

Business Competence in Shaping Competitive Advantage of Emergency Medical Kit Product in Indonesia through Company Reputation

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Abstract. *Emergency Medical Kit (EMK) Industry in Indonesia has a huge market potential driven by frequent disasters, the development of transport and healthcare industries. The huge potential of this turned out to be inversely proportional to the EMK product sales from 2007 to 2013. This sales decline is suspected because of the competitive advantage of EMK product is still inferior when compared to similar products made in China. Though the EMK company in Indonesia are an old player who would have the competence, reputation and customer relationship management in a good level. This aimed of this research is to obtain the analysis and assessment of the business competence in shaping the competitive advantage through company's reputation. The Competencies of domestic EMK company is not in doubt. Reliable and trustworthy reputation is also owned by the domestic EMK company. The domestic EMK products has a superior competitive advantage. Business competence has a fairly close relationship with the company's reputation. Meanwhile, company reputation also has a very close relationship with a competitive advantage when compared with business competence. To enhance the domestic competitive advantage EMK product, EMK company focuses on developing and imaging capabilities in making EMK product that is not only good quality but also have a low price.*

Keywords: *emergency medical kit; company reputation; competitive advantage; sales performance.*

1. Introduction

Emergency Medical Kit (EMK) industry in Indonesia has a huge potential because it is driven by geographical location as well as the development of the healthcare industry today. The rapid development of the transportation world also have an impact on the higher accident rate. To deal with this is of course need the first aid to the victims, both victims of disasters and accidents, could be given a preliminary aid before being taken to a hospital or other health agencies. The above mentioned conditions would require a system of first aid (Emergency Medical System/EMS) integrated, complete and concise making it easier for health workers to provide first aid. It is as proposed by Al-Shaqsi (2010: 320) that defines EMS as "A comprehensive system which provides the arrangements of personnel, facilities and equipment for the effective, coordinated and timely delivery of health and safety services to victims of sudden illness or injury. The aim of EMS focuses on providing timely care to victims of sudden and life-threatening injuries or emergencies in order to prevent needless mortality or long-term morbidity."

To support EMS, equipment are needed so-called Emergency Medical Kit (EMK). EMK product is actually not a specific product and require high technology in its manufacture. This product is a system of first-aid tool for victims of a disaster or other accidents. The product line is very varied according to the needs of its users. Several types of EMK in Indonesia is First Aid Kit; Traffic Accident Kit; Emergency Kit; Disaster Kit; Trauma Kit; Fire Rescue Kit; Fracture Kit.

EMK customers are mostly government agencies. In the procurement of goods or services within the government that process is to follow the rules of the Presidential Decree (Decree) no. 54 of 2010 on Procurement of Goods / Services. If the procurement of goods or services required by the Government have entered into the E-Catalogue the auction process conducted by E-Purchasing. If you've followed the E-Purchasing the provider of goods or services shall follow the rules that exist in it by offering goods prices should not be more expensive than those listed in the E-Catalogue. So auction in the procurement of goods or services can be more transparent and accountable. Different if the procurement of goods or services are not listed in the E-Catalogue. Then the process of procurement of goods or services carried out an auction using the old or traditional methods.

EMK product until now not been able to get into the E-Catalogue. This is because the EMK product consists of a lot of equipment, each of which has certain technical specifications. Another obstacle that EMK product difficult to enter into E-Catalogue is all the equipment in the EMK product must be made by using one brand only. Additionally, this problem is also related to government policy.

Other conditions which arise in the supply or purchase of EMK products in government agencies namely auction process itself. Auction process begins with the needs of users of EMK product itself, which in this case are the doctors and other medical personnel. At the time of filing of the need for EMK product of course they want a quality product suited to their needs, but in the filing of the needs presented by the technical specifications and the user is not allowed to refer to one particular brand. Then, the EMK product procurement process itself is also carried out by the procurement team. The procurement team would run the EMK product demand while still holding the principles of government agencies procurement of goods or services in an efficient and effective. The impact of this principle is that the procurement team should choose EMK products that meet technical specifications submitted by the user with the cheapest price. Therefore, the type of product procurement process is rational which EMK product that offers the most affordable price and meet the technical specifications was determined to be purchased by the customer.

Other drivers of the increase in demand of EMK products is also an increase in the government's health budget. And the health budget of government each year continues to rise. This can be seen from Indonesia's total health expenditure is increasing every year. In 2012, total health spending Indonesia reached US \$ 26.4 billion (equivalent to Rp. 264 trillion assuming 1 US \$ = Rp. 10,000). This number increased by 34.01 percent compared to the total health expenditure in 2011. And the total health expenditure is predicted to increase to more than 100 percent in 2016.

The huge potential of this turned out to be inversely proportional to the EMK product sales produced by domestic companies. From 2007 to 2013, EMK product sales decreased. Sales decline is thought to be caused by the competitive advantage of domestic EMK products. Competitive advantage in itself is a "a benefit that exists when a firm has a product or service that is seen by its target market as better than Reviews those of competitors" (Logenecker, Moore and Petty; 2003: 30). This means that a company is considered to have a competitive advantage if the performance of their products or services look better in the eyes of customers compared with its competitors. This means that the domestic EMK companies are officially registered by the government not have a competitive advantage more than its competitors.

Associated with the process of purchasing of EMK products on Government agencies that use an auction system with the principle of seeking goods or services that meet their needs and offer the most affordable price, then allegedly EMK product of authorised company still unable to compete in terms of price quotes. This is why customers do not buy the products of authorised companies.

Lack of seed of authorised EMK companies in terms of the price offered less cheapness of course related to their business competence in this industry. Business competency here is the skills or expertise that can be applied to solve specific problems (Gibson and Ivancevich; 2007). In this case is to make EMK product quality with low prices. In fact, PT. Trimitra Garmendindo Interbuana (Trimed) for example a bag manufacturer of medical devices is taken into account in the global market. Trimed export value of approximately US \$ 2.3 million / year and the annual growth of exports reached 15 percent (Swaplus; 2006: 3). It shows that this company has a good business competencies.

In addition to demonstrating a good competence, it also shows that Trimed as one EMK company that has a good reputation in the global market. Medical equipment market share and sales value each year is one indicator that can prove that they have a highly regarded reputation created through good quality products and sales over the years. Due to the company's reputation is a concept associated with the image, but it refers to the public assessment of the quality of an organisation that was formed in a long period of time regarding consistency, trust and reliability (Bennett and Rentschler; 2003). But with the good reputation of the company is not able to increase the competitive advantage of EMK product so it has not become the primary choice of customers. The objective of this research is to describe the customer relationship management, business competence, company reputation, competitive advantages and sales of EMK Product in Indonesia. And also to get the analysis of the customer relationship management, business competence, in formed company reputation, and its impact on sales of EMK Product in Indonesia through competitive advantages.

2. Literature Review

Competitive advantage is also closely related to the company's reputation. Petrick, et.al. (1999) suggested that the ability of global leadership on complex behavior and development services that contribute to a company's reputation is a key intangible resources that encourage a sustainable competitive advantage in the 21st century addition. A sustainable competitive advantage has two aspects; The first related to the

sustainability of the main product attributes and the other relating to the durability of the intangible resource superiority against competitors (Hall; 1993). EMK company's reputation in terms of quality of products already in doubt.

A company that has a good reputation is of course also from their competence in terms of producing medical devices over the years. Business competence (BC) in the case of medical devices also have an impact on competitive advantage. Gibson and Ivancevich (2007) suggested that business competence is a skill or expertise that can be applied to solve specific problems. Thus, business competence development can create superior advantages for sales. It is as proposed by Carson et al, (1995) which states that for SMEs which are managed on the basis of entrepreneurship, business competence development can create superior advantages for sales. This means that the more competent a company to create a product / service, the competitive advantage will be higher.

3. Hypothesis

The hypothesis research are proposed as follows:

1. Business competence affect the competitive advantage;
2. Competitive advantage effect on sales of EMK Product in Indonesia;
3. Business competence effect on sales of EMK Product in Indonesia.

To test the overall significance models, t_{est} statistics were used (Sitepu; 1994) :

$$t_i = \frac{P_{yx1x2}}{\sqrt{\frac{(1 - R^2_{yx1x2})CR_{ii}}{(n - k - 1)}}$$

Test criterias :

If $F_{count} < F_{table}$ or $t_{count} < t_{table}$, then accept H_0 . And if $F_{count} > F_{table}$ or $t_{count} > t_{table}$, then reject H_0 .

4. Method

According to the research objectives to be achieved, the descriptive and verificative research method are used. Data collection in this research conducted by the two techniques which are field research through the distribution of questionnaires, interviews and observations as well as the library research. Meanwhile, this research also used census method. As many as 51 government agencies which are the customer of EMK product were respondents in this study. The statistical method used is Path Analysis To test the validity of the items in questionnaire, used Pearson product-moment. Validity coefficient calculated with the help of software SPSS 19 for Windows. Item is declared valid if the values of Pearson Product-Moment Correlation is greater than the critical value. Critical value of r is set at 0.3 (Sugiyono; 2007). The results of test are the validity coefficient greater than r critical, so it can be concluded that the items are valid. Cronbach Alpha Coefficient also used in the measurement of reliability. After testing by using SPSS 19, Cronbach alpha values obtained for the whole variables worth more than 0.5. It means that instrument for all variable is reliable. Accordance to Kaplan-Saccuzzo (1993) a variable is reliable if the items is worth more than 0.5.

5. Result and Discussion

After the recapitulation and counting, the descriptive research results are as follows:

Table 1. Result of Descriptive Test

Variables	AVG SCORE	Category
Business Competencies (BC)		
Average Score of BC	216.375	Very competent
Company Reputation (CR)		
Average Score of CR	202.625	Trusted and Reliable
Competitive Advantages (CA)		
Average Score of CA	208.25	Superior

The Competencies of EMK company is not in doubt. However, this competence is not supported by the company's ability to make a quality product, but cheap in price. In addition, competence in terms of production has not been accompanied by competence in marketing the EMK products independently.

Reliable and trustworthy reputation is owned by the EMK company. However, prices are still considered expensive when compared to similar products made in China. In addition, the stigma that foreign-made medical devices, especially manufactured in the USA and Japan as well as Germany, better quality also hamper the reputation of the company.

The domestic EMK products has a competitive advantage. EMK product is very reliable and quality. However, the price of domestic EMK products less low when compared to similar products made in China. From the results of a calculation for path analysis using Lisrell program version 8.70, the obtained structural equation as follows:

Structural Equation for Sub-Structure 1

$$\text{Company Reputation} = 0.54 \cdot \text{Business Competence} + \text{Errorvar.} = 0.71, R^2 = 0,29$$

(0.12) (0.14)

4.50 4.95

Structural Equation for Sub-Structure 2

$$\text{Competitive Advantage} = 0.95 \cdot \text{CR} - 0.19 \cdot \text{BC} + \text{Errorvar.} = 0.25, R^2 = 0,75$$

(0.085) (0.085) (0.051)

11.17 -2.18

According to that structural equation, then the hypothesis test results are presented in the following table:

Table 2. Result of Hypothesis Testing

HYPOTHESIS	t _{count}	t _{table}	Meaning	Statistical Conclusion
Business competence does not affect the company reputation	4.50	2.00	significant	H ₀ rejected. Business Competence significantly affect the company reputation.
Business competence does not affect the competitive advantage	-2.18	2.00	significant	H ₀ rejected. Business Competence significantly affect the competitive advantage.
Company reputation does not affect the competitive advantage	11.17	2.00	significant	H ₀ rejected. Company reputation significantly affect the competitive advantage.

Based on the table above, then all hypotheses proved significant. Business competence significantly affect the company's reputation. Similarly, the influence of these variables on competitive advantage. Furthermore, company reputation is also has a significant impact on competitive advantage. Therefore, the effect of each variable can be seen in the following table:

Table 3. Impact of Each Variables

Variable	Coefficient	EFFECT		
		Direct	Indirect	Total
Sub-Structure 1				
Business Competence - Company Reputation	0.54	29.16%	0%	29.16%
TOTAL		29.16%	0.00%	29.16%
Residual Factor				70.84%
Sub-Structure 2				
Business Competence - Competitive Advantage	-0.19	3.61%	-9.75%	-6.14%
Company Reputation - Competitive Advantage	0.95	90.25%	-9.75%	80.50%
TOTAL		93.86%	-19.49%	74.37%
Residual Factor				25.63%

For the sub-structure 1, it appears that business competence has a fairly close relationship with the company's reputation. This shows that the more competent of EMK Company in making EMK product it will make the company get better reputation.

Meanwhile, for the sub-structure 2, company reputation has a very close relationship with a competitive advantage when compared with business competence. EMK company that has a good reputation, the competitive advantage will be increasing as well. It is expected when competitive advantage tend to increase then it will be the first choice of customers in choosing the EMK product.

Negative coefficient of business competence variable shows that the more competent one EMK Company in making a quality product then it will decrease competitive advantage. This is because a good quality product will offer a higher price. While, in the process of purchasing EMK product, customers will choose the product that's cheap and has a good reputation. Because of that, EMK company that has high business competence in terms of quality, the competitive advantage will be even lower.

Search results in the field found that the competitive advantage that is expected by the customer is the EMK product that meets the prescribed technical specifications as well as offering low prices. In addition, the excellence factor in the cost of distribution and area of distribution to be considered by customer in choosing EMK product. Domestic EMK company has a competence and a good reputation in making EMK product but the price offered by them is more expensive compared to foreign-made products, especially made in China.

6. Conclusion

The Competencies of EMK company is not in doubt. This competence in terms of production has not been accompanied by competence in marketing the EMK products independently. Reliable and trustworthy reputation is owned by the EMK company. The domestic EMK products has a superior competitive advantage. EMK product is very reliable and quality. However, the price of domestic EMK products less low when compared to similar products made in China.

Business competence has a fairly close relationship with the company's reputation. Meanwhile, company reputation also has a very close relationship with a competitive advantage when compared with business competence. Negative coefficient of business competence variable shows that the more competent one EMK Company in making a quality product then it will decrease competitive advantage.

Therefore, to enhance the domestic competitive advantage EMK product, EMK company focuses on developing and imaging capabilities in making EMK product that is not only good quality but also have a low price.

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