



## Application of TIROCA Model at PT SPINDO

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### ABSTRACT

This paper aims to examine the application of strategic analysis with the TIROCA (*Tangible Asset, Intangible Asset, and Organisational Capability*) model as a basis to identify the strengths and weaknesses of a company, namely, PT Steel Pipe Industry of Indonesia, Tbk. (PT SPINDO, Tbk.). The company is one of the steel pipe manufacturers in Indonesia. The company has the largest production capacity in Indonesia and has experience in producing various kinds of steel pipes / tubes and various other related products. The company is one of the largest steel pipe manufacturers with the largest production capacity in Indonesia. The paper used a case study research method in order to explore the strategic strengths and weaknesses of the company through its: tangible asset, intangible asset, and organisational capability. The results of the study show the company's superiority come from the following three-resources: (1) tangible resources are derived from the sophistication of machinery and factory equipment; (2) intangible resources are generated from the innovation and creativity of the firm's HR in creating various products; and (3) organizational capability resources derived from the firm's competencies and skills in managing product development and the ability to recruit HR.

Keywords: TIROCA Model, strategic analysis, *tangible assets, intangible assets, and organizational capability*

### BACKGROUND RESEARCH

Infrastructure development in Indonesia continues to develop over the years. The development contributes to the increase of national competitiveness, equal development and reducing infrastructure disparity between regions. There are several categories of infrastructure which is water resources, energy, transportation, settlement and communication.

Latest data released by the WEF (World Economic Forum), a non-profit organization founded in Geneva, Switzerland shows the infrastructure competitiveness index of the countries in the world with Indonesia ranking rise 10 levels. The Ministry of Public Works and Public Housing (PUPR) publishes a data report on the 2017 Global Competitiveness Index which shows Indonesia's infrastructure competitiveness index in 2017-2018 is ranked 52nd from the previous position in the 2015-2016 period which is still at 62nd ([www.pu.go.id](http://www.pu.go.id)).

Infrastructure developments in Indonesia contributed to the increase in steel demand. National development absorbed around 15 million tons of steel consumption to build a number of infrastructure such as toll roads, bridges and high-rise building construction. The steel pipe industry is inseparable from national development. Steel pipes are widely used for various strategic infrastructure industries (oil and gas distribution), construction, transportation. Some roles of the government such as the transfer of subsidized fuel oil (BBM) can increase the potential for the growth of the domestic steel industry. Growing economy in Indonesia is considered to be in need of steel to support the construction of both the automotive, infrastructure, construction, manufacturing and household appliances (Oso Securities, 2016).



TIROCA (Tangible, Intangible, Resources, and Organizational Capabilities Analysis) analysis was used to examine the strengths and weaknesses of PT SPINDO using resource-based view of the firm. This view states that the competitiveness of a company is determined by the availability of strategic resources that are VRIN (valuable, rare, inimitable, non-substitutable) (Barney and Hesterly 2010: 68).

According to Barney (1991), there are three types of resources owned by the company, namely tangible resources, intangible resources, and organizational capabilities. However, to build a competitive company, relying on the company's available resources alone are not enough. The competitiveness of companies is created and maintained by combining all the resources they possess. TIROCA is a tool we can use to identify the strengths and weaknesses of a company.

TIROCA stands for Tangible, Intangible Resources and Organizational Capabilities Analysis. Tangible resources are a number of assets that can be easily identified, such as financial resources, physical resources, technology resources, and organizational resources. Intangible resources is a routine activity that accumulates and attached to the company so that it is difficult to imitate by competitors. Organizational capability is the competence and skills used by companies to convert inputs into outputs and the capacity to combine real/unreal resources using organizational processes to achieve goals (Popy Rufaidah, 2014).

PT SPINDO as one of the companies engaged in the steel pipe industry is well aware of the importance of analyzing the strengths and weaknesses of the company to be able to improve their competitiveness in the market. At the moment, PT SPINDO has advantages to continue to compete and becomes the best in their industry. One approach that PT SPINDO can use to analyze the strengths and weaknesses of the company is by the TIROCA Model. This study aims to find strategic strength and organizational capabilities possessed by companies based on the TIROCA Model.

## LITERATURE REVIEW

Bachelors of Strategic Management (Barney, 1991; Marino, 1996) has defined organizational resources as organizational assets, knowledge, abilities, and processes. These resources allow companies to visualize and determine strategic decisions. The resources available in the company can be categorized into tangible resources and intangible resources. According to Baxter and Matear (2004), company resources can be classified as real and intangible or a combination of both. Similarly, Kostopoulos, Spanos, and Prastacos (2002) have classified resources as real (financial or physical) and intangible (knowledge, experience, and employees' skills, company reputation, brand names, organizational procedures). Wernerfelt (1984) describes the company as a resource pool and states that "resources and products are two sides of the same coin" (p. 171). Companies create competitive advantage by combining resources that work together to build their organizational capabilities (Ulrick and Lake 1991).

Subsequently, Barney (1991) suggested that competitive advantage can only be generated and sustained by the company level of valuable (V), rare (R), imperfectly imitable (I) and non-substitutable (N) resources - called the VRIN framework and claims that only intangible resources in nature that possess this kind of criteria. Therefore, RBV states that such condition explains why some companies outperform others because heterogeneity between companies in resources is fundamental (Barney, 1991).

### Intangible Asset

Stewart (1997) views intangible assets as knowledge, information, experience, and intellectual property. Hendricksen and Van Breda (1992) argue that intangible resources are patents, brand names, research and development (R & D) and advertising. Ahangar (2011) argues that in current economic knowledge, intellectual assets are intangible or have been recognized as leading resources. Other important intangible resources are knowledge and strategic resources, and employee knowledge has been considered as an important determinant of the company's success (Nonaka, 1994). He believes that at present, companies are primarily driven by technology, knowledge, expertise and relationships with stakeholders known as Intellectual Capital (IC). According to Ivana Ticha (2010) intangible resources are more difficult to duplicate than tangible resources because they are non-physical and often ambiguous.

### Tangible Asset

Bakar and Ahmad (2010) state that tangible resources include capital, the location of buildings, warehouses and other facilities. Conner (2002) argues that tangible resources are an

inferior source of competitive advantage compared to intangible resources because competitors can easily duplicate it. Another view expressed by Barney (Barney 1991), ownership and value of intangible resources are easily measured. They are relatively imitable, can be replaced and transparent (Grant 1991) therefore can be easily duplicated by competitors. Chatterjee and Wernerfelt (1984) argue that strict tangible assets and specific use are used in a limited number of activities.

Barney (1997) observes that tangible resources can be a source of profit if they are obtained at sufficient levels and if they have economies of scale (Clarke, 1988).

### Organizational Capability

The capacity of a company's organizational attribute enables them to coordinate and utilize their resources. In general, organizational capabilities could play the following roles in organizations according to Ivana Ticha (2010):

- Strengthen competitive advantage through strategy building to understand the strengths and weaknesses of the workforce
- Establish the function of Human Resource Development as a strategic partner so organizational capability acts as a starting point between strategy and human resources (HRHR). Therefore, HRHR becomes a proactive rather than reactive source of competitive advantage in focusing on performance gaps.
- Driving organizational results, such as stakeholder satisfaction and customer satisfaction.
- Improve the suitability of organizations from the selection process, employee attitudes, and strengthening the appropriate organizational design.
- Communicate valuable behavior, increase competency levels and strengthen positive values.

An organizational capability model developed by Gill and Delahaye (2004) based on three domains:

1. Strategic objectives; are the sphere of influence that defines the capabilities of the employee, operational processes and future directions.

- Clear direction

The organization future direction is made explicit through mission statements and/or with descriptions of a strategic plan.

- Quality of labor

Focuses on the quality of the workforce through knowledge audit reports, or indirectly, in job descriptions.

- Inform the organizational process

This includes management processes such as organizational structures and hierarchies, technical systems and organizational values and norms

- Inform the future direction

Sharing information across boundaries triggers the development of future skills that individuals may need to develop to give the organization optimal flexibility and direction for innovation.

2. Organizational structure of processes that support human resources.

- Meaningful role of work

Balancing the role of work with strategic intent is needed to anticipate change. This allows organizations and individuals to be more flexible to respond movements in the domain.

- Guided performance management

Guided performance management explicitly describes how organizational work and processes support strategic intentions, and that can be used as a means for organizational change and learning.

3. Knowledge of individuals employed by the organization.

- Clearly define core knowledge, skills, and skills

This definition helps organizations to achieve optimal workforce to support future plans, to create stability and to provide career development.

- Current and future knowledge networks

Knowledge networks need to support both the current work context and potential innovations in the future. Attention to support both provide organizations with additional flexibility to respond to changes in the core capabilities.

## METHODS ANALYSIS

This study uses TIROCA analysis to measure company strengths and weaknesses. The method used in this study is a case study, according to Susilo Rahardjo & Gudnanto (2011: 250) case studies are a method for to understand individuals integratively and comprehensively in order to obtain a deep understanding of the individual and the problems they face with the aim to resolve the problem and obtain self-development. Suryabrata (2003: 80) states "the purpose of the case study is to study intensively about the background of the current situation and the interaction of the environment, individuals, groups, institutions, and society." According to (Stake, 1995) case studies are designed to clarify details from the perspective of participants through possible multi-source. According to Lincoln and Guba, as quoted by Mulyana (2013: 201-202), the case study features include the following:

- Case studies are the main means for native point of view research, which presents the views of the subject studied,
- Case Study presents a comprehensive description that is similar to what readers experience in everyday real-life,
- Case Study is an effective means of showing the relationship between researchers and subjects or informants,
- Case Study allows readers to find internal consistency which is not only consistency of style and factual consistency but also trustworthiness,
- Case Studies provide "thick descriptions" needed for the assessment of transferability,
- Case studies are open to an assessment of the context that contributes to the meaning of phenomena in that context.

But despite having the benefit, case study method also has some difficulties as expressed by Rahardjo (2017), it is recognized that there are three problems that are not easy in conducting case study, namely;

1. How to determine the case to be assigned so that it is considered academic value,
2. How to determine relevant data to be collected, and
3. What must be done after the data has been collected.

## RESULTS AND DISCUSSION

### TIROCA Analysis

Based on the results of the TIROCA table, company resources hold a competitive advantage if it meets four criteria (value, unique, inimitable and irreplaceable) as quoted from Popy Rufaidah's Strategic Management book (2014), so the company is in a position of sustainable competitiveness. Judging from the aspects of Tangible Resource, the first resources that have sustainable competitiveness is Physical observed from the advance factory machinery/equipment because PT SPINDO uses high-tech machines to produce the best products. Second, Technological resource in the form of intellectual property rights, this is because PT SPINDO has a large number of certifications and awards regarding their products. The third is Organizational resource in the form of effective strategic planning because PT SPINDO has good organizational values this can be identified from the company value that they apply to organizational life in the company.

Furthermore, from the first Intangible aspect, Human Resource is identified from the effective aspect of the managerial work because PT SPINDO applies the credo to their employees. Second, is Innovation & Creativity that can be analyzed from the creation of creative ideas because Pt SPINDO has diverse products so that it attracts the consumers. The third is Reputation, viewed from the aspect of reputation with customers, the reliability of product quality and product quality performance can be proven by the existence of PT Spindo in the eyes of consumers since it was established, it is also supported by certifications and awards received.

From the aspect of organizational capability, adaptability to consumers in the form of innovativeness of products and services, can be seen from the company's ability to create innovations for both the product and the company itself, so as to maintain its existence.

Table 1 : Tangible, Intangible Resource &amp; Organizational Capabilities Analysis (TIROCA)

Does the organization's resources or capabilities have the following criteria:						
Tangible Resource		V	R	I	N	Competitiveness
Financial	Cash account	Yes		No		Competitive Parity
	Receivables	Yes		No		Competitive Parity
	Loan capacity	Yes				Competitive Parity
Physical	Modern factories and facilities	Yes	Yes	No		Temporary Competitive advantage
	Strategic location of the factory	Yes	No			Competitive Parity
	Advance machinery/factory equipment	Yes	Yes	Yes		sustainable competitive parity
Technological	Trade secrets	Yes	No			Competitive Parity
	Innovative production process	yes	yes	No		Temporary Competitive advantage
	Patent	yes	no			Competitive Parity
	Intellectual property rights	yes	yes	yes	yes	sustainable competitive parity
	Trademark	Yes	No			Competitive Parity
Organisational	The effectiveness of strategic planning	Yes	Yes	Yes	yes	sustainable competitive parity
	Control system advantages	yes	no			Competitive Parity
	Evaluation system advantages	yes	no			Competitive Parity
Intangible Resource		V	R	I	N	Competitiveness
Human Resource	Experience and capability	Yes	Yes	no		Temporary Competitive advantage
	Trustworthyness	yes	yes	no		Temporary Competitive advantage
	The effectiveness of the team work	yes	yes	yes	yes	sustainable competitive parity
	Managerial skills	Yes	Yes	Yes	Yes	sustainable competitive parity
Innovation and Creativity	Scientific Expertise	Yes	No			Competitive Parity
	Technical expertise	Yes	yes	No		Temporary Competitive advantage
	Creative idea creation	Yes	Yes	Yes	Yes	sustainable competitive parity
Reputation	Brand name	Yes	Yes	No		Temporary Competitive advantage
	Reputation (with supplier)	Yes	Yes	No		Temporary Competitive

						advantage
	Reputation (with customers)	Yes	Yes	Yes	Yes	sustainable competitive parity
	Product Reliability	Yes	Yes	Yes	Yes	sustainable competitive parity
	Product quality performance	Yes	Yes	Yes	Yes	sustainable competitive parity
Organisational Capability		V	R	I	N	Competitiveness
adaptability to Consumer	Excellent customer service	Yes	No			Competitive Parity
	Excellent product development capability	Yes	Yes	No		Temporary Competitive advantage
	Innovative products and services	Yes	Yes	Yes	Yes	sustainable competitive parity
	The ability to recruit, motivate, and maintain human capital	Yes	Yes	No		Temporary Competitive advantage

#### Analysis of Finance Performance

Based on the analysis of the financial statements, PT Steel Pipe Industry performance of this company is quite satisfying, as we see from the profits increase from 2016 to 2017.

Based on the Liquidity Ratio analysis there is a 35% increase in Current Ratio from 2016 to 2017, this shows that the company is capable to finance its short-term debt with current assets owned by the company.

Furthermore, there was also a 15% increase in Quick Ratio which indicated that the company was able to finance its short-term debt using more expeditious assets. Cash Ratio also increased by 9% which indicates that the company is able to finance debt with assets and securities they own. The last is an increase in Cash Turnover of 11.08x where the company uses the cash well to generate sales.

Based on the Leverage Ratio analysis there is an increase in the Long Term Debt to Equity Ratio by 19% which indicates the capital increase is smaller than the increase in debt. Time Interest Earn also experienced an increase of 6% which indicates the company's performance is good because the company capable to pay interest with the income they earned. The last ratio that has increased is a Fix Charge Coverage of 21% which means that the company's sales have fulfilled all the obligations of fixed payments, and the risk increasing also provides a smaller risk for investors.

Based on Activity Ratio, there is an increase in Receivable Turnover of 45%, which means that it has maximized sales from all asset on accounts receivable. Furthermore, the ratio that has increased is Fixed Asset Turnover by 30%, which means that companies use fix assets well to increase sales.

Based on profitability ratio, the increase occurs in Return on Investment by 3% and Return on Equity by 6%, this means that the company is quite effective in using assets and also its equity to increase sales.

#### Internal Factor Analysis

The company's internal environment is analyzed with a resource-based approach, through the company's business functions which include marketing, finance, human resources, and operations. Through this business function, the company can measure its ability to explore the resources it has. The company should be able to identify unique distinctive competencies that distinguish them from competitors (Popy Rufaidah, 2014).

Table 2 : IFAS PT SPINDO

Internal Strategic Factors	Weight	Rating	Score	Information
<b>A. Strength</b>				
1. Product output has the best quality	0.20	5	1	Every product produced has quality standards that are recognized domestically and internationally. The

				product has gone through 10 stages of testing to produce the best quality in its class.
2. The location of the company is strategic and spread throughout Indonesia.	0.15	4	0.6	The location of companies in several cities in Indonesia facilitates the product distribution process to clients or business partners.
3. Good cooperation relationship with third parties (suppliers, distributors, etc.)	0.04	4	0.16	A good cooperation relationship between business to business that has been built for years has become a major strength in product promotion
4. Professional and dedicated workforce in the company	0.15	3	0.45	Professionals in their field with SMART's work ethic ( Specific, Measurable, Agreed, Realistic, Trackable). All workers in the company are assured to have high credibility and professionalism to be able to produce maximum performance.
5. Excellent corporate governance	0.05	3	0.15	Corporate governance, work ethic and SOP that are very good gives a strength in every work process.
6. Product visually can be seen has a good quality	0.04	2	0.08	The products produced have gone through various stages to ensure the quality. Even the subtle and inhand products have the best quality.
7. Dividend payments are continue to increase from 2013 to 2017 (stated in the financial statements)	0.04	3	0.12	Dividend payments are smooth and continue to increase from 2013 to 2017 (stated in the financial statements). This can be an attraction for shareholders who want to join and also a strength for previous shareholders.
8. Investors in the company support financing activities	0.05	4	0.2	More than 50% of company share owned by PT Chakra Bakti Para Putra, the remaining share owned by the public and others.
9. Whistleblower channel that supports company activities and avoids fraud.	0.05	2	0.1	There are whistleblower channels that are used to report violations, allegations, or potential

				violations of the Code of Business Ethics and Policy Rules, as well as ethical violations or other illegal behavior.
10. Excellent human resource development through employee development programs is considered to increase employee loyalty to the company.	0.13	2	0.26	Efforts to develop the quality of human resources are carried out through various types of activities, including training in technical and soft skills aspects. To achieve optimal results, the Company continues to evaluate and refine training modules, add training materials, certify some training and carry out training in collaboration with relevant and competent external parties.
<b>Total Strength (S)</b>	<b>0.9</b>			

Internal Strategic Factors	Weight	Rating	Skor	Information
<b>B. Kelemahan</b>				
1. Expensive price of raw material	0.05	3	0.15	The price of raw materials is quite expensive. Iron ore prices will affect the company's profit margin because the cost of iron consumes 85% -95% of Spindo's sales expenses.
2. Dependence on third parties such as raw material suppliers and product delivery.	0.02	3	0.06	The expensive price of raw materials is the result of cost of production from purchases from third parties..
3. Fluctuation in stock prices	0.03	2	0.06	Fluctuations in stock prices and exchange rate risk can negatively affect the financial and operational conditions of the company.
<b>Total Weakness (W)</b>	<b>0.1</b>		<b>3.39</b>	
<b>Total Score (S+W)</b>	<b>1</b>			

The main internal strength at PT SPINDO the quality of their steel pipe products. Every product produced by the company has high-quality standards that are recognized domestically and internationally. The product output has gone through 10 stages of testing to produce the best quality in its class.

The second internal strength of the company is the strategic location of companies throughout Indonesia. The location of companies spread throughout Indonesia facilitates the product distribution process to clients or business partners.

Third, the company has professional and dedicated human resources. All the work done is guaranteed to have the highest credibility and professionalism to be able to produce maximum



performance. This is also related to their next internal strength, which is the development of good human resources through employee development programs that considered can increase employee loyalty.

Fifth, their internal strength is good financing activities that increase investor confidence to invest in the company. Sixth is a good cooperative relationship with third parties (suppliers, distributors, etc. ). Seventh is a good governance, code of ethics and SOP in every process that takes place within the company.

Eight is the company's ability to pay dividends smoothly and continuously so that it is attractive enough for the shareholders who want to join and become an additional strength for previous shareholders. The next company's strength is that there is a whistleblower channel that supports company activities and avoids fraud. Last is from the product side, the visual appearance of the products produced by the company has the best quality.

Meanwhile, their first weakness is the price of raw material which is quite expensive. This also affects the company's profit margin because the cost of iron takes up more than 90% of their sales expenses. Another weakness is its dependence on third parties as suppliers of raw material suppliers. Fluctuations in stock prices also give the company weakness because it affects the financial and operating conditions of the company.

#### External Factor Analysis

The external environment includes a number of factors outside the company. This can be a strategic opportunity as well as a strategic threat to the company. There is remote environment which is a term for an external environmental analysis of the macro environment that is difficult to control by the company. Analysis of this macro environment includes the political, economic, social & cultural environment, and technology or PEST analysis (Popy Rufaidah, 2014).

Table 3 : EFAS PT SPINDO

External Strategies	Weight	Rating	Score	Information
A. Opportunity				
High unemployment rate gives the company positive impact.	0.01	1.5	0.015	The high unemployment rate in Indonesia makes it easier for companies to recruit experts in the company.
High population growth has a positive impact for the company	0.02	2	0.04	Population growth has a good impact on the company because there will be more demand for their products
High expenditure on R&D has a positive impact on the company	0.05	2	0.1	High expenditure on R & D reflects the many insights gained for companies.
Copyright/patent protection for the company	0.08	4	0.32	The existence of patent protection has a good impact on the company because it can protect their product and business.
Product development has a positive impact on the company	0.11	4	0.44	Product development has a good impact on the company because it could increase their market share
Technological innovations can have a positive impact on the company.	0.06	3	0.18	Technological innovations can have a positive impact on the company operations. Operations will run more practically and easily.

Government instructions have a positive impact on the company	0.15	3.5	0.525	The government supports steel export activities in Indonesia
Total Opportunity (O)	0.48		1.62	

External Strategies	Weight	Rating	Score	Information
<b>B. Threat</b>				
Fluctuation in interest rate give a negative impact	0.03	3	0.09	Banking interest rate fluctuations have a negative impact on the company's financial and operational conditions
Costs incurred for the development of new products	0.05	2	0.1	The costs incurred in building a new product is expensive. This can be a threat to the company's finances if it is not considered properly and carefully.
Changes in weather and climate are negative for the company	0.09	4	0.36	During the rainy season the iron quality is not good, so it can become a threat to the company.
The availability of natural resources	0.3	4	1.2	Iron ore is a non-renewable resource. When iron ore resources continue to be exploited, it will be a threat to the company because the main resources have been depleted.
Potential natural disasters have a negative impact on the company.	0.01	3	0.03	Natural disasters can be a threat to the company because the raw materials used by the company are non-renewable natural resources.
Environmental damage has a negative impact	0.02	2	0.04	Environmental damage can adversely affect the company's operations related to the availability of raw materials.
The minister's decision has a negative impact on the company.	0.02	2	0.04	The regulation of the Minister of Trade (Permendag) No. 82/2016 concerning Provisions on the Import of Iron or Steel, Alloy Steel and Products can hamper the company's performance in the supply of raw materials.
Total Threat (T)	0.52		1.86	

TOTAL SCORE (O+T)	1.00			
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The first component of strategic opportunity is government instruction that supports infrastructure development that has a positive impact on steel demand for the company. The second is the product development implemented by companies adds opportunities for companies to expand their market share. The third is the patent protection for the company.

The fourth component is technological innovation because this can give a positive impact on the company's operations. Operations can run more practically and quickly. The fifth is the allocation of funds in the Research and Development section reflects the many insights gained by the company about their industry.

The sixth strategic opportunity component is the higher population growth will lead to more demand for steel products. The seventh is the unemployment rate in Indonesia is quite high, making it easier for the company to absorb new labor.

The first component of threats to companies is the limited availability of natural resources. Iron ore is a natural resource that cannot be renewed. When iron ore resources continue to be exploited, it will become a threat to the company because the main resources have been depleted. The second threat to companies is unfavorable changes in weather and climate can have a negative impact on production processes and operations related to natural resources in the form of iron ore.

The third component of the threat is the expensive cost incurred in creating a new product. This can be a threat to the company's finances if it is not taken into account properly and carefully. The fourth component is interest rate fluctuations that occur in Indonesia that could lead to a negative impact on the company. This affects the financial performance and operations.

The fifth threat component is related to the regulation of the Minister of Trade (Permendag) No. 82/2016 concerning provisions on the import of iron and steel. The regulations limit the exploitation of natural steel resources because steel includes natural resources that non-renewable.

The sixth component of the threat is environmental damage which has a negative impact on the company's operational activities which can lead to the availability of raw materials. The seventh is the potential for natural disasters that occur in Indonesia. Natural disasters can be a threat to the company because the raw materials used by the company come from natural resources that non-renewable.

## CONCLUSION

PT Steel Pipe Industry Tbk, has competent resources based on their TIROCA table analysis. Judging from the intangible resources standpoint, resources that possess a competitive advantage are Physical, Technological and Organizational while those from Tangible resources are Human Resources, Innovation & Creativity and Reputation. The last is from Organizational Capability, namely adaptability to consumers. The overall resources owned by PT SPINDO are a force for them to continue to compete and develop with the support of financial report analysis that gives a positive impact on sales. Assessed from their financial ratios, PT SPINDO's performance is quite satisfactory because they use their capital and assets well to increase sales.

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