing innovation. This study also reveals a positive influence of innovation on company's performance. In addition, studies show that innovation performance acts as a mediator between innovation and performance aspects. In this context, financial performance is the output of product innovation and marketing performance. Improved financial performance is the result of increased marketing and production performance.

Various literatures have revealed the influence of strategy alignment on organizational performance. Chan et al. (1997) found that the best company performance will emerge when the company is able to align business strategy with information system strategy. Luftman & Brier (1999) stated that organizations that are able to align between team strategy and the strategy of each individual in the organization, will be able to increase competitive advantage, visibility, efficiency, and also profitability, to compete in a changing market.

The innovation process has a close relationship with customer satisfaction, this is because each consumer has a characteristic assessment of the goods and services offered by each company. Buchari (2014) stated that the innovation process means observing and redesigning methods or ways to find and satisfy consumers by offering different ways. This research will examine the strategy alignment process that can encourage innovation in order to achieve organizational goals. In line with Frishammar et al. (2012) stated that how the innovation process can be an important activity in achieving efficiency and effectiveness of company operations that can improve organizational performance. The innovation process not only creates customer satisfaction but also creates sustainable customers. Strategy alignment is an organizational effort so that everyone in it can understand the goals of the organization, so that it can support the organization to continue to exist and be sustainable.

2. LITERATURE REVIEW

Resource-Based View Theory (RBV Theory)

A company is not just an administrative unit, but more than that the company is a collection of productive resources. The above quotation highlights an important dimension of the resource-based view of mind over the last decades, namely the role of managers in the development and deployment of resources (Barney, 1986; Schoemaker, 1992; Amit & Schoemaker, 1993; Barney & Zajac, 1994; Lei et al., 1996) and resource relations and firm scope (Chatterjee & Wernerfelt, 1991; Robins & Wiersema, 1995; Markides & Williamson, 1996; Prahalad & Hamel, 2006).

Bates & Flynn (1995) stated that resources will affect company performance and also emphasize something that is rare, difficult to imitate by others, which encourages competitive advantage. While Litz (1996) stated that the characteristics of the resource are simultaneous in nature related to scarcity, hard to imitate and irreplaceable. Ownership of resources according to Michalisin et al. (1997) can determine whether an organization can obtain high profits or not, so control over strategic assets is needed. Bowen & Wiersema (1999) argue that company performance is highly dependent on the basic ability to provide unique and specific resources.

According to Combe & Ketchen (1999), a resource is said to be valuable if customers buy above the cost price and it is difficult for competitors to imitate the products produced. Companies must also be able to control a unique set of resources, because the diversity of unique resources will provide added value for the company (Rindova & Fombrun, 1999). In analyzing competitive advantage, there are assumptions that must be fulfilled, namely those related to strategic and long-lasting resource control.

Furthermore, according to Solikhah et al. (2010), Resource-Based Theory is an idea created in a theory of strategic management and corporate competitive advantage that believes organizations will gain competitive advantage if they have better resources. Barney (1986) in Dierickx & Cool (1989) stated that the company needs to be analyzed from the resource side as well as from the product side: if a superior product market position is achieved or protected by the development of step assets, it is necessary to take into account the opportunity costs of these assets.

Contingency Theory

Contingency theory aims to assess a company's ability to produce good performance which will rely on compatibility between contextual circumstances of an organization (Cadez & Guilding, 2008). The basics of contingency theory also state that if an organization is properly run, it must be able to adapt to contingency structures such as the environment, organizational size, and business strategy (Gerdin & Greve, 2008). Contingency studies then have a broad impact in the use of various contextual factors.

Chenhall (2003; 2007) revealed that contextual variables have a significant impact on creating a management control system. The environment, technology, organizational structure, organizational scale, strategy, and organizational culture are among these variables. Based on the contingency approach, these aspects are recognized as organizational contextual factors, and they can have an impact on an organization's performance.

Strategy Alignment

Strategic alignment according to Premkumar & King (1992), is a connection between information system strategies and business plans. Business plans and information systems plans - both product functions and corporate planning functions - ought to be linked by direct mapping of information systems strategy to one or more business strategies with the purpose of enhancing the organization's rewards.

Strategy alignment is closely related to management control systems which include planning systems, reporting systems, and monitoring procedures based on the use of information. Important things in strategic alignment include attention to formal procedures and routines, information flow, and maintaining or changing important things in management activities that can affect individual behavior in the organization.

Innovation Process

Innovation is aimed at activities or efforts to improve processes or output within an organization. This is done with the hope that the organization can follow developments that occur in the real world. Innovation also gives hope to the organization to be sustainable by taking advantage of opportunities in competition.

Hurley & Hult (1998) stated that companies innovate on an ongoing basis in order to adapt to environmental changes, especially market changes.

Companies must be able to innovate in order to survive in a changing environment (Johnson et al., 1997). Hurley & Hult (1998) stated that innovation is viewed from a collective perspective, where there is an openness to accept new ideas. Innovation means the ability of the organization to implement new ideas created within the organization.

Organizational Performance

Performance is the level of achievement of the implementation of an activity, program, as well as policies in realizing the goals or objectives of the company (Jariah et al., 2015). Organizational performance is an indicator of the company's level of success in achieving its goals. Suliyanto (2009) stated that good company performance will show the success and efficiency of company behavior.

Performance measurement is very important for companies to be able to compete in a highly competitive environment. Kaplan & Norton (2000) stated that companies that are unable to measure the strategy that will be made, the company will find it difficult to manage and carry out the strategy that is made. Company performance measurement must be carried out as a whole and balanced.

Hypothesis Development

Alignment of Strategy to the Innovation Process

Business strategy is a tool or method used by an organization or company in order to achieve competitive advantage. The tools or methods will manifest in potential actions that require top management decisions and large amounts of organizational or corporate resources. In addition, because of its future-oriented nature, strategy will affect the organization or company for the long term, and has multi-functional, multi-divisional impacts, as well as the external environment the organization or company is in.

A well-designed management control system can influence the behavior of every individual in an organization or company according to the expected goals. This is in accordance with what was conveyed by Batool (2011) in his research on the Management Control System, that every organization or company needs to have a good management control system and be able to direct the best abilities of each of its employees in order to improve performance and gain competitive advantage. Because of the alignment of goals and employee behavior in creating innovation, so that there is an increase in performance. Thus, it can be emphasized that at various levels of the organization, with good communication and interaction will also channel good information so as to be able to direct each individual behavior in the organization in line with organizational goals. Based on the explanation above, the hypothesis is formulated as follows:

H₁: Strategy Alignment has a positive effect on the Innovation Process

Innovation Process on Organizational Performance

A good business strategy should be able to improve the performance of an organization or company in running its business or operations (Miles & Snow, 1978). Chan et al. (1997) found that organizations or companies implementing a prospector strategy, which is a form of strategy that focuses on continuous innovation by finding and exploiting new products and market opportunities.

Organizations or companies that focus on the prospector strategy will continuously strive to gain competitive advantage or become the main mover in their field.

The management control system ensures that every activity of the organization or company continues to run according to the goals of the organization or company. Because the activities in the management control system are carried out by all parts of the organization, there will be mutual interaction between management from the top level to the lower level. Thus, the management control system is expected to be able to control every behavior of its members in order to achieve alignment of organizational goals. Because the better the alignment between goals, the higher the probability of achieving the desired goals together. According on the preceding explanation, the hypothesis is as follows:

H₂: The Innovation Process has a positive effect on Organizational Performance

Strategy Alignment on Organizational Performance

A good business strategy should be able to improve the performance of an organization or company in running its business or operations (Miles & Snow, 1978). Chan et al. (1997) found that organizations or companies that implement strategies that focus on continuous innovation by finding and exploiting new products and market opportunities. Organizations or companies that focus on the prospector strategy will continuously strive to gain competitive advantage or become the main mover in their field.

Several previous studies have been conducted regarding the alignment of strategy to organizational performance, such as Brynjolfsson & Hitt (1998), Bruce (1998), and Sabherwal & Chan (2001). Nevertheless, the findings from the results of these studies have not provided firm and consistent results. Several previous studies have shown that there is no significant relationship between strategy alignment and organizational performance.

The management control system ensures that every activity of the organization or company continues to run according to the goals of the organization or company. Because the activities in the management control system are carried out by all parts of the organization, there will be mutual interaction between management from the top level to the lower level. Thus, the management control system is expected to be able to control every behavior of its members in order to achieve alignment of organizational goals. Because the better the alignment between goals, the higher the probability of achieving the desired goals together. Based on the explanation above, the hypothesis is formulated as follows:

H₃: Strategy Alignment has a positive effect on Organizational Performance

The Mediating Role of the Innovation Process on the Relationship Between Strategy Alignment and Organizational Performance

Enterprise capability is an important concept that needs to be considered in all companies. Therefore Teece et al. (1997) and Jones et al. (2005) argued that the concept of corporate capability has a foundation in competitive advantage. RBV also views that the company's capabilities can be used to maintain competitive advantage. According to Premkumar & King (1992), strategic alignment is the relationship between information systems plan and business plan. Ideally, business plan and information systems plan both product functions and corporate planning functions should be linked to one another by directly mapping the

information systems strategy to one or more business strategies in the context of maximizing organizational returns (Calhoun & Lederer, 1990).

Strategy alignment requires a control system from various units or parts within an organization to be able to achieve the goals of the organization, so a management control system is very important in the formulation and implementation of a strategy. A management control system must be implemented simultaneously in every company in order to have power (Simons, 1995; 2000). The implementation of a good and simultaneous management control system will encourage the implementation of capabilities as a strategy for success. Based on the explanation above, the hypothesis is formulated as follows:

H₄: The Innovation Process mediates the relationship between Strategy Alignment and Organizational Performance

3. RESEARCH METHOD

This research is explanatory research, namely a study that aims to test a theory or hypothesis in order to strengthen or even reject the theory or hypothesis, with a quantitative approach that examines causal relationships, namely influence of independent variables on dependent variable.

The population in this study consists of Credit Union management leaders at both the head office and branch office levels. The sample for this study was chosen using the purposive sampling approach, in which the researcher chose samples that met the research objectives, namely:

1. Credit Union employees at a structural level for at least one year; and
2. Leading a group of teams both at the head office and branch offices.

The source of data in this study is primary data, namely data collected by the researcher himself to specifically answer his research problem. The primary data in this study were obtained through the results of a questionnaire distributed via the Google link.

Operational Definition and Measurement of Variables

Strategy Alignment

The role of strategy alignment is the main function of gaining and maintaining competitive advantage by facilitating the formulation of organizational strategy (Decoene & Bruggeman, 2006). All statements are measured by a Likert scale which has a score range of 1 to 7 with the following information: 1 (strongly disagree); 4 (neutral); and 7 (strongly agree). The higher the score indicates that the alignment of the adopted organizational strategy has good quality.

Innovation Process

The innovation process is a change made by a company or organization to improve performance by accelerating the company's service work system through various new combinations of existing service factors (Owano et al., 2013; Dwanto et al., 2013; Suwarno, 2015). All statements are measured by a Likert scale which has a score range of 1 to 7 with the following information: 1 (strongly disagree); 4 (neutral); and 7 (strongly agree). The higher the score indicates that the innovation process carried out has good quality.

Organizational Performance

Organizational performance is a result obtained by a group of people who work for organization to achieve the main goals of the organization. Everything is measured using a Likert scale which has a score range of 1 to 7 with the following information: 1 (strongly disagree); 4 (neutral); and 7 (strongly agree). The higher the score indicates that the quality of the resulting organizational performance is good.

Analysis Method

The analytical method used in this study is path analysis method, which is an extension of multiple linear regression analysis. The path coefficient is calculated by constructing a structural equation, namely the regression equation which shows the hypothesized relationship.

4. RESULTS AND DISCUSSION

Path Analysis Test

Table 1. Path Analysis Result

Structural Model	Exogenous Variable	Endogenous Variable	Standardized Beta Coefficient	Sig.	Result
Sub Structure One	Strategy Alignment	Innovation Process	.456	.000	Significant
Sub Structure Two	Strategy Alignment	Organizational Performance	.029	.812	Not Significant
	Innovation Process		.552	.000	Significant

Source: SPSS Data Processing (2023)

Sobel Test

This study uses the Sobel test (Sobel, 1982) to examine the indirect effect or the mediating role of the innovation process on the relationship between strategy alignment and organizational performance. The results of the Sobel test can be seen in Table 2.

Table 2. Sobel Test Result

Variable Combination	Estimated Value	Standard Error	<i>p-value</i>
The Influence of Strategy Alignment on Organizational Performance is Mediated by the Innovation Process	.342; .077	.529; .117	.0015

Source: SPSS Data Processing (2023)

Hypothesis Test

The results of testing hypothesis can be found in Table 3 as follows:

Table 3. Hypothesis Testing Results

Hypothesis Statement	Hypothesis Testing Results
H ₁ : Strategy Alignment has a positive effect on the Innovation Process	Accepted
H ₂ : The Innovation Process has a positive effect on Organizational Performance	Accepted
H ₃ : Strategy Alignment has a positive effect on Organizational Performance	Rejected
H ₄ : The Innovation Process Mediates the Relationship Between Strategy Alignment and Organizational Performance	Accepted

Source: SPSS Data Processing (2023)

Discussion

Alignment of Strategy to the Innovation Process

Based on the data analysis table 1 above, the direct effect of strategy alignment on the innovation process has a standardized beta coefficient value of 0.456 and a significant probability value of $0.000 < 0.05$. This shows that the better the alignment of strategies that occur within the organization, the better it will encourage the innovation process.

The results of this study indicate that strategy alignment has a positive and significant influence on the innovation process. This illustrates that the better employees understand the business strategy of the company, all company resources can be directed to encourage the company's innovation process better. The results of this study are in accordance with Batool (2011), Wang & Tsai (2014), Merchant & Stede (2018) which state that strategic alignment through a good management control system will direct resources to higher innovation processes.

The reason companies need to have a good control system as an act of strategic alignment is when employees direct their best abilities at work in accordance with organizational goals, the impact is an increase in the innovation process resulting in increased performance and competitive advantage. Because there is alignment between goals and employee behavior through a management control system, it will encourage a better innovation process.

The results of research on the effect of strategy alignment on the innovation process show that strategy alignment has a positive and significant effect on the innovation process. The reason an organization needs to have a good control system as a form of strategy alignment is when every citizen in the organization directs their best abilities in each work unit in accordance with the goals of the organization, the impact is an increase in the innovation process resulting in increased performance and excellence competitive. Because there is harmony between the goals and behavior of every member of the organization through a management control system, as a whole it will encourage a better organizational innovation process. This study's findings correspond with research from Merchant & Stede (2018), which argues that strategy alignment through a good management control system will direct resources to higher innovation processes.

Strategy Alignment on Organizational Performance

Based on the data analysis table 1 above, the effect of strategy alignment on organizational performance has a standardized beta coefficient value of 0.029 and a significant probability value of $0.812 > 0.05$. The results of this research analysis indicate that strategy alignment has a positive effect on organizational performance but not significant. This illustrates that even though strategic alignment is best pursued, it will not have much effect on organizational performance. This is in line with research conducted by Brynjolfsson & Hitt (1998), Sabherwal & Chan (2001) which states that performance as an implication of strategy alignment is few and far between. Bruce (1998) states that it is rather difficult to prove that strategic alignment is needed to help maximize organizational performance.

Alignment of strategy as corporate capability does not contribute much to organizational performance without going through intermediary media. Efforts to equalize perceptions, align the company's strategic direction, or other activities will be less influential if they are not followed by concrete actions. In other words, strategy alignment will only be a discourse for the organization if it is not followed by the process of making it manifest.

The results of research on the effect of strategy alignment on organizational performance indicate that strategy alignment has a positive effect on organizational performance but not significant. Alignment of strategy as the efforts made by an organization or company in order to be able to direct all resources according to the goals of the organization. The efforts made by the organization or company are by unifying the vision, mission and goals of each individual within the organization so that they are in line with the vision, mission and goals of the organization or company. These alignment efforts must be manifested in a concrete form so as to be able to encourage better organizational performance. This research proves empirically that the action of strategy alignment is an effort by the organization to unite the goals of each individual in it so that they are in line with the goals of the organization, requiring concrete action as a crystallization of the alignment. Efforts to align organizational strategy will only become a discourse if it is not accompanied by concrete actions. The findings of this study are further consistent with research from Sabherwal & Chan (2001), which found that strategy alignment as an organizational strategy for enhancing organizational performance, must be manifested in innovative processes in order to fulfill organizational goals.

Innovation Process on Organizational Performance

The research results of the innovation process on organizational performance reveal that innovative process has a positive and significant influence on organizational performance. Innovation process is an attitude of accepting and implementing new ideas, new processes, and new products in a sustainable manner. Innovation can also be interpreted as an organization's or company's response to customer expectations. An organization's ability to carry out the innovation process is supported by how the organization directs all its resources to suit organizational goals, so that it becomes easier for the organization to carry out the innovation process. Because the innovation process is oriented towards meeting customer expectations, customers will feel their needs are satisfied, which will improve organizational performance. The findings of this study are also similar to the findings of Prahalad & Hamel (1989) who found that new and innovative ways that focus on improving competence can encourage organizations to perform better. The positive relationship between organizational capability to carry out the

innovation process and organizational performance is also explained in the resource-based view theory, which states that the competitive edge of a business is due to the uniqueness of valuable, rare, non-imitable, and non-substitutable resources capable of driving better organizational performance.

The Mediating Role of the Innovation Process on the Relationship Between Strategy Alignment and Organizational Performance

The Sobel test constructed in table 2 to examine the mediation of innovation process variable provides a p-value of the Sobel test of $0.0015 < 0.05$, indicating that the innovation process strongly mediates the effect of strategy alignment on organizational performance. Innovation processes such as creative, unique and up-to-date ideas are the result of a combination of the abilities of each individual which are managed properly through a management control system. An innovation process that develops consistently will encourage better organizational performance.

The results of research on the role of innovation process variables in mediating the effect of strategy alignment on organizational performance show positive and significant results. Davila (2005) states that the role of the management control system in the innovation process is as a guide to form cognitive models and patterns of communication and action. Davila et al. (2009) stated that according to the Levers of Control (LOC) theory, organizations must intensively use management control system with the four control systems which have different but complementary roles to increase innovation. The belief system serves to inspire organizational members to innovate in order to achieve the organization's core values. However, a belief system will not be effective if it is not supported by a system of boundaries. This is because efforts to seek opportunities in carrying out innovation processes can cause business risks if strategic boundaries are not given (Simons, 1995).

The use of interactive control systems can contribute to the dissemination of knowledge and information necessary for the development of innovation (Henri, 2006). The argument is that the use of interactive control systems represents the double-loop learning required to support innovative behavior. Top managers use interactive control systems to stimulate opportunity-seeking and experimentation and encourage new initiatives (Simons, 1995, 2000). Henri (2006) states that a diagnostic control system is needed to ensure that the positive effect of using an interactive control system in increasing organizational innovation can be achieved. In certain situations, the potential benefits of using an interactive control system may be lost if it is not supported by a diagnostic control system.

Innovation is a critical factor for companies to compete effectively in domestic and global markets and is considered one of the most important components of an organization's strategy (Davila, 2000). Organizations that have a high level of innovation will be able to develop a competitive advantage and achieve higher levels of performance.

5. CONCLUSION

Conclusion

This study uses variables that can be explained by resource-based view (RBV) theory and contingency theory. The contingency approach in managerial accounting is based on the premise that there is no accounting system that is universally applicable and applies to all organizations under all conditions (Otley, 1980). Therefore, the most appropriate model for an accounting system is highly dependent on the conditions of the organization itself (Otley, 1980). The development of the accounting system has resulted in developments in the contingency approach. The main portion of contingency theory is that contingency theory assesses the performance of an organization will depend on the compatibility between contextual factors of an organization (Cadez & Guilding, 2008). Meanwhile, the basic assumption of the RBV theory is that the ability of an organization to be able to compete highly depends on the uniqueness of the resources that exist within the organization (Wernefelt, 1984). RBV is also seen as an organization's competitive ability which is a function of the uniqueness and value of the resources and capabilities possessed by the organization. RBV also considers that capability is the main resource to be able to achieve sustainable competitive advantage. The findings of this study are also consistent with the resource-based-view paradigm, which argues that all resources and competencies in the company are required to maintain a sustainable competitive advantage, which ultimately contributes to organizational success (Henri, 2006).

In accordance with the resource-based view, innovation is an organizational capability that is rare, valuable, difficult to imitate and cannot be replaced (Henri, 2006). Thus, innovation is a source of sustainable competitive advantage that contributes positively to organizational performance. Previous studies have provided empirical evidence that a high level of innovation leads to higher company performance (Bisbe & Otley, 2004)

The management control system as an organizational effort in aligning organizational strategy is not a source of competitive advantage, so it does not directly affect organizational performance. Management control systems are not a source of competitive advantage because they do not generate sustainable rents and can be imitated and transferred easily (Barney, 1991). However, these strategy alignment efforts have an effect and will encourage the innovation process as a source of organizational competitive advantage to a higher stage so that indirectly the management control system as an organizational effort to align strategy will affect organizational performance through innovation processes.

Research Implications

The theoretical implications of this research confirm that the performance of an organization or company is expected to be able to guarantee the sustainability of the organization. And organizational performance in various studies is heavily influenced by the capabilities of the organization. In the theory of resource-based view, an organization or company in achieving competitive advantage relies on organizational capabilities that are valuable, rare, inimitable and non-substitutable.

This research empirically proves that organizational capabilities that are valuable, rare, cannot be imitated and replaced as a form of the innovation process in formulating strategies to face market competition, are capabilities that support companies to maintain good and sustainable performance.

The practical implications of this research illustrate that the Sauan Sibarrung Credit Union cooperative as a microfinance institution (LKM) is faced with the challenge of free competition in providing competitive and sustainable financial services to the community, not only with other microfinance institutions but also with other financial institutions that larger, more complex and more established. The development of information technology on the one hand also encourages society to be more critical so that a continuous process of innovation is needed.

This research proves empirically that a company's capability in carrying out the innovation process is one of the key factors for a company to perform well and have a competitive advantage through resources that are valuable, rare, cannot be imitated or replaced.

Research on the performance of an organization influenced by the alignment of this strategy, the researcher limits only to be carried out within the scope of Credit Union under the Indonesian Credit Union Federation (PUSKOPCUINA). In the future, researchers need to suggest research in organizations or companies with different business sectors so that the level of reliability of the alignment of strategies on organizational performance can be studied deeply.

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