ISSN:1991-8178

Australian Journal of Basic and Applied Sciences

Journal home page: www.ajbasweb.com

Market Orientation toward Learning Orientation, Competitive Advantage and Marketing Performance: Study of Small and Medium Enterprises (SME) in Aceh

Muhammad Adam

Lecturer in Doctoral Program of Management Science, Economy Faculty, Syiah Kuala University, Banda Aceh, Indonesia.

ARTICLE INFO

Article history:
Received 12 March 2015
Accepted 28 April 2015
Available online 5 May 2015

Keywords:
Market Orientation, :Learning Orientation, Competitive Advantage, Performance

ABSTRACT

Background: The problem faced by most domestic industry is the lack of knowledge of how to manage the business and promote business. In the face of competitive advantage, a company must pay attention to the market orientation and learning orientation, because the knowledge of market orientation and learning orientation is the key to success of competitive advantage that will be generated which will then affect the performance of SMEs**. Objective:** The purpose of this study was to examine whether there was an effect of the role of market orientation, learning orientation on competitive advantage and performance of SMEs. Selected populations in this study are small industry owners in Aceh consisting of 50 respondents, using a questionnaire. Data analysis with SPSS 18:00 conducted through the test of validity, reliability, and path analysis. **Results:** The analysis results showed that there were direct, significant and positive relationships between market orientation and learning orientation and marketing performance; there were direct, significant and positive relationships between competitive advantage and marketing performance and there were relationships between learning orientation and competitive advantage. There were no relationships between learning orientation and marketing performance at Aceh SMEs**. Conclusion:** This conversion shall make employees show their competitive advantage that is beneficial for the SME' market orientation and learning orientation which have a significant impact on performance**.**

© 2015 AENSI Publisher All rights reserved.

To Cite This Article: Muhammad Adam, Market Orientation, Learning Orientation and Organizational Performance: Competitive Advantage as Moderator Variable. ***Aust. J. Basic & Appl. Sci.,*** *9(11): 329-333, 2015*

INTRODUCTION

The era of free trade becomes the opportunities and challenges for businesses to encourage increased performance and the role of SMEs in the national economy in creating the market both at home and in overseas. However, SMEs still have a lot of classic problem that is not much different from the SMEs at national level.

And as known, Business Micro, Small and Medium Enterprises (SMEs) occupies a strategic position in the Aceh economy as one of the province in Indonesia. SMEs play a role in creating jobs and economic empowerment of the people. The number of SMEs in Aceh reached 55 783 units, which consist of micro-enterprises 39 571 units (71 %), small businesses 13 728 units (25 %), and medium-sized enterprises 2,484 units (4 %) (Department of Industry, Trade and SMEs in Aceh, 2012). It is estimated that, currently SMEs Aceh has absorbed a workforce of about 275 thousand people (www.waspada.co.id, 01.23.2013). These SMEs engaged mainly in the sectors of trade, services, agriculture, industrial, and marine fisheries.

Although it has a prominent position in supporting the local economy, Aceh SMEs do not develop optimally. Various problems of SMEs step twisting motion, which are related to capital, product marketing, managerial capabilities, and business productivity.

Weaknesses of the business managerial are a barrier faced particularly by micro and small businesses. There are still a lot of micro and small businesses who conduct business without planning, control and evaluation of an adequate business. It is caused by low of knowledge and characteristics among businesses that many businesses are family businesses

A consequence of SMEs problems impacts on the locally marketing aspects, product quality which is standards and in the end impact on the achievement of low performance. Various attempts have been made to improve SMEs performance both locally and nationally until the defense of government policy through legislation. However

Corresponding Author: Muhammad Adam, Lecturer in Doctoral Program of Management Science, Economy Faculty, Syiah Kuala University, Banda Aceh, Indonesia.
E-mail: adam_usk@yahoo.com

SMEs to date has not shown optimal performance. Problems of low performance in SMEs and how the solution to improve performance is the reasons still important do studies on the more comprehensive of SMEs performance.

When studied in depth, the increase in performance of SMEs can be done with respect to some aspects, among others: market orientation, learning orientation and competitive advantage. SMEs in the development apart from relying production capabilities, it is also important to lead the market mechanism that occurs. Practice of market oriented to this SMEs regard the interests and needs of consumers; however orientation market has not become a business culture that interaction in most SMEs, but the main issue for the sustainability of SMEs is the lack of ability to access the market.

To know the marketing problems faced, the small businesses, governments need to know the level of market orientation which done by the small business owners. In its development, SMEs are not only the domestic market oriented, but should be able to global-oriented which emphasis on customer satisfaction is in order to improve performance. Beside that, as known SMEs marketing performance can be achieved if the company has a high competitive advantage. Marketing performance of a company is reflected in the work results of various functional management interacting with each other proportionally to perform its functions well (Zhou, K.Z., Yim, C.K.B. and Tse, D.K., 2005 and Voss, G. B and Voss, Z. G., 2000).

Company with market-oriented, to survive in a dynamic environment with a high level of competition is need of learning orientation in competing. This applies also to small and medium businesses are increasingly facing stiff competition (Slater, 2000). Rapid changes in the environment, market mechanisms are increasingly open, competitive, and market share is challenges that must be answered with a market oriented approach.

Based on the description of important aspects related with the success of the company, and then the effort to achieve higher performance for small and medium industries actually can be done through approach to market orientation (Narver & Slater, 1990). Because as known, Market orientation being defined as "the degree to which individuals are aware of the needs and wants of one's customers, and how the firm might best meet those needs and wants*"* (Ahmed and Krohn, 1994).

However, on the other hand the results of other studies on how market orientation influences firm performance are not so conclusive suggesting that market orientation does not directly influence firm performance but rather impacts performance via other mediating variables (Pelham, 1997). Furthermore, some studies found positive and significant relationships (Desphande and Farley, 2004) whilst other studies reported non- significant relationships (Greenley, 1995), and even other studies found that market orientation was only related to firm performance for certain subjective measures (Rose and Shoham, 2002) and other studies even suggested that market orientation had a negative impact on performance (Cadogan and Cui, 2004).

Still relatively limited empirical study on the effect of market orientation with learning orientation simultaneously in improving the performance of SMEs as well as the direct effect of the competitive advantage of the performance, this research tries to measure and analyze the effect of market orientation, learning orientation and competitive advantage in improving the performance of SMEs in Aceh

MATERIALS AND METHODS

The method of this study is descriptive correlation which was performed by field approach. The measures for all the constructs in this study were adapted from past research. The 5-point Likert scale was used for the entire study. The statistical population consisted of employees and managers working in SMEs in Aceh (N=50). The sample size was considered equal to the population. SPSS (Version 16) software was used to analyze the data which is taken from questionnaires. As to the statistical measures, descriptive statistics including frequency, percentage, mean, standard deviation and tabulations were used to describe the data. Before that, Reliability of the sub-measures which were developed in the present study was determined by calculating the Cronbach's Alpha value. Following Fornell and Lacker (1981), any variable with Crobach's Alpha of above 0.7 is acceptable. Construct reliability was assessed via applying the evaluation factor loading as well as considering incorporating the composite reliability and the AVE. All the constructs presented composite reliability larger than the acceptable level of 0.7 depicting that the measurement errors were quite meager. AVE values for all constructs were also larger than 0.5. In order to evaluate the discriminant validity between the constructs, the test requiring the square root of AVE for each and every construct to be greater than the correlation between the two relevant latent/hidden variables was carried out. Inferential statistics including Pearson correlation formula was used to test the hypotheses.

Results:

Result from testing by using *Structural Equation Modeling* shown that model is fit used for hypothesis testing. Hypothesis testing is indicated by the parameter of path coefficient and the level of significance as table below.

Tabel 1: Hypothesis testing.

Variables	Coef.	CR	Prob.	Remark
market orientation→ marketing performance	0,709	4,290	****	Significant
market orientation → learning orientation	0,396	2,458	0,014	Significant
learning orientation → marketing performance	0,220	1,312	0,189	Non Significant
learning orientation → competitive advantage	0,416	2,647	0,008	Significant
competitive advantage → marketing performance	0,745	4,702	****	Significant

Source: Data Processing, 2015

Discussion:

The result for effect of market orientation on marketing performance shows positive significant. Results suggest that the higher entrepreneurship activities of SMEs the higher marketing performance can be achieved. This finding is consistent with research conducted by Cadogan *et al*. (2005) argued that the relationship between market orientation and marketing performance in an international context is of great interest to the international marketer. Ghosh *et al*. (1994) compared the marketing practices among the better performers in Australia, New Zealand, and Singapore and the importance of market orientation to successful marketing performance was evident. Further support for market orientation as a significant determinant of marketing performance was given by Pitt and Jeantrout (1994). Specifically, for most firms, empirical studies indicated that higher levels of market orientation in the firms' export market is associated with higher levels of performance (e.g., Akyol and Akehurst, 2003; Cadogan *et al*.,1999, 2002; Sundqvist *et al*.,2000).

Results for effect of market orientation on learning orientation show that there is a positive significant. The results of this study are consistent with the findings of the research conducted Slater & Narver (1995) that exhibits direct significant relationship between market oriented behavior and learning. Their study further emphasizes that to maximize the learning capacity of the organization, market orientation is vital that promotes organizational capabilities to obtain knowledge about markets, customers, competitors and processes and then disseminates that information throughout the organization. The findings of this study are also consistent with the study conducted by Baker & Sinkula (1999), market orientation and learning orientation have synergistic effect. Organizations with lower learning capacity are less adaptive and flexible. While learning oriented firms not only generate and disseminate market information but also find and investigate new ways to market development. Baker & Sinkula (1999) further proposed that market data processing is required for an organization to become market oriented. It raises the need of learning orientation because it encourages learning commitment, open mindedness and dissemination of market data across all departments of organization.

Results for effect of learning orientation on SME marketing performance show that there is no evidence of a positive significant. The findings of research among SMEs in Aceh is consistent with the findings of research conducted by Vijande (2005) also Suliyanto and Rahab (2012) which claim that learning orientation does not significantly influence the marketing performance. These findings suggest that the activity of SMEs to improve organizational values in creating and utilizing knowledge has no effect at all on the marketing performance. Likewise, company intention and sincerity in running principles, organizational values and vision of SMEs to open sources of information as much as possible have no effect on marketing performance. These findings are very interesting because a lot of experts state that learning orientation has positive significant effect on business performance and one of them is Baker & Sinkula (1999). The findings of this study are not consistent with the results of Martinette and Leeson (2012) and Farrell (2000) who show the significant relationship between learning orientation and marketing performance. Another study conducted by Jimenez and Navarro (2007) also found a significant relationship between learning orientation and marketing performance.

Results for effect of learning orientation towards SMEs competitive advantage shows that there is a positive significant. These results are consistent with the findings of Sinkula Baker (1999) which states that the high level of the learning process will be increasingly important in creating a sustainable competitive advantage in the company. Findings of this study also support Martinette and Leeson's research (2012) which showed a significant relationship between learning orientation and competitive advantage. The research results can be concluded that in order to have a good competitive advantage of SMEs should encourage climate and good learning culture. This conclusion is in line with the idea of Barney (1991) which states that an organization will have a sustainable competitive advantage if it has the resources or expertise that can give superior value to customers. Superior resources can only be gained by continuing updating knowledge and skills through the learning process. This finding is slightly different from that evidenced by Suliyanto (2011) which showed that the orientation of learning has positive significant effect

on competitive advantage only if it through innovation, especially technological innovation

Testing result for influence of the competitive advantage on marketing performance shows that there is a positive significant. The findings of this study are consistent with the results of study by Kusumo (2006) who found that competitive advantage significantly affects the performance of marketing. These findings also support Droge and Vickery (1994) who claim that the competitive advantage of the company will ultimately affect the company's market performance as measured through customer growth. Competitive advantage is a SMEs position of superiority in the market through distinctive competencies and strategic assets of the company. Marketing performance is a measure of achievement gained from the activities of SMEs in overall marketing process. Marketing performance can be seen from the accomplishments such as: sales growth, growth in number of consumers, market share growth and an increase in profits. The findings of this study are not consistent with the findings of research conducted by Prakosa (2005) which shows that marketing performance significantly influence to competitive advantage. Similarly, these findings differ with the theory proposed by Slater and Narver (1990) which states that the effective corporate marketing performance is a configuration of practical management that provides facilities for the development of knowledge as a basis of competitive advantage.

Conclusion:

The purpose of this study was to investigate the relationships between market orientation, Learning orientation, Competitive advantage and performance in SMEs. Data were collected using validated scale instruments drawn from relevant literature. From the study, it can be concluded that: (1) market orientation has direct influence on the learning orientation and performance of marketing; (2) Competitive advantage to be a good mediator of learning orientation to performance marketing as a complete mediation; (3) Competitive advantage needed to improve marketing performance, both directly and indirectly as a mediator of learning orientation. This conversion shall make employees show their sincere Competitive advantage that is beneficial for the SMEs' market orientation which has a significant impact on performance. This study was based on a single service industry (SMEs sector) with its own peculiar characteristics. It is not clear to what extent the substantive results of this study can be generalized to other industries.

Future research should apply the study's model on a larger population of other types of industry and other service and manufacturing industries. Implementation of further research can be conducted with different subjects or broader scope.

REFERENCES

Ahmed, Z.U. and F.B. Krohn, 1994. 'Developing a strategic marketing plan for a small tourism firm', *Journal of Professional Services Marketing*, 10(2): 111-128.

Akyol, A. and G. Akehurst, 2003. 'An investigation of export performance variations related to corporate export market orientation', European Business Review, 15(1): 5-19.

Baker, W.E. and J.M. Sinkula, 1999. Learning orientation, market orientation, and innovation: integrating and extending models of organizational performance. Journal of Market-Focused Management, 4(4): 295-308.

Baker, W.E., J.M. Sinkula, 1999. "The synergistic effect of market orientation and learning orientation on organizational performance," *Journal of the Academy of Marketing Science*, 27(4): 411-27.

Barney, J., 1991. Firm resources and sustained competitive advantage, Journal of Management, 17(1): 99-120.

Cadogan, J.W., C.C. Cui, R.E. Morgan and V.M. Story, 2005 'Factors facilitating and impeding the development of export market-oriented behavior: A study of Hong Kong manufacturing exporters', International Marketing Review, 20(5): 1-39.

Cadogan, J.W. and C.C. Cui, 2004. 'Chinese export agents' adoption of export market-oriented behaviors: Measurement and performance relationship', *Journal of Asia Pacific Marketing*, 3(2): 21-37.

Cadogan, J.W., A. Diamantopoulos and C.P. Mortanges, 1999. 'A measure of export market orientation: Scale development and cross-cultural validation', Journal of International Business Studies, 30(4): 689-707.

Cadogan, J.W., A. Diamantopoulos and J.A. Siguw, 2002. 'Export market-oriented activities: Their antecedents and performance consequences', Journal of International Business Studies, 33(3): 615-626.

Deshpande, R. and J.U. Farley, 2004. 'Organizational culture, market orientation, innovativeness, and firm performance: An international research odyssey', *International Journal of Research in Marketing*, 21: 3-22.

Droge, C., S. dan Vickery, 1994. Source and outcomes of competitive advantage: an explanatory study in the furniture industries. Journal of Decision Sciences, 25(5): 669-689.

Farrel, M.A., 2000. Developing a market-oriented learning organization, Australian Journal of Management, 25(2): 201-223.

Ghosh, B.C., H.P. Schoch, D.B. Taylor, W.W. Kwan and T.S. Kim, 1994. 'Top performing organizations of Australia, New Zealand and Singapore: A comparative study of their marketing effectiveness', Marketing Intelligence and Planning, 12(7): 39-48.

Greenley, G.E., 1995. 'Market orientation and company performance: Empirical evidence from UK companies', *British Journal of Management*, 6: 1-13.

Jiménez, D.J., J.G.C. Navarro, 2007. The performance effect of organizational learning and market orientation, Journal of Industrial Marketing Management, 36: 694-708.

Kusumo, A.R.W., 2006. Analisis faktor-faktor yang mempengaruhi inovasi produk untuk meningkatkan keunggulan bersaing dan kinerja pemasaran (studi pada industri batik skala besar dan sedang di kota dan kabupaten Pekalongan), Theses,Diponegoro University.

Martinette, L.A. and A.O. Leeson, 2012. The relationship between learning orientation and business performance and the moderating effect of competitive advantage: a service organization perspective, Journal of Service Science, 5(1): 43-58.

Narver, J.C., S.F. Slater, 1990. "The effect of a market orientation on business profitability," *Journal of Marketing*, 54(4): 20-35.

Pelham, A.M., 1997. 'Mediating influences on the relationship between market orientation and profitability in small industrial firms', *Journal of Marketing*, 5: 55-76.

Pitt, L.F. and B. Jeantrout, 1994. 'Management of Customer Expectations in Service Firms: A Study and a Checklist', The Service Industries Journal, 14(2): 170-189.

Prakosa, B., 2005. Pengaruh orientasi pasar, inovasi dan orientasi pembelajaran terhadap kinerja perusahaan untuk mencapai keunggulan bersaing (studi empiris pada industri manufaktur di Semarang), Jurnal Studi Manajemen dan Organisasi, 2(1).

Rose, G.M. and A. Shoham, 2002. 'Export performance and market orientation: Establishing an empirical link', *Journal of Business Research*, 55: 217-225.

Suliyanto and Rahab, 2012. The role of market orientation and learning orientation in improving innovativeness and performance of small and medium enterprises, Asian Social Science, 8(1): 134-145.

Suliyanto, 2011. The effect of orientation learning on competitive advantage through innovation: study on small and medium enterprises, Business and Management Review, 1(7): 28-36.

Sundqvist, S., K. Puumalainen, R.T. Salminen and J.W. Cadogan, 2000. 'The interaction between market orientation, industry environment, and business success: Evidence from an exporting success', Australasian Marketing Journal, 8(1): 55-69.

Vijande, M.L.S., M.J.S. Perez, L.I.A. Gonzalez, R.V. Casielles, 2005. Organizational learning and market orientation: interface and effects on performance, Journal of Industrial Marketing Management, 34: 187-202.

Voss, G.B. and Z.G. Voss, 2000. Strategic orientation and firm performance in an artistic environment, Journal of Marketing, 64.

Zhou, K.Z., C.K.B. Yim and D.K. Tse, 2005. "The effects of strategic orientations on technology – and market-based breakthrough innovations", Journal of Marketing, 69: 42-60.