

THE COMPETITIVE ADVANTAGE OF PT. PHM DURING COVID-19 PANDEMIC: A CASE STUDY ON AN INDUSTRIAL SUPPLIER FAMILY BUSINESS

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ABSTRACT

PT. PHM is an industrial supplier business that distributes most of their products to state-owned enterprises in Palembang, South Sumatera. This family business has been operational for 30 years and during the COVID-19 pandemic, even though the trading industry has decreased significantly, this company can still survive and even perform profitably. The company is currently still facing the tight competition in the market especially during pandemic. Therefore, the researchers investigated factors that contribute to PT. PHM's competitive advantage during the pandemic by applying single instrumental case study that involves interviews, observations, and field notes, and approaching 2 owners, 4 employees, and 4 customers for this study. The latent variables that emerged such as Integrity, Diligence, Product Knowledge, Problem Solving Skill, Competitive Price, Employees' Performance, Owners-Employees Relationship, Product Precision, Prompt Communication Response, Certified Quality were constructed into a mini-model theory. Hence, this could guide the family business in enhancing its competitive advantage during and even beyond the pandemic.

Keywords: family business, competitive advantage, COVID-19 pandemic, case study

1. INTRODUCTION

According to Firfiray and Mejia (2021), COVID-19 pandemic is a public health crisis that has never happened before and it has a huge impact on consumer and business confidence. (De Massis & Rondi, 2020) stated that the world is currently suffering many problems because of COVID-19. There are some big changes in terms of management of organizations. Likewise, it has been a huge challenge for family businesses to survive. Furthermore, Badan Pusat Statistik (2021) shows that the economic growth in Indonesia underwent 2.07% reduction during the COVID-19 pandemic in 2020. In particular, the Gross Domestic Regional Product (GDRP) in the province of Sumatra decreased by 1.19%. According to PwC (2021), 46% of family businesses predict that its sales will drop during a pandemic while others feel optimistic to sustain the businesses. The World Bank (2020) also stated that many companies are suffering a reduction in sales and the financing is also getting worse. Moreover, companies also feel uncertainty about the future.

The family business is considered important because it contributes to economic growth and also creates huge job opportunities for Indonesian people (Chitania & Mustamu, 2014; Soediby, 2012). Family business is a business that is run and controlled by family members inside it where the family member potentially continues the business for the next generation.

In general, to define a family business, the owner has to involve in operation and ownership that can influence the business (Rau *et al.*, 2018)

Novita and Husna (2020) analysed a literature review and concluded that the dominance in finance, performance, and market positioning mainly contribute to the origin of competitive advantage. In regard to having competitive advantage, the company will be able to have an additional value in all aspects and gain superior position in relation to other competitors.

Obrenovic *et al.* (2020) recommend that in the future, the writers can research about the case that shows how the company operates in a pandemic situation to sustain the business. Likewise, identify the best practices, and the side effects on company operation. Furthermore, Rashid and Ratten (2021) recommend studying further the biggest challenge that businesses have to face and sustain during COVID-19.

1.1 Research Problem

PT. PHM is a private company which was established in 1990 by Setijono Pratomo in Palembang, South Sumatera. He is a Chinese Indonesian businessman who has a faith in Christianity. This company is selling industrial products such as valves, steel plates, etc. During the pandemic, most of the companies struggled to reach their sales target or even make a profit.

According to Badan Pusat Statistik (2021), the trading industry has decreased by 3,72%. It went down from 1440,3 Trillion Rupiah to 1386,7 trillion Rupiah on a whole. However, PT. PHM could sustain its business and make a profit. Therefore, this study will cover how PT. PHM survived during COVID-19.

The government often does lockdowns that make people unable to work in the office. In Sumatera Selatan, there are so many competitors who would like to offer their products and supply them to state-owned companies. COVID-19 also impacted state-owned companies to stop its operation and limit its expenses. PT. PHM owners made a statement that nowadays there are so many new entrants that makes the competition become more difficult than the past and it can be seen from the contracts invitation to the firm is increasing year by year. There are so many new products that come with a cheaper price and decent quality. However, PT. PHM somehow survived the business and even exceeded the target for the year 2020.

Therefore, this research will define how PT. PHM is able to sustain and even exceed the target on the revenue during COVID-19 Pandemic. Besides that, the researcher is also the successor of this business. Furthermore, this research is helping the researcher to fully understand the business.

From this chart, we can see that there is a significant growth in revenues during the COVID-19 pandemic. The number of workers in PT. PHM is still the same. Even during the lockdown, PT. PHM still paid full salaries to the employees. Furthermore, there is no worker rotation in each division.

1.2 Research Questions

1. What factors enable PT. PHM to sustain its business during this pandemic?

2. How does PT. PHM implement its strategies to achieve competitive advantage during the pandemic?

2. LITERATURE REVIEW

2.1 Family Business

Ghadoliya (2020) stated that family business is different from any other organization because the company has a big influence on the family. According to Carsrud (1994), family business means that the ownership and decisions are made by family members. Likewise, Intihar and Pollace (2012) defined family participation in the business such as ownership, governance, succession, management, or employment. In addition, a broad definition of family business is where the family has the majority portion of equity so they are able to control the strategy and top management positions (Colli & Rose, 2008).

When it comes to gaining core competencies to gain a competitive advantage, family business is the same with any other business. Yet, Poza (2013) stated that family businesses distinguish in the availability of resources and capacities. Most family businesses have a long-term perspective, and build long-term relationships with trust. Campbell *et al.* (2007) defines competitive advantage can be obtained from within the family culture itself.

2.2 Competitive Advantage

Competition is the key to success in building a company. Thus, in order to survive competition, it has to be seen from its performance and innovation (Porter, 1985). Barney (1991) stated that a firm is considered attaining competitive advantage if it implements a value creating strategy that does not exist in any present or potential competitor.

Zeqiri and Nedelea (2012) stated that competitive strategy of the firm is the way in gaining a competitive advantage. In order to gain a competitive advantage, a firm needs to have specific skills, assets, and capabilities for the organization. According to Kenyon and Sen (2014), competitive advantage is the key for a firm to retain customers. Moreover, without a sustainable customer base, the company will struggle to generate profits. Porter (1985) denoted that businesses need to acquire two basic types of competitive advantage, which are cost leadership and differentiation.

3. METHODOLOGY

The researchers applied qualitative methodological approach using a case study strategy to understand the knowledge that is related to human and social sciences (Creswell, 2007; Hammersley, 2013). Keeves (1997) stated that a case study is the exploration of a single individual, group, or phenomenon.

Case study allows the researchers to investigate empirical events to maintain holistic characteristics of real-life events (Creswell, 1998; Eisendhardt, 1989; Schell, 1992). In this study, the researchers employed interviews, observations, and field notes to collect data and induce the emerging concepts about the competitive advantage of PT PHM.

4. RESULTS AND DISCUSSION

The emerging latent variables induced from this study are constructed into propositions. There is a total of 10 propositions.

Proposition 1 (P1): Integrity (V1) contributes positively to Competitive Advantage (V11)

In running the business, integrity is one of the important aspects in religious values. PT. PHM owners prioritize integrity as a religious and business value in running the firm. Integrity is about finding one's true self, compassionate, and experiencing empathy for others. Lack of integrity can cause disappointment to self and others. Integrity is not some additional feature to business, but it is the core of a healthy business. (Koehn, 2005).

Proposition 2 (P2): Diligence (V2) contributes positively to Competitive Advantage (V11)

Diligence means working and focusing on reaching something. One of the keys to success is through diligence (Li, 2018). As Chinese descendants, owners of PT. PHM applying value of diligence to run the business. The two owners highlighted diligence as one of the primary values as they diligently try to reach the revenues target every year.

Proposition 3 (P3): Product Knowledge (V3) contributes positively to Competitive Advantage (V11)

Product knowledge is another important aspect to achieve competitive advantage. By having product knowledge, PT. PHM is able to convince customers to purchase and repurchase. It can provide customers with precise information about the product. Moreover, it can contribute to business growth and opportunities (Elsya & Indriyani, 2020).

Proposition 4 (P4): Problem Solving Skill (V4) contributes positively to Competitive Advantage (V11)

Problem solving is an important skill for providing services to customers. Customers will feel dissatisfied due to the lack of problem resolutions. Thus, problem-solving skill could contribute positively to the business (Bader Alshahran *et al.*, 2017). Most of PT. PHM customers are confused with their manufacturing problems, and thus PT. PHM offers more fitting options by using its products to fix the manufacturing issues.

Proposition 5 (P5): Competitive Price (V5) contributes positively to Competitive Advantage (V11)

Nowadays, people can access the auctions online. In order to win the tendering process, it depends on bidding strategy and the desired profit margins. By offering competitive prices, it is able to boost the sales and sustain the business (Brennan *et al.*, 2007).

Proposition 6 (P6): Employees' Performance (V6) contributes positively to Competitive Advantage (V11)

In order for a company to grow, it requires employees' performances to reach the sales target. Mangkuprawira and Hubei (2007) stated that employees' performance is influenced by intrinsic and extrinsic factors. The internal factors consist of education, experience, motivation, health, age, skills, vertical communication and horizontal, compensation, training, workload, working procedure, and punishment system. Employees' performance means that they understand the specification of PT PHM's products, quoting the prices, and billing the customers systematically.

Proposition 7 (P7): Owners-Employees Relationship (V7) contributes positively to Competitive Advantage (V11)

The satisfaction and engagement of the employees is drive by the employer-employees relation. A trusting relationship between the owners and employees, as in PT PHM, contributes positively towards the competitive advantage of the company. A good relationship is based on respect, loyalty, support, and trust that elevates employees' motivation and subsequently business performance (Arimie & Oronsaye, 2020).

Proposition 8 (P8): Product Precision (V8) contributes positively to Competitive Advantage (V11)

Kaswengi and Lambey-Checchin (2020) stated that the quality of the products is affecting customer expectation and provide customer satisfaction. When it comes to the industrial products, PT. PHM needs to ensure the precision of the products, so that customers can apply the products to their existing infrastructure.

Proposition 9 (P9): Prompt Communication Response (V9) contributes positively to Competitive Advantage (V11)

The role of communication process has a lot of benefits for the internal environment of the organization as well as for customers because it influences the decision making of the customers whether they want to buy the products or not (Bucata & Rizescu, 2017). Most of the customers recommend PT PHM because it always responds quickly when they have questions through Whatsapp chat or phone calls.

Proposition 10 (P10): Certified Quality (V10) contributes positively to Competitive Advantage (V11)

Possessing certification for products significantly increase PT PHM's financial performance (e.g., Islam *et al.*, 2015). Most of the state-owned companies require product certifications for their projects. Most of PT. PHM competitors cannot fulfill the certification requirement.

5. CONCLUSION

Based on the proposition that the researcher made, this research results in mini-model theory about competitive advantage of PT. PHM. Based on the mini model theory below, the factors that are influencing is very crucial for the competitive advantage of PT. PHM which shown in

Fig. 1:

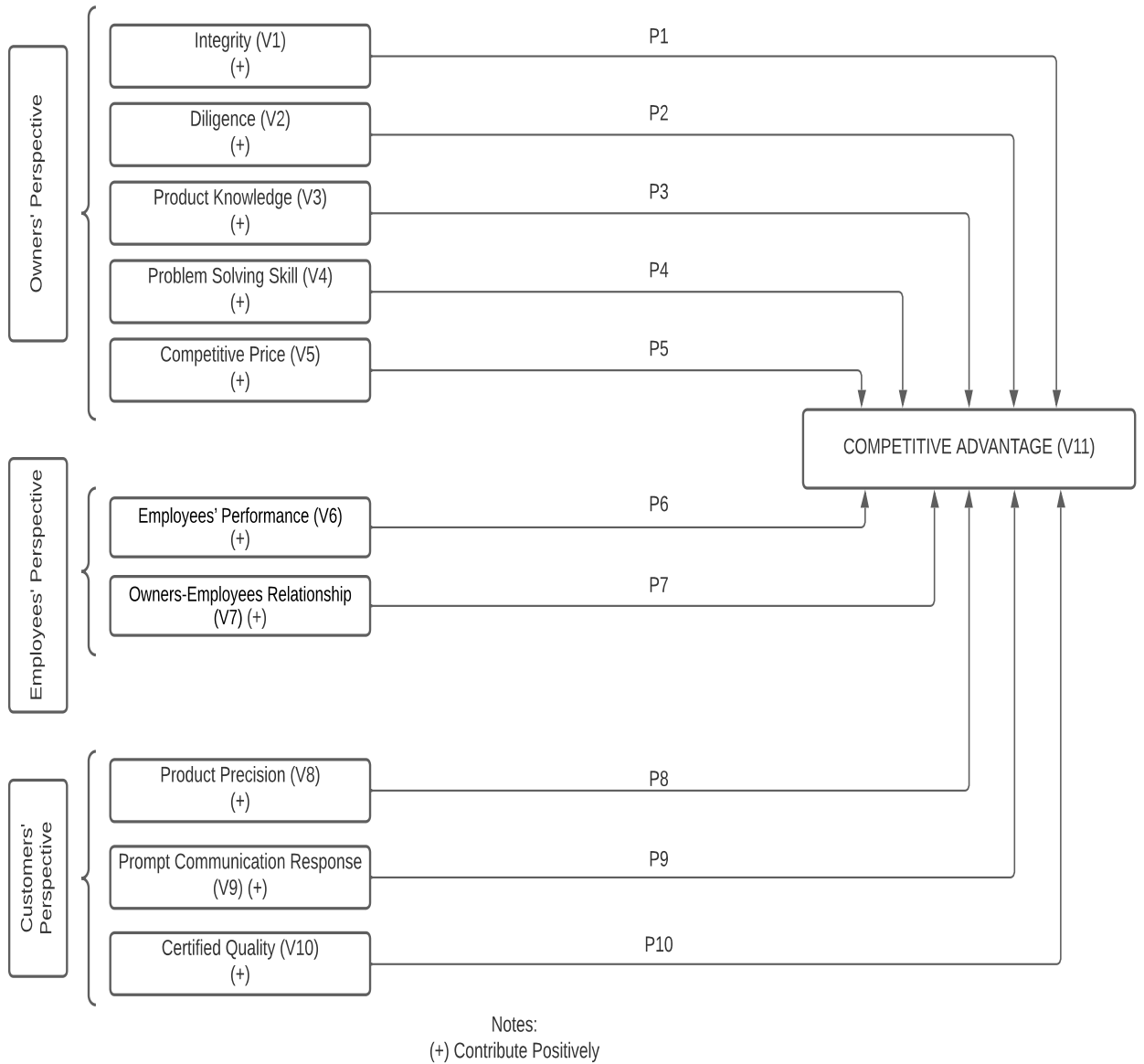


Figure 1: Mini-Model Theory of PT. PHM's Competitive Advantage

In doing this research, there are limitations. With this COVID-19 Pandemic, the researcher had limited field observation because due to government restrictions. Second, this research is using a single case study, thus, the constructed theory cannot be generalized to other supplier businesses.

Based on the result about PT. PHM, it is recommended to research other supplier businesses in different regions that are also affected by the pandemic for comparative studies. Second, focusing on state-owned enterprises as customers provides avenues for the findings to be compared to private-owned enterprises. Third, the researchers also recommend future research to apply quantitative approach. Fourth, this research could be repeated several times to eventually produce a grand theory (Jonker & Pennink, 2010).

Competitive advantage is an important thing to PT. PHM that is currently grow its business. Therefore, the findings can be used for guiding owners and employees to develop customer satisfaction and loyalty towards PT. PHM. This research can benefit the successor of PT. PHM to comprehend the competitive advantage of this family business. Furthermore, this research can prepare the owners of PT. PHM to have a contingency plan if there is a new crisis.

ACKNOWLEDGEMENTS

We would like to thank Universitas Pelita Harapan for the support that this research can be completed well on time. Also appreciate the reviewers for their valuable feedback.

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