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Conceptual Paper

Developing a Sustainable Integration Model for Sectoral State-Owned Holdings: A Conceptual Framework

Raden Gerald Setiawan Grisanto[1*], Sudarso Kaderi Wiryono[2], Yos Sunitiyoso[3]
[1,2,3] Institut Teknologi Bandung, Indonesia

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Abstract

This paper develops a comprehensive conceptual framework aimed at integrating and synergizing Sectoral State-Owned Holdings (SOHs) to significantly enhance their competitiveness and sustainability. The framework is designed to fill critical gaps in the existing literature by addressing key areas, such as value creation, innovation, and strategic alignment, which are essential for the long-term success of SOHs. One of the primary contributions of this framework is its emphasis on the incorporation of non-economic factors, such as customer satisfaction, community engagement, and environmental stewardship, which are increasingly recognized as vital components of sustainable business practices. The framework also delves into the nuanced impact of government intervention on the performance and strategic orientation of SOHs, exploring how state policies and regulations can either enable or hinder their growth and competitive positioning. By providing a structured approach, this framework enables SOHs to leverage their unique resources and capabilities more effectively, ensuring that they achieve sustainable competitive advantages. Furthermore, the framework underscores the importance of aligning SOH strategies with national economic and social objectives, thereby positioning these entities not only as key drivers of economic growth but also as contributors to broader societal well-being. Ultimately, this paper offers a valuable tool for policymakers, managers, and researchers interested in optimizing the performance and strategic impact of SOHs in a dynamic global economy.

Keywords: *Competitiveness; Conceptual framework; Integration; Sustainability; Sectoral State-Owned Holdings*

INTRODUCTION

State-Owned Enterprises (SOEs) play a pivotal role in economic development across countries, acting as key agents of growth and value creation. Globally, SOEs control significant assets and contribute substantially to national economies (Nwanzu & Babalola, 2023). For instance, Temasek Holdings in Singapore, as of 31 March 2024, had a net portfolio value of S$389 billion, an increase of S$7 billion from the previous year (Temasek Holdings, 2024). Temasek's investments span multiple sectors, including financial services, telecommunications, media and technology, transportation, industrials, consumer and real estate, and life sciences and agribusiness, significantly boosting Singapore's GDP and economic resilience. Similarly, the Norwegian Government Pension Fund Global, managed by Norges Bank Investment Management (NBIM), has become the world's largest asset owner, with assets worth approximately $1.68 trillion in 2024 (Norges Bank Investment Management, 2024). This illustrates the enormous economic influence of these entities. However, the effectiveness of SOEs in contributing to GDP depends on their efficiency, governance, and strategic management (Kokeyeva & Adambekova, 2019). Hence, enhancing the performance of Indonesian SOEs through a well-implemented conceptual framework could substantially increase their contribution to the national economy, positioning them alongside global counterparts like Temasek and NBIM, in terms of economic impact and value creation.

The concept of Sectoral State-Owned Holdings (SOHs) has been adopted in various regions, including Asia, to streamline SOE management and enhance their operational efficiency and competitiveness in the global market. Countries like Singapore, Malaysia, and China have successfully implemented SOHs, consolidating SOEs into sector-specific groups. This consolidation

Corresponding author's email: raden_grisanto@sbm-itb.ac.id

aims to foster synergy, reduce redundant competition within sectors, and increase market share. SOHs typically encompass diverse industries, such as manufacturing, finance, and mining, and are designed to unify various SOEs under one strategic umbrella to optimize resource utilization and management (Thusi & Chauke, 2023).

However, the implementation of SOHs presents challenges, such as integrating companies with overlapping business areas or those lacking clear supply chain synergies. For example, consolidating diverse companies within the same sector, such as oil and gas or mining, can lead to strategic and operational complexities. Additionally, the financial health and competitive strengths of SOEs within each holding can vary, raising concerns about their overall value and performance of these entities (Nwanzu & Babalola, 2023). These issues highlight the necessity for a comprehensive exploration of integration processes within SOHs and their impact on sustainability performance and value creation. This research aims to address these gaps by creating a conceptual framework to understand the unique dynamics of SOHs. This study focuses on developing a comprehensive model that analyzes the integration processes and performance outcomes of various sectoral SOHs. By providing a global perspective on best practices and strategic considerations, this framework offers practical insights for enhancing the effectiveness and competitiveness of SOHs.

Development of Conceptual Framework

In developing the conceptual framework, the first step was to identify issues related to the establishment of the SOH sector in Indonesia. This process involved a literature review to develop a State of the Art (SOTA) system that included 226 articles on SOE and 12 on SOH. From the results of this literature review, analyses were conducted to find research gaps as well as originality and novelty of the proposed research (Mbo & Adjasi, 2013). The outcome of this preparation phase was a clear definition of the research problem, objectives, and research questions, as well as a proposed conceptual framework and theoretical propositions. This conceptual framework was generated through the identification of key variables such as firm performance, synergy and integration, value creation, and sustainability performance, which were found in previous studies (Lazzarini & Musacchio, 2018; Zhu et al., 2016; Argento et al., 2019).

The conceptual framework for this research on the integration/synergy process in Indonesian SOH is grounded in a comprehensive synthesis of key management theories and empirical findings from previous studies. At its core, the framework integrates five fundamental theoretical pillars: Competitiveness Theory, Integration/Synergy Theory, Value Creation Theory, Sustainability Performance Theory, and Institutional Context (Zhao & Patten, 2016; Garde-Sanchez et al., 2018). These theories are carefully woven together to create a holistic model that captures the complex dynamics of SOH formation, integration, and subsequent performance outcomes.

The framework posits a causal chain that begins with the integration/synergy process following SOH establishment. This process, characterized by a combination of resources and capabilities, organizational restructuring, cultural integration, and operational synergies, serves as the primary driver of subsequent outcomes (Fonseka et al., 2014). The model suggests that this integration process directly impacts value creation mechanisms within the SOH structure. These mechanisms, including cost efficiencies, revenue synergies, asset optimization, and knowledge transfer, act as intermediate outcomes that bridge the gap between integration efforts and the ultimate performance results (Lazzarini & Musacchio, 2018).

The framework further proposes that the value created through integration efforts can be translated into two primary outcome dimensions: sustainability performance and competitiveness (Khalid et al., 2021). Sustainability performance is conceptualized as a multifaceted construct encompassing economic, environmental, and social dimensions, drawing on Dragulanescu (2013)

Triangle of Sustainability. Competitiveness, informed by Porter (1985) work and Cetindamar & Kilitcioglu (2013) model, is operationalized through indicators such as market position, profitability, and innovation capacity (Zhu et al., 2016). Importantly, the framework acknowledges the interconnectedness of these outcomes, suggesting that enhanced sustainability performance can, in turn, drive increased competitiveness (Argento et al., 2019; Zhao & Patten, 2016).

A key feature of this conceptual framework is its recognition of the critical role that contextual factors play in shaping the integration process and its outcomes. The model incorporates moderating variables such as institutional factors (including government policies and SOH type), industry characteristics, and pre-merger firm attributes (Mbo & Adjasi, 2013). These contextual elements are posited to influence the strength and nature of the relationships between integration efforts, value creation, and ultimate performance outcomes (Fonseka et al., 2014; Lazzarini & Musacchio, 2018). Additionally, the framework includes feedback loops, acknowledging that performance outcomes can influence future integration efforts and value creation strategies, thus capturing the dynamic and iterative nature of the SOH integration process (Khalid et al., 2021). This comprehensive and nuanced approach to modeling the SOH integration process addresses significant gaps in the existing literature, offering a robust foundation for empirical investigation and theoretical advancement in the field of state-owned enterprise management (Garde-Sanchez et al., 2018; Zhu et al., 2016).

LITERATURE REVIEW

The state of the art (seen in Table 1) in the literature concerning Sectoral State-Owned Holdings (SOHs) can be categorized into several key areas: firm competitiveness, sustainability performance, integration/synergy, and value creation. As shown in Table 1, the research on firm competitiveness is the most extensive, with 143 articles primarily focusing on competitive advantage, strategic positioning, and other critical factors influencing SOE performance, particularly in China and other emerging economies. Sustainability performances, which include economic, social, environmental, and institutional aspects, have also been widely studied in various countries, including China, Indonesia, and Spain. However, research on integration and synergy is notably limited, with only a few studies exploring the financial, managerial, and operational synergies within SOEs, mainly in Asian contexts. Similarly, the exploration of value creation, particularly in terms of economic and non-economic value, is also relatively underdeveloped, with most studies concentrated on the Chinese context. This table provides a comprehensive overview of the existing research landscape, highlighting both well-explored areas and gaps that still require further investigation.

Framework Rationale

The existing research on SOEs has progressed significantly, but a distinct gap exists in the understanding of the specific dynamics of SOHs. A critical area that requires further investigation is the integration process after establishment, where the unique challenges and complexities of achieving operational, financial, and managerial synergy, especially across different cultural and operational contexts, are not well understood. Moreover, the impact of these integration processes on the sustainability performance of SOHs, which encompasses economic, social, environmental, and institutional dimensions, has been insufficiently explored (Figure 1).

Developing such a framework is crucial for understanding integration processes, value creation mechanisms, sustainability performance, and government intervention within SOHs. By offering a structured approach to these factors, the framework enhances theoretical understanding and provides practical insights to guide effective policymaking and management practices. This study aims to bridge these knowledge gaps and lay the groundwork for future research by ensuring that SOHs can effectively leverage their resources and capabilities to achieve sustainable competitive advantages and positively impact national economic and social goals.

Specifically, 70 articles were analyzed to gain insights into corporate competitiveness, highlighting factors such as strategic positioning, core competencies and profit expectations. For sustainability performance, 50 articles were reviewed, addressing economic, social, environmental, and institutional dimensions. Aspects of value creation are informed by 65 articles exploring economic and non-economic drivers of value. Finally, 53 articles provide a foundation for understanding the complexities and challenges associated with integration and synergies in SOH. This comprehensive SOTA process ensures that the proposed framework builds on existing research while addressing identified gaps, thus offering a solid foundation for investigating integration processes, value creation mechanisms, and sustainability performance of SOH.

Table 1. State of The Art

Main Category	Sub-categories	Number of Articles	Reference (Example)	Research Context
Firm Competitiveness	Competitive advantage, Strategic positioning, Core competencies and Human Resources, Financial Healthiness, Leadership, Return Expectation, Technology Application, National Competitiveness	143	Lin et al. (1998), Shi (2017), Xu et al. (1999)	Primarily focused on SOEs in China, with some studies in other emerging economies. Examines how SOEs compete in market environments and adapt to reforms.
Sustainability Performances	Economic Performances, Social Performances, Environmental Performances, Institutional Performances	129	Xu et al. (1999), Garde-Sánchez et al. (2017), Assagaf & Ali (2017)	Studies span various countries including China, Indonesia, and Spain. Investigates SOEs' financial performance, social responsibility, and environmental impact.
Integration/Synergy	Financial Synergy, Managerial Synergy, Operational Synergy	2	Liew (1999)	Limited studies, mainly in Asian contexts. Explores how SOEs integrate different aspects of their operations for better performance.
Value Creation	Economic Value creation, Non-Economic Value Creation	5	Huang & Zhang (2007)	Mostly in Chinese context. Examines how SOEs create both economic and social value in their operations.

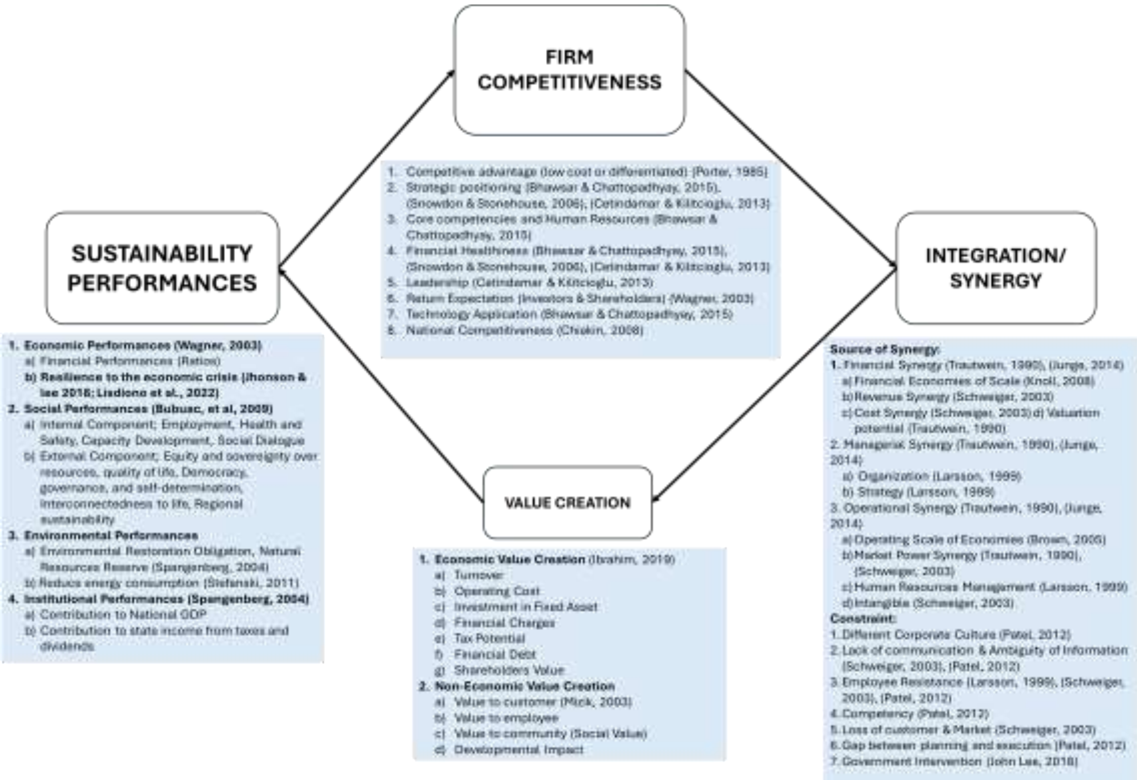

Figure 1. The Proposed Conceptual Framework

Firm Competitiveness

Firm competitiveness is a critical component of the conceptual framework developed for SOHs. It encompasses various strategies and attributes that enable a company to achieve and sustain superior performance compared to its competitors. According to Porter (1985) asserted that a firm's competitive advantage primarily stems from two fundamental strategies: cost leadership and differentiation. Cost leadership focuses on minimizing production costs to offer goods or services at lower prices than competitors, while differentiation involves creating unique products or services that command premium prices. These strategies are foundational because they determine a firm's market positioning and competitive position.

Strategic positioning is another key element of firm competitiveness. As highlighted by Bhawsar and Chattopadhyay (2015), Snowdon and Stonehouse (2006), and Cetindamar and Kilitcioglu (2013), strategic positioning involves aligning a firm's operations and strategies with its long-term goals. This includes identifying market opportunities, understanding competitive dynamics and positioning the firm to exploit these opportunities effectively. Core competencies and human resources also play a vital role in building the competitive advantage. Core competencies are unique capabilities or skills that are difficult for competitors to replicate, such as specialized knowledge or proprietary technologies. Effective human resource management is crucial for developing and sustaining these competencies, ensuring that the firm can leverage its unique strengths.

Financial health is another crucial aspect of firm competitiveness. As described by Bhawsar & Chattopadhyay (2015) and others, a firm's financial stability and access to capital are key determinants of its ability to compete. Financially healthy firms are better positioned to invest in new opportunities, deal with economic downturns, and maintain operational flexibility. Leadership is also essential in this context. Effective leaders provide strategic direction, make critical decisions, and foster a corporate culture that encourages innovation and responsiveness to market changes.

Furthermore, the expectations of investors and shareholders, as discussed by Wagner (2003), are vital for assessing firm competitiveness. Firms that consistently meet or exceed these expectations are generally viewed as more competitive because they can attract and retain investment. Technology applications are another critical factor because the adoption of advanced technologies can significantly enhance a firm's operational efficiency, reduce costs, and facilitate the development of new products and services. This technological edge can be a crucial differentiator in highly competitive markets.

Finally, national competitiveness, as highlighted by Chikán (2008), also influences firm competitiveness. The broader national context, including economic policies, infrastructure, and market conditions, can either enhance or hinder a firm's ability to compete internationally. Firms operating in countries with supportive economic environments are better positioned to capitalize on global opportunities.

The conceptual framework for firm competitiveness integrates these various elements to provide a comprehensive understanding of how SOHs can leverage their unique resources and capabilities. By optimizing these factors—strategic positioning, core competencies, financial health, leadership, investor expectations, technology, and national competitiveness—SOHs can achieve and sustain competitive advantages. This framework is essential for navigating the complex landscape of diverse subsidiaries and government regulations, ultimately driving the sustainability and growth of these entities in the global market.

Integration and synergy

Integration and synergy within SOHs are critical for maximizing value creation among member firms. These concepts are particularly important in the post-establishment phase of SOHs, where the goal is to combine the strengths of different firms to achieve a greater overall value. Synergy is realized when the combined operations of the merged firms create more value than the firms could independently achieve. This additional value can stem from various sources, including financial, managerial, and operational synergies, as highlighted by Junge (2014).

Financial synergy involves the financial benefits that arise from mergers, such as reduced capital costs, increased debt capacity, and tax advantages. For example, a larger firm resulting from a merger may have access to cheaper capital and be able to reduce its overall risk through diversification, thus improving its financial health (Knoll, 2008). These financial synergies are essential for SOHs because they enhance the ability of the merged entity to invest in new opportunities and withstand economic fluctuations.

Managerial synergy focuses on improving efficiency and effectiveness, which can result from better management practices. This synergy is especially crucial in SOHs, where diverse companies with different management styles and corporate cultures come together. Effective management can streamline operations, optimize resource allocation, and implement best practices across all subsidiaries, thereby improving overall performance (Schweiger, 2003). The success of managerial synergies often hinges on the ability to integrate different organizational cultures and align strategic objectives.

Operational synergy, another key component, involves cost reductions and increased efficiency through the combined operations of the merged firms. This can include achieving economies of scale, where the enlarged firm benefits from lower per-unit costs and enhanced market power, allowing the firm to exert greater control over pricing and distribution (Brown, 2005). Additionally, combining complementary resources, such as technology and market access, can further strengthen the firm's competitive position (Barney, 1991).

Despite the potential benefits, the integration process in SOHs faces challenges. Cultural mismatches between merging entities can lead to conflicts and hinder the alignment of strategic goals. Communication issues, including ambiguity and inconsistent information, can create uncertainty and disrupt the integration process, potentially resulting in the loss of key personnel and customers (Patel, 2012). Furthermore, government intervention can significantly impact the integration process. Supportive government policies, such as tax incentives and streamlined regulatory processes, can encourage and facilitate mergers. However, restrictive government measures can pose additional hurdles for companies undergoing integration (Johnson & Lee, 2018).

The conceptual framework for integration and synergy in SOHs underscores the importance of financial, managerial, and operational synergies as vital elements for enhancing value creation. The study also highlights the challenges that must be managed, including cultural integration, effective communication, and navigating government policies. This framework offers a comprehensive approach for analyzing and optimizing SOH performance, ensuring that these entities can leverage their combined resources and capabilities to secure sustainable competitive advantages.

Value creation

Value creation within Sectoral SOHs is a multifaceted process encompassing both economic and non-economic dimensions. This process is vital for enhancing the overall performance and sustainability of SOHs. Economic value creation, as highlighted by Ibrahimi (2019), includes metrics such as turnover, operating costs, investments in fixed assets, financial charges, tax potential, financial debt, and shareholders' value. These factors are crucial as they directly impact the financial health and competitive positioning of the firm. For instance, effective management of operating costs can enhance profitability, whereas strategic investments in fixed assets can provide a competitive edge by increasing operational efficiency and capacity.

Non-economic value creation, on the other hand, extends beyond financial metrics to include value to customers, employees, and the community. Mizik (2003) and others have emphasized the importance of customer value, which involves delivering high-quality products and services that meet or exceed customer expectations. This not only fosters customer loyalty but also enhances the firm's reputation and brand equity. Additionally, providing value to employees through fair compensation, career development opportunities, and a positive work environment can lead to higher employee satisfaction and retention, which are critical for sustaining competitive advantages. Value to the community, often referred to as social value, involves firm contributions to social welfare and development, such as corporate social responsibility initiatives that address local and global issues.

The integration of these economic and non-economic values is essential for achieving sustainable competitive advantages. As noted by Porter (1985), value creation should be strategically aligned with the firm's overall business objectives. This involves ensuring consistency, strength, and optimization in business activities. Consistency refers to aligning all business activities with the firm's strategic goals, while strength involves ensuring that these activities are mutually reinforcing and supporting each other. Optimization focuses on efficient allocation and management of resources to maximize value creation.

Innovation also plays a pivotal role in value creation. Huang et al. (2017) pointed out that innovation enables firms to adapt to changing market conditions and customer needs, thus maintaining their competitive edge. This includes innovations in product development, process improvements, and business models. For SOHs, innovation can be particularly challenging because of the diverse nature of their member firms and the varying degrees of government control. However, SOHs can create significant value by fostering innovation and leveraging the unique strengths of each subsidiary, SOHs can create significant value.

Value creation in this conceptual framework integrates economic and non-economic dimensions, emphasizing the importance of strategic alignment, innovation, and a holistic approach to value creation. This framework not only provides a comprehensive understanding of the various components of value creation but also offers practical guidance for SOHs in enhancing their competitiveness and sustainability. By focusing on both financial metrics and broader societal impacts, SOHs can achieve balanced and sustainable growth trajectory, benefiting all stakeholders involved.

Sustainability performances

Sustainability performance in Sectoral SOHs is a comprehensive concept encompassing economic, social, environmental, and institutional dimensions. According to Spangenberg (2004), these dimensions are crucial for achieving long-term corporate sustainability and competitiveness. Economic performance is typically measured by indicators such as revenue growth, profitability, and the ability to withstand economic shocks, as highlighted by Sharma and Gupta (2019). These indicators are essential for assessing the financial health and viability of SOHs to ensure that they can sustain operations and invest in future growth.

Social performance focuses on employee well-being, the communities in which SOHs operate, and broader societal impacts. Bubou et al. (2009) emphasized that social sustainability includes internal components like employment, health and safety, capacity development, and external components such as equity, governance, and regional sustainability. SOHs are often significant employers and play a crucial role in local economies, making their social performance a vital component of their overall sustainability strategy.

Environmental performance, as described by Wagner (2003), involves the company's efforts to minimize its ecological footprint. This includes initiatives to reduce energy consumption, conserve natural resources, and mitigate environmental degradation. Companies are increasingly held accountable for their environmental impact, and achieving high standards in this area can enhance their reputation and compliance with regulatory requirements. Stefániak (2011) noted that reducing fossil fuel consumption and transitioning to renewable energy sources are critical steps toward improving environmental performance.

Institutional performance is related to a firm's contributions to national economic goals and governance structures. Spangenberg (2004) noted that SOHs, as extensions of government policies, support national development objectives, such as GDP growth and social welfare. This dimension also includes compliance with legal and ethical standards, transparency and accountability in corporate governance. By aligning their operations with national goals, SOHs can enhance their legitimacy and public support.

Incorporating sustainability into the core operations of SOHs is not only about meeting regulatory requirements or ethical standards but also about achieving a competitive advantage. Hristov (2019) discusses the relationship between sustainability, value creation, and competitiveness, noting that firms that excel in these areas often enjoy better financial performance and greater resilience to market fluctuations and economic crises (Johnson & Lee, 2018; Lisdiono et al., 2022). Furthermore, Dragulanescu (2013) emphasizes that sustainable practices can lead to operational efficiencies and cost savings, which, in turn, enhance competitiveness.

The sustainability performance of SOHs is a multi-dimensional concept that integrates economic, social, environmental, and institutional aspects. By focusing on these areas, SOHs can achieve long-term viability and enhance their competitiveness in the global market. This comprehensive sustainability approach ensures that SOHs not only contribute positively to national and global goals but also secure their own future success and stability. The conceptual framework developed in this study provides a structured approach to evaluating and improving the sustainability performance of SOHs, offering valuable insights for policymakers and corporate managers alike.

Context for Implementation

The proposed conceptual framework can be implemented for Sectoral SOEs in Indonesia to provide a strategic roadmap to enhance integration, competitiveness, value creation, and sustainability performance. Implementing this framework is crucial for leveraging the significant role SOEs play in Indonesia's economic development. Despite these substantial assets, Indonesian SOEs currently contribute less to GDP and foreign investment compared to entities like Singapore's Temasek and Malaysia's Khazanah. This framework aims to address these gaps by streamlining SOE operations, enhancing market competitiveness, and fostering a culture of continuous improvement and innovation.

The implementation process should begin with a comprehensive assessment of Sectoral State-Owned Holdings (SOHs) to identify their core competencies and unique resources. This evaluation is crucial for fostering synergy and collaboration among the member firms. The theoretical framework outlined in Figure 2 provides a theoretical mechanism for visualizing how these elements interact and integrate to enhance overall performance and sustainability.

The framework emphasizes achieving financial, managerial, and operational synergies, which are critical for boosting efficiency and gaining competitive advantage. Moreover, it prioritizes sustainability by integrating economic, social, environmental, and institutional dimensions, which aligns SOHs with global best practices and regulatory standards. Addressing challenges such as differing operational areas and competition among SOE members, the framework also considers government intervention's role in guiding SOHs toward national development goals. This comprehensive approach ensures that Indonesia's SOHs can optimize their assets, improve operational efficiency, and contribute positively to national economic and social objectives.

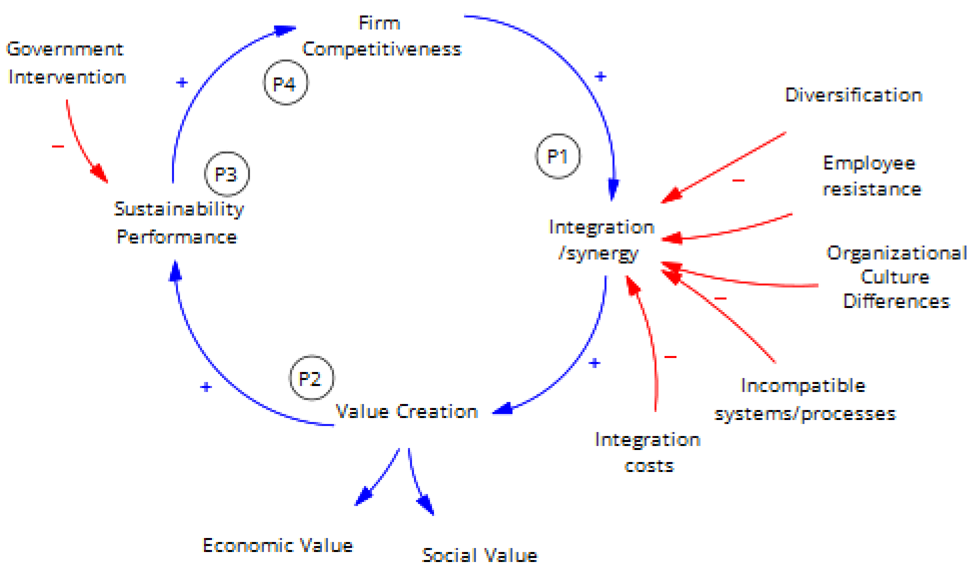

Figure 2. Theoretical mechanism of Framework Implementation for SOHs

The proposed conceptual framework includes several key propositions. Proposition 1 suggests that Integration and Synergy (P1) in SOH is affected by several important factors. Diversification can hinder integration because of differences in culture, systems, and processes among SOH member firms (Rashid et al., 2018). This negative impact occurs because diversified operations often introduce complexity, which makes it difficult to align different business practices and organizational structures. Employee resistance, often fueled by uncertainty and fear of change and can cause conflict and reduce the effectiveness of integration efforts (Günter et al., 2016). This resistance is detrimental because it slows the integration process and hinders the achievement of synergies. Differences in organizational culture between SOH member companies can lead to misunderstandings and conflicts and hinder smooth integration (Stahl & Voigt, 2008). These differences negatively impact integration by creating friction and reducing co-operation among employees. Incompatible systems and processes among SOH members can hinder seamless integration and reduce the potential for value creation (Caiazza & Volpe, 2015). This incompatibility becomes a significant barrier as it requires additional efforts and resources to harmonize different systems. In addition, high integration costs, including costs for system consolidation, employee retraining, and restructuring, can offset the economic benefits of integration (Bauer et al., 2019). These costs negatively impact the net benefits of integration by increasing the financial burden of the organization.

Proposition 2 states that Value Creation (P2) in SOH includes two main aspects: economic and social. Economic value refers to the financial benefits gained from integration, such as increased efficiency, economies of scale, and revenue synergies (Gaughan, 2017). This includes increased turnover and operating efficiencies that improve SOEs' financial health. The positive impact of economic value is clear as it strengthens the financial performance and market position of SOEs. Social value relates to SOEs' positive impact on society, including improved public services, infrastructure development, and job creation (Ćwik-Karpowicz & Kamiński, 2017). This aspect highlights the broader social contributions of SOH beyond financial metrics, enhancing reputation and stakeholder trust.

Proposition 3 suggests that Sustainability Performance (P3) in SOH is influenced by value creation, which integrates economic, social, environmental, and institutional dimensions. Value creation positively impacts sustainability performance as it ensures that the benefits of integration not only include financial gains but also include social and environmental improvements (Rahdari et al., 2020). This comprehensive approach is critical for achieving long-term sustainability. However, government intervention can negatively impact sustainability. Excessive government policies and regulations can limit SOEs' flexibility and innovative capacity in pursuing sustainability initiatives (Rentizelas et al., 2018). Restrictive government interventions, such as excessive bureaucracy or restrictions on restructuring activities, can hinder SOEs from achieving optimal sustainability performance (Putninš, 2015). Balancing government oversight with operational autonomy is crucial for SOEs to effectively integrate sustainability into their operations.

Furthermore, Proposition 4 asserts that Corporate Competitiveness (P4) will increase if sustainability performance is effectively achieved after the establishment of SOEs. Corporate Competitiveness is enhanced by effective sustainability performance. Factors contributing to competitiveness include strategic positioning (+), core competencies (+), financial soundness (+), leadership (+), technology application (+), and national competitiveness (+) (Sinthupundaja et al., 2020). These elements ensure SOEs can use their resources and capabilities to achieve the sustainable competitive advantage. The framework illustrates how integration and synergy (P1), value creation (P2), sustainability performance (P3) and corporate competitiveness (P4) are interrelated and influenced by various factors. Effective management of these factors is critical for improving SOEs' overall effectiveness and competitiveness, ultimately contributing to national economic and social goals.

CONCLUSIONS

The conceptual framework developed in this study offers a comprehensive approach to understanding the dynamics of Sectoral State-Owned Holdings (SOHs), with a particular focus on firm competitiveness, integration and synergy, value creation, and sustainability performance. By synthesizing key theoretical insights and empirical findings, the framework provides a structured lens through which the complexities of SOHs can be analyzed and understood. This study emphasizes the importance of strategic alignment, innovation, and the integration of both economic and non-economic value creation activities. Furthermore, it highlights the critical role of government intervention, both supportive and restrictive, in shaping the strategic orientation and performance outcomes of SOHs.

The framework serves as a valuable tool for policymakers, corporate managers, and researchers, offering practical guidance for enhancing the efficiency and competitiveness of SOHs. This underscores the necessity of achieving financial, managerial, and operational synergies and addresses the challenges associated with integrating diverse subsidiaries, such as cultural mismatches and communication barriers. Additionally, the framework provides a roadmap for incorporating sustainability into core business strategies, ensuring that SOHs not only meet regulatory requirements but also achieve long-term viability and competitiveness.

The proposed conceptual framework bridges notable gaps in the existing literature on SOHs and provides a foundation for future research. It equips decision makers with the insights needed to optimize the performance of SOHs by leveraging their unique resources and capabilities to achieve sustainable competitive advantages. This framework ultimately contributes to the broader goal of enhancing the role of SOHs in national economic development, ensuring that they can effectively meet the challenges and opportunities of the global market.

Limitation and Future Research

While this conceptual framework offers a comprehensive approach to understanding Sectoral State-Owned Holdings (SOHs), it has several limitations. Primarily developed for the Indonesian context, its generalizability to other countries may be limited. As a theoretical construct, it lacks empirical validation and may not fully capture the nuances of specific industries or the complex nature of government intervention. Moreover, the rapidly changing global economic landscape may affect the long-term relevance of some aspects of the framework.

To address these limitations and advance the field, future research should focus on empirically testing the framework's propositions across various SOHs in Indonesia and other countries. Cross-country comparative studies and longitudinal analyses could provide insights into the framework's global applicability and long-term effectiveness. Developing industry-specific adaptations, quantitative metrics for measuring integration and sustainability performance, and exploring the impact of emerging technologies on SOH operations would enhance the framework's practical utility. In addition, studies on stakeholder impact and crisis resilience could offer valuable insights for policymakers and managers. By pursuing these research directions, scholars can refine and validate this conceptual framework, contributing to the broader field of state-owned enterprise management and enhancing its practical application in diverse contexts.

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