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COMPETITIVE ADVANTAGE AS A MEDIATOR ON THE INFLUENCE OF STRATEGIC LEADERSHIP, DYNAMIC CAPABILITIES, AND KNOWLEDGE MANAGEMENT ON ORGANIZATIONAL PERFORMANCE IN PT ELNUSA TBK

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Abstract

This research proposal aims to examine and analyze 1) the influence of strategic leadership on competitive advantage, 2) the effect of dynamic capabilities on competitive advantage, 3) the influence of knowledge management on competitive advantage, 4) the effect of competitive advantage on organizational performance, 5) the effect of strategic leadership on organizational performance, 6) the influence of dynamic capabilities on organizational performance, 7) the influence of knowledge management on organizational performance, 8) the influence of strategic leadership on organizational performance through competitive advantage, 9) the influence of dynamic capabilities on organizational performance through competitive advantage, 10) the influence of knowledge management on organizational performance through competitive advantage. The research was conducted at PT Elnusa Tbk with a total sample size of 157 respondents. The sampling technique used purposive sampling and data analysis techniques used descriptive analysis and structural equation modeling. The research results predict 1) there is an effect of strategic leadership on competitive advantage, 2) there is an effect of dynamic capabilities on competitive advantage, 3) there is an effect of knowledge management on competitive advantage, 4) there is an effect of competitive advantage on organizational performance, 5) there is an effect of strategic leadership on organizational performance, 6) there is an effect of dynamic capabilities on organizational performance, 7) there is an influence of knowledge management on organizational performance, 8) there is an influence of strategic leadership on organizational performance through competitive advantage, 9) there is an effect of dynamic capabilities on organizational performance through competitive advantage, 10) there is the influence of knowledge management on organizational performance through competitive advantage.

INTRODUCTION

The crisis in world crude oil prices since the end of 2014 to be below USD 30 per barrel has made almost all oil concession owners in the world, including in Indonesia, reduce their many activities. United States Shale Oil production peaked in 2012 to 2014 and flooded its domestic market. During these conditions, oil-exporting countries that are members of OPEC recorded production that exceeded the target to maintain market share.

The production cost compared to the selling price makes this business seem uneconomical anymore. In early 2016, slowly the world oil price crept back up and is currently in the range of USD 58 (WTI Crude Oil). This price recovery is inseparable from oil-producing countries' agreement in November 2016 to cut daily production from the Organization of The Petroleum Exporting Countries (OPEC). The continuing decline in world oil demand has resulted in the decline in world crude oil prices. This condition continued when Iran said it would increase its oil production after lifting economic sanctions on Iran. Iran, which is listed as the seventh-largest oil producer globally, plans to increase the total amount of oil production by 500,000 barrels per day.

In contrast, before the embargo, the total production reached 3.58 million barrels per day. Fears of an abundance of oil production and weakening world demand have made oil oversupply. The absence of a decision from OPEC not to cut production on maintaining market share makes world oil production abundant.

On the other hand, market players are worried about what is happening in China. China's declining economic growth will significantly affect energy demand, especially crude oil. Uncontrolled production creates abundant supply and thus depresses prices. This condition continued until the end of 2016. The low world oil price harmed oil and gas field owners, and the impact significantly impacted other supporting service companies operating in the oil and gas sector.

Figure 1. Crude Oil Prices in the Market

Over time, OPEC just decided to cut production in order to stabilize prices. The world oil price began to climb in 2018 to the range of U.S. $ 50-60 per barrel, even the price of Brent had touched the level of U.S. $ 70 per barrel. Apart from cutting production by OPEC, the increase was triggered by geopolitical problems, namely U.S. economic sanctions against two OPEC member countries, namely Iran and Venezuela. However, further increases in world oil prices were on hold. Oil prices moved in the range of U.S. $ 60 per barrel in line with lower than expected oil consumption, resulting from the continuing global economic slowdown. The impact of pressure on the world economy mainly stemmed from the United States and China's trade wars, which affected other countries.

In this uncertainty, the Covid-19 virus outbreak suddenly emerged and spread quickly into a global pandemic and forced various countries to restrict social and business activities. The world is experiencing another flood of crude oil stocks. The price has been in a downtrend since the beginning of this year. However, sharp declines have started since February. In early March 2020, Russia rejected proposals for further oil production cuts at a meeting of oil-exporting countries and its OPEC alliance. This had sparked a month-long price war between Saudi Arabia and Russia. The price war ended after a meeting in early April 2020. Countries that are OPEC members agreed to cut oil production by 10% or around 10 million barrels per day. Ironically, oil demand fell by 30 million barrels per day or even more, but the fall in oil prices could not be avoided.

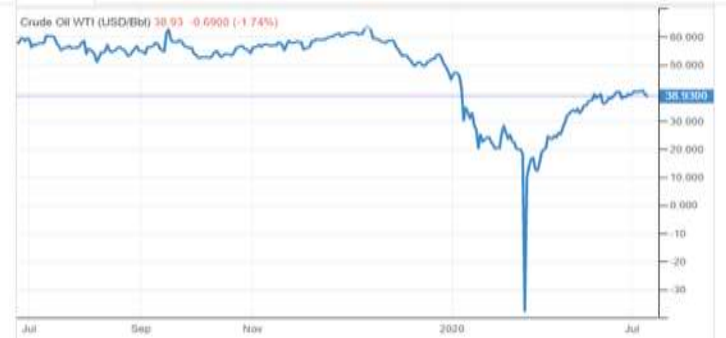


Figure 2. Oil Price Conditions July 2019 to July 2020

WTI oil price in a negative area means producers are willing to pay to sell their oil stocks. Oil wells cannot be turned off and reactivated easily because they are costly. As a result of this, oil reservoirs are full and many producers are chartering ships to collect excess oil.

Since the Covid-19 pandemic spread so rapidly throughout the world, crude oil has indeed been piling up at an unprecedented rate. This increases the risk that the world will run out of space to store existing reserves as storage capacity will become full in the not too distant future.

Low world oil prices are expected to continue throughout the year as the world rapidly runs out of traditional oil storage space. The uncertain world oil price situation certainly greatly affects the oil and gas business from upstream to downstream. This condition forces the reduction of exploration and exploitation activities to oil and gas production. The impact of the reduction in activities made the supporting companies engaged in technical services for the job experience shocks and had to find a way out to survive in order to survive.

One of the companies engaged in the oil and gas sector for supporting services for exploration, exploitation and oil and gas production activities is P.T. Elnusa Tbk. This company is the largest national company in Indonesia, whose largest shareholding is P.T. Pertamina Persero. The majority of the company's market share is in the oil field of P.T. Pertamina in the country and abroad and the rest in foreign oil companies that are located in and outside the country. Suppose a look at the amount of investment realization of the above activities proclaimed by SKK Migas is quite large. In that case, it is just that the contribution involving P.T. Elnusa Tbk is arguably tiny.

Source: SKK Migas

Figure 3. Value of Upstream and Downstream Oil and Gas Investment in Indonesia during 2014-2019

In connection with oil price shocks reappearing in 2020, the value of oil and gas investment in the upstream sector has decreased.

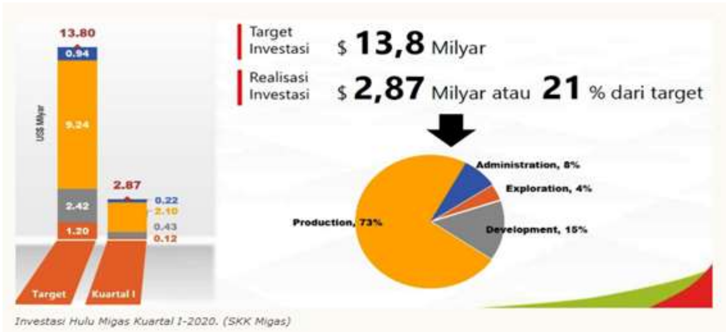
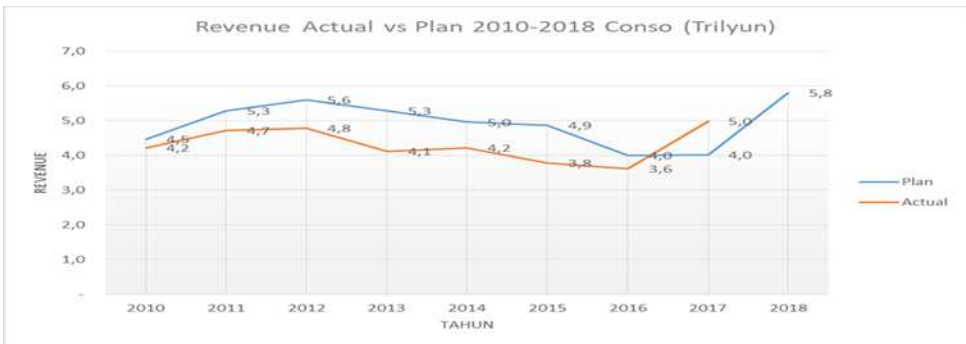


Figure 4. Q1 2020 Upstream Oil and Gas Investment

If see the value of the investment is quite large, it is just that the role of P.T. Elnusa seemed insignificant. This can be seen from the company's performance from year to year. From the data, it can be seen that the often uncertain oil price shocks often roll up this company. Facing a situation like this requires strategic leadership from the leadership and dynamic capabilities of the company in order to be able to survive and improve company performance.



Source: P.T. Elnusa Tbk

Figure 5. Revenue of P.T. Elnusa Tbk Year 2010 to 2018 (q2)

The rapid changes in the environment that are influenced by technology and geopolitics have caused a profit-oriented organization to face market volatility, organizational pressure, high shareholder demand, and the global financial crisis.

Concerning measuring a company's performance, several terms are commonly used, including performance measurement, performance measurement, and performance metrics. The terms are often used interchangeably, however, to avoid confusion of understanding between these terms, it is necessary to explain each difference.

Performance measurement can be defined as the process of quantifying the efficiency and effectiveness of past actions. A performance measure can be defined as a parameter used to quantify past actions' efficiency and / or effectiveness. Performance metrics define the scope, content and parts of a broad-based performance measure (Neely, 2002: 24).

According to Rolstadas (1998), the organizational performance system is a complicated relationship and involves seven performance criteria: effectiveness, efficiency, quality, productivity, work quality, innovation, and profitability. Performance is closely related to achieving the criteria listed above, which can be considered a performance goal.

They face situations and conditions like this make the company renew its strategy to compete to win the challenge. The company's pressure comes from many different directions, such as the environment, finding deviations from standard operating procedures, new desires, visions for the future, or the organization's very nature. Business markets become unstable, customer needs and want change a lot, and information flows become more diverse and complex. Facing this change requires strategic leaders who have an essential role in controlling the organization's success or failure. Companies must be observant and pay attention to market share, customer satisfaction, competitor capabilities, company capabilities and employee job satisfaction and this is adjusted to future strategic plans.

In general, the notion of strategic leadership is a person's ability to anticipate, inspire, maintain flexibility, think strategically, and work with other people to face rapid environmental changes to create a better future for the organization. Strategic leadership can be a process of direction and inspiration needed to create and implement an organizational vision, mission, and strategy to achieve organizational goals.

Strategic leadership, according to Sosik et al. (2005), is a series of processes that determine the extent to which an organization is useful in creating strong connections between people, technology, work processes and business opportunities that aim to increase economic, social, and intellectual capital for shareholders, society, and employees. Strategic leadership is the ability to influence others to voluntarily make decisions that increase the prospects for an organization's long-term success while maintaining short-term financial stability.

According to the research results of Agyapong et al. (2011), strategic leadership can help explain the vision of a leader to his subordinates in order to be able to encourage companies to achieve competitive advantage and superior performance jointly. Ireland and Hitt (1999) added that strategic leadership results would be able to help organizations achieve superior performance compared to other competitors. Therefore, it can be concluded that an organization or company that can implement strategic leadership well can produce a competitive advantage in the competition.

In today's global business competition, companies, apart from paying attention to industrial structure, must also look at an internal perspective by carefully examining their resources and how to combine them to obtain core competencies and competitive advantages (Prahalad and Hamel, 1990). For that, a new paradigm is needed to understand how competitive advantage can be achieved. The competition winners in the global market can provide timely and fast responses with flexible product innovations, combined with management capabilities to coordinate and position internal and external competencies appropriately. These capabilities are referred to as dynamic capabilities, emphasizing two key aspects: "dynamic" and "capabilities."

According to Helfat (2007), the dynamic capability is an organization's ability to create, extend, or modify its resource base for specific purposes. The strategic term, according to Teece and Pisano (1994), is a company's ability that must be directed at the needs of users (consumers), is unique (so that the products and services produced are valued without much attention to competition), difficult to imitate (so that profits can be determined by ignoring competitors). The competitive advantage of companies according to Teece and Pisano (1997) comes from dynamic abilities that are rooted in the routine activities of the company, are inherent in the processes of company activities, and are conditioned during the operation or establishment of the company.

A company that has a learning organization is a company that has expertise in creating, retrieving, and transferring knowledge and modifying its behavior to reflect new knowledge and experiences. Learning organizations must continuously conduct self-evaluation and experimentation. Walczak (2008) states that when the world is more dynamic, learning organizations must be adaptable to respond to the different needs of different organizations around the world. Walczak (2008) argues that to improve knowledge management and learning, organizations need to be represented in knowledge management and learning organizational models and measurement instruments. The application of knowledge management as an added value for the company in serving customer satisfaction needs so that it excels in competing with competing companies.

In facing the increasing level of business competition, companies need a competitive advantage (C.A.) to continue domestic business competition. The idea of competitive advantage itself, the main thing is to measure the organization's success compared to its competitors (Mahdi and Almsafir, 2014). Therefore, competitive advantage is one of the essential variables that can measure its ability to face business competition.

To create a competitive advantage for the organization, strategic leadership or strategic leadership can influence factors. Ireland and Hitt (1999) stated that strategic leadership could be a source of competitive advantage. Likewise, Hitt, Keats, and DeMarie (1998) stated that strategic leadership practices are needed to build a competitive advantage. Therefore, strategic leadership can be one of the most important variables affecting a company's competitive advantage.

Many companies' current condition is accustomed to formulating their business strategies by relying on the ability to predict trends in the next five to ten years, experiencing a collapse because changes occur very quickly without being predictable in advance. To survive in a business environment, organizations must do various ways such as product innovation, expanding markets, improving service quality, improving production processes, improving organizational systems, and making cost savings (Aldi, 2005). Organizational strategies are created and created to withstand rapid environmental changes. For that, the organizational strategy must create a competitive advantage (Aldi, 2005). According to Deed and Hill (1996) in Khan (2012), companies that are effective in acquiring knowledge will create and maintain a competitive advantage in a knowledge-based economy, while others will have difficulty maintaining their competitive position. According to McFadyen and Canella (2004), knowledge is perhaps the most critical source of competitive advantage available to an organization in the twenty-first Century.

There have been much researches on the relationship between knowledge management and organizational performance. Yousif Al-Hakim and Hassan (2013) research states that knowledge management strategies directly affect organizational performance and indirectly through innovation as a mediating variable. This research was conducted on the mobile telecommunications sector in Iraq. The research results by Yousif Al-Hakim and Hassan (2013) are supported by research by Carolina and Angel (2011), which analyzes the relationship between strategic knowledge management, corporate innovation strategy, and organizational performance in 310 Spanish organizations. The results showed that the two knowledge management strategies (codification and personalization) directly and indirectly affected innovation and organizational performance.

The same research was also conducted by López-Nicolás and Meroño-Cerdán (2011), whose results supported the research of Yousif Al-Hakim and Hassan (2013). The knowledge-based view of resources is an approach to understanding the relationship between organizational capabilities and organizational performance. Knowledge-based resource theory states that knowledge is the most strategically significant company resource. Knowledge-based resources are usually difficult for other organizations to imitate and as a source of competitive advantage. Knowledge management has emerged as a source of sustainable competitive advantage (J. Barney, 2002). Knowledge management is a management tool that can support organizational goals and show competitive advantages to create an excellent organizational performance (Megantoro et al., 2014). The results of the research by Nielsen, Rasmussen, Hsiao, Chen, and Chang (2011) state that knowledge management capacity, knowledge acquisition, and dissemination are positively related to organizational performance.

In today's fierce and aggressive business competition, knowledge management strategies are the primary vehicle for organizations to achieve their goals and compete well (Zaied, 2012). Knowledge management is an essential weapon to maintain a good competitive advantage (Zaied, 2012). Knowledge management is an essential weapon to maintain competitive advantage and improve performance (Zaied, Hussein, and Hassan; 2012).

LITERATURE REVIEW

Organizational Performance

According to Stoner and Freeman (2010), organizational performance is a measure of how efficient and effective a manager is, which indicates how well he determines and achieves the right goals and shows how well the organization does work. Referring to the above statement, it can be concluded that this performance requires measurement and evaluation to determine the extent of its success in achieving specific goals. There are two aspects used to measure the performance, namely, the aspects of efficiency and effectiveness. According to Profiroiu (2001), organizational performance or organizational performance involves a relationship between objectives, means, and results. Performance is a simultaneous result of the implementation of efficiency, effectiveness and good budget processes.

According to Rue and Byars (1981), performance is defined as the level of achievement of results or the degree of accomplishment or in other words, performance is the level of achievement of an organization's goals. For many circles, performance can also be interpreted as an achievement that an organization can achieve.

Strategic Leadership

Strategic leadership, also known as strategic leadership, is a person's ability to anticipate, inspire, and maintain others' flexibility to create strategic changes as desired. By its multifunctional nature, strategic leadership involves all human resources in an organization or company. Strategic leadership is required to effectively influence a person's behavior, thoughts and feelings in a dynamic environment. For a leader, having the ability to manage humans is very important. The key to gaining a competitive advantage in the 21st Century is top leaders' capacity to create a social architecture capable of creating intellectual capital in the form of knowledge, expertise, brainpower and brilliant and innovative ideas. All of this can certainly be achieved if strategic leaders can create where stakeholders can achieve effective company operations and maintain high performance sustainably. Through effective strategic leadership, a company will be able to utilize the strategic management process successfully. As top managers, strategic leaders must direct the company to achieve the mission that has been formulated. Strategic leaders are challenged to realize a feasible and strategic development and determine ways to implement it. Managers carry out tasks that are meant to be done. Strategic leadership must complete tasks that are often considered impossible. They generally achieve success if they can use their hidden business strengths, namely by maximizing employee strengths.

Rowe (2009), a strategic leader, can translate a long-term vision and continue to carry out daily operational activities in detail in an organization. Rowe (2009 says that strategic leadership is the ability to influence other people to voluntarily make daily decisions to improve the long-term survival of an organization while at the same time maintaining short-term financial stability.

Dynamic Capability

Dynamic capability or dynamic capability can be defined from two syllables, namely capability and dynamic. The meaning of the capability is an organization or company that emphasizes management's critical rules in adapting, integrating, and reconfiguring appropriately and quickly all existing internal and external skills from resources and functional competencies to harmonize with changing environmental requirements. Furthermore, the word dynamic shows the capacity to update existing competencies to achieve conformity with changing business environments that are always dynamic and are influenced by very fast technological developments. Dynamic capabilities are closely related to resources, competencies, core competencies and capabilities.

Eisenhardt and Martin (2000) "dynamic capabilities consist of specific strategic and organizational processes like product development, alliancing, and strategic decision making that create value for firms within dynamic markets by manipulating resources into new value-creating strategies." The above statement clearly states that dynamic capabilities are a special strategy that can make strategic conclusions that create new value for companies that are in dynamic markets by manipulating or changing all existing resources in order to be able to create new strategic value.

According to Barney (1991), "dynamic capabilities are processes embedded in firms, with assume an organizational and empirical lens, rather than an economic and formal modeling one." The above statement can be said that dynamic capabilities are embedded in an organization or company where these values are already in the company in the form of competencies.

Knowledge Management

Knowledge or knowledge is one of the company's intangible assets. Through knowing everything about the company's capabilities, external conditions and changes that have been, are and will be can be anticipated. The economic value of knowledge is derived from superior performance through high customer ratings, investor returns and the right career path for employees.

According to Nassery in Liebowitz (1999), an organizations' knowledge is an interaction between two components, namely, human capital and information. Human capital is a person's knowledge, skills and abilities that can be used to produce professional services. Human capital also reflects the collective ability of an organization or company to produce the best solutions based on everyone's competencies in the company. This competence is determined by knowledge, imagination, intuition, education, skills, and experiences influenced by emotions and other attributes. Meanwhile, information includes documentation of human intellectual experience and achievements, including formulas to assist solutions, which are contained in books, papers, research, reports, software, databases, compact disks and digital video discs, universal serial buses, etc.

Competitive Advantage

The effects of globalization currently occurring require many large and medium scale companies always to create competitive advantages to exist and be sustainable. Industrial conditions are currently changing rapidly, including shorter product life cycles. Competitive advantage comes from the organization's characteristics, which are formed from the various resources and capabilities it has. Organizational resources include both tangible and intangible.

Competitive strategy began to appear by Porter (1980) in his article entitled "Competitive Strategy: Techniques for analyzing industries and competitors," in which his writings provide generic strategy proposals for competitive advantage. Furthermore, the concept of competitive advantage was first introduced by Porter in 1985 in his writing entitled "Competitive Advantage:

Creating and Sustaining Superior Performance." According to his description, competitive advantage is the heart of a company's performance in a competitive market. Competitive advantage is about how a company puts generic strategies into practice. According to Porter (1985), competitive advantage grows fundamentally from the value that allows the company to create that value for its buyers beyond the company's costs to create it.

According to Bernardin and Russel (1993), competitive advantage refers to an organization's ability to formulate strategies to exploit profitable opportunities, thereby maximizing return on investment. Two main principles, perceived customer value, and uniqueness, describe the extent to which a business has a competitive advantage.

According to Porter (1994), competitive advantage is the company's ability to achieve economic benefits above profits that competitors can achieve in the same industry. Companies with a competitive advantage can always understand market structure changes and can choose effective marketing strategies. Based on Porter's study, there are several ways to obtain generic strategies that are classified into three categories, namely cost leadership, differentiation, and focus on gaining competitive advantage. According to Pitts et al. (1996), competitive advantage will build the ability to perform more than competitors or more effective than competitors, in other words, companies build competitive advantage by utilizing strength for some activities more than their performance.

CONCEPTUAL FRAMEWORK AND HYPOTHESES

Time and Place of Research

The implementation time starts in March 2021, including pre-survey activities, consolidation of instrument trials, testing the validity and reliability of instruments, and collecting and processing research data. The research will be carried out in the P.T. Elnusa Tbk in Jakarta.

Research Design

This research design is a causal study that aims to test the hypothesis about the effect of exogenous variables (Strategic Leadership, Strategic Leadership, and Knowledge Management) on endogenous variables (Competitive Advantage and Organizational Performance) at P.T. Elnusa Tbk in Jakarta.

Population and Sample

According to Arikunto (2007: 18), the population is the entire research subject or the total number of samples, and essential data source. According to Agung (2003: 2), the population is the set of all individuals who can provide data and information for a study. According to Sugiyono (2016: 55), the population is a generalization area consisting of objects/subjects with specific quantities and characteristics determined by researchers to be studied and then conclude. So the population is not only people/humans but also other natural objects. The population is also not just the number in the object/subject being studied but includes all the object or subject's characteristics/properties. Based on these experts' opinions, the population in this study were P.T. Elnusa Tbk employees, as many as 869 people in the P.T. Elnusa Tbk.

The sample is part or representative of the population under study (Arikunto, 2013). Sugiyono (2016: 56) has a similar opinion as expressed by the experts mentioned above. In his opinion, the sample is part of the number and characteristics of the population. The research sample was 157 respondents. In this study, sampling was carried out using non-probability sampling techniques. Non-probability sampling is a sampling technique that does not provide equal opportunities or opportunities for every element or member of the population to be selected as samples. In this study, the purposive sampling technique.

Data Collection Techniques

To obtain data that is sufficient and accurate and can be accounted for, several methods have been carried out by researchers by:
a. Data Verification or Editing
b. Tabulation and
c. Data Interpretation

Data Analysis Technique

1. Descriptive Data Analysis
Descriptive statistical data describes or describes the data set or the results of the observations that have been made. These activities include data collection, data grouping, determining statistical values and functions, and making graphs, diagrams and pictures.

Descriptive statistics are methods related to collecting, summarizing, and presenting data to provide useful information and organize it into a ready-for analysis form. In other words, this descriptive statistic is a phase that talks about the description and description, including the presentation of data. This phase discusses statistical measures such as the size of the center, the size of the distribution, and the size of the data distribution location.

The descriptive statistical analysis aims to provide a description of data so that the data presented is easy to understand and informative for those who read it. Descriptive statistics explain various data characteristics such as mean, number of standard deviations, variance, range, minimum and maximum values, etc.

2. Structural Equation Modeling (SEM) Analysis
After calculating the quantitative data processing questionnaire results, the incoming data will then be analyzed and tested using the multivariate Structural Equation Model (SEM) technique. According to Bagozzi and Fornell (1982) in Ghozali and Fuad (2008), SEM is the second generation of multivariate analysis techniques. Structural Equation Modeling (SEM) develops and has a function similar to multiple regression, however it seems that SEM is a stronger analytical technique because it considers interaction modeling, nonlinearity, correlated independent variables, measurement errors, interference with several correlated errors. Latent independent variables are measured using many indicators, and one or two latent dependent variables are also measured by several indicators, using statistical methods where the results are then interpreted.

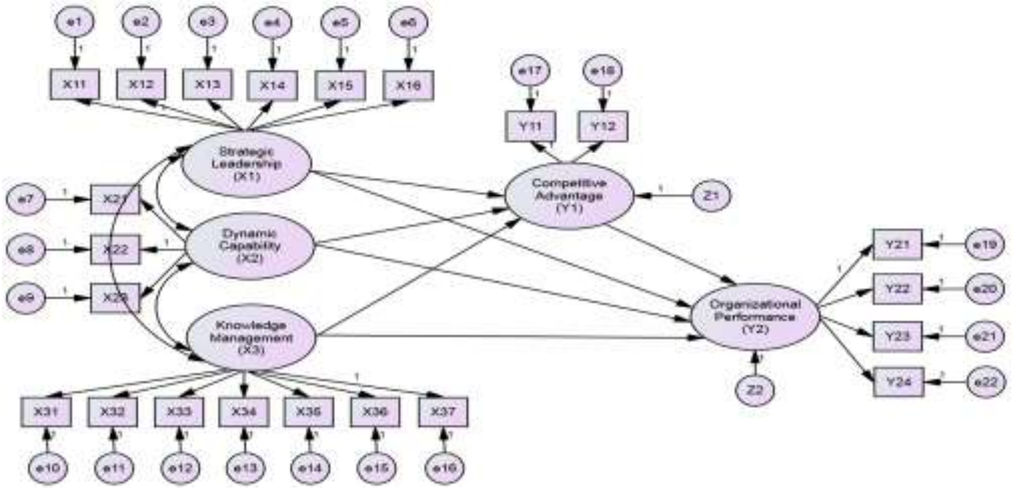


Figure 6. Research Model Concept

HYPOTHESIS DEVELOPMENT

1. Strategic Leadership and Competitive Advantage

Ireland and Hitt (1999) said that strategic leadership can help organizations to achieve good performance and besides that organizations or companies that are able to implement strategic leadership well, the organization or company can build competitive advantage. This is reinforced by Agyapong et al. (2013) who state that strategic leadership is able to help explain a leader's vision to his subordinates with the aim of being able to jointly encourage companies to achieve competitive advantage and superior performance. Rush (2011) also states that strategic leadership increases an organization's sustainable competitive advantage not only through its strategy but also through its vision, values, culture, climate, leadership, structure and systems.

Daft (2008) states that strategic leadership must be responsive to the surrounding environment so that the company's vision, mission, strategy and implementation follow the needs of the surrounding environment. If the company is able to meet the needs of the surrounding environment, it will excel in facing its competitors and will achieve a competitive positioning in the future.

Ojokuku et al. (2012) stated that leadership style has a strong relationship with organizational performance. Organizational performance itself is very strongly related to the competitive advantage that the organization produces. Majeed (2011) states that competitive advantage positively affects organizational performance. Strategic leadership itself is talking about how to manage the company's strategy-making process very effectively to create competitive advantage (Hill, Jones, and Schilling, 2014).

Several previous studies have acknowledged the existence of a relationship or relationship between strategic leadership and the competitive advantage of an organization. Ireland and Hitt (1999) stated that strategic leadership can be a source of competitive advantage. Meanwhile Mahdi and Almsafir (2014) in their research also stated that sustainable competitive advantage can be increased when strategic leadership is applied.

Based on all the opinions of experts and researchers mentioned above, it is suspected that strategic leadership has a relationship with competitive advantage and then referring to this idea, the following hypothesis is proposed:

Hypothesis 1: Strategic Leadership has a positive direct effect on competitive advantage in PT. Elnusa Tbk.

2. Dynamic Capability and Competitive Advantage

The rapid changes in the business environment are thought to make it difficult for many companies to maintain their competitive advantage. The company's existing business strategy is no longer able to deal with competitive situations and the ever-changing business environment, so the business strategy is forced to change, however, it turns out that the new strategy that is implemented does not always bring back the glory of a competitive advantage.

Rapid changes in the business environment will inevitably change the industry's Key Success Factor. This change triggered a change in business strategy. On the other hand, a superior business strategy is generally based on core resources and core competences, meaning that this change also causes superior resources and capabilities to become obsolete. This fact proves that to restore competitive advantage, in addition to updating the strategy, it is also necessary to update aspects of superior resources and superior capabilities. On the other hand, dynamic change requires the ability to update resources and capabilities rapidly (dynamic capability). Dynamic capability is the ability to shape, reshape, configure, and reconfigure the capabilities of the company so that it can respond well to environmental changes.

Ambrosini & Bowman (2009), Griffith & Harvey (2001), and Teece et al. (1997) stated that there is a significant relationship between dynamic capabilities and competitive advantage. The extent to which companies need to develop dynamic capabilities depends on the dynamic conditions and uncertainties of the business environment they face (Ambrosini, Bowman, & Collier, 2009).

In a relatively stable environmental condition, the company is sufficient to make adjustments and improvements to its capabilities (incremental dynamic capabilities). The capability adjustment process is carried out through continuous improvement activities. In a dynamic business environment, renewing dynamic capabilities are carried out.

In this situation, the company is not only making adjustments but also making changes to its capabilities. In a business environment that is full of changes, capabilities are no longer relevant. For this reason, the company must adjust its basic capabilities (regenerative dynamic capabilities). For example, today many companies have to develop their new capabilities in the e-business field. To be able to have dynamic capabilities, according to Wang and Ahmed (2007) a company needs to have three capabilities, namely adaptive capability, absorptive capability, and innovative capability.

Adaptive capability is the ability to identify and capitalize on opportunities that arise from the market. Adaptive capability is measured by the ability to respond to opportunities, monitor markets, customers and competitors, and allocate resources for marketing activities. Absorptive capability is defined as the ability to evaluate and use knowledge from outside the organization.

Absorptive capability is measured from the intensity of research and development activities. The innovative capability is defined as the ability to develop new products or markets. Innovative capability is measured by the number of product or service innovations, process innovation, and new problem solutions.

Dynamic capabilities are generally implemented through four stages. First, identify and assess environmental changes that may lead to changes in industrial KSF. This stage is carried out by collecting data and information on developments in the macro environment (regulatory, economic, socio-cultural, technology, natural resources and the environment) and the development of the industrial environment (customers, competitors, suppliers, new entrants, substituted products). Second, conducting an assessment to explore the suitability of the company's resources and capabilities with the KSF. Third, make adjustments or renewals, or replace resources and capabilities so that they can become a source of competitive advantage for the company. Fourth, utilize renewed resources and capabilities to formulate and implement strategies in order to gain new competitive advantages.

Based on all the opinions of the experts and researchers above, it is suspected that dynamic capability has a relationship with competitive advantage and then referring to this idea, the following hypothesis is proposed:

Hypothesis 2: Dynamic capability has a positive direct effect on competitive advantage at PT. Elnusa Tbk.

3. Knowledge Management and Competitive Advantage

The emergence of the free market era has resulted in increasingly fierce business competition so that this condition has spurred the business world to be more concerned about the strategy being implemented. The current condition is that many companies are accustomed to formulating their business strategies by relying on the ability to predict trends in the next five to ten years experiencing a collapse because changes take place very quickly without being predictable in advance. In order to be able to survive in a business environment, organizations must do various ways such as product innovation, expanding markets, improving service quality, improving production processes, improving organizational systems, and making cost savings (Aldi, 2005).

Organizational strategies are designed and created to withstand rapid environmental changes. For that organizational strategy must be able to create competitive advantage (Aldi, 2005). According to Deed and Hill, (1996) in Khan (2012), companies that are effective in acquiring knowledge will be able to create and maintain a competitive advantage in a knowledge-based economy, while others will have difficulty maintaining their competitive position. According to McFadyen and Canella (2004) knowledge is perhaps the single most important source of competitive advantage available to an organization in the twenty-first century. The twenty-first century is the era of the knowledge economy, where most organizations have knowledge that enables them to improve their performance (Zaied, Hussein, and Hassan, 2012).

Competitive advantage is able to significantly predict variance in organizational performance (Raduan, et al., 2009 in Majeed, 2011). Organizational performance has become the most important issue for any organization be it profit or non-profit, so it is very important for managers to know which factors cause organizational performance to take the right steps (Abu-Jarad, Yusof, and Nikbin; 2010) . The definition of organizational performance is the ability of the organization to achieve its goals by using resources efficiently and effectively (Daft, 2000). Knowledge is seen as the most important resource in a company (Ling, Yih, Eze, Gan, and Ling; 2008) .

Effective use of knowledge will not only create competitive advantage, but also improve organizational performance (Zaied, 2012). To get the maximum benefit from the knowledge they have and to find out what knowledge they must have, companies must manage their knowledge through knowledge management (Munir, 2011). In today's world of aggressive competition, knowledge management strategies are the main vehicle for organizations to achieve their goals, and to compete well (Zaied, 2012).

Knowledge management is recognized as an important weapon to maintain competitive advantage and improve performance (Zaied, Hussein, and Hassan; 2012). Through knowledge management, the organization consciously identifies the knowledge it has and uses it to improve performance and produce various innovations (Munir, 2011).

Organizations must realize the importance of effective knowledge management because the costs of ignoring it are very large (Ling, Yih, Eze, Gan, and Ling; 2008). So that the evaluation of knowledge management performance becomes increasingly important because it provides a reference to direct organizations to improve their performance and competitiveness (Zaied, Hussein, and Hassan; 2012).

Based on all the opinions of the experts and researchers mentioned above, it is assumed that knowledge management has a relationship with competitive advantage and then referring to this idea, the hypothesis is proposed:

Hypothesis 3: Knowledge management has a positive direct effect on competitive advantage in PT. Elnusa Tbk.

4. Competitive Advantage and Organizational Performance

Bharadwaj et al. (1993) explain that competitive advantage is the result of implementing strategies that utilize various resources owned by the company. Unique skills and assets are seen as sources of competitive advantage. Unique expertise is a company's ability to make its employees an important part of achieving competitive advantage.

The company's ability to develop the skills of its employees properly will make the company superior and the implementation of strategies based on human resources will be difficult for its competitors to imitate. Meanwhile, unique assets or resources are the real resources needed by the company to carry out its competitive strategy. Both of these resources must be directed to support the creation of a low-cost company performance that is different from other companies.

Li (2000) states that companies that excel in competition will have an impact on their high marketing performance. Companies that excel in competition will be able to improve their marketing performance. In addition, the results of this study also support the research of Dogre and Vickrey (1994), which states that companies that excel in competition will create good marketing performance.

The effect of competitive advantage on organizational performance is achieved by companies that are successful in mobilizing their intellectual assets in the form of knowledge, technological skills, experience and strategic capabilities. Tovstiga and Tulugurova (2009), Barney (1991), Prahalad and Hamel (1990) in Kamukama (2011) also emphasized that a firm's competitive advantage and performance are largely influenced by intellectual capital.

Respatya (2001) explains that companies that produce products and services must start paying attention to the concept of competitive advantage so that the company can survive which will ultimately earn a profit. Hall (1993) states that competitive advantage consists of three factors, namely: longevity, the level of difficulty to be imitated, and the level of ease of equaling. Competitive advantage will encourage business performance through profit growth, sales growth and customer growth. The results of the study (Chan, et al., 2004) explain that competitive advantage has a positive influence on company performance.

Goetsch (2006) in Muhardi (2007: 36), states that: "Competition is the process by which organizations attempt to establish and maintain a profitable position by performing better than other organizations in the same markets. Sustained profitability is the goal of the competitive strategies organizations ”. There are two sides caused by competition, namely the side of success because it encourages companies to be more dynamic and compete in producing products and providing the best service for their markets, so that competition is considered a motivating opportunity. Meanwhile, the other side is failure because it weakens static companies, fearing quality, so that competition is a threat to the company. Each of the existing strategies will provide opportunities for managers to gain a competitive advantage. This is reinforced by the opinion of Heizer and Render (2002) that competitive advantage means creating a system that has a unique advantage over other competitors. The idea is to create customer value in an efficient and lasting manner.

Based on all the opinions of the experts and researchers mentioned above, it is assumed that competitive advantage has a relationship with organizational performance and then refers to that thought, the following hypothesis is proposed:

Hypothesis 4: Competitive advantage has a positive direct effect on organizational performance at PT. Elnusa Tbk.

5. Strategic Leadership and Organizational Performance

In the current era of globalization where rapid and drastic environmental changes have forced a leader to have an effective and competent strategic leadership that is more than an ordinary leader in order to be able to anticipate all these changes. There have been many examples that we have seen where a large company eventually has to go out of business because it cannot adapt to changes that occur in its environment. If there is a company that has superior performance compared to competitors, or is still able to survive until now, it is not because of luck, but the company has better leadership than its competitors.

Most of the problems associated with the implementation, almost all of them stem from the human behavior factors that exist within the organization, whether leaders or followers. According to Wheelen & Hunger (2010), strategic management is the set of managerial decisions and actions that determines the long-rum performance of a firm; which means a collection of decisions and actions that will determine the long-term performance of a company. Meanwhile, David (2006) defines strategic management as: art and science of formulating, implementing, and evaluating, cross-functional decisions that enable an organization to achieve its objectives; which means the art and science of formulating, implementing, and evaluating, cross-functional decisions that enable the organization to achieve its goals. If you pay attention to the two statements above, they have similarities which are summarized into four main parts, namely: external and internal environmental analysis, strategy formulation, strategy implementation, and evaluation.

Leadership effectiveness is something that is difficult to measure because of its multidimessional and qualitative nature. According to Tannenbaum and Schmidt (1958) in Sofiati (1995), it is stated that the effectiveness of a leadership can be achieved if a leader is able to establish good communication with subordinates, because it is understood that together the subordinates of a leader work to achieve organizational goals. A leader is a center of organization, an assessment of a leader should be carried out by the people around him who always interact and carry out organizational activities together.

Ulrich (1991) states that human resource management is a strategic area of an organization. Human resources should be viewed as an extension of the traditional view of managing people effectively and for that it requires knowledge of human behavior and the ability to manage it. Therefore, it is natural that the preparation of a human resource strategy must be relevant to the preparation of a business strategy (Schuller & Jackson, 1997). Serfontein (2010) found in his research that the impact of strategic leadership positively affects the performance of business organizations either directly or indirectly. H. Wang, A. S. Tsui, and K. R. Xin (2011) found in their research that leader behavior is directly related to organizational performance.

The results of research by M. Pazireh, E. M. Akhlagh and M. Akbari (2010) concluded that strategic leaders who understand work and environmental conditions can have a real effect on performance. Moreover, it was found in his study that strategic leadership would positively influence strategic alignment which, in turn, would have a beneficial effect on organizational performance. This is reinforced by research by J. C. Ryan and S. A. A. Tipu (2013) which states that the role of leader behavior is directly related to organizational performance.

In a larger scope study CCJ Cheng, CL Yang, and C.Sheu (2014) claim that the leaders of Chinese organizations play a major and important role in the success of Chinese organizations, and this success is due to the strong and autocratic leaders of their countries than developed countries . These results support that leadership plays a very important and large role in the success of all organizations around the world. In addition, strategic leaders who understand work, environmental issues, and create interactions with employees can have an effect on organizational performance.

In an organization there is automatically a leader or a leader. A quality leader is a leader who can provide direction to the efforts of all workers in achieving organizational goals. Without leadership and direction, the relationship between individual goals and organizational goals may become tenuous. This situation triggers the situation of individuals working to achieve their own personal goals, while the whole organization becomes inefficient, in achieving its targets and objectives.

Gaspersz (2011) states that a successful performance of a company depends on the leadership that formulates the company's vision, mission and goals and how these are introduced and applied by them in their workplace. Every organization will strive to achieve its goals. This is a logical consequence of the establishment of the organization. Moreover, in today's world development which is getting faster with changes, this requires every organization including all public institutions to be able to adapt so as not to be left behind in realizing its vision, mission and goals. One of the things needed to achieve organizational goals is an increase in organizational performance. Every organization must have the right strategy and be able to face challenges as well as be able to provide solutions to the problems it faces.

Organizations in carrying out their plans and strategies require strategic leadership that can mobilize all the potential of the organization to achieve its organizational goals. In this case, all organizational units, from the leadership of the organization to the members, must work together and support each other, for this we need a joint commitment in carrying out their respective functions in order to achieve common goals.

Based on all the opinions of the experts and researchers mentioned above, it is suspected that strategic leadership has a relationship with organizational performance and then refers to this thought, the following hypothesis is proposed:

Hypothesis 5: Strategic Leadership has a positive direct effect on organizational performance at PT. Elnusa Tbk.

6. Dynamic Capability and Organizational Performance

Dynamic capability is defined as a way for managers and companies to organize the resources needed to achieve company goals (Helfat and Peteraf, 2003). Companies that are unable or do not have sufficient capabilities to recognize changes in the dynamic environment, or which are able to recognize changes but are unable to adapt will become uncompetitive (Wang and Ahmed, 2007). The inability to compete is an indication of stagnation or the end of a company.

In the last two decades, the discussion of dynamic capabilities has attracted the attention of researchers and business practitioners because of the great need and curiosity about two things at once, namely: (1) performance achievement amid (2) dynamic and increasingly erratic environmental changes. The first explanation is explained by Penrose (1959), Wernerfelt (1984), Barney (1991) who said that companies can vary in performance and their success is due to competitive advantage so that it is difficult to compete in comparative advantage.

The company's competitive advantage can only be achieved by utilizing the most valuable non-physical resource for the company, namely knowledge (Drucker, 1966). Second, dynamics is a business reality today, namely the company's external environment that is rapidly changing (Teece, Pissano and Shuen, 1997; Eriksson, 2014) which is triggered by the speed of information circulation, a shorter learning curve for new technological inventions or innovations, and changes. socio-economic and political factors that are difficult to predict (Danneels, 2002; Teece, 2007; Winter 2003).

Organizations need abilities called: (1) organizational routines (Nelson and Winter, 1984), or (2) core competencies (Hamel and Prahalad, 1990), or (3) absorptive capacity (Cohen and Levintal, 1990), or (4)) combination capabilities (Kogut and Zender, 1992), or (5) dynamic capability (Teece, Pisano and Shuen, 1997), or (6) core capabilities (Barton, 2001). This is needed to prepare for and respond to dynamic environmental changes in order to live a long time.

The concept of dynamic capabilities received special attention from the conceptual level to the search for empirical evidence starting from the research of Teece et al. (1997). The term dynamic capability concept according to Teece and Pissano (1994) is "the subset of the competences or capabilities which allow the fi rm to create new products and processes and respond to changing market circumstances." Furthermore, the concept is refined again where the definition of dynamic capabilities is the company's ability to integrate, build, configure internal and external competencies in dealing with environmental changes (Teece, Pissano and Shuen, 1997). The opinion of Teece et.al (1997) focuses more on dynamic capabilities in response to environmental changes. Eisenhardt and Martin (2000) discuss dynamic capabilities in the context of creating capabilities without waiting for a crisis from the external environment, where dynamic capabilities are the routine procedures and activities of an organization in integrating, reconfiguring, acquiring or even releasing company resources to improve company performance and achieve company goals.

Referring to the opinions of experts and researchers above, it shows that dynamic capabilities contain convergence of keywords: capabilities, competencies, capabilities, routine procedures, collective activities to achieve company goals through improving company performance in facing environmental changes, opening new markets, strengthening existing market bases, facing competitor strategies, and become an effective organization (Teece et.al, 2007; Eisendhart and Martin, 2000).

Based on all the opinions of the experts and researchers mentioned above, it is assumed that dynamic capabilities have a relationship with organizational performance and then referring to this thought, the hypothesis is proposed:

Hypothesis 6: Dynamic capability has a positive direct effect on organizational performance at PT. Elnusa Tbk.

7. Knowledge Management and Organizational Performance

To produce good performance, the company needs a good system too. This system is not only the existing regulations or standards but also involves directly related parties, namely human resources. One management system that offers a discipline that treats intellectuals as managed assets is knowledge management (Honeycutt, 2002), which is measured by three variables, namely personal knowledge, job procedures, and technology. In practice, knowledge management can serve as a guide for managing intangible assets, which are the pillars of a company in creating value.

Companies that are effective in acquiring knowledge will be able to create and maintain a competitive advantage in a knowledge-based economy, while others will have difficulty maintaining their competitive position (Deed and Hill, 1996 in Khan, 2012). In the opinion of McFadyen and Canella (2004) knowledge may be the single most important source of competitive advantage available to an organization in the twenty-first century.

The twenty-first century is an era of rapid development of science, where most organizations have knowledge that enables them to improve their performance (Zaied, Hussein, and Hassan, 2012). Competitive advantage is able to significantly predict variance in organizational performance (Raduan, et al., 2009 in Majeed, 2011).

Organizational performance has become the most important issue for any organization be it profit or non-profit, so it is very important for managers to know which factors that cause organizational performance for knowledge are seen as the most important resource in the company (Ling, Yih, Eze, Gan , and Pei Ling; 2008). Effective use and management of knowledge will not only create competitive advantage, but also improve organizational performance (Zaied, 2012). To get the maximum benefit from the knowledge they have and to find out what knowledge they must have, companies must manage their knowledge through knowledge management (Munir, 2011).

In today's fierce and aggressive business competition, knowledge management strategies are the main vehicle for organizations to achieve their goals and to compete well (Zaied, 2012). Knowledge management is recognized as an important weapon to maintain a good competitive advantage (Zaied, 2012). Knowledge management is recognized as an important weapon to maintain competitive advantage and improve performance (Zaied, Hussein, and Hassan; 2012).

Organizations must realize that through new knowledge management, they can identify the knowledge they have and use it to improve performance and produce various innovations (Munir, 2011). Organizations must realize the importance of effective knowledge management because the costs of ignoring it are very large (Ling, Yih, Eze, Gan, and Ling; 2008). So that the evaluation of knowledge management performance becomes increasingly important because it provides a reference to direct organizations to improve their performance and competitiveness (Zaied, Hussein, and Hassan; 2012). Therefore, knowledge management is one of the management tools that can be used to support the achievement of organizational goals and show competitive advantages so as to create good organizational performance.

There have been many researches on the relationship between knowledge management and organizational performance. Research by Yousif Al-Hakim and Hassan (2013) states that knowledge management strategies have a direct effect on organizational performance and also indirectly through innovation as a mediating variable. This research was conducted on the mobile telecommunications sector in Iraq. The research results of Yousif Al-Hakim and Hassan (2013) are supported by research by Carolina and Angel (2011) which analyzes the relationship between strategic knowledge management, corporate innovation strategy and organizational performance in 310 Spanish organizations. The results showed that the two knowledge management strategies (codification and personalization) had direct and indirect effects on innovation and organizational performance.

The same research was also conducted by López-Nicolás and Meroño-Cerdán (2011) whose results supported the research of Yousif Al-Hakim and Hassan (2013). The knowledge-based view of resources is an approach to understanding the relationship between organizational capabilities and organizational performance. Knowledge-based resource theory states that knowledge is the most strategically significant company resource. Knowledge-based resources are usually difficult for other organizations to imitate and as a source of competitive advantage.

Knowledge management has emerged as a source of sustainable competitive advantage (J. Barney, 1991). Knowledge management is one of the management tools that can be used to support the achievement of organizational goals and show competitive advantages so as to create good organizational performance (Megantoro et al., 2014). The results of research by Nielsen, Rasmussen, Hsiao, Chen, and Chang (2011) state that knowledge management capacity, knowledge acquisition and dissemination are positively related to organizational performance.

Based on all the opinions of the experts and researchers mentioned above, it is assumed that knowledge management has a relationship with organizational performance and then refers to this thought, the following hypothesis is proposed:

Hypothesis 7: Knowledge management has a positive direct effect on organizational performance in PT. Elnusa Tbk.

8. Strategic Leadership, Competitive Advantage and Organizational performance.

One of the factors that influence in order to create competitive advantage for organizations is strategic leadership. Ireland and Hitt (1999) stated that strategic leadership can be a source of competitive advantage in determining organizational performance. Likewise, Keats and De Marie (1998) stated that in order to build competitive advantage for business competition, strategic leadership practices are needed. Therefore, strategic leadership can be one of the most important variables affecting a company's competitive advantage.

Research by Agyapong et al, (2013) regarding the influence of strategic leadership, competitive advantage on organizational performance in hotel business in Ghana shows that strategic leadership and competitive advantage have a positive and significant effect on hotel business performance. The same research was also conducted by Khoirunnisa (2016) where the results of his research show that strategic leadership and competitive advantage have a positive and significant effect on cooperative business performance. Furthermore, Maria de Lopez's (2008) research in the financial services business shows that strategic leadership and competitive advantage have a positive and significant effect on company performance.

Kamukama et al, (2013) conducted a study on Ugandan financial services companies and from the results of their research showed that strategic leadership and competitive advantage had a positive and significant effect on the business performance of financial services companies in Uganda. Research by Rosli Mahmood and Norshafizah Hanafi (2013) on the influence of strategic leadership and competitive advantage on the performance of middle-class companies in Malaysia shows that strategic leadership and competitive advantage have a positive and significant effect on company performance. The same research was also conducted by Zeng et.al, (2008) where the results of their research also showed that strategic leadership and competitive advantage had a positive and significant effect on hotel business performance. Agha (2011), a researcher from Jordan also conducted the same study where the results showed that strategic leadership and competitive advantage had a positive and significant effect on performance in paint companies.

Based on all the opinions of experts and researchers mentioned above, it is suspected that strategic leadership has a relationship with organizational performance through competitive advantage and then referring to the above thoughts, the following hypothesis is proposed:

Hypothesis 8: Strategic leadership has a positive effect on organizational performance at PT. Elnusa Tbk through competitive advantage as a mediating variable.

9. Dynamic Capabilities, Competitive Advantage and Organizational Performance

The concept of dynamic capabilities appeared for the first time presented by Teece et al. (1997) which defines it as a manager's ability to integrate, build and configure the competence of an organization or company, both internal and external with the aim of being able to adapt to rapid environmental changes, thus making these internal and external competences. as a source of sustainable competitive advantage.

Further research Teece et al. (1997) said that dynamic capabilities have unique and different characteristics so that it creates its own history for the company. Because companies should have special and unique characteristics in order to be able to distinguish these companies from similar companies. The existence of uniqueness in a company will be a special attraction for its customers. This is confirmed by the results of the study by Wang et al. (2007) who show that knowledge-based dynamic capabilities are associated with superior firm performance in the manufacturing industry because dynamic capabilities allow a rapid response to changes in the business environment.

Wang and Hsu (2010) tried to examine the relationship between dynamic capability and competitive advantage on organizational performance in high-tech industrial plants. The results show that dynamic capability and competitive advantage have a positive and significant effect on organizational performance in the company. Furthermore Wilden et al, (2016) conducted research in several companies in Australia regarding the relationship between dynamic capability, organizational structure, competitive advantage and organizational performance. One of the conclusions of this study shows that dynamic capability and competitive advantage have a positive and significant effect on company performance.

Research by Kuo et al, (2016) in container shipping service companies shows that dynamic capability and competitive advantage have a positive and significant effect on the company's performance. Shekar et al, (2018) conducted a study on the same thing in Indian pharmaceutical companies and the results showed that dynamic capability and competitive advantage had a positive and significant effect on the company's performance.

Other researchers T. Huynh, D. Patton, S. Andorlini (2018) conducted a study on the impact of dynamic capability and competitive advantage on organizational performance in middle-class companies in Singapore. The results of this study also indicate that dynamic capability and competitive advantage have a positive and significant effect on the company's performance.

Based on all the opinions of the experts and researchers mentioned above, it is suspected that dynamic capability has a relationship with organizational performance through competitive advantage and then referring to the above thoughts, the following hypothesis is proposed:

Hypothesis 9: Dynamic capability has a positive effect on organizational performance at PT. Elnusa Tbk through competitive advantage as a mediating variable.

10. Knowledge Management, Competitive Advantage and Organizational performance

Bergeron (2003) defines knowledge management as a management tool to support the success of the company's business strategy, to maximize the achievement of company performance, with a systematic approach in managing the company's intellectual assets so that the company has competitive advantages. This opinion is supported by Maholtra (2005) who states that the ability to manage knowledge is a major opportunity to achieve substantial savings, increase in human resource performance and competitive advantage in the face of organizational competition.

Munir's research (2011) shows that knowledge management identifies the knowledge that is owned and uses it to build a competitive advantage in order to improve organizational performance. Organizations must realize the importance of effective knowledge management and should not ignore it because it has a very large cost impact (Ling, Yih, Eze, Gan, and Pei Ling; 2008). So that the evaluation of knowledge management performance becomes increasingly important because it provides a reference to direct organizations to improve competitiveness through competitive advantage in the context of achieving organizational performance (Zaied, Hussein, and Hassan; 2012). Therefore, knowledge management is one of the management tools that can be used to support the achievement of organizational goals by taking advantage of competitive advantages so as to improve good organizational performance (Ailar Rahimli, 2012). Meanwhile, the same research was conducted by Kusuma and Devie (2013) on the hotel business. The results show that knowledge management, competitive advantage have a positive and significant effect on organizational performance in companies engaged in hotel services

Research on the relationship between knowledge management, competitive advantage and organizational performance in high-tech companies in China was also carried out by Wang, Wang (2014) and the results showed that knowledge management, competitive advantage had a positive and significant effect on organizational performance. The same research conducted by Torabi and El Den (2017), at Koosar Bank in Iran shows that knowledge management, competitive advantage have a positive and significant effect on organizational performance.

Based on all the opinions of the experts and researchers mentioned above, it is assumed that knowledge management has a relationship with organizational performance through competitive advantage and then referring to the above thoughts, the following hypothesis is proposed:

Hypothesis 10: Knowledge management has a positive effect on organizational performance at PT. Elnusa Tbk through competitive advantage as a mediating variable.

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