

## ***SUSTAINING COMPETITIVE ADVANTAGE IN PRIMA SAKTI***

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### **ABSTRAK**

*Didirikan pada tahun 1993, Prima Sakti adalah sebuah perusahaan metal stamping dan plastic injection parts. Setelah lebih dari dua dekade, perusahaan ini telah berkembang menjadi sebuah perusahaan yang kompleks dalam hal ukuran, pasar dan produk. Penelitian kualitatif ini dipandu oleh sejumlah teori sebagai landasan dan menggunakan triangulasi data. Hasil dan pembahasan menunjukkan adanya perkembangan perusahaan dari sistem made-to-order menjadi sistem hybrid antara sistem made-to-order dan made-to-stock untuk memaksimalkan kapasitas dalam menerapkan cost leadership. Target pasar juga meluas dalam hal melanjutkan penetrasi pasar, pengembangan pasar dan pengembangan produk. Hasil dan pembahasan juga mengindikasikan bahwa untuk mendapatkan keunggulan kompetitif, perusahaan mengintegrasikan strategi cost leadership dan differentiation. Sebagai penutup, peneliti mengusulkan sebuah teori-mini yang didasarkan pada sejumlah variabel antara lain reputasi perusahaan, kualitas produk, pelayanan, learning effect, economies of scale, economies of scope dan capacity utilization yang mungkin memengaruhi keunggulan kompetitif untuk diuji secara kuantitatif.*

**Kata kunci:** *keunggulan kompetitif, cost efficiency, uniqueness, product market, capacity utilization*

### **INTRODUCTION**

According to Indonesia's Department of Industry and Trade, there were 88 companies operating in textile and garment industry in Indonesia in the year 1987 which then exploded to over 2,000 companies by 1992. During those years, most plastic spare parts for textile and garment industry were imported from Japan and Europe which triggered Adi Handoyo in seeing the opportunity to make the spare parts locally. In March 1993, Adi Handoyo established Prima Sakti by operating only one plastic injection machine and operated by one employee. He produced the same

product as Japan and Europe with same quality yet with much cheaper price. The demand for the product kept on increasing up to the point where adding new machines is needed.

The advantage of using plastic injection machines is its changeable mould where the products can be customized. This advantage allows Prima Sakti to expand in terms of its customers and varieties of products. Today, Prima Sakti is growing into making up to 200 varieties of products using 55 machines and equipments.

Prima Sakti aims at serving the business markets. The initial market was textile and garment industry in Bandung area. However, it serves more than eleven different industries across seven cities in Java island today.

The above mentioned background leads this study to problematize the growth of Prima Sakti to answer questions such as: What makes a company grow into a complex firm in terms of size, market and product? How does a company create and sustain its competitive advantage for more than two decades? What are the capabilities being acquired by a company in order to serve the market competitively?

## **RESEARCH ISSUE AND PROBLEMS**

Specifically this study raises the issue on the choice of product-market of Prima Sakti in sustaining its competitive advantage. The research issue is further explicated into the following research questions as follows. What is the historical account of the product development in Prima Sakti since its beginning? What is the historical account of the market development in Prima Sakti since its beginning? Why did Prima Sakti develop new products and new market? What capabilities especially distinctive and dynamic capabilities do Prima Sakti have and deploy to support its product and market development?

## **THEORETICAL GUIDES**

### **B2B Marketing**

American Marketing Association (2008) defined marketing as “the activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large” (Hooley *et al.*, 2012). The aim of marketing is to know and understand the customers so that the products and service to be sold will fit with what customers expect (Kotler and Keller 2009).

The company under study serves business market and marketing in business market is different from consumer goods marketing. They are different by two main ideas: first, the intended markets which is business markets and second, the intended use of the products which is to support business objectives. The core of B2B

marketing lies on the collaboration and partnership over the development, supply and support of products and services (Fill and Fill 2005; Hooley *et al.*, 2012).

### **High-Level Marketing Strategy**

High-level marketing strategy is a strategy once developed and implemented, it will provide direction for the development of marketing mix decision which is designed to create, capture and sustain customer value (Reed 2010). The development of this strategy involves three big processes: segmentation, targeting and positioning of the B2B market. Segmentation is defined as a process to divide the business market into segments based on the background company characteristics, attitudinal characteristics or the behavioral characteristics (Hooley *et al.*, 2012). Targeting refers to the company's decision about how many and which segment to target by evaluating the segment's overall attractiveness and the company's objectives and resources (Hooley *et al.*, 2012). Targeting shows the importance of Ansoff's product-market which is based on the existing and new dimensions resulting in four target-market: market penetration, market development, product development and diversification. Finally, Kotler defines positioning as "the act of designing company's offering and image so that they occupy a meaningful and distinct competitive position in the target customer's mind" (Hooley *et al.*, 2012, 184).

### **Levels of Company Resource Profile**

Marketing strategies can't be established without company's resources and capabilities. When marketing strategies are not based on company's distinctive competencies, it will likely be ineffective and unsustainable. The reason is because high performance strategy relies primarily on the resource profile possessed and deployed by a company. The three levels of a company resource profile are (Hooley *et al.*, 2012): (1) Assets: the resource endowment that firm has accumulated over time, both tangible and intangible. (2) Capabilities and distinctive capabilities. Capabilities are complex bundles of skills and collective learning that a company has in deploying its resources advantageously. Capabilities that have VRINE characteristics (Valuable, Rarity, Inimitable, Non-substitutable, Exploitable) are called distinctive capabilities. Distinctive capabilities allow a company to create competitive advantage leading toward superior performance by creating value in a way that its rivals cannot (Carpenter and Sanders 2009). (3) Dynamic Capabilities: these are capabilities that allow the company to modify, reconfigure and upgrade resources and capabilities for the company to strategically respond to the change in the market place (Carpenter and Sanders 2009; Hooley *et al.*, 2012).

### **Ways of Creating Competitive Advantage**

According to Porter (Hooley *et al.*, 2012), competitive advantage can be achieved through two main routes: (1) Cost Leadership, which seeks to obtain a cost structure that is significantly below the competitors while retaining the product on

the market that is close in proximity to competitor's offering. However, the major disadvantage of using this strategy is that it doesn't create a reason why customers should choose company's product offering. (2) Differentiation, which uses company's strength and capabilities to differentiate company's offerings from competitor's offerings that are being valued by customers. The major advantage of differentiation strategy, in opposite of cost leadership is it emphasizes the reason why the customers should buy from the company instead of the competitors. (3) Integration of cost leadership and differentiation, Fulmer and Goodwin suggested that the two strategies are not mutually exclusive and can be achieved simultaneously. Differentiation through superior quality can still often result in a low unit cost by achieving gains in the market share and attendant economies of scale or experience effect (Afuah 2004). However, the company might experience 'stuck in the middle' due to lack of distinctive strategy.

### **Sustaining Competitive Advantage**

The competitive advantage can be sustained when it creates a defensible position through developing (Hooley *et al.*, 2012): (1) Unique and valued products; this uniqueness and value may come from having superior human resource, proprietary technology and utilizing superior raw materials. (2) Clear, tight definition of market targets; the clearer and the tighter the focus of the company in serving a certain market, the more likely it will serve the market successfully. (3) Enhanced customer linkages; creating closer bonds with customers will help the company to establish a defensible position in the market and (4) establish brand and company credibility: since the market is constantly changing, creating customer security in company is considered as one of the most defensible assets.

### **RESEARCH METHOD**

This research adopted a qualitative and descriptive study. The goal of the researchers is to identify and develop concepts to understand social phenomena in natural setting, giving emphasis to meanings, experiences and views of the participants (Ihalauw 2011). In qualitative research, inductive reasoning will be used, where in the process, researchers observe specific phenomena which lead toward a general conclusion (Sekaran and Bougie 2013).

The data for this research are obtained through in-depth interviews, direct observations, company documents and visual images. The researchers developed a protocol containing procedures and guides before implementing the actual research as it is a useful and effective tool to deal with the overall problem of the research and will increase the reliability of the research (Ihalauw 2011).

Since this research attempts to represent a logical set of statement, the study has to demonstrate trustworthiness, credibility, confirmability and data dependability.



For descriptive study, there are three tests to establish those qualities (Yin 2003). To ensure the validity in this research, the researchers are using multiple sources of evidence (in-depth interviews, observations, company documents and visual images) and the use of triangulation in order to develop the converging line of inquiry. The chain of evidence are then maintained and kept accurate to result into a reliable research.

The analysis relies on data reduction and interpretation where all the data will be grouped into different categories, pattern or theme. The information gathered will be then interpreted by using certain scheme. Tesch calls this process de-contextualization and re-contextualization (Ihalauw 2011). The aim of this process is to provide a bigger picture of the whole concept.

The steps are (Ihalauw 2011): (1) develop open-ended questions for interview, (2) interview session - the interview will be based on the protocol, (3) take notes during the interview, (4) structure all the notes taken during the interview in the interview protocol, (5) formulate the main ideas based on the interview protocol, (6) categorize the main ideas in a table where it includes the ideas and answers of all key respondents, (7) identify patterns based on the main ideas, (8) give labels / symbols to important concept based on the patterns (9) give conceptual definition to each name/label/symbol, (10) formulate propositions and (11) construct a mini theory out of the propositions.

The data were collected from 11 key respondents (the owner, owner's spouse, five key personnel and four customers), direct observations, company archives, documents and visual images. Employees are those joining the company in 1997, 2000, 2003 and 2005. Two customers are in furniture industry, one in evaporator industry and the other is in building materials distributor. The business relationship with those customers in furniture were established in 1994 and 2004, whereby the ones in evaporator and building materials distributor were started in 2009.

## **COMPANY PROFILE**

Prima Sakti is a manufacturer of metal stamping and plastic injection parts located in Randu Agung, Singosari, Malang. The company was established in March 1993 by Adi Handoyo with one machine run by one machine operator. Today, Prima Sakti has more than 55 machines and equipments, employs 49 employees and manufactures product items in four lines: plastic injection (1993), metal stamping (1996), mold making (1997) and metal plating (2008).

## RESULTS

### Historical Account of the Product Development in Prima Sakti

In the beginning, Prima Sakti produced spare parts made from plastics for textile machineries. There were different types and designs of the products; however, they were simple and not complicated as it is today. Three reasons Adi Handoyo chose to produce spare parts for textile machineries in the beginning are (1) market demand (2) no waste in manufacturing plastic products and (3) the machine can produce different shapes of products. Adi Handoyo started the production by looking for the required technology. He initially started with one plastic injection machine run by one machine operator. There were many difficulties and mistakes in the beginning.

Currently, Prima Sakti has four product lines: (1) plastic injection, (2) metal stamping, (3) mold making and (4) metal plating. As of to date, the total number of products is approximately 200 product items. Prima Sakti continuously grows by increasing its products items and improving the technology.

Prima Sakti develops its product in three ways: through suggestions and feedbacks from customers, uses similar products from other countries as a benchmark for improvement and through understanding the product function(s). Prior to launching new products Prima Sakti had to answer the followings: Is the initial demand of the product high? Can the product be sold to other market? Does the product give a good opportunity? Is the product complex or difficult to make? Is the complexity is seen as a challenge worth to take? How does the product function? What is the use of the product?

### Historical Account of the Market Development in Prima Sakti

Since the beginning, Prima Sakti is active in the B2B market. The initial markets of Prima Sakti were in Bandung and Jakarta because the market for plastic injection products in Malang during that time was very small. However, the current markets of Prima Sakti are in Malang, Surabaya, Pasuruan and Jakarta areas. The markets mainly consist of furniture industries (18 customers), home equipment stores (7 customers), building materials distributors (4 customers) and spare parts distributors (4 customers). In addition, there are seven other industries served by the company with only one customer each.

Today, Prima Sakti has two types of B2B customers: first, customers who give Prima Sakti purchase orders to make different customized products; and second, customers who buy the products regularly produced by Prima Sakti such as floor drain strainers. Customized products customers are mainly big companies in various industries and Prima Sakti mainly reaches out to these companies through the owner's network. Whereas regularly produced products customers are mainly home

equipment stores and building materials distributors; the way of reaching out to these customers is by visiting each store to promote and offer the product.

### **Reasons Prima Sakti Develop New Products and New Market**

As the company grows, new products need to be developed and thus, adding new product lines and adding new machines are necessary. The main reasons for adding product lines are the availability of market demand which is not limited to textile and garment industry only, the new product lines allow the company to offer a more complete service to customers. The company also adds more machines to each line for fulfilling the growing market demand to company products both in terms of the number of quantity and product items, exploiting the changes in technology and cheap bargain for adding new machines.

Currently, for customized products, Prima Sakti relies on its reputation in producing the products especially among furniture companies. Therefore, customers reach Prima Sakti through: network, website ([www.primasaktiasia.com](http://www.primasaktiasia.com)) and market reputation. Prima Sakti maintains its reputation by using certain types and brands of materials, maintaining and adopting tight control over packaging and quality of the products and a consistent and standardized process.

Prima Sakti has to constantly fulfill the customers' expectation and the five main expectations commonly made by customers are: on-time delivery, environmentally friendly and toxic-free products, standardized quality of product, certified materials and good means of communication. Quality standard of Prima Sakti is determined by both Prima Sakti and the customers because the aim for setting quality standard is to satisfy the customers. Customers are involved by giving suggestions and feedbacks.

### **The Capabilities of Prima Sakti to Support its Product and Market Development**

Prima Sakti is intensively maintaining relationships with its customers through the followings: keeping up the quality to build up company reputation and credibility, providing good service in many different ways such as maintaining good means of communication, delivering the products on time, providing a reasonable price and even involving customers in company events, following up the customers through regular communication, providing solutions to customers through building trust with them and maintaining continuous purchase order by establishing a 'give and take' relationships.

The company's competitors are in Surabaya, Sidoarjo, Malang and Jakarta. They offer products ranging from similar to same products, but differ in terms of price, quality, product knowledge and the acceptance by the market. The three products of company known as superior than to competitors are the furniture hardware made both from plastics and metal, the floor drain strainer named Sansei as

its brand and metal stamping which contributes the biggest share of profits. Prima Sakti products are superior compared to those from China because the products can be easily modified, the company ensures the quality of materials used in the production and the company can supply the products regularly when expected to do so, such as the floor drain strainer.

The current locations of suppliers are in Malang, Surabaya and Jakarta. The company has four criteria in choosing its suppliers: the first and foremost is to find and list out the suppliers who have the materials needed, then see which supplier offer the lowest price, able to meet the delivery and the location of the supplies.

Increasing sales volume by decreasing price is important for Prima Sakti. The key person in charge to determine the price of each product is the owner with the support of company accountant. The three components in determining the price are: the quantity of the products purchased, complexity of producing the products and type of materials being used.

The strategies that lead Prima Sakti to grow into the company as of to date are: prioritizing customers comfort and satisfaction, developing strong teamwork, having the courage to accept new challenges, having the right standard of material, product knowledge, problem solving skills, communication skills and setting reasonable price.

In addition, Prima Sakti improves itself by implementing the followings: adopting new technologies, increasing the discipline, intensifying interdivisions communication, improving work safety, improving company system, adding qualified employees, increasing quality control, prohibiting family members to work together in company and speeding up production processes.

Adi Handoyo prefers to recruit fresh graduates from vocational high school rather than experienced employees. The reason is simply because these students already have background on machineries and engineering and they are more teachable. The development of the skills and capabilities of its employees are carried out through discussing problems and finding solutions together, learning from experience in producing many kinds of products, learning from mentor on how things work and operate in the company and involving the employees through third party training programs.

Finally, several ways are used by Prima Sakti to support its key personnel such as establishing mutual understanding in the rules and responsibilities in the company, providing weekly money and annual reward to its employees, creating favorable working climate, developing sense of belongingness, providing good facilities and being passionate in the job area.



## DISCUSSION

### Change in Market Segmentation

Recognizing that needs and wants are characterized as unlimited, heterogeneous and constantly changing, a company needs to choose which segment that presents the greatest opportunities. Hooley *et al.* (2012) state segmentation is useful especially for smaller companies for it allows the target market to be matched with the company's limited resources and capabilities. The company initially chose to serve in the business market by segmenting its markets based on the type of industries and product application potential to the company which allows the company to grow with less competitive intensity and rivalry.

As the benefit sought in the market changes and the capabilities of the company increases, the company is able to reach out to more customers from various industries with various product applications. This is because the products are made-to-order (MTO) which allows the company to have flexibility in the process, product and volume (Holweg and Pil 2001).

In addition, the company categorizes the target market based on its capability in serving them. This allows company to produce various kinds of product lines using the same machineries and skilled work force to produce them (Fredriksson and Gadde 2005) (Hooley *et al.*, 2012).

*The discussion results in the following important variables: economies of scope*

### Dynamic Capabilities

At the start up stage, a company capability was considered low shown by the products with simple technologies and the many mistakes. However, these mistakes allow learning. Alchian states that learning effects are the greatest in the start-up period of a new company or new process (Hill 1988). The accumulated learning experiences contributes to new 'tacit knowledge' defined as skills and knowledge that are acquired only through learning and doing (Hooley *et al.*, 2012).

As the market changes, there are changes in quantity demanded and new benefits sought. At the same time, customers are more demanding in terms of the benefits they expect and seek from a product. According to Winter *et al.*, when there are changes in the market, the company shouldn't and cannot rest on their existing capabilities alone. The company needs to actively recreate itself by extending and modifying its operation (Hooley *et al.*, 2012).

Company adapts to the changes by acquiring new resources to produce more product lines and adding machines. This ability of creating new resources in response to market changes is called dynamic capability. Wang and Ahmed suggest that in marketing, dynamic capabilities are classified into absorptive, adaptive and innovative capabilities (Hooley *et al.*, 2012). The result demonstrates the absorptive capability in learning process which allows the company to maintain a long-term

competitive advantage (Dickson, 1996) and to undertake continuous improvements based on the knowledge of competitive environment (Popper and Lipschitz, 1998). In addition, this capability also allows the company to identify new opportunities in the market and develop new products.

*The discussion shows the importance of the following variables: learning effect, excellent process, dynamic capability*

### **Hybrid Production Strategy to Achieve High Capacity Utilization**

Made-to-Order (MTO) system does not require company to hold unnecessary inventory because production is based on the actual customer demand instead of a forecast (Kaminsky and Kaya 2009). This allows the company to be more flexible, responsive and adoptive (Kober and Heinecke 2012). The downside of MTO is it responds to the swings of demand in the market that leads to unpredictable effects (Pil and Holweg 2004).

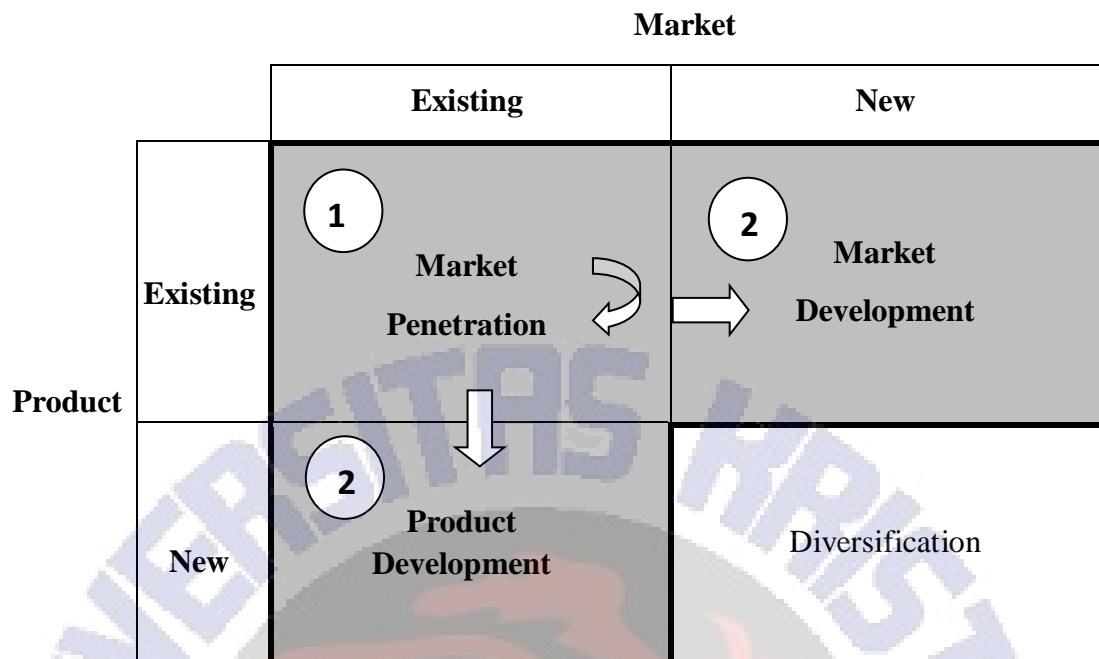
Buzzel and Gale state high capacity utilization is very crucial for small to medium-sized companies as it will affect the cost structure (Hooley *et al.*, 2012). Hence, the production concept of made-to-stock (MTS) system is appealing because of its desirable characteristic: high capacity utilization and short lead time to the start of the process until it is completed. The hybrid production of MTO and MTS system then emerged as an idea which allows company to achieve both market and operational performance (Kober and Heinecke 2012). In other words, the hybrid production strategy of MTS to MTO leads the company to achieve economies of scale.

In addition, the company also examines and improves its cost structure and performance in each value-creating activity in the value chain by deploying operational excellence as its value disciplines (Kotler and Keller 2009). Fredriksson and Gadde (2005) suggest that the key to control costs associated with customer's specification of the products is by allocating the operations in a way to achieve the most appropriate utilization of the activity structure. This value discipline is applied to the value chain as it seeks to achieve excellence in core processes of purchase order fulfillment, supply-chain management, logistics, service delivery and in the transaction processes. Adopting this value discipline allows the company to run at a 'full' capacity to produce strains on both system and structure.

*The discussion shows the importance of the following variables: capacity utilization, cost efficiency, economies of scale, economies of scope*

### **Product-Market Strategy**

Looking at the product-market strategy, the company initially adopted market penetration whereby it penetrated into the existing market by offering existing products (Reed 2010). This development led to the decision to add more resources. The company served in that particular market for several years.



**Figure 1**  
**Growth of the Company**

*The discussion shows the importance of the following variables: economies of scope*

As the company penetrated the markets, assets and capabilities also grew. The markets also kept on changing and new competitors enter the industry with products containing similar benefit offered. Therefore, the company adopted both product development and market development strategies almost at the same time. Product development strategy is a strategy whereby new products are developed to serve existing market. The company relied on made-to-order products which give so much flexibility to fulfill the demand in the market (Holweg and Pil 2001). While market development is a strategy whereby existing products are offered to new markets. The company under study developed its market geographically and across markets in different industries. Therefore, three product-market strategies are implemented at the same time shown in Figure 1 (Reed 2010). The successful development of resources and capabilities makes it possible for the company to serve all markets together with various kinds of products at the same time.

**Marketing Assets Possessed**

As the company grows through the market penetration, product development and market development strategies, it also earns new marketing assets, normally intangible, to be used as an advantage in the marketplace. These marketing assets include customer-based marketing assets, supply-chain assets, internal support assets and alliance-based assets (Hooley *et al.*, 2012). Customer based assets refer to assets that the current customers and potential customers value. Because of its intangibility,

these assets exist only in the mind of customers. However, these assets are very essential because they create a defensible position in the market. The most important customer-based assets of the company are its tacit knowledge reputation and superior products earned by the company through years of experiences in producing and marketing quality products.

The supply chain assets concern about how the product is being conveyed to the customers. The supply chain assets present in the company in terms of on timely and certainty in supply products. The delivery time is a very critical asset because the company serves a business market whereby the company delivery time schedule must exactly match to the customers scheduled of production. Certainty in supplying is also an important element. The company has an advantage over this asset because of its made-to-order system of production.

The internal marketing support assets refer to assets which are actively used to improve company's performance in the market. The initial marketing support assets of the company are cost advantages, reliable customer-base, production expertise and company culture. Cost advantages are attained through achieving better capacity utilization, economies of scale, economies of scope and also learning/experiences effect which result in more efficient production costs. Reliable customer-base contributes to the growth of company for more than two decades. Over the years, the company fulfilled all repeated transactions which allowed the company to grow and develop. Production expertise as production know-how assets are acquired by the company through the learning processes. Company culture is an asset that is hard to imitate and unique to each company. The company under study has a culture of focusing its marketing toward customer's satisfaction and its operation based on a team work.

Alliance-based marketing assets are gained through strategic alliances and partnerships. The company earns this asset by serving in B2B marketing and constantly maintains its relationships with the customers.

*The discussion shows the importance of the following variables: company reputation, superior products, on-time delivery, capacity utilization, economies of scale, economies of scope, learning effect, network*

### **Achieving Competitive Advantages through Differentiation and Cost Leadership**

Competitive advantage is defined as "the company's ability to create value in a way that its rivals cannot (Carpenter and Sanders 2009). Differentiation seeks to use company's strength and capabilities to differentiate its offerings from competitor's offering that are valued by customers (Hooley *et al.*, 2012). The company differentiates itself through the product quality, service and company reputation. Quality product is a product that fits and fulfills its function such as features and the grade of materials used. Service serves as a way to create a stronger



link between company and customers, which make it less likely for customers to look for alternative companies. Peter (1987) suggests that service is about how well the company is able to meet customer's expectations. Differentiation can also be achieved through company's reputation. The company has a favorable image and reputation for its customers through years of serving the target market.

Cost efficiency seeks to obtain cost structure that is significantly below competitors while retaining the product in the market that is close in proximity to competitor's offering. The company achieved cost efficiency through economies of scale, economies of scope, experience and learning effects, capacity utilization, linkages and policy choices.

Economies of scale can be achieved through doing things more efficiently and differentially in volume (Hooley *et al.*, 2012), while economies of scope is achieved through producing varieties of goods by sharing the resources which reduces the cost of the production processes (Hill 1988). Experience and learning can also be a way to reduce cost because employees are able to perform the necessary task efficiently; they have performed the tasks many times already. The company achieved capacity utilization through using the hybrid MTO-MTS production system to minimize the seasonal fluctuations of demand.

Linkages are achieved by paying attention to activities of the company in producing and marketing products that have an effect on the costs. The company paid attention especially on the quality control by making sure that the materials, processes and finished products fulfill the required standard. Quality control reduces costs by cutting down chance of having faulty product returns. The last cost driver used by the company is policy choices by using the second-hand machine rather than new one. The second-hand machine is cheaper and still be used to produce the same high quality product as the new machine.

Porter suggested that a company that adopts both cost leadership and differentiation might end up straddling two inconsistent positions which cause the company to stuck in the middle (Carpenter and Sanders 2009). However, Fulmer and Goodwin suggested that the two strategies are not mutually exclusive which means that both strategies can be pursued at the same time (Hooley *et al.*, 2012). To achieve these two strategies at the same time, the following circumstances must occur: when company's ability to differentiate the product is high, customer's commitment towards competitor is low, the market growth is high, the market structure is fragmented, the production process is new and complex, and economies of scale and economies of scope are possible (Hill 1988). Most of the above mentioned characteristics were experienced by the company.

Buzzel and Gale also suggested that the differentiation, especially with superior quality, can often result in low cost through the gain in the market share, learning effects, economies of scale and economies of scope (Hooley *et al.*, 2012)

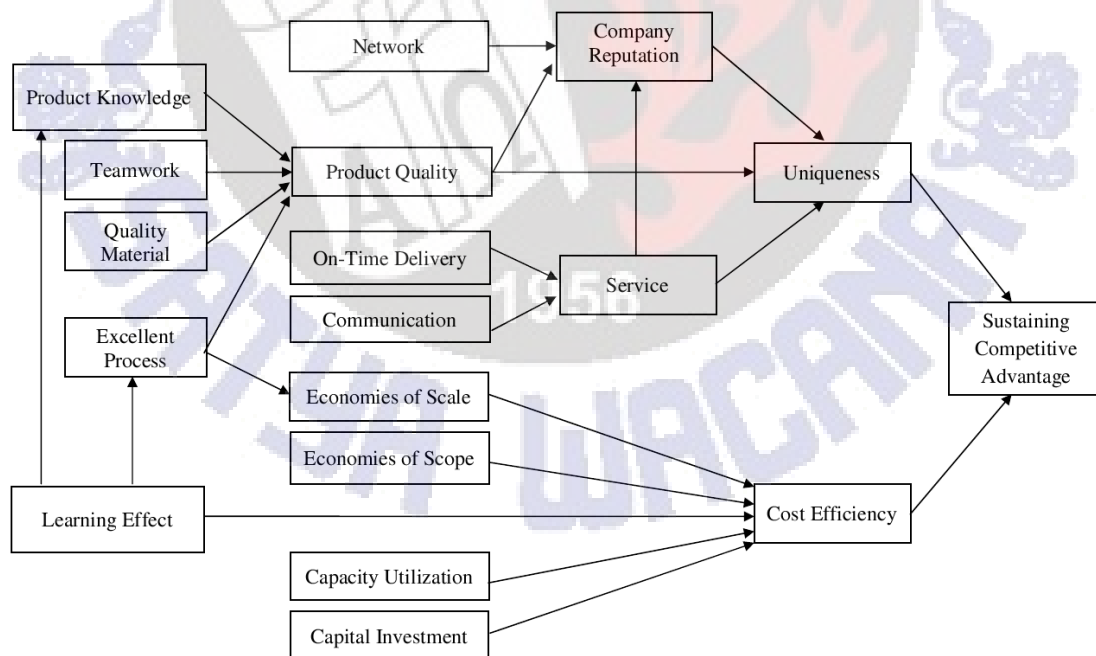
(Hill 1988). The company can apply both strategies because it has a complex production process, economies of scale and economies of scope.

A company can sustain its competitive advantage through having a defensible position in the market. According to Hooley *et al.* (2012), the four ways to have defensible position are by having unique and valued products, having clear definition of target market, having enhanced customer linkages and also having established company credibility. The company has showed that it exploited the four ways and thus, the competitive advantage can be sustained.

*The discussion shows the importance of the following variables: uniqueness, product quality, service, company reputation, cost efficiency, economies of scale, economies of scope, learning effect, capacity utilization, capital investment, competitive advantage*

**MINI THEORY**

A mini theory refers to a theory that is applicable in a particular situation, however, it still needs to prove its general validity (Jonker and Pennink 2010). Without a theory, the research would be merely a story about a unique situation (Tharenou *et al.*, 2007).



**Figure 2**  
**Proposed Mini Theory**

## **CONCLUSION**

The products in the beginning were simple and produced by simple machineries, but today, Prima Sakti already produces up to 200 varieties with higher complexity products. Having four product lines, Prima Sakti serves eleven different industries in seven cities across Java. Prima Sakti is able to recognize opportunities in the market and has capabilities to fulfill the demands. The main factors that help Prima Sakti to develop into a new markets and new products are the company reputation for producing quality products with good service and the having the in-house production capabilities to implement the processes of designing to finishing reflecting 20 years of accumulated tacit knowledge.

## **IMPLICATIONS**

Based on the conclusions of this research, factors promoting company growth are identified. These factors are able to show variables which play role in creating and sustaining competitive advantage and thus, a mini theory of how competitive advantage being sustained is generated.

## **LIMITATIONS**

During the research, there are some limitations related to data obtaining and time constraint, as follow: (1) Prima Sakti has limited documents and archives that show its products, customers, employees and visual images during its formative years. (2) The researcher is closely related to the owner, thus the information given by the key respondents might be bias. (3) The customers being interviewed were limited to those around Malang area. (4) The limited time does not allow collecting more data as needed.

## **RECOMMENDATION FOR FUTURE RESEARCH**

As the current research condition, there are some recommendations for future research, as follow: (1) More information to be obtained from those who have the knowledge of startup stage of Prima Sakti. (2) Doing interviews with customers who are located far from Prima Sakti to get information on market-development. (3) Identifying competitors of the company to evaluate the similarities and differences and to find out whether the company is superior or inferior to competitors. (4) Testing the proposed mini-theory in a quantitative research understanding.

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