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The Effect of Reputation on Competitive Advantage in Food and Beverage Companies in Indonesia

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***Abstract**: This study aims to determine the effect of reputation on competitive advantage. This research was conducted on food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2019 period. By using secondary data, this research data is processed using smartPLS. The results of the study indicate that reputation has a positive and significant influence on competitive advantage. That is, companies that have a good reputation can increase the company's competitive advantage. This research also supports signal theory. Reputation sends a signal to the public regarding the quality of the products or services offered by the company, the business strategy being carried out, to the company's prospects when compared to its competitors. The role of reputation is increasingly important in an increasingly competitive market.*

Keywords: Reputation; Competitive Advantage

1. INTRODUCTION

Understanding the dynamics of competitive advantage has been a subject that has attracted considerable interest both in business and in the development of science for decades. With increasing competition due to globalization and the technological revolution, companies must ensure that they build and maintain the right advantages and can dynamically adapt to changing environments.

The development of manufacturing companies creates competition in the industry. This condition requires companies to always improve their competitiveness. The entry of various imported products to goods that have been produced domestically indicates that manufacturing companies in Indonesia are unable to compete with manufacturing companies abroad. Based on data from the Ministry of Industry in 2019, Indonesia still has a great opportunity to boost the competitiveness of the industrial sector in the midst of uncertain global conditions. This potential is in line with an increase in investment and manufacturing productivity so that it can boost the added value of domestic raw materials to boost exports.

Along with the development of the industry which is increasingly competitive, the company has many competitors in its business, thus making the company required to always improve the reputation of the company. A good company reputation will have an impact on increasing company profitability, such as increasing customer satisfaction, increasing sales, and others. Conversely, if the reputation of a company is known to be bad, it can be a problem for the company and may cause the company to lose its customers, or in other words, reduce customer trust in the company and switch to other company's products.

Conceptually, corporate reputation can be defined as the collective perception of an organization's past actions and expectations regarding its future actions, in terms of efficiency in relation to key competitors. (Walker, 2010)

There are many reasons why organizations should pay attention to the reputation of the company. This can be seen from the relationship between reputation and sustainable competitive advantage which is widely recognized in the literature for example research conducted by Brown & Perry (2014).

In addition, research conducted by Gok & Ozkaya (2011) and Pires & Trez (2018) shows that a good reputation is the most valuable intangible resource because it can reduce stakeholder concerns about the uncertainty of the performance of an organization or company in the future. and can strengthen competitive advantage and contribute to customer trust so that the company can maximize its ability to offer its products and services.

2. THEORY AND CONCEPTS

2.1 Resources Based View

The concept of the Resources Based View (RBV) takes an 'inside-out' view or company-specific perspective on why organizations succeed or fail in the marketplace. Resources that are valuable, rare, inimitable and irreplaceable (J. Barney, 1991) enable businesses to develop and maintain competitive advantages, to utilize these resources and competitive advantages for superior performance (Grant, 2001)

According to RBV, organization can be considered as a collection of physical resources, human resources and organizational resources (Barney, 1991). Valuable, scarce, non-perfectly replicable, and imperfectly replaceable organizational resources are a major source of sustainable competitive advantage for sustained superior performance.

According to the RBV, resources can be broadly defined to include assets, organizational processes, company attributes, information, or knowledge controlled by companies that can be used to understand and implement their strategies (Barney, 1991; Mata et al., 2014). Furthermore, Barney (1991), categorizes three types of resources. The first is physical capital resources in the form of physical, technology, plant and equipment. Second, human capital resources in the form of training, experience, insight. The third is organizational capital resources in the form of a formal structure.

All companies have a broad spectrum of resources and capabilities. For a better understanding of resources, it is necessary to distinguish between these varied resources. One useful approach to such classification is to group resources into two categories namely, tangible resources and intangible resources.

2.2 Signaling Theory

Signaling theory or signaling theory was originally coined by (Spence, 1973) to explain the behavior of the labor market. This theory was originally proposed to help explain the behavior of two parties when they have access to different information. Strategic signaling refers to the actions taken by the signaler to influence the views and behavior of the receiver.

Ross (1977) argues that managers as insiders who have complete information about the company's cash flows will choose to create clear signals about the company's future if they have the right incentives to do so. Signaling theory explains why companies have the urge to provide financial statement information to external parties. This happens because there is information asymmetry between the company and outsiders because the company knows more about the company and its future prospects than outsiders (investors and creditors). Lack of information for outsiders about the company causes the competitiveness and competitive advantage of the company to be low, so the price given to the company is also low. Therefore, companies can increase their competitive advantage by reducing information asymmetry. One way to reduce information asymmetry is to provide a signal to outsiders, namely with financial statements that can reflect the company's performance.

2.3 Corporate Reputation

Corporate reputation can be defined as a perceptual representation of the organization's past actions and future prospects that describes the overall attractiveness of the company and its relationship to other major competitors. Furthermore, some researchers state that company reputation affects organizational performance (Walker, 2010; Pires & Trez, 2018).

(Tischer, 2011) views that a good corporate reputation will have a beneficial impact on various stakeholder groups. The formation of a good and positive company can benefit the company in many ways, for example it can influence customers in choosing products, can limit the potential for competition by competitors and secure social status in an industry.

A company is said to have a competitive advantage over other companies if the company has greater profitability than the average profitability of competitors in an industry. Meanwhile, the company is said to have a sustainable competitive advantage if the company is able to maintain its profitability above the industry average profitability for many years.

Furthermore, the company's competitive advantage comes from two things, namely; cost leadership and differentiation. A company will be in a cost leadership situation if it has the lowest cost to produce and market a product or service compared to other companies in the same industry.

(Kamukama et al., 2011) who examined competitive advantage in relation to managerial competence and financial performance in commercial banks in Uganda stated that managerial competence in a company can increase the company's competitive advantage. Furthermore, the study also emphasized that increasing the knowledge and skills of managers to achieve competitive advantage in the market can increase company profits so as to encourage business growth. Competitive advantage is the heart of the company's performance that grows from the value or benefits that the company creates for its customers.

2.4 Competitive Advantage

The concept of competitive advantage developed by Porter on generic strategies consists of Cost Leadership (cost advantage), differentiation and customer focus. According to Porter, this concept cannot be understood by looking at a company as a whole, but must originate from the origin of competitive advantage, namely the various different activities that the company undertakes in designing, producing, marketing, delivering, and supporting its products. Value chain analysis is more appropriate to examine competitive advantage rather than added value because the analysis can find out the values of all activities, so that the origin or source of the competitive advantage can be known.

(Lin, 2015) found that organizations need to align orientations synergistically in order for success to be achieved. To maintain the company's advantage, the company needs to be proactive in finding new markets for a product or innovation. Fast-growth firms can take advantage of flexibility in a fast-changing environment so a broader understanding of competitors' customers and organizations can help maintain market position. More importantly, leadership drives the company's inclination toward business orientation and fosters an appropriate culture.

3. METHOD

The research model that was built in this study is a model that describes the relationship between the variables analyzed based on theoretical and empirical studies.

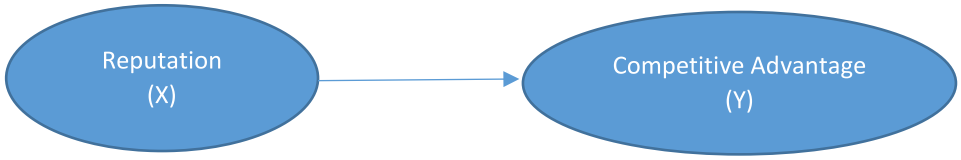

Figure 1. Conceptual Framework

(Gok & Ozkaya, 2011) in their research related to company reputation found that both researchers and company managers believe that a good reputation is the most valuable intangible resource owned by the company. Therefore, having a good reputation can reduce the uncertainty of stakeholders regarding the future performance of the organization. In addition, a good reputation can also strengthen the company's competitive advantage and also contribute to the trust of the target audience or customers and appreciate creations and maximize the company's ability to offer the products and services provided.

Based on the explanation above, the hypothesis built in this study is that there is a positive and significant influence on reputation on competitive advantage. The research was conducted on a food and beverage sub-sector manufacturing company listed on the Indonesia Stock Exchange. By using purposive sampling technique, the sample of this study was 72 samples from 18 companies with the 2016-2019 research period.

The source of data in this study is secondary data. in the form of an annual report (Annual Report) and financial statements of Manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange in 2016-2019 obtained from the official website of the Indonesia Stock Exchange.

Analysis of the data in this study using Structural Equation Modeling (SEM) using SmartPLS software version 3.3.3

4. RESEARCH RESULTS

The table 1 below shows that the Reputation construct Companies measured by 1 indicator get a loading indicator X1 value of 1,000. While the Competitive Advantage construct has a loading indicator value of Y1 0.854, Y2 0.891, Y3 0.799, Y4 0.858 and Y5 0.735. Of all the indicators in each construct, the loading indicator value is > 0.7 so that it is valid as a measure of the construct.

Table 1. Loading Indicator

	Competitive Advantage	Reputation
X1		1,000
Y1	0,854	
Y2	0,891	
Y3	0,799	
Y4	0,857	
Y5	0,756	

Table 2. Composite Reliability

Construct	Composite Reliability
Competitive Advantage	0,915
Reputation	1,000

The table 2 above shows that the composite reliability value of the Competitive Advantage construct is 0.915 and the Company's Reputation is 1,000. The two constructs obtained a composite reliability value > 0.70, so it is said to have good internal consistency.

Table 3. Cronbach's Alpha

Construct	*Cronbach's Alpha*
Competitive Advantage	0,883

Reputasi Perusahaan	1,000

The reliability test was strengthened by Cronbach's alpha value. Cronbach's alpha reliability test limits > 0.7. Cronbach's alpha value obtained by Competitive Advantage construct is 0.883 and Reputation is 1.000

Table 4. R.Square

Construct	**R Square**
Competitive Advantage	0,720

To test the structural model, it is done by looking at the R2 value which is the Goodness of the fit test. The Competitive Advantage construct has an R2 value of 0.720 which can be interpreted that the variation in Competitive Advantage can be explained by the 72% Corporate Reputation construct.

The next test is to see the significance of the influence between independent constructs on the dependent and answer what has been hypothesized. Testing with a significance level of 5% if the t-statistic value > 1.96 then the null hypothesis (H0) is rejected. The t-statistic value of the effect coefficient of the latent construct was obtained from PLS Bootstrapping.

Table 5. PLS Bootsraping

Effect	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Result
Reputation → Competitive Advantage	0,781	0,066	2,105	0,003	Significant

The coefficient value of the effect of the Reputation construct on Competitive Advantage is 0.781, the standard error value is 0.066, the t-value is statistics 2.105 and p-values 0.003. Because the t-statistic value is 2.105 > 1.96 and the p-value is 0.003 < 0.05, then H1 is accepted. These results state that Reputation has a significant positive effect on competitive advantage.

5. CONCLUSION

The results of this study indicate that the company's reputation as proxied by the Corporate Image Index has a significant positive effect on the company's competitive advantage. This shows that the better the reputation, the better the company's competitive advantage will be. This happens because the company's reputation which is formed from the perception of the company's effectiveness then becomes a good signal for stakeholders.

The results of this study are in line with research conducted by (Tischer & Hildebrandt, 2013) which found a positive influence on company reputation on competitive advantage.

Fombrun, as quoted in Caliskan (2011), defines a company's reputation as a perceptual representation of the company's past actions and future prospects that illustrates the company's attractiveness in front of its main constituents when compared to its competitors. Research conducted by Hall, as quoted by Caliskan, found that company leaders rank the company's reputation as the main and most important intangible resource because reputation sends a signal to the public about the quality of the products or services offered by the company, the business strategy being carried out, to the company's prospects if compared to its competitors. The role of reputation is increasingly important in an increasingly competitive market.

6. FUTURE RESEARCH

For further researchers who take the same research topic, or add variables related to macroeconomics such as exchange rates and inflation. In addition, future researchers should use a larger sample size, with a large sample will make the research results better, and use Eviews or Stata software which is specifically used for cross section data and panel data, then further researchers are expected to be able to expand the company sector that is researched, so as to be able to contribute to the company more broadly.

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