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The Performance of a National Logistics Company Measured by Dynamic Capabilities And Innovation Performance: Literature Review

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ABSTRACT

Introduction: National logistics service companies require an integrated approach to business development both to maintain the loyalty of current customers and to reach new customers, so they can work on this prospective market more optimally. To meet these demands, an increase in the company's dynamic capabilities and competencies in producing sustainable innovations is urgently needed so that it can drive the company's performance in total.
Objective: The basic problem discussed in this study is how is the relationship between dynamic capability, innovation performance, and company performance in the national logistics service industry.
Design/Methodology/ Approach: The research uses a literature study method related to aspects of dynamic capabilities, innovation performance, and company performance. Based on the literature study, a relationship pattern between these factors is then made as a framework for further research.
Findings: That there is a direct relationship between dynamic capabilities (dynamic capabilities) with innovation performance. Variables for dynamic capabilities include adaptive capabilities, absorptive capabilities, and innovative capabilities. While the relationship between dynamic capabilities and company performance can be directly or indirectly through innovation performance.
Research Implications: This research is expected to provide input or guidance for managers in making a strategic policy in a logistics company that dynamic capabilities affect the innovation performance of a company. In addition, dynamic capabilities can directly influence company performance, and innovation performance can affect company performance.

Keywords: *Firm Performance, Dynamic Capability, Absorptive Capability, Adaptive Capability, Innovation Performance.*

ABSTRAK

Pendahuluan: Perusahaan jasa logistik nasional memerlukan pendekatan pengembangan usaha yang terintegrasi baik untuk mempertahankan loyalitas pelanggan lama maupun untuk menjangkau pelanggan baru, sehingga dapat menggarap pasar prospektif ini dengan lebih optimal. Untuk memenuhi tuntutan tersebut, peningkatan kapabilitas dan kompetensi perusahaan yang dinamis dalam menghasilkan inovasi yang berkelanjutan sangat diperlukan sehingga dapat mendorong kinerja perusahaan secara total.

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Tujuan: Masalah mendasar yang dibahas dalam penelitian ini adalah bagaimana hubungan antara kapabilitas dinamis, kinerja inovasi, dan kinerja perusahaan dalam industri jasa logistik nasional.
Desain/Metodologi/Pendekatan: Penelitian ini menggunakan metode studi literatur yang berkaitan dengan aspek kapabilitas dinamis, kinerja inovasi, dan kinerja perusahaan. Berdasarkan studi literatur, kemudian dibuat pola hubungan antara faktor-faktor tersebut sebagai kerangka penelitian selanjutnya.
Temuan: Bahwa ada hubungan langsung antara kapabilitas dinamis (dynamic capability) dengan kinerja inovasi. Variabel kapabilitas dinamis meliputi kapabilitas adaptif, kapabilitas absorptif, dan kapabilitas inovatif. Sedangkan hubungan antara kapabilitas dinamis dan kinerja perusahaan dapat secara langsung maupun tidak langsung melalui kinerja inovasi.
Implikasi Penelitian: Penelitian ini diharapkan dapat memberikan masukan atau pedoman bagi para manajer dalam membuat kebijakan strategis di perusahaan logistik bahwa kapabilitas dinamis mempengaruhi kinerja inovasi suatu perusahaan. Selain itu, kapabilitas dinamis dapat mempengaruhi kinerja perusahaan secara langsung, dan kinerja inovasi dapat mempengaruhi kinerja perusahaan.

Kata Kunci *: Kinerja Perusahaan, Kemampuan Dinamis, Kemampuan Serap, Kemampuan Adaptif, Kinerja Inovasi*

INTRODUCTION

The era of globalization in the business world has resulted in radical market changes, the level of competition has become increasingly stringent and broad, and the escalation of customer demands for superior quality products and services is a new and different challenge than before faced by top managers and executives of every company and organization. currently formulating its corporate strategy. Companies that survive and grow in these conditions are those that understand and make changes and create innovations.

The biggest opportunities in business today do not depend on improving the efficiency of what has been done, but by embracing the changes that are happening outside (Fisk, 2006). Therefore, market orientation is a very important business perspective for companies, namely making customers the center of attention for the entire company's operations. According to Cravens and Piercy (2009), a company is market-oriented when a superior customer value creation culture is implemented systematically and thoroughly in the company concerned. In this context, the company's business innovation process is a very important aspect in the effort to produce new and reliable products to meet the changing demands of customers.

Currently, this condition is also being faced by logistics service companies in Indonesia. Logistics Service Company (Third Party Logistics/Logistics Service Provider) is a party appointed by the owner of the goods to provide transportation services and other services including warehousing, document preparation, customs clearance, packing, labeling, and so on. The temporary logistics service industry legally refers to the term Transportation Management Services (JPT), which based on the Decree of the Minister of Transportation Number PM 74 of 2015 is defined as a business aimed at representing the interests of the owner of the goods, to take care of all activities necessary for the implementation of sending and receiving goods. through land, sea and air transportation which may include activities of receiving, storing, sorting, packing,

Logistics service market segmentation based on the breadth of its services consists of classic outsourcing segments (warehousing, shipping and distribution services), advance services (classic outsourcing + packing services, labeling and testing), full/integrated services (Frost & Sullivan). Based on the services offered, logistics companies can also be divided into four types like a pyramid. The first layer is called the basic service or outsourcing model known as the logistics service provider (LSP). The average local logistics company in Indonesia has just entered this stage. Second, value-added or Third Party Logistics (3PL). Third, lead logistics or lead logistics provider (LLP). Companies that reach the third level are already very sophisticated and their logistics business is integrated. Examples for this level can only be found in overseas logistics companies. The fourth or highest stage is advance service or fourth party logistics provider (4PL). Meanwhile, if it is based on the degree of complexity of logistics activities and the degree of participation of logistics service companies in carrying out logistics activities, it can be distinguished on company segments that have a high/complex level of complexity of logistics activities with minimal or minor degree of use of logistics service companies, companies which has a medium level of complexity of logistics activities with a large degree of use of logistics service companies, and companies that have a low level of complexity of logistics activities (simple) with a low degree of use of logistics service companies. The fourth or highest stage is advance service or fourth party logistics provider (4PL). Meanwhile, if it is based on the degree of complexity of logistics activities and the degree of participation of logistics service companies in carrying out logistics activities, it can be distinguished on company segments that have a high/complex level of complexity of logistics activities with minimal or minor degree of use of logistics service companies, companies which has a medium level of complexity of logistics activities with a large degree of use of logistics service companies, and companies that have a low level of complexity of logistics activities (simple) with a low degree of use of logistics service companies. The fourth or highest stage is advance service or fourth party logistics provider (4PL). Meanwhile, if it is based on the degree of complexity of logistics activities and the degree of participation of logistics service companies in carrying out logistics activities, it can be distinguished on company segments that have a high/complex level of complexity of logistics activities with minimal or minor degree of use of logistics service companies, companies which has a medium level of complexity of logistics activities with a large degree of use of logistics service companies, and companies that have a low level of complexity of logistics activities (simple) with a low degree of use of logistics service companies.

The growth of the logistics services market in a country is strongly influenced by the country's economic growth in particular and global economic growth in general. As for 2022, Indonesia's economic growth is in the range of 5.31% and global economic growth is in the range of 3.4%, while Indonesia's economic growth in 2023 quarter 1 is at 5.03%. In general, a country's logistics costs are around 20% of the country's GDP. So if Indonesia's GDP in 2022 is 19,588.4 trillion, logistics costs will be around 3,917.9 trillion.

That number generally reflects the size of the logistics services business in Indonesia, even based on an estimated percentage of logistics costs from GDP in Indonesia, it is likely to be larger, around 25% to 30%. The estimated market value for this business in 2022 is around £5. 386.8 trillion, with an average growth of 12.1% per year. The logistics service industry itself will experience a compound annual growth rate (CAGR) of 9.6% (Frost & Sullivan, 2012).

Based on data from the Central Statistics Agency or BPS, the transportation and warehousing sector will grow the highest in 2022 in terms of production, reaching 19.87%. Logistics is a business that has experienced quite high growth in recent years. In 2023 the Indonesian Logistics Association (ALI) predicts that the logistics business in Indonesia can grow by around five to eight percent. Meanwhile, Supply Chain Indonesia (SCI) predicts the contribution of the logistics sector (transportation and warehousing) to the Gross Domestic Product (GDP) is projected to exceed Rp. 1,090.2 trillion in 2023.

The key success factors that need to be possessed by logistics service companies to be able to win the competition in the future are quality human resources, especially in the field of logistics, adequate company experience, strong working capital, adequate asset ownership or logistics facilities, quality certification. international network, extensive network both domestically and internationally, adequate information system and technology, comprehensive financial administration, complete company legality, and strong price competitiveness. Several opportunities that can be exploited in the future by logistics service companies in Indonesia are Indonesia's relatively stable economic growth, improved security and political conditions, the level of outsourcing of logistics activities by manufacturing companies will increase, economic conditions in the regions will experience significant developments in connection with the implementation of wider regional authorities, expansion into ASEAN and China markets will become easier because of the AFTA and CAFTA agreements, developments in supporting technology (logistics , SCM, CRM, and so on) are increasing rapidly, and the conveniences from the government in the context of export and import activities. So that in general the logistics services business market in Indonesia is quite attractive. and so on) is increasing rapidly, and conveniences from the government in the context of export and import activities. So that in general the logistics services business market in Indonesia is quite attractive. and so on) is increasing rapidly, and conveniences from the government in the context of export and import activities. So that in general the logistics services business market in Indonesia is quite attractive.

These attractive market conditions and business opportunities have yet to be utilized optimally by local players. On the contrary, local players fell one by one because of the intense competition, especially due to pressure from foreign logistics service companies. Based on data from the Indonesian Logistics and Forwarders Association (ALFI), currently there are around 5,000 companies registered as members, but around 60% are still active, while 40% are experiencing difficulties and have gone out of business. Of those that are still active, no more than 20 companies are ready to compete with foreign logistics service companies. The problem is primarily related to the competence of human resources, networks, technology, and capital.

Based on the conditions mentioned above, national logistics service companies require an integrated approach to business development both to maintain the loyalty of current customers and to reach new customers (Wetsch, 2006: Lin, et al, 2009), so that they can work on this prospective market more optimally. To meet these demands, an increase in the company's dynamic capabilities and competencies in producing sustainable innovations is urgently needed so that it can drive total and optimal company performance.

In this regard, the fundamental problem discussed in this study is how is the relationship between dynamic capabilities, innovation performance, and company performance in the national logistics service industry. To be able to answer these problems, it is necessary to study the theoretical and practical implications of how each of the three aspects relates so that a model or research framework is obtained. Thus the research framework can be used as a reference for developing hypotheses for further research processes.

LITERATURE REVIEW

In today's global business competition, besides paying attention to industrial structure, companies must also look at the internal perspective by carefully examining the resources they have and how to combine them to gain core competencies and competitive advantage (Prahalad and Hamel, 1997). For this reason, a new paradigm is needed to understand how competitive advantage can be achieved. The winner of the competition in the global market is a company that can provide timely and fast responsiveness with flexible product innovation, which is combined with management capabilities to carry out effective coordination and place internal and external competencies appropriately. These capabilities are referred to as dynamic capabilities.

1. Dynamic capabilities

According to Sampurno (2010), "dynamic" refers to the capacity to update related competencies if there is a change in the business environment; make innovative responses when required due to time demands and speed of market entry; rapid technological change, future competition and tough market determination. While "capabilities" emphasizes the key role of strategic management in proper adaptation, integration and reconfiguration of internal and organizational skills, resources and functional competencies so that there is a match with environmental changes.

In the last decade, more and more minds from strategic and management experts have stated that dynamic capabilities are at the heart of corporate strategy, value creation and competitive advantage (eg Teece, 2009; Eisenhardt and Martin, 2000; Winter, 2003; Helfat et al., 2007). Conceptually, studies on dynamic capabilities are based on the concept of a resource-base view (Wernerfelt, 1984; Barney, 1991; Peteraf, 1993; Amit & Shoemaker, 1993). A perspective that concludes that companies' competitive advantage is built through both tangible and intangible resources.

What is meant by dynamic capabilities is the company's ability to integrate, build, and reconfigure internal and external competencies to deal with a rapidly changing environment (Teece, 2009). According to Zollo and Winter (2002):
"A dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness."

Thus dynamic capabilities reflect an organization's ability to achieve new forms of innovative competitive advantage as a result of (given) path dependencies and market position. According to Helfat (2007), dynamic capability is the ability of an organization to create, extend, or modify its resource base for certain purposes. The term strategic according to Teece and Pisano (1997) is the ability of a company that must be directed to the needs of users (consumers), is unique (so that the products and services produced are valued without looking much at the competition), difficult to imitate (so that profits can be determined by ignoring competitors).). The competitive advantages of companies according to Teece and Pisano (1997) come from dynamic capabilities that are rooted in the company's routine activities, inherent in the processes of company activities, and conditioned during the operation or establishment of the company. Furthermore, Teece and Pisano stated that there are various factors that determine the dynamic capabilities of the company and are grouped into three categories, namely: process, position, and path.

2. **Managerial and Organizational**

The strategic dimensions of the company are managerial and organizational processes, current position, and available paths for it. What is meant by managerial and organizational processes is how everything is completed in the company, or refers to things that are routinely done, or learning patterns and current company practices or activities. What is meant by position refers to current technology and intellectual property contributions, consumer endowments, and supplier relationships. In the end, the path refers to the strategic alternatives available to the company, and how attractive the opportunities are in the future.

According to Teece (2009), a company's competitive advantage is related to managerial aspects and organizational processes, which are strengthened by the position of specific assets and the path to achieve them. Managerial aspects and organizational processes contain an understanding of how it is carried out within the company or related to existing patterns of practice and learning. The organizational process has three roles: coordination/integration (static concept), learning (dynamic concept), and reconfiguration (transformational concept).

3. **Strategic Resources**

Identification and exploitation of these strategic resources makes it possible to develop competitive strategies based on company resources. For that it is important for companies to identify, know, and analyze their resources and capabilities to find superior or different (different). Furthermore, they can create unique activities or superior activities compared to their competitors with better results (Barney, 2003). Prahalad and Hamel (1997), for these resources use a different terminology, namely core competencies. The core competency is collective learning within the organization, specifically how to coordinate diverse production skills and integrate multiple streams of various technologies.Meanwhile, according to Hitt et al (2005), capability represents a set of integrated resources that are used to carry out important activities. This capability is integrated into the skills and knowledge of existing workers in the company. Firm competence is based on capabilities, organizational routines, and ability to learn. Therefore, companies must continuously develop their core competencies and/or prepare for changes and develop other new resources, to maintain competitiveness.

4. Absorptive Ability

To obtain valuable and heterogeneous resources, companies must acquire or develop them themselves. To develop intangible resources, as the most difficult to imitate, requires strong learning and builds knowledge (Teece, 2009). This means that companies must have the capability to learn in order to have a high/strong absorptive capacity. How long a company has a competitive advantage is directly related to the strength of isolating mechanisms (Rumelt, 1984), including firm specificity, causal ambiguity, social complexity, path dependence, and time compression diseconomies that protect resources from imitation (Dierickx & Cool, 1989).

The essence of good strategy execution is to build and strengthen the company's core competence and capabilities. In this context, management must be proactive in upgrading existing capabilities to improve strategy implementation while at the same time developing new competencies and capabilities to face changes and external challenges to the company. It can be said that dynamic capabilities are an evolved version of the resource-based view with an inside and external approach.

Companies operating in a changing environment need structures and practices that have the flexibility and ability to respond quickly. Companies must continuously make improvements to their processes and products, including developing new products according to the dynamics of market needs. Success in responding to market changes depends on the company's ability to convert knowledge into innovations that can strengthen the company's competitive advantage. According to the dynamic capabilities view, companies need dynamic capabilities in the form of assets, processes and structures that enable companies to have strategic flexibility in dealing with environmental turbulence.

Identification of the company's specific capability dimensions that can be a source of excellence is important to do. In addition, it is necessary to understand how a combination of competencies and resources can be developed, positioned and protected to create sustainable competitiveness. The “dynamic capabilities” perspective emphasizes the exploitation of existing specific capabilities, both internal and external, in order to be able to deal with a rapidly changing environment.

5. Adaptive Ability

According to Wang and Ahmed (2007), dynamic capabilities can be analyzed with three main elements, namely adaptive capabilities, absorptive capabilities, and innovative capabilities. Adaptive capabilities are the ability of companies to identify and take advantage of emerging markets, including the ability of companies to adapt their product-market scope to respond to

external opportunities, scan markets, monitor customers and competitors and allocate resources for marketing activities, and to respond quickly to changing market conditions.
In addition, evaluating whether the company's management system can respond quickly to market changes and evolve quickly in response to shifting business priorities.
According to Cohen and Levinthal (1989), absorptive capabilities are the company's ability to recognize the value of new external information, understand it, and use it for commercial purposes. So that absorptive innovation is the ability to evaluate and utilize outside knowledge which is mostly a function of the level of previous knowledge. Therefore, the development of this capability is a separate aspect that demands a continuous investment to maintain technical capabilities in that field. Absorptive capabilities are often reflected in a firm's innovation and its ability to utilize new and important knowledge for a firm's innovative activities (Cohen & Levinthal, 1989).

6. Innovative Capability

*Innovative capabilities*is the company's ability to develop new products and or markets, through the alignment of strategic innovation orientation with innovative processes and behavior (Wang & Ahmed, 2004). Dodgson et al (2008) stated that innovative capabilities are a set of skills used by companies to formulate and implement an innovation strategy that involves the creation, extension, and modification of all resources used for innovation. In line with this, Bell (2009) stated that innovation capabilities are capabilities needed to create, develop, and implement new product and process technology configurations and implement changes and improvements to existing technologies.

According to Pekka and Thomas (2006), innovative capabilities include, in addition to technological capabilities, management and organizational aspects to move from technological opportunities to innovations. According to them, the innovative capability of a company depends on the innovative system, which is in the company's resources. The company's innovative capability depends on its innovation system, which is attached to the company's resources, management system, organizational structure and routine company activities. Innovative capability is defined as a company's capability to create customer value by developing and introducing new products and services to the market or reducing costs that are borne by the value creation process (Pekka & Thomas, 2006).

According to Hagedoorn and Duysters (2002), innovative capability is related to certain skills and competencies related to the development and introduction of new processes and products. According to Subramanian and Youndt (2005), Sen and Egelhoff (2000), innovative capabilities can be classified into two different types, namely incremental and radical. Incremental innovation capabilities focus on improving current processes and products; Radical innovation capability focuses on developing new products based on totally different theories and concepts.

Meanwhile for the concept of innovation, Barringer and Ireland (2013) stated that innovation is the process of creating something new. In today's business world, innovation as a discipline, has not yet reached the expected stage of development in meeting certain urgent needs (de Bes & Kotler, 2011). Innovation is always related to several practices whose values are grounded. It is about creating new tools, products or processes, giving birth to something 'new' that allows humans to achieve something they were not able to achieve before (Tidd & Bessant, 2009). Innovation is not about the emergence of new or better products, but about solving problems that must appear first (Silverstein, et al, 2009).

Innovation is social and economic success due to the introduction or discovery of new ways or new combinations of old ways of transforming inputs into outputs in such a way that it succeeds in creating major changes or drastic changes in the relationship between use value or benefit value (perceived by consumers). and/or users) and monetary value or price (Fontana, 2011). This definition explains that innovation does not only mean novelty or something new, new goods and/or services or new production systems or new marketing methods. This "newness" needs to be accompanied by a positive impact on consumers and producers; The "novelty" must create use value for consumers and added value for producers; “novelty” that generates economic and social success,

Companies innovate to create a relationship between use value and a higher price (monetary value) for the products it produces for targeted consumers and/or users, which in the end these products will not only benefit consumers and/or users but also producers. The innovation process is driven by the need to understand how something works or why it shouldn't; to grow revenue, reduce costs, or increase productivity; to solve customer problems; or to keep people alive healthy and safe (Estrin, 2009). According to Estrin (2009), there are five core values of innovation, namely questioning, risk taking, openness, patience, and trust. The dimensions of innovation are as follows. Product innovation is changes in all things (products/services) offered by the company; process innovations are changes in the ways they are created and delivered; position innovation are changes in the context of product/service introduction; and paradigm innovation are the changes that underlie the mental model that describes what the company does (Tidd & Bessant, 2009). According to Fontana (2011), there are two principles of innovation, namely the value creation process is carried out in collaboration with consumers; and no single company has sufficient knowledge, expertise, skills and resources to create value together with consumers so that each company must learn to access resources from various sources. namely the value creation process is carried out in collaboration with consumers; and no single company has sufficient knowledge, expertise, skills and resources to create value together with consumers so that each company must learn to access resources from various sources. namely the value creation process is carried out in collaboration with consumers; and no single company has sufficient knowledge, expertise, skills and resources to create value together with consumers so that each company must learn to access resources from various sources.

Therefore innovation capability is defined as the ability to continuously transform knowledge and ideas into new products, processes and systems for the benefit of the company and its stakeholders. Innovation capability is not simply the ability to be successful in running a newstream business, or to manage mainstream capabilities. Innovation capability is about the synthesis of both operating paradigms. Outstanding innovators must understand this relationship. The challenge for all entrepreneurs is to build an effective and innovative organization. An effective organization is able to transform corporate entrepreneurial activities into its corporate strategy,

7. Innovation Performance

Innovation Metrics consists of a set of tools and systems to measure the innovative capacity of an organization (De Bes, 2011). These metrics can be grouped into four categories, namely metrics that measure the results of innovation from an economic point of view, metrics that measure the intensity of innovation within a department and business unit or organization, metrics that measure the effectiveness of innovative activities and investments, and metrics that measure the extent of creative culture. in an organization.

Economic metrics measure positive and negative innovation outcomes from innovation using variables from company financial reports, for example company sales from new product launches, profits from new product launches, company sales from other new product innovations. Intensity with regard to the quantity of innovation without considering the results obtained. The number of patents, namely the number of innovations in products, services, customer experiences, and process or business models.

Effectiveness, this metric tries to measure profit in relation to the use of resources with the aim of maximizing the output of innovation by minimizing inputs, for example the success rate in new products, time to market, average investment per project. Culture, in this case metric, concerns aspects related to creative culture in the company, for example the percentage of the workforce that generates new ideas and the rate of new ideas per employee per year.

According to Anthony et al (2008) that the challenge for companies that want to improve their ability to create growth through innovation is that many companies use metrics to measure innovation but in the wrong way and high risk. Innovation metrics can be divided into three categories, namely input, process and output. For input categories, for example financial resources allocated to innovation, human resources focused on innovation. Process categories, for example process speed, idea generation depth, and innovation portfolio balance. Output categories, for example, the number of new products or services launched, the percentage of revenue from the core category of new products, and the percentage of profits from new customers.

RESEARCH METHODS

The research uses a literature study method related to aspects of dynamic capabilities, innovation performance, and company performance. Based on the literature study, a relationship pattern between these factors is then made as a framework for further research.

Literature study is a research approach that summarizes the many words in a text into a series of smaller contents (Krippendorff, 2004; Weber, 1990). A structured literature study (SLR) aims to address issues in a particular research area through identifying, evaluating, and integrating relevant research results that lead to a variety of questions. An SLR review should address the following (Baumeister and Leary, 1997; Bem, 1995):

1. Determine how existing research has been developed to explain problems in specific areas;
2. Know the relationships, conflicts, and research gaps in the literature and their possible reasons;
3. Formulate the conceptualization of the problem;
4. Present your comments, assess, expand, or develop new theories;
5. Determine future research directions in a particular field.

In this study, the target population is research published in various scientific databases such as Google Scholar, Scopus, Web of Science, DOAJ, etc. The studies were searched using titles, abstract fields and keywords. This database offers many studies that have been reduced by applying limiting criteria, for example, year of publication, area of research, type of document, etc. (Mor et al., 2015; 2016). To enable a clear information base, research related to various supply chain subjects such as performance analysis, food safety and security, logistics and logistics and transportation, and decision-making strategies have been selected. These studies are classified based on the number of years of publication, subject and field of research.

RESULTS AND DISCUSSION

This study provides a summary of recently published research in the field of National Logistics Firm Performance Measured From Dynamic Capability and Innovation Performance. One of the qualities of this study is the theoretical framework used. The studies analyzed provide a strong hypothetical basis for various subjects regarding the performance of logistics companies.

The Relationship between Dynamic Capability and Innovation Performance

Several research results state that dynamic capabilities affect the innovation performance of a company (Cabral, 2010; Chang et al., 2012). According to Cabral (2010), a company that has a high level of adaptive, absorptive and innovative capabilities, the development of its innovations does not only focus on high profit orientation but also on the environment and social equity. In this case, the company directs its innovation strategy focusing on sustainable results, where dynamic capabilities are at the center of the company's capability development, resulting in a higher level of continuity in the creation of new products or services. Conversely, a low level of adaptive, absorptive, and innovative capability results in a low level of continuity in the creation of new products and services.

According to Chang et al (2012), companies that focus on customers tend to reorganize their organizational capabilities, namely by innovating their products and services to suit the desires and experience of using customers. The innovation and dynamic capabilities of companies are significantly influenced by the position and trajectory of previous developments in the industry. The aspects of dynamic capabilities that influence innovation performance are adaptive capabilities, absorptive capabilities, and innovative capabilities (Wang and Ahmed, 2007; Oktemgil and Gordon, 1997; Gibson and Birkinshaw, 2004; Pekka and Thomas, 2006; Bell, 2009; Cabral, 2010).

The Relationship between Dynamic Capability and Company Performance

Based on several studies, it turns out that dynamic capabilities can directly influence company performance (Protogerou et al., 2008; Teece & Pisano, 1994; Stam et al., 2007; Ambrosini, Bowman, & Collier, 2009; Teece, 2007). According to Protogerou et al. (2008), dynamic ability is an antecedent for further functional competence which has a significant effect on company performance, so that dynamic ability does not have a significant direct effect on company performance.

According to Teece and Pisano (1994), a company's competitive advantage comes from dynamic capabilities that are embedded in high daily performance within the company, inherent in the company's processes, and conditioned by its development process. According to Stam, Gibcus, and Garnsey (2007), the growth of new companies is related to dynamic capabilities and other important economic growth. The capabilities and growth most likely to be found are first-time R&D activities and interfirm alliances.

According to Ambrosini and Bowman (2009), the performance of dynamic capabilities will not simply affect performance improvement. This improvement will occur only if there is a match between the expected and actual dynamics, and only companies that actually have the required dynamic capabilities, the hope is a positive performance result. According to Teece (2007), dynamic capabilities enable the company's business to create, distribute, and protect intangible assets that support superior long-term corporate performance.

The Relationship between Innovation Performance and Company Performance

Some research results state that innovation performance affects company performance (Lawson & Samson, 2001; Gunday, 2010; Corsino, 2008; Gera and Gu, 2004; Vasquez, Santos, & Alvarez, 2001). According to Lawson and Samson (2001), organizations that develop and invest in a planned and explicit manner in aspects of innovation capability, both individually and collectively, have a greater possibility of achieving sustainable innovation results as an engine of corporate performance. According to Gunday (2010), there is a positive influence of innovation on company performance in the manufacturing industry. According to Corsino (2008), product innovation that is traded in a fast time has a positive effect on the company's revenue stream in semiconductor companies.

According to Gera & Gu (2004), companies that combine high levels of ICT with organizational change have a high incidence of improved productivity and innovation rates. Companies that combine a high level of ICT and skilled workers have better company performance. According to Vasquez, Santos, and Alvarez (2001), market orientation significantly influences a company's innovative power which in turn influences the level of company innovation and new product innovation. While the two variables directly affect the company's performance. Figures 1 and 2 below show the innovation capability model and market orientation effects respectively.

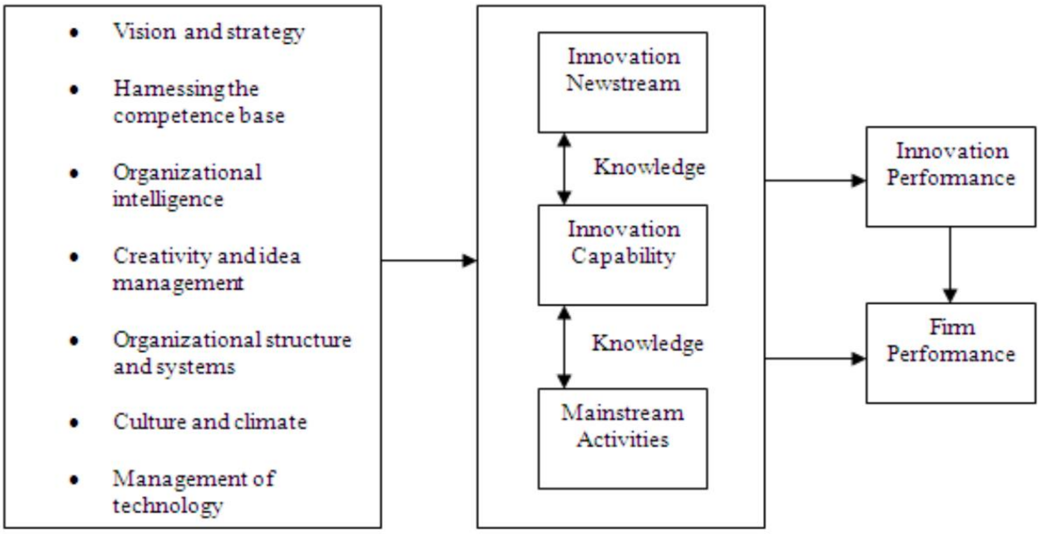

Figure 1. Innovation Capability Model
(Source: Lawson & Samson, 2001)

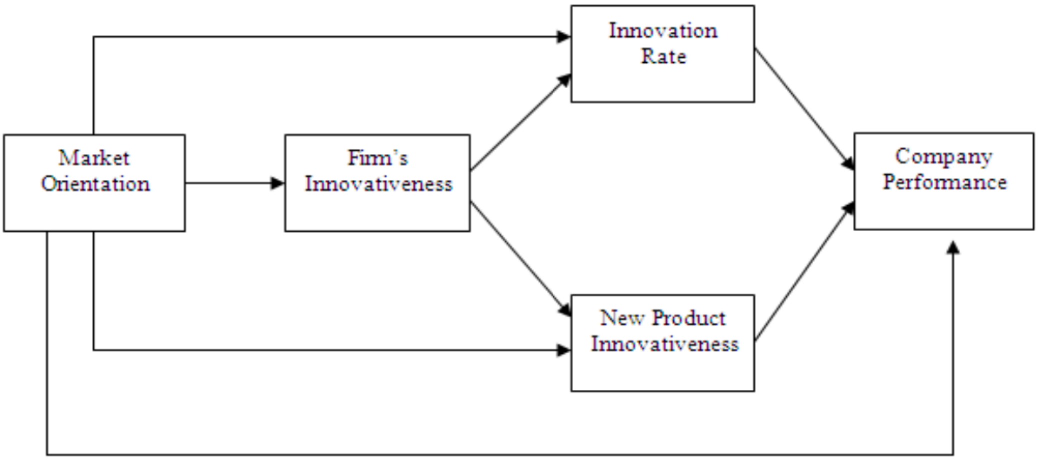

Figure 2. Market Orientation Effect
(Source: Vazquez & Alvarez, 2001)

CONCLUSION

Based on the literature study and discussion presented, it can be concluded that there is a direct relationship between dynamic capabilities and innovation performance. Variables for dynamic capabilities include adaptive capabilities, absorptive capabilities, and innovative capabilities. While the relationship between dynamic capabilities and company performance can be directly or indirectly through innovation performance. The model or framework for the relationship between dynamic capabilities, innovation performance, and company performance can be described as follows.

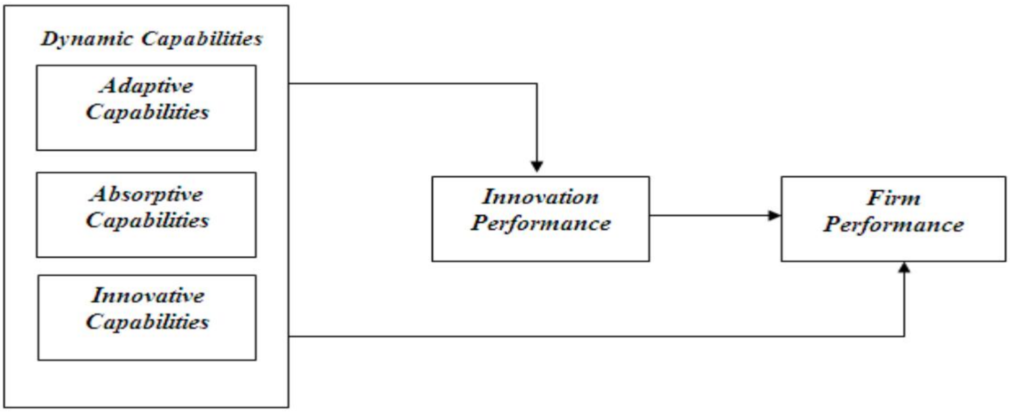

Figure 3. The Relationship Between Dynamic Capability, Innovation Performance, and Firm Performance

THEORETICAL AND PRACTICAL IMPLICATIONS

This research is expected to provide input or guidance for managers in making a strategic policy in a logistics company that dynamic capabilities affect the innovation performance of a company. A company that has high levels of adaptive, absorptive and innovative capabilities, its innovation development is not only focused on high profit orientation but also on environmental and social equity.

Dynamic capabilities can also directly affect company performance, a company's competitive advantage comes from dynamic capabilities that are embedded in company performance. In addition, the results of the study show that innovation performance has an effect on company performance.

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