



Build Competitive Advantage to Improve Company Performance

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Abstract

The development of the pharmacy business is driven by the growth of market opportunities resulting in fierce competition between pharmacies, every pharmacy business is required to create a good and integrated competitive strategy to win business competition. This study aims to find out how a company can win the competition and improve company performance. In this study using several variables including: Environmental Adaptability, differentiation strategy, efficiency strategy, competitive advantage, company performance. This study used a sample of 118 respondents and processed using the Structural Equation Model (SEM) analysis technique. The results show that environmental adaptability has a positive effect on differentiation strategy, environmental adaptability has a positive effect on efficiency strategy, differentiation strategy has a positive effect on competitive advantage, efficiency strategy has a positive effect on competitive advantage, competitive advantage has a positive effect on company performance. Future research is expected to reveal things that have not been answered in this study so that it will complement the findings of previous studies. For example, by adding several indicators or variables that have not been included in this study, which can be included in further research, so that by including many variables in this study more valid results will be obtained.

INTRODUCTION

The development of the pharmacy business is carried out by the growth of market opportunities which has resulted in intense competition between pharmacies, every pharmacy business has to make a good and integrated competitive strategy to win business competition, competitive strategies can be applied by pharmacies to win the competition including cost advantage, differentiation product and focus are known in generic strategy (Porter, 1980)

The growth of the pharmaceutical sector in the city of Semarang is very rapid, this can be seen from the increase in the number of producti-

on facilities, distribution and pharmaceutical services in the city of Semarang. According to Semarang Industries, 2 Medical Devices Industries, 5 PKRT Industries, 24 Cosmetic Industries, 6 Traditional Medicine Industries, 190 Pharmaceutical Wholesalers, 78 Medical Device Traders, 18 General Hospitals, 8 Special Hospitals, 36 Main Clinics, 71 Primary Clinic, 418 Pharmacies and 37 Health Centers.

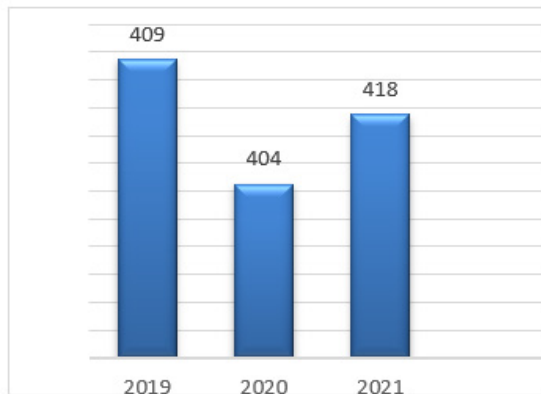
The discussion in this study is because the performance of pharmacies decreased due to market share and pharmacy profits decreasing this was caused by internal factors that were less able to compete with their competitors, this was strengthened by the opinion of Szimanky et al

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(1993) that the decline in performance could be seen in market share. and declining profitability City Health Office records, to date there are around 909 Pharmaceutical Facilities in Semarang City. The facilities consist of 16 Pharmaceutical

Figure 1. Data on the Total Number of Pharmacies in Semarang (2019-2021)



The data above (figure 1) shows the number of pharmacies in the city of Semarang has increased, in 2021 the number of pharmacies as many as 418 pharmacies can show that the level of competition in the pharmacy business is very competitive, so that competition is so intense that some pharmacies are forced to close due to inability to afford. According to respondents, the results from the field survey of pharmacies were closed because the costs were greater than the profits, if we examined more deeply, the pharmacies' profits fell because the pharmacies did not have an advantage over their competitors. The dynamic changes in the pharmacy business force owners or managers to adapt to the business environment so that they have differentiation compared to competitors and have ways for efficiency.

Competitive advantage has a very important role in managing the pharmacy business because it helps create and integrate resource management to improve business performance. In Tomaz Cater's research, (Tomaz Carter, 2005). Competitive advantage by increasing the competence variable of innovating resources has a positive effect on effective company performance, while according to (Coff & Laverty, 2002) Competitive advantage does not lead to good company business performance. The power of management on shareholders, management and employees (employees) has a positive effect on manufacturing performance. Several previous studies were recorded as analyzing the same va-

riables and finding research gaps, including the following:

Base on research from Beal, (2000) entitled *Competing Effectively, Environment Scanning, Competitive Strategy and Organizational performance in small manufacturing firm*, The results show that gathering information about certain aspects of the environment facilitates the adjustment between some competitive strategies and the business environment.

Research from Nurlina Ria et al., (2013) entitled *Internal Environment, External Environment, and Secrets of the Entrepreneurial Spirit as the Basis for Differentiation Strategies, and Their Influence on Ornamental Plant Micro Businesses in Denpasar City*, The results show that Mastery of the internal environment as an important basis for the preparation of a differentiation strategy and the external environment is a direct determinant of competitive advantage, and is not used as a basis for implementing a differentiation strategy.

Research from Kutcher (2000) entitled *Differentiation*, The results show that Differentiation is an integral part of the company's success in a competitive business environment.

Research from (Ferdinand, 1998) entitled *Strategic Pathways Toward Sustainable Competitive Advantage*, The results show that There is an influence of differentiating advantage and marketing performance to increase sustainable competitiveness.

Research from Desrochers & Lamberte (2005) entitled *Efficiency and expense Preference in the Pilippines Cooperative Rural Banks*, The results show that The cost component reduces the cost efficiency of microbanks because they derive revenue from service quality.

Research from Reitsperger et al. (2012) entitled *Product Quality and Cost Leadership: Compatible Strategies?*, The results show that there is a positive relationship between the integration of cost control strategies and product quality with competitive advantage to improve industry performance.

The problems that can be formulated from the description above are: Does the variable of environmental adaptability affect the differentiation strategy?, Does the environmental adaptability variable affect the cost efficiency strategy?, Does the differentiation strategy variable affect competitive advantage?, Does the variable cost efficiency strategy affect competitive advantage?, Does the competitive advantage variable affect the company's performance?

Empirically tested and analyzed the effect of environmental adaptability variables on dif-

differentiation strategies, Testing empirically and analyzing the effect of environmental adaptability variables on cost efficiency strategies, Empirically test and analyze the effect of differentiation strategy variables on competitive advantage, Testing empirically and analyzing the effect of the variable cost efficiency strategy on competitive advantage, Empirically test and analyze the effect of competitive advantage variables on company performance.

Performance according to H. John Bernardin, Joyce E.A, 2013 is a record of acquisition resulting from activities over a certain period of time. Destination of each of the measurement system is to motivate all managers and employees so that the business unit strategy can be implemented by successful (Kaplan, 2010). Firm performance is important because it is an indicator for company owners to know the company's financial condition and is important for shareholders as one of the eligibility requirements when making investments (Fajarwati & Witiastuti, 2022) and (Kaylsi & Khoiruddin, 2021)

Competitive advantage becomes very important when a company enters a highly competitive market, short-term and even long-term success will be determined by the company's ability to build a strong business for a sustainable competitive advantage that is better than that of its competitors in the market it serves (Ferdinand, 1998). According to Porter, 1980 competitive advantage basically develops from the value that a company is able to create for its customers, provided that value exceeds the company's costs in creating the value created. Companies that can maintain above average performance in their industry or in other words companies can create value, for example through the services that have been provided to its customers, will achieve a competitive advantage.

Differentiation Strategies According to (Porter, 1980) there are three generic strategies, namely: overall cost advantage, differentiation strategy and focus strategy. From the three generic strategies, differentiation strategy is the most profitable strategy for the company. (Ian MacMillan and Rita Gunther McGrath, 1997) in their research argue that differentiation strategy built on difference and offer to buyers something of value that its competitors do not have.

The cost efficiency strategy gives serious attention to pharmacy managers to reduce operational costs that do not provide value added. According to Mulyamah (1987, p.3) efficiency is a measure in comparing plans for use input with realized usage or other words actual use.

Environmental Adaptability The environment is the acquisition and use Observation of information about events, trends, and relationships in an organization's external environment, which is knowledge that will be able to assist management in planning future actions (Bonnie & Choo, 1999). To win in such a fierce competition, understand the environment is something that must be done to find out what has been competitors do and what customers want.

Information about the corporate environment is needed by decision makers or strategic planners, because the preparation of strategic plans requires various kinds of information (Sabeni, 1999). Therefore, by having information on the activities of competitors' companies, they can follow a differentiation strategy. Further stated by Nurlina Ria et al., 2013 that the identification of the internal and external environment needs to be done to develop the adaptive capabilities of micro-enterprises in the form of the ability to access the environment and be able to adapt to utilizing the existing environmental forces, for that differentiation strategy is formulated based on environmental observation information.

H1: environmental adaptability has a positive effect on differentiation strategy.

The cost efficiency strategy becomes attractive for the pharmacy business because to defend itself in drug price competition, defend and attack competitors in order to get a larger market share, to be able to do pharmacy efficiency it needs environmental adaptability because the key to efficiency is understanding customers, understanding things what competitors do and cooperate with suppliers in this case are pharmaceutical wholesalers to get the best price. In accordance with the opinion of Kasmiruddin (2012) that selling products for "middle to lower" class consumers, it will be more effective to use a cost advantage strategy, because consumers are more interested in the price of the products offered, and supported by the opinion of Christiansen et al., (1996) also states that good environmental adaptability can increase company efficiency.

H2: environmental adaptability has a positive effect on cost efficiency strategies.

Differentiation is an integrated part of the company's success in a competitive business environment, and strengthened by research by Ferdinand, 1998 there is an effect of differentiation advantage and marketing performance to increase sustainable competition.

H3: differentiation strategy has a positive effect on competitive advantage.

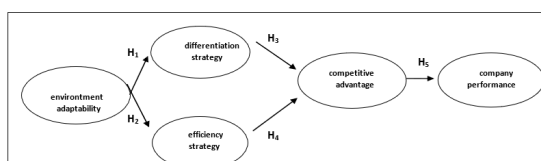
The strategy taken by the company in achieving the maximum value as desired by the customer is to implement a competitive strategy in a cost efficiency strategy. According to (Morgan Swink, Ram Narasimhan, 2005) and Halim Kazam (2006) in their research resulted in a statement that the efficiency of costs has a positive influence on competitive advantage, strengthened by research by Wolf D Reitsperger, Shirley J Daniel, Stephen B Taliman (1993) which states that there is a positive relationship between the integration of cost control strategies and product quality with competitive advantage to improve industrial performance and Mario B. Lamberte: (Desrochers & Lamberte, 2005) cost components reduce cost efficiency in micro banking because they get revenue from service quality.

H4: cost efficiency strategy has a positive effect on competitive advantage.

The competitive advantage of a company is something that is not easily imitated by other companies so that it becomes a sustainable competitive advantage. According to Tomaz Carter, 2005 Competitive advantage by increasing the competence variable of resources that innovate has a positive effect on effective company performance, and is also strengthened by (Grant, 2009) Understanding the supporting resources of competitive advantage affects the formulation of strategies for achieving good performance. superior. Companies need to focus on all factors and ignore one or more of the factors that damage the company's competitive advantage (Fahlefi & Indriani, 2021)

H5: competitive advantage has a positive effect on company performance.

Figure 2. Research Model



METHOD

Population is a generalization area consisting of objects/subjects that have certain qualities and characteristics determined by the researcher to be studied and then draw conclusions. The population of this research is pharmacies in the city of Semarang totaling 418 pharmacies (from 2019-2021)

The sample is part of the population that has relatively the same characteristics:.. conside-

red representative of the population (Singarimbun, 1991). According to Indriantoro and Sutomo (1999) the sample is part of the intended population to be studied. In order to fulfill the assumption of the Stuctural Eguation Model (SEM), this research was originally planned to use a sample of 170 respondents, but after distributing the questionnaires, only 118 respondents could be sampled.

In this study, the data collection method used can be divided into two stages, namely: Preliminary research stage: At this stage, data is obtained through literature, books and other information related to research so that the purpose of this research can be more focused. Field research stage: At this stage, interviews and questionnaires were distributed to pharmacies in Semarang City

The variables were measured by Likert scale covering seven points, namely (1) “strongly disagree” to (5) “strongly agree”; Environmental Adaptability is measured by three indicators : Ability to understand customers, ability to understand competitors, ability to cooperate with dealers.; Differentiation Strategy is measured by five indicators :Product, service, personnel, channel, image.; Cost Efficiency Strategy is measured by three indicators :labor efficiency, inventory cost efficiency, operational cost efficiency.; Competitive advantage is measured by three indicators :have consumer appeal, maintain customer loyalty, have superior service quality.; Company performance is measured by three indicators : sales growth, profitability, market share

RESULT AND DISCUSSION

Full Model Structural Equation Model (SEM) analysis which is intended to test the models and hypotheses developed in this study. Testing the model in the Structural Equation Model is carried out with two tests, namely the model suitability test and the causality significance test through the regression coefficient test. The results of data processing for SEM analysis are shown in Figure 3

Table 1. Structural Equation Model Full Model

Criteria	Result	Evaluation
Chi-Square	132.499	GOOD
Probability	0.114	GOOD
GFI	0.881	MARGINAL
AGFI	0.840	MARGINAL
TLI	0.988	GOOD
CFI	0.990	GOOD
CMIN/DF	1.162	GOOD
RMSEA	0.037	GOOD

Table 2. Hypothesis Test

Variabel	Estimate	S.E.	C.R.	P	Label
efficiency strategy <- environment adaptability	.860	0.95	9.035	***	par_14
Differentiation strategy <- environment adaptability	1.237	.141	8.776	***	par_16
competitive advantage <- Differentiation strategy	.317	.050	6.313	***	par_13
competitive advantage <- efficiency strategy	.515	.080	6.435	***	par_15
company performance <- competitive advantage	.776	.101	7.715	***	par_17

Table 3. Direct and Indirect Effects

Variabel	Direct Effects	Indirect Effects	Total Effects
Environment adaptability -> Efficiency strategy	0.792	0	0.792
Environment adaptability -> Differentiation strategy	0.722	0	0.722
Environment adaptability -> competitive advantage	0	07.95	0.795
Environment adaptability -> company performance	0	0.736	0.736
Efficiency strategy -> competitive advantage	0.533	0	0.533
Efficiency strategy -> company performance	0	0.493	0.493
Differentiation strategy -> competitive advantage	0.571	0	0.571
Differentiation strategy -> company performance	0	0.479	0.479
competitive advantage -> company performance	0.926	0	0.926

Figure 3. The results of the observations in Figure 3 on the full model analysis can be shown that the model meets the fit criteria, this is indicated by the value of the calculation results meeting the full model eligibility criteria.

Table 2. The results of the chi-square test calculation on the full model obtained a value of 132.499, still below the chi-square table with 114 degrees of freedom at a significant level of 5% of 139,920. The probability value is 0.114 above 0.05 which is the required probability value. The CMIN/DF value is 1.162 below 2.00 which is the required CMIN/DF value. The GFI value of 0.881 is less than 0.90 which is the required GFI value. AGFI value of 0.840 is less than 0.90 which is the required AGFI value. The TLI value of 0.988 is greater than 0.95 which is the required TLI value. The CFI value of 0.990 is greater than 0.95 which is the required CFI value and the RM-

SEA value of 0.037 is less than 0.08 which is the required RMSEA value.

Testing this hypothesis is based on processing research data using SEM analysis, by analyzing the regression values shown in Table 3 (Regression Weights Structural Equation Modeling Analysis). Testing this hypothesis is by analyzing the Critical Ratio (CR) value and the Probability (P) value of the data processing results, compared with the required statistical limits, which are above 1.96 for the CR value and below 0.05 for the P value. these conditions, then the proposed research hypothesis can be accepted. In detail, the research hypothesis testing will be discussed in stages in accordance with the proposed hypothesis.

H1: environmental adaptability has a positive effect on differentiation strategy

The influence of environmental adaptability variables as measured by indicators of the ability to understand customers, the ability to understand competitors, and the ability to cooperate with suppliers. The estimated parameter of the effect of environmental adaptability on the differentiation strategy is 1.237 with a significant value at CR = 8.776 which is above the requirement of CR 1.96 with a significant level of 0.05 (5%) so that the null hypothesis can be rejected and the alternative hypothesis is accepted. Therefore H1 is accepted and it can be concluded that overall environmental adaptability has a positive effect on differentiation strategy. Thus hypothesis 1 is proven.

H2: environmental adaptability has a positive effect on efficiency strategies

The influence of the environmental adaptability variable is measured through indicators of the ability to understand customers, the ability to understand competitors, and the ability to cooperate with suppliers. The estimated parameter of the effect of environmental adaptability on the efficiency strategy is 0.860 with a significant value at CR = 9.035 which is above the requirement of CR 1.96 with a significant level of 0.05 (5%) so that the null hypothesis can be rejected and the alternative hypothesis is accepted. Therefore H2 is accepted and it can be concluded that environmental adaptability has a positive effect on efficiency strategies. Thus hypothesis 2 is proven.

H3: differentiation strategy has a positive effect on competitive advantage

The influence of the differentiation strategy variable is measured through product, service,

personnel, channel and image indicators. The parameter estimation of the effect of differentiation strategy on competitive advantage is 0.317 with a significant value at CR = 6.313 which is above the requirements of CR 1.96 with a significant level of 0.05 (5%) so that the null hypothesis can be rejected and the alternative hypothesis is accepted. Therefore H3 is accepted and it can be concluded that the differentiation strategy has a positive effect on competitive advantage. Thus hypothesis 3 is proven.

H4: efficiency strategy has a positive effect on competitive advantage

The effect of the efficiency strategy variable is measured through indicators of labor efficiency, inventory cost efficiency, and operational cost efficiency. The parameter estimation of the effect of efficiency strategy on competitive advantage is 0.515 with a significant value at CR = 6.435 which is above the requirements of CR 1.96 with a significant level of 0.05 (5%) so that the null hypothesis can be rejected and the alternative hypothesis is accepted. Therefore H4 is accepted and it can be concluded that the efficiency strategy has a positive effect on competitive advantage. Thus hypothesis 4 is proven.

H5: competitive advantage has a positive effect on company performance

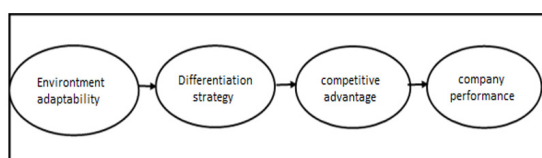
Influence The influential competitive advantage variable is measured through indicators of having consumer attractiveness, retaining consumers and having superior service quality. The estimated parameter of the effect of competitive advantage on the company's performance is 0.776 with a significant value at CR = 7.715 which is below the requirements of CR 1.96 with a significant level of 0.05 (5%) so that the null hypothesis can be accepted and the alternative hypothesis is rejected. Therefore H5 is rejected and it can be concluded that overall competitive advantage has a positive effect on company performance. Environmental adaptability affects the company's performance directly by 0.736, but has an indirect effect through efficiency strategies of 0.792 and competitive advantage of 0.533 and competitive advantage of 0.926.; Environmental adaptability directly affects the company's performance by 0.736, but has an indirect effect through differentiation strategy of 0.722 and a competitive advantage of 0.571 and a competitive advantage of 0.926.

CONCLUSION AND RECOMMENDATION

From the research results have answered the research problem which significantly resulted in two basic processes to improve company performance:

First: performance improvement in this case is marked by an increase in competitive advantage, one of which can be done through increasing differentiation strategies based on good environmental adaptability, as presented in the following figure:

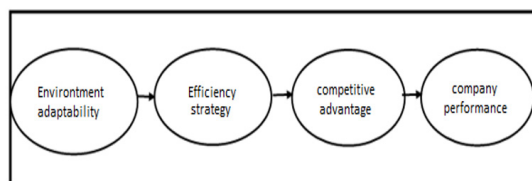
Figure 4. company performance improvement process 1



The results of this study prove that a better level of adaptability will improve the quality of differentiation strategy which in turn will increase competitive advantage and company performance.

Second: improving company performance, one of which can be done through increasing efficiency strategies based on good environmental adaptability so as to increase competitive advantage and company performance. as shown in the following figure:

Figure 4. company performance improvement process 2



Based on the limitations that have been described, this research study on the company's performance can still be developed further in future research. Future research is expected to reveal things that have not been answered in this study so that it will complement the findings of previous studies. For example, by adding several indicators or variables that have not been included in this study, which can be included in further research, so that by including many variables in this study more valid results will be obtained.

Future research should be carried out on broader and more in-depth research objects, for example in pharmacies in other regions or even

nationally, so that future research can better observe the factors that affect the performance of pharmacies.

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