

CHAPTER I

INTRODUCTION

1.1. Study Background

Nowadays, health care service is something people really care about especially regarding how it serves them, cures their sickness, increases their quality of life and last but not least, it could satisfy their expectations. This judgment is derived from the consideration that health is one of people's biggest investments despite of banking investment, land investment, capital investment, knowledge investment or any others.

The expectations that customers (patients and their families) might have from the health care service are likely the quick treatment initiative from the medic-workers (doctors and nurses), friendly welcome and professional service, and also the sustainable medical facilities to support the medical treatments held by hospital. As an agent of public health care service, hospital is expected by public to continuously improve its service performance and professionalism up to the level, at which the expectations meet the perceived performance.

Nowadays, the development of technology in medics grows very rapidly. Indeed, it is a positive thing for the medics as a whole. However, it should be able to support the improvement of current medical performance. Discoveries and inventions in medics are expected to be able to respond the latest challenges appeared by public (patients and healthy people) about the

satisfying medical treatments, reachable medicine price, professional service from the medic-workers and relatively quick healing process for the patients.

We may agree that hospitals are places where diseases are cured and health nuisances are well cared. It becomes more obvious when we all really realize that hospitals are the single hope for us to heal our sickness and we have already believed that nowhere else can cure and care the sicknesses as well as hospitals. Since this awareness appears among people, this is the origin where the strategic role of hospitals begins. As people's single hope in medical treatments, hospitals must not disappoint their patients and begin to improve their poor performance to the excellent one.

Hospital has become an integral part of the entire health care service system and has been developed through a *'health development plan'*, according to the GBHN (*Garis-garis Besar Haluan Negara*), the national health system, and the *'Repelita'* in health care sector and other constitutional sets / tools.

From the hospital's growth side, the number of hospitals in Indonesia has increased significantly within the last twenty years, and the most growing number occurred in major cities like Jakarta, Surabaya, etc. Since the *'limited liability companies'* were allowed to establish and organize hospitals as the follow-up to a deregulation in health care business sector, the growing number became easily seen.

This growing number of hospitals would automatically create an *'intense competition'* among them and would bring very big challenges as

well for the hospital managers or the hospital owners to keep their business survive. The '*intense competition*' would involve the market segment, medic-workers, paramedic-workers and other professionals in medics.

The management of business in hospital is totally different from others. As an activity that combines '*capital-intensive*' and '*labor-intensive*', in running its business, hospital is also directed to the application of '*socio-ethics values*' aside from the economic concerns. The activity of managing a hospital also involves various sciences such as medics, nursery, technique, economics, jurisprudence, or even public relations.

Since the beginning, hospitals are part of the medics system. Therefore, their position in the medics system itself is very strategic, depends on the economics system and the political will a country has. Thus, hospitals are able to become the government's executive units in providing public service or as private service institutions. In case of Indonesia, legal environment – as one of affecting factors toward hospital as a system – had produced two major laws issued by government, which were Laws No. 23 / 1992 about "Health" and Laws No. 8 / 1999 about "Consumer Protection". Laws No. 23 / 1992 constituted the principle and the direction of health care development, rights and obligations of people, government's tasks and responsibilities, medical efforts, health care resources (human resources included), and '*penal perseverance*' to protect the deliverers and receivers of health care service. Meanwhile, Laws No. 8 / 1999 about "Consumer Protection" was strategically aimed to improve the consciousness,

capabilities, and the independence of consumers to protect themselves, and to upsize the '*consumer empowerment*' in selecting, determining, and claiming their rights as consumers.

Hospitals in Indonesia are mostly owned and organized by government. Most of them belong to the regional governments. It is understandable then if we see from the economics perspective, the organization of hospitals is always '*paradox*'. On one hand, hospitals must be organized due to technological progress, in which costs consequence is completely existent. On the other hand, they must be organized with the emphasis of social function and of '*philanthropic nature*', which ignores costs.

Nowadays, – like or dislike – hospitals must be organized efficiently and effectively. It creates a condition, in which hospitals post themselves in form of corporation. This condition is reflected also in the acknowledgement, which said that hospital is an institution that is '*capital-intensive, technology-intensive, labor-intensive, and skill-intensive*'. Furthermore, hospital is no more a social institution, but it is much more like '*an independent socio-economic institution*' now. There are many hospitals now that are no longer managed by '*non-profit foundations*', but by the '*limited liability companies*' and other body corporates whose practices are business-minded.

The controversy about the role and functions of a hospital appears because of different understanding and perspective toward the constitution

and the reality that lives in the hospital system itself. MAKERSI (*Majelis Kehormatan Etik Rumah Sakit Indonesia*) (in Soeroso, 2003: 8) has issued the statement that essentially disagrees against the understanding: “hospitals are considered as business entities that make profit only.”

As the ultimate strategy to survive in an ‘*intense competition*’, hospital is developed to keep the ‘*customer’s loyalty*’ that is directly derived from the customer satisfaction. Indeed, there is always ‘*conflict of interests*’ between the service provider (hospital) and the customer (patients). On one hand, hospital chases profits while on the other hand, the patients expect satisfaction. It is desirable if ‘*win-win solution*’ is achieved for both of them.

Based on the above study background, this study is carried out by underlining the analysis of health care service performance provided by PKU Muhammadiyah Hospital in Yogyakarta and its impacts toward the customer satisfaction.

1.2. Problem Identification

Based on the study background mentioned earlier, the key problem to identify is how well the health care service performance provided by PKU Muhammadiyah Hospital and how good it satisfies the customer’s expectations.

1.3. Problem Formulation

In relevance to the problems identified above, the problems then can be formulated as follows:

1. Is there significant relationship between the dependent variable (customer satisfaction) and the five independent variables (tangible, reliability, responsiveness, assurance, and empathy) at PKU Muhammadiyah Hospital in Yogyakarta?
2. Among the five service quality dimensions, which one contributes most dominantly the customer satisfaction at PKU Muhammadiyah Hospital in Yogyakarta?

1.4. Problem Limitation

To simplify the researcher in conducting the research study and to avoid constraints and difficulties that might appear, the researcher needs to set the limitations of research area. It would be helpful for the researcher to make the research study becomes more focused and directed. This would also contribute a complete understanding and better ideas during the thesis writing process.

Some limitations necessary to consider are as follows:

1. The focus this research wants to emphasize is the performance of health care service perceived by the patients. It is measured through five service quality dimensions.

2. It uses five service quality dimensions to measure the customer satisfaction toward the current health care service performance, which are: tangible, reliability, responsiveness, assurance, and empathy.
3. The service performance this research wants to measure is all health care (medical) service provided by PKU Muhammadiyah Hospital that directly represents the five service quality dimensions.

1.5. Research Objectives

Each research study is designed to have its own objectives. Meanwhile, the objectives this thesis wants to achieve are:

1. This research is designed to know whether or not there is significant relationship between the dependent variable (customer satisfaction) and the five independent variables (tangible, reliability, responsiveness, assurance, and empathy) at PKU Muhammadiyah Hospital in Yogyakarta.
2. This research is designed to know which service quality dimension among available five that contributes most dominantly the customer satisfaction at PKU Muhammadiyah Hospital in Yogyakarta.

1.6. Research Contributions

The parties that might have interests in the contributions this research delivers are:

1. PKU Muhammadiyah Hospital

This research is expected to share the factual information about the real condition of customer satisfaction derived from what they perceived from the current performance (health care service). And as reliable consideration to have complete evaluations and then take actions to do necessary things.

2. Researcher

This research study is expected to give the researcher a complete understanding about how significant the role of Total Quality Service provided by a hospital in purpose of satisfying its patients as customers.

3. Others

This research is expected and directed to give thought and idea contributions to the Economics as a science. Also, it is expected to be reliable, representative, and relevant reference for the purpose of writing a research thesis under similar topic.

1.7. Definition of Terms

1. Service

A service is an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interactions between the customer and service employees and / or physical resources or goods and / or systems of the service provider, which are provided as solutions to customer problems.

2. Customer Satisfaction

Satisfaction is the level of a person's felt state resulting from comparing a product's perceived performance (or outcome) in relation to the person's expectation.

