

## **THE DETERMINING FACTORS OF THE COMPETITIVE ADVANTAGE AND BUSINESS PERFORMANCE IN THE COASTAL COMMUNITIES IN NORTH MINAHASA REGENCY**

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### **ABSTRACT**

*Competitive advantage and business performance can be considered potential factors in any businesses including in the coastal communities. This research analyses the effect of learning orientation on competitive advantage, the effect of learning orientation on performance, and the effect of organization culture competitive advantage the businesses in North Minahasa, North Sulawesi. Primary data were taken from the owners of fishery business in coastal society with the total number of 200 respondents with purposive sampling. The data were analyzed using Structural Equation Model (SEM). It shows that intellectual capital has effect on competitive advantage. Yet, organization culture has no effect on competitive advantage. The research also shows that learning orientation, intellectual capital, and competitive advantage have effect on organization performance. On the contrary, organization culture and innovation has no effect on organization performance.*

**Key words:** *Learning Orientation, Organization Culture, Innovation, Intellectual Capital, Business Advantage, and Organization Performance.*

## **FAKTOR-FAKTOR PENENTU KEUNGGULAN KOMPETITIF DAN KINERJA BISNIS MASYARAKAT PESISIR DI KABUPATEN MINAHASA UTARA**

### **ABSTRAK**

*Keunggulan kompetitif dan kinerja bisnis dapat dianggap faktor potensial dalam setiap bisnis, termasuk di masyarakat pesisir. Penelitian ini menganalisis pengaruh orientasi pembelajaran pada keunggulan kompetitif, pengaruh orientasi pembelajaran pada kinerja usaha, dan budaya organisasi pada keunggulan kompetitif usaha di Minahasa Utara, Sulawesi Utara. Data primer diambil dari pemilik usaha perikanan masyarakat pesisir dengan jumlah 200 responden dengan purposive sampling. Data dianalisis menggunakan model persamaan struktural (SEM). Hasil penelitian menunjukkan bahwa modal intelektual berpengaruh terhadap keunggulan kompetitif. Namun, budaya organisasi tidak berpengaruh pada keunggulan kompetitif. Penelitian juga menunjukkan bahwa orientasi pembelajaran, modal intelektual, dan keunggulan bersaing berpengaruh terhadap kinerja organisasi. Sebaliknya, budaya organisasi dan inovasi tidak berpengaruh pada kinerja organisasi.*

**Kata Kunci:** *Orientasi Belajar, Budaya Organisasi, Inovasi, Modal Intelektual, Keuntungan Bisnis, dan Kinerja Organisasi.*

## INTRODUCTION

The business in coastal community is typically run informally so that the performance of the organization is very often not optimal. This condition affects the life of coastal communities which should be categorized as pre-prosperous society. When discussing such a situation, this business performance of coastal communities is really interesting both for governments and the private sector as well as coastal communities.

Beside the above condition, the coastal areas can also be considered attractive position in which such areas have long coastline, and even become a source of discrepancy among the parties: government, related individuals, and society in general when these areas are not managed productively. This is an important issue when the coastal areas and sea views are made as an open area.

Another important issue regarding is the climate change due to global warming which is assumed to threaten thousands of islands due to rising sea levels. This threat is accompanied by the problem that there is a marginal life in coastal areas where coastal communities are often categorized as the poorest segments of society. For example, in the last two decades, Indonesia has shown the lack of progress in reducing the number of people below the poverty line. From the data on the number of poor people in Indonesia in 1970 recorded 70 million and then dropped to 23 million in 1995.

In general, the issue of absolute poverty and the economic inequality will bring about a negative impact on the development of specific and national integration. In particular, the government has promoted their program of poverty alleviation programs since 1990s. This, in turn, intensifies the problem into a central issue nationally. It can be seen from the three major programs such as the poverty alleviation through Presidential Villages (IDT), Saving Family Welfare (Takesra), and Credit Family Welfare (Kukesra).

Again, the constraints on each levels of business both large, medium and small, co-

operative empowerment and decentralization are the efforts to empower the weak economy and reduce the level of inequality studies supported by the quantitative analysis of secondary data and non-coastal communities in coastal areas and the area of an affluent region. It is also related to the percentage of fishermen and farmers in the village, for example in North Minahasa coastal villages.

It has been the fact that coastal communities tend to be poorer compared to non-coastal communities in the region although they have been facilitated by a variety of business programs. As in Table 1, it presents the condition of the coastal communities of North Minahasa.

It is clear that Table 1 explains that the businesses with the highest percentage is business of fishery, which is supported by the daily business by the people living near the sea life, they think not difficult. Similarly, the businesses of fishermen sell their fish from village and from village. This kind of business does not require any expertise. Also, the coastal community businesses such as shops, stores, restaurants can be done by anyone, with the objective to fulfill the basic needs of the surrounding community. Among them, the most difficult one is cultivation.

Due to such a condition, the government issued a coastal community empowerment program (PEMP), which generally attempts to improve the welfare of coastal communities through the strengthening of microfinance institutions (MFIs). This is intended to develop the culture of entrepreneurship, public participation and encourage productive economic activities.

As has been described above, the researcher focuses on the effect of learning orientation, organizational culture, innovation, intellectual capital, and competitive advantage towards organizational performance. This is specified into the following. First, it investigates whether learning orientation, organizational culture, innovation, and intellectual capital have a significant effect on the competitive advantage of the

**Table 1**  
**Classification of Business of Coastal Community in North Minahasa Regency 2008**

No.	Types of business	Quantity (%)
1.	Vendors	25
2.	Fishery	55
3.	Cultivation	5
4.	Coastal Business (cafe, kiosk, restaurant)	15
	Total	100

Source: Swa Mitra Mina Cooperative Shop of Fishery, North Minahasa, 2008.

business in coastal communities of north Minahasa regency. Second, it also tries to reveal whether learning orientation, organizational culture, innovation, intellectual capital, and competitive advantage have a significant effect on the business performance of organizations in the coastal communities of North Minahasa regency.

## **THEORETICAL FRAMEWORK**

### **Learning Orientation**

According to Gregory (2004), learning orientation is a basic culture in which employees agree, on the basic values, with the importance of learning. Thus, it is to view that learning orientation is a culture in which employees agree on the basic values of how important learning orientation is. Another definition is given by Baker and Sinkula (1999), that learning orientation can be conceptualized as the degree to which knowledge of the values of the organization is open and it is sharing the vision. In general, the measurement of learning orientation is based on the three-dimensional orientations of learning such as commitment to learning, sharing vision and purpose, and being open-minded (Baker and Sinkula 1999).

### **Innovation**

It can be described that innovation is the ability to do something new and different. This something new must be different and it can be the product of goods and services, ideas, or methods. However, something different can be emerged when there are some ideas which are creative and innovative, value-added, and competitive advantage for every entrepreneur. Therefore, these entre-

preneurs should immediately translate the dream such as of becoming to grow for their business, (Suryana 2006: 2).

Wibisono (2006: 110) views innovation as a starting point for commencement of business competition. In addition, innovation is a starting point and as a sign of whether a company is able to compete with other companies. In managing the innovation process, there are four important steps that must be considered. These are as follows. (i) see a market opportunity for new products and services, (ii) manage the research and development of portfolio in the company, (iii) design and develop new products and services, and (iv) market their products and services to other markets.

Small and Medium Enterprises (SMEs) have formulation of different innovation strategies. They are related to the limited resources and technological capabilities. All the existing risks can exist in response to market so that they need an innovation strategy as a major challenge for management (Tidd et al. 1997).

### **Organizational Culture**

According to Wilkins (1983), culture is something considered normal and can be shared given by anyone to the social environment. This social environment, in this sense, can be in the form of an organization. Thus, it means that it can be shared and is expressed as a habit. Another proponent, Matsumoto (1996) in Moeljono (2003:19), defines corporate culture as a set of attitudes, values, beliefs, and behaviors that are held by a group of people and communicated from one generation to the next. Moreover,

any organization's culture is for the enterprises including SMEs in the coastal community representative who believed the workers as a pattern of beliefs, beliefs, and expectations that guide the behavior and practices that run the company (Mulyono 2006).

### **Competitive Advantage**

Pakpahan as in Daulay, Hotmatua and Mulyanto (2001:80), the ability to compete is measured by the cost of production. The lower of the cost of production per unit of a product the more competitive the products produced. A society is said to have high competitiveness if they are able to produce a product that is more efficient than that produced by other communities

### **Organizational Performance**

Basically, the performance is the result of the achievement of organizational goals. The concept of business performance is quite broad because it covers many dimensions. Mavondo et al. (2005), argues that the performance of the business is a multi-dimensional construct. Like Mavondo, Pelham (1997) also argues that performance indicators have several dimensions: first, the effectiveness of the company (relative product quality, new product success and customer incarceration rate). Second, the growth / market share (sales level, sales growth rate and relative market share). Third, it deals with ROE, gross profit margin and ROI).

In another argument, Fritz (1996) describes that an indicator of the success or performance of the business includes the level of competitiveness of achieving the goal in three years, the goal of customer satisfaction level in three years, reaching the level of long-term profit goals in the last three years, and reaching the goal upper level security business continuity in the last three years.

Baswir (1995) adds that there are four main causes of poor performance of SMES in Indonesia, namely: 1) SMEs are still using

traditional technologies, 2) market share tends to decline due to being lack of capital, technology, and managerial weakness; 3) Some small businesses are not able to meet the administrative requirements to obtain assistance from the Bank; 4) The dependence on government facilities tends to higher.

### **Characteristics of Life and Patterns of the Coastal Community Enterprises**

According to Bucklin (1972), periodic markets or retail markets are held at intervals and synchronized in some places with neighboring markets. This rationalization expresses that the pattern of micro-enterprises (very small business) is synchronization among markets. This argument could explain the business patterns of coastal communities. It is most commonly found in the coastal community businesses, when the supply of fish in the lower area, that they can easily move or find another place fish market. For example: if the supply of tuna in the area of Likupang is limited, they will switch to Bitung, Manado, and Kema as supply base. So, in this case, there is market synchronization. This is one of the characteristic of coastal community businesses. Such pattern is related to the pattern or the early stages of an economic development. Bucklin, (1972), said that at the lowest levels of economic development, the periodic market has the least cost.

In reference to Dholakia and Sherry (1987), the characteristics of underdeveloped economies include the development gaps, lack of equity, non-diversified exports, persistent dualism, monopolistic power, and structure dependent. In the coastal communities, it mostly creates the gaps of economic development and businesses. Their livelihoods and businesses have unique and traditional values based maritime or marine. This is because their position on the coast so that the pattern of business is based fishery products and ancestors.

However, due to being close to the main land, there is a mixing of the values of life

and business patterns that create dualism. This can be the intrusion of values or patterns of farming into marine values. This makes them unique coastal communities, which means that when the sea is not hostile, they switch into the pattern of life and business based on agriculture and plantations. But, when the sea is likely to be with them, they can change the principal into marine life.

From the lack of equity, the pattern of coastal communities (very-very small business) has the major characteristic that is cost per unit are likely to increase. This is because the business is carried on in a small volume so that it has a large cost per unit. Most businesses in coastal communities do not work at full capacity. This is due to many factors, including the issue of capital (working capital and capital for investment).

For non-diversified export, coastal society does not have diversified export products. Pattern of coastal communities, mostly, only produce the raw product. They are not able to create export products (except through the industry) and no other products for export as an aspect of product diversification. This causes the business in the coastal community institutions to be mostly informal or micro business patterns. From the marketing side, there are two important stages in explaining the patterns and characteristics of the business.

The first stage is the personal service market. One of the main characteristics of the properties is that it occupies a minor role. This means the work done is minor and not major. In coastal communities, they have two cultures (the culture of marine (sea) and agricultural culture (agriculture), work as a fisherman is not the primary, meaning that fishing activities will be carried out only if the climate is good for them. If the ocean climate is not good, they switch to agriculture and plantations. Thus, most work is seasonal. Due to this kind of life, the businesses in coastal communities tend to be informal.

The second stage is the stage of the perishable produce market. One of the charac-

teristic of this stage is the traditional marketing system and the local market is in nature. These properties can be used to describe the business patterns of coastal communities. The nature of the traditional marketing system states that the pattern is more direct selling marketing (or direct sale without intermediaries). Coastal communities sell their products or transact in the local market.

The employers in the coastal center of north Minahasa mostly sell their products in the local market (the area north and its entire such as Minnahasa, Manado, Manado, Amurang, Tomohon and Tondano). Therefore, the local markets in such business are mostly micro or informal.

### **Research Variables and Community Businesses**

According to the Act No. 20 of 2008 on micro, it is stated that enterprises owned productive individual or individual business entities should meet the criteria: a). It has a net worth of at most 50 million (excluding land and buildings) or b) they should have the net annual sales of 300 million.

Yet, SME is defined as an economically productive business that operates by its own, carried by an individual or business entity that is not a subsidiary or branch company. It is not owned, controlled, or part, directly or indirectly, from a medium or large business, an owned criterion (a) has a net worth of at most 50 million to 500 million (excluding land and buildings) or (b) has the most sales revenue 300 million to 2.5 billion.

The two definitions above dominate the type of business in the coastal communities. As a form of business (both micro and small), the main objective of business is profit organization (short-term) and can grow and survive in the long term. It is necessary to have the regulation or good management so that businesses can still exist.

For the reason above, the coastal community businesses (micro and small) are eligible and they have a concept of learning orientation, organizational culture, innovation, intellectual capital, competitive advan-

**Table 2**  
**Types of Businesses and Research Sample**

<b>No.</b>	<b>Unit of Analysis</b>	<b>Total</b>	<b>Sample</b>
1.	Traders of Fishery Vendors	501	53
2.	Employers of Fishery	698	74
3.	Employers of Cultivation of the seaweed	302	32
4.	Costal businesses (shops, restaurants, ice factories)	398	42
	Total	1899	200

Source: processed primary data, 2009.

tage, and organizational performance. They are in such behavior even though measurement is relatively simple compared to medium and large business organizations.

### **Strategies to Increase Regional Competitiveness**

Resource-based approach has always sought to compete by the jargon mainly on how future innovation is done through its resources for enhancing the ability of competing using selected competencies. By doing so, they make other competitors try to imitate. This approach views economic activity or business as utilization of resources and capabilities, and not according to the market they cater for.

Such utilization is intended to build sustainable competitiveness (survive) so as to be geared to capture the opportunities and overcome the threat of competition. This approach emphasis more on developing the ability to compete through a dynamic learning process in order to create the core competencies both at the macro level and at the enterprise level. Therefore, they should be in the context of a restructuring of the company, which is based on the efficient use of resources.

There are four main sources to build core competencies in organizational resource-based approach, namely: resources, the success factors, learning, and capability. Resource consists of three parts: first, the intangible resources such as employees or human resources, customers, capacity, funding, and products; Second, intangible resources such as employee skills, customer quality, and production cost efficiency and

product quality; third is the direct intangible resources such as employee morale, reputation in the eyes of customers and reputation in the eyes of investors.

### **RESEARCH METHOD**

The study is an explanative or explanatory (confirmatory) because it attempts to verify or confirm the connection or influence among the variables. It is cause-effect research (Zikmund 1994). This study tries to test the hypothesis in a structural equation.

The population by sampling technique is on the business owners in coastal region of North Minahasa regency. It was done by means of proportional random sampling with the number of 200 respondents. It was determined proportionally based on the study of business owned by the coastal communities in the North Minahasa district as described in Table 2.

As presented on Table 2, it can be explained that there are four main types of business specified in North Minahasa coastal area according to the type of business that is most commonly found although its survival is strongly influenced by climate conditions. In other words, this business is seasonal. These businesses are largely family done by their predecessors.

### **Data Collection**

Questionnaires are used in this research to obtain primary data from the respondents as a research subject related to the variables. In practice, it is carried out through a set of questions or a written statement and open interviews to business owners in North Minahasa regency.

**Table 3**  
**Coefficient Value of Direct Effect Learning Orientation, Organizational Culture, Innovation, and Intellectual Capital toward Competitive Advantage and Performance**

Variable	Estimate	SE	CR	P
Competitive advantage (Y1) ← Learning orientation (X1)	0.270	0.115	2.337	0.019
Competitive advantage (Y1) ← Organ culture (X2)	-0.168	0.199	-0.841	0.401
Competitive advantage (Y1) ← Innovation (X3)	0.238	0.118	2.012	0.044
Competitive advantage (Y1) ← Intellectual capital (X4)	0.634	0.271	2.342	0.019
Organ Performance (Y2) ← Learning orientation (X1)	0.159	0.073	2.160	0.031
Organ Performance (Y2) ← Organ culture (X2)	-0.115	0.125	-0.919	0.358
Organ Performance (Y2) ← Innovation (X3)	-0.007	0.070	-0.097	0.922
Organ Performance (Y2) ← Intellectual capital (X4)	0.379	0.176	2.150	0.032
Organ Performance (Y2) ← Competitive advantage (Y1)	0.296	0.079	3.739	0.000

Source: processed primary data, appendix 2009.

### Analysis Techniques

SEM is used with the help of AMOS and SPSS. For the model the analysis by structural equation schematically is shown in Appendix 2. The steps of analysis begin with the measurement of latent variables (constructs variables). Furthermore, structural equation estimation is performed by the reference analysis based on reduced form coefficients which can be rewritten as follows:

$$Y_1 = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \alpha_4 X_4 + \mu_1, \quad (4a)$$

dan,

$$Y_2 = \Omega_0 + \Omega_1 X_1 + \Omega_2 X_2 + \Omega_3 X_3 + \Omega_4 X_4 + \mu_2. \quad (4b)$$

In which:

$$\Omega_1 = \beta_0 + \alpha_0 \quad \beta_0 = \text{Constant}$$

$\Omega_1 X_1 = \alpha_1 \beta_5 + \beta_1$  is direct effect of  $X_1$  to  $Y_2$ , added by  $\beta_1$  effect  $X_1$  to  $Y_2$  through  $Y_1$  that is with coefficient of  $\alpha_1 \beta_5$ .

$\Omega_2 X_2 = \alpha_1 \beta_5 + \beta_2$  is direct effect of  $X_2$  to  $Y_2$ , added by  $\beta_2$  effect  $X_2$  to  $Y_2$  through  $Y_1$ , that is with the coefficient of  $\alpha_2 \beta_5$ .

$\Omega_3 X_3 = \alpha_3 \beta_5 + \beta_3$  is direct effect of  $X_3$  to  $Y_2$  added by  $\beta_3$  effect  $X_3$  to  $Y_2$  through  $Y_1$  that is the coefficient of  $\alpha_3 \beta_5$ .

$\Omega_4 X_4 = \alpha_4 \beta_5 + \beta_4$  is direct effect of  $X_4$  to  $Y_2$  added by  $\beta_4$  effect  $X_4$  to  $Y_2$  through  $Y_1$  that is the coefficient of  $\alpha_4 \beta_5$ .

Direct effect

$\alpha_1$  = the degree of direct effect of  $X_1$  on  $Y_1$

$\alpha_2$  = the degree of direct effect of  $X_2$  on  $Y_1$

$\alpha_3$  = the degree of direct effect of  $X_3$  on  $Y_1$

$\alpha_4$  = the degree of direct effect of  $X_4$  on  $Y_1$

$\beta_1$  = the degree of direct effect of  $X_1$  on  $Y_2$

$\beta_2$  = the degree of direct effect of  $X_2$  on  $Y_2$

$\beta_3$  = the degree of direct effect of  $X_3$  on  $Y_2$

$\beta_4$  = the degree of direct effect of  $X_4$  on  $Y_2$

$\beta_5$  = the degree of direct effect of  $Y_1$  on  $Y_2$

Indirect effect

$\alpha_1 \beta_5$  = the degree of indirect effect of  $X_1$  on  $Y_2$

$\alpha_2 \beta_5$  = the degree of indirect effect of  $X_2$  on  $Y_2$

$\alpha_3 \beta_5$  = the degree of indirect effect of  $X_3$  on  $Y_2$

$\alpha_4 \beta_5$  = the degree of indirect effect of  $X_4$  on  $Y_2$

Total Effect

$\Theta_1 = \alpha_1 \beta_5 + \beta_1$  = the degree of total effect of  $X_1$  on  $Y_2$

$\Theta_2 = \alpha_2 \beta_5 + \beta_2$  = the degree of total effect of  $X_2$  on  $Y_2$

$\Theta_3 = \alpha_3 \beta_5 + \beta_3$  = the degree of total effect of  $X_3$  on  $Y_2$

$\Theta_4 = \alpha_4 \beta_5 + \beta_4$  = the degree of total effect of  $X_4$  on  $Y_2$

### DATA ANALYSIS AND DISCUSSION

In interpreting the model, this study looks at the value coefficient of the direct effect, an indirect effect, and total effect. The results of the calculation are of the direct effect of learning orientation, organizational culture, innovation, and intellectual capital on competitive advantage and organizational performance. All these can be seen in Table 3.

### **Learning Orientation toward Competitive Advantage**

The test results indicate that there is significant effect of learning orientation on competitive advantage through the coefficient value of 0.270. The test is positively indicate of learning orientation is increased and then the competitive advantage increases too or the other way around. So, it can be concluded that learning orientation has significant and positive effect on competitive advantage. This means that this result proves the hypothesis is accepted.

The finding is consistent with research by Lee and Tsai (2005) that learning orientation has an effect on competitive advantage. This is also supported by Baker and Sinkula (1999) that learning plays an important role in creating and sustaining competitive advantage.

It is obvious that commitment to learning is the biggest measurement for learning orientation. The business owners are committed to always learning new things, whether through participation as a trainee and counseling, as well as from experience and self-directed learning for the betterment of their business.

Basically, learning-oriented businesses can grow and evolve with the specific advantages which are unique and different from competitors. This is in line with the opinion by Mavondo et al. (2005) arguing that the learning process is a form of managerial competence to generate competitive advantage. By doing so, the enterprises can effectively meet the needs of consumers. That is, learning orientation should be applied by business owners in coastal communities from time to time.

Such an effort is intended to make them continue to exist with their competitive advantage held as a result of the learning process. For example, they should they can catch fish in large numbers, how they adjust to capture in every season is also a learning process that is to create a competitive advantage. Similarly, it can also be related to the way how they grow, sell, and process the

fish. By doing all these, they can get a competitive advantage as, a result of a learning process over time.

### **Competitive Advantage towards Organization Culture**

It is found that organizational culture has no significance on competitive advantage. Thus, it can be generalized that the hypothesis is not proven. That is, the cultural values held by the business owner cannot create competitive advantage because they maintain the tradition of behavioral patterns that are passed from generation to generation. This is not relevant to the current situation, for example, if one member of the community is dead then all business activities are suspended for following a series of mourning ceremonies and religious events. Other examples are related to weddings and Christmas celebration.

Similarly, the belief is that Friday and Sunday are sacred days for them so that on those days, all business activities are also suspended. Cultural values are on the contrary to their businesses and the effort to increase competitive advantage. Value is a measure of the largest cultural organization. This means that business owners adhere to the values of business ethics in business. The business owners avoid various ways of jobs that harm society as consumers, such as the use of preservatives, coloring use, mixing product, etc.

There is evidence that business owners in their businesses show the character of holding the prevailing culture in the region. Most of them have and develop ethical values in business, and constantly develop rules both verbally and in writing when they are doing their business. They also always maintain good habits in running their own business, such as not to cheat, they should do business together and in kinship. In the implementation of cultural values which are developed do not increase the competitive advantage.

In fact, the coastal communities run their business by firmly holding the local culture



they have believed for generations. They are not allowed to take profit to much. In business, they even have to emphasize on their togetherness with the principle of mutual relationship. They should help each other such as lending their money to others who really need it even the borrowers may not be able to pay.

It is confirmed that the coastal community business are built on the basis of a tradition that starts with the observance of worship on Sunday. When they pray for Friday worship, people should worship. Thus, they should not work. If they break this value, they will get the risk of being alienated by the society. When there is a wedding party or mourning grief, they must participate even when there is demand for fish or seaweed is high. They prefer losing their business rather than getting the risk. Therefore, the coastal communities' organizational culture has no effect on competitive advantage.

Some evidences are attained from interviews with business owners. For example, there is evidence that organizational culture developed in the coastal community business by the business owners has become their business habit. They do it according to the value and it is due to the belief that their values are more important, not the things burdening them. They think that doing business is about life depending on God and therefore it should be the same as the values related to religion. This tradition has been done from their predecessors. With such family businesses with such values, however, they still decide to get their competitive advantage even though, sometime, they might be against the norms.

In terms of faith, it does not mean that they stop working their business and go for worship, but they have to appreciate the holy days for example by keeping themselves at home or not to go out from their house. This argument is commensurate with the argument by Chatman and Jehn (1994), stating that based on the functionalist perspective of organizational culture, such tradition can become part of competitive advantage when

the communities have values, the habit that cannot be imitated by others. This means that when they have good culture they got in heredity, they will not adopt the new culture (organizational culture) that may hamper their competitive advantage. Therefore, such description can be used to explain why organizational culture does not have significant effect on competitive advantage.

Another argument related to the concept of culture also underpins that culture can be weak. The communities with a weak culture is not easy to adapt to the culture of competitive advantage. Therefore, the strategy using competitive advantage cannot be successful when there is not adoption of the new culture. This argument is supported by Irani et al. (1997) who state that competitive advantage will fail if it is not based on a strong culture. The observations conducted also show that the coastal communities have a culture that has taught generations of their children as early as possible, such as for having the same profession as their parents have. Yet, their children are even at their school age. They do not realize that such a culture only hinder the new things that are important for their business especially to get their competitive advantage.

### **Innovation towards Competitive Advantage**

It shows that innovation has significant and positive effect on competitive advantage. Thus, the hypothesis related to this can be accepted. For the business by the coastal communities, innovation has already become their future target because they have been known as having experience in the businesses for more than ten years. Beside, their location of business such as catching fish have become their characteristics from the boats and now by having big ships with sophisticated fish equipment. Even they have developed new products of seaweed in which this activity attract the government through the cooperative shop of mina mitra. This support from the government is intended to make them follow the develop-

ment to get competitive advantage. This can be implied that they have knowledge about the business they are running. This can become the intellectual capital for them. The knowledge can be gained through experience, business heritage of the parents, participatory training, and counseling.

### **Intellectual Capital towards Competitive Advantage**

The test results show that intellectual capital have significant and positive impact on competitive advantage. Thus, it can also be stated that the hypothesis is proved or accepted to be true. This is also consistent with the argument by Guthrie et al. (2004), stating that the human resource management and human capital are considered an organizational resource that can contribute to the ongoing success of the competition.

The linkage between intellectual capitals and innovations in the form of knowledge management strategy can influence innovation in organizations. The importance of having ideas (innovation) is caused by intellectual capital that is always required by the company or organization in anticipating the dynamic conditions. This is in accordance with the argument by Seetharaman et al. (2004), stating that an organization to survive during the tough times requires sustainable renewal. This can be conducted by the introduction of something new, innovative products, and processes based on new knowledge in business embodied in intellectual capital. Such intellectual capital includes human capital, capital structure, intellectual assets, and intellectual property.

Such description above is also supported by Guthrie (2001) that in particular, organization should emphasize the importance of intellectual capital by increasing innovation and creativity as the main determinant of the competition. Similarly, the argument by Charbaghi and Cripps (2006) also stresses that intellectual capital is an essential element of the growth of innovation, productivity, growth, competition, and economic performance. According to Chen et al. (2005)

an intellectual capital is largely an intangible asset, which is widely accepted as an asset capabilities of the company's main strategy to generate sustainable competitive advantage and superior financial performance.

Furthermore, Chen et al. (2005) stated that intellectual capital assets are increased by understanding the important strategies for a sustainable competitive advantage of companies. This is similar to the opinion by Cohen and Kaimenakis (2007), stating that intellectual capital is a combination of intangible resources for effective management that can provide a sustainable competitive advantage.

The results of this study indicate that the role of human resource is crucial for business continuity for the coastal communities in terms of potentials and they should always see the progress of competitors who might be learned for their own business, based their ethic too. For the business in the coastal communities, they always pay attention to and keep their products with good quality as proposed by Peng et al. (2007).

### **CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS**

It can be generalized that learning orientation has significant and positive impact on competitive advantage. This can be stated the hypothesis related to this statement is proved and accepted. Learning-oriented organization can grow and evolve with the competitive advantage which should be unique and different from competitors.

The learning process is a form of managerial competence to generate competitive advantage, so that the business can effectively meet the needs of consumers. In addition, organizational culture has in fact no significant effect on competitive advantage. Thus, it can also be stated that the hypothesis concerning this argument is proved and accepted.

Cultural values held by the business owner cannot increase competitive advantage because they maintain the tradition of behavioral patterns that are passed from

generation to generation. These patterns are considered not relevant to the current situation, for example, if one member of the community is dead then all business activities must be suspended and they have to attend a series of mourning ceremonies and religious events. Other events that are also paid attention are weddings and religious events.

The business owners in the operations show the character of the prevailing culture in the region. Most of them have and develop ethical values in business, and constantly develop rules both verbally and in writing when they run their business. In addition, they also have to always maintain good habits in running their own business, such as not to cheat. They should do the business in kinship.

The implementation of cultural values is developed but not merely for increasing the business competitive advantage. Innovation has significant and positive effect on competitive advantage. Thus, it can be stated that the hypothesis related to this premise is proved and accepted. For the business of coastal communities, innovation is already considered a target in their future business because the work done has been for a long time for over more than ten years. The business location means that there are well known characteristics such as the fishing technique used to be done using small boats but now using big ships with sophisticated equipment.

Such evidence should be paid attention by the government for example they can develop their business through a cooperative partnership. The intellectual capital has significant and positive impact on competitive advantage. This means that the hypothesis related to this argument is proved and accepted. Human capital is considered an organizational resource that can contribute to the ongoing success of the competition.

The importance of new ideas (innovation) caused by intellectual capital is required by the company or organization in anticipating the dynamic conditions. It is

important to point out that an organization has to survive even though in the tough times and therefore this also requires continuous renewal such as the introduction of something new, innovative products and processes based on new knowledge in business embodied in intellectual capital. Such capitals include human capital, capital structure, intellectual capital, and intellectual property.

Learning orientation has significant and positive impact on organizational performance. It means that the hypothesis is proved and accepted. The organization's learning orientation provides the communities with the opportunity for any decision made because they should be based on market information.

Organizational culture has no significant effect on the performance of the organization. Thus, the hypothesis is not proved. The culture is not considered to be significant toward the performance, due to the unique dimension inherent in the culture. There is no relationship between the performance and the organization with the culture of the organization because it does not produce cultural information that can lead to competitive advantage. Innovation has no significant effect on the performance of the organization. This shows that the hypothesis related to this premise is not proved or accepted.

This means that there is a positive relationship between innovation and company performance. Innovation for business in the coastal communities is not important because innovation is not more necessary for competitiveness compared to the ethics. Ethics should be enhanced in the family relationships of mutual respect by striving together for common progress.

Intellectual capital has a significant and positive impact on organizational performance. This means the hypothesis related to the argument is proved and accepted... Intellectual capital can provide information about things such as the allocation of resources, strengths, and weaknesses of the company or organization. All this information affects the

performance of the company or organization.

The competitive advantage has a positive impact on organizational performance. Thus, the hypothesis related to this argument is proved and accepted. Orientation learning can directly and indirectly affect the performance of the business through competitive advantage. Competitive advantage is affected by learning orientation that has an impact on the learning orientation and performance. Competitive advantage is the core of the company's performance in the market competitiveness.

For business owners, they should do their business with market-oriented, technology tools, innovation, and learning, with values to be held with them during doing the business. For further research, the researchers are suggested to include the community's income, education, capital owners, as research variables. They should also include much wider objects with more respondents of other types of businesses.

For the government, they should provide the coastal communities with some policies by considering micro, small, and medium businesses, such as coastal communities, in the form of community empowerment program, working capital, loan programs, counseling, and training assistance programs.

It can be stated that the empirical and theoretical research is expected to contribute to the development of the theory, in particular, for research on the coastal communities with their business in relation to the effect of learning orientation, organizational culture, innovation, competitive advantage on the business performance. For example, the culture of organization which is determined by the business environment, an environment where it operates, will influence what should be done by the company. Such culture includes values and beliefs as the basic concept of a company, a role model, ceremonies (rites and ritual), regular events which are all organized by the company.

The informal communication networks within the company can also be a means of

business. This is dominated by the coastal communities' values with religious ritual as it is built for the following generations. This is also appreciated and respected very much as in the days of the Christians and Muslims worship. These should not do any activity because they must stop all businesses and appreciate the religious days. They should also pay homage to all the elder people by focusing on social activities.

Other important finding but not significant is the effect of organizational culture on competitive advantage and organizational performance. The businesses of the coastal communities are not affected by such factors. However, innovation is found to be important in the coastal communities and their businesses but they think that it is not so much important. In other words, innovation in business, in general, is very important to get a competitive advantage for businesses in the coastal communities but innovation is not a measure of innovation because they think it is expensive. On the other hand, they have accepted what they have done as an adequate standard of their business lives.

Other key findings concern the learning orientation that has significant and positive effect on the performance of an organization both directly or indirectly through competitive advantage. Organizational culture is not significant effect either directly on the performance of the organization or indirectly through competitive advantage.

Yet, innovation has no significant effect directly on the performance of the organization but indirectly it is significant through competitive advantage. The intellectual capital has significant and positive effect on organizational performance both directly and indirectly through competitive advantage.

Now that the findings have been as described above, there are some managerial implications asserted here. First of all, for the development of the business in the coastal communities, they should develop market-oriented organizational culture, technology, innovation, and learning. The beliefs of society that exist must be taken into ac-

count for running the business so as to adapt to the changing era. This also implies that, in order to provide certainty to the achievement of the business, it is important for the communities to survive. Secondly, the academic implications suggest that learning orientation, innovation, and intellectual capital should be applied to micro, small and medium enterprises in the coastal communities to increase competitive advantage and organizational performance of the business. Finally, the government is expected to set policies that favor the development of micro, small, and medium businesses in the coastal communities.

The economic potential for the coastal communities is high. However, they remain to require policies that are oriented to the utilization of the sea resources and the fishery or marine. It also means that there must be regulations to prevent the use of coastal areas from being an open access.

There are some limitations in this research as the following. First, in terms of the location of the research, this study is limited to the coastal communities in the North Minahasa regency. In fact, coastal communities are spreading not only in the North Minahasa district but there are also in other regions such as Manado, Bitung City, and the surrounding area as well Amurang. Therefore, further study is expected to examine the entire coastal areas of the society, with a wider for wider generalization.

Secondly, in connection with the variables, there are important variables affecting the performance of the organization in addition to the variables in this model. For that reason, it is also more important to do the same research on in small and medium enterprises. The variables can include entrepreneurship, motivation, job satisfaction, and other possible variables. Third, this study ignores control over the size of the company, capital, experience, income and education. Fourth, in terms of indicators, not all of the indicators used to measure the variables studied. This is due to consider the diversity of the research object.

Fourth, this study uses SEM analysis and interpretation lies on only the initial model. The analysis should be done again to meet suitability index model with modifications. In this study, modification of suitability index model has been done but not discussed.

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