The Influence of Market Orientation And Learning Orientation On Performance Through Competitive Advantage: An Empirical Study On Combined Farmer Groups Of The Tidal Area In South Sumatera Province

R. Bambang Pramono¹, Umar Nimran², Kertahadi², Hamidah Nayati Utami²

1. Doctoral Program Students majoring in Business Administration, Faculty of Administration, Brawijaya University, Malang, Indonesia
2. Department of Business Administration, Faculty of Administration, Brawijaya University, Malang, Indonesia

Abstract

This study was conducted at the Combined Farmer Groups or Gabungan Kelompok Tani (Gapoktan) in Banyuasin, South Sumatera Province. The observed variables were market orientation, learning orientation, organizational advantage, and organizational performance. The relationship between the variables was hypothesized to form a five-line-relationship. The population of this study was all of the Gapoktans in the tidal area of Banyuasin as many as 292. The sampling techniques used in this study was sample random sampling technique, as suggested by Slovin (year?), so that the number of selected Gapoktans as samples was 169. The obtained data was then analyzed using GSCA analysis. The results of the analyses showed that, using both inner and outer model, there was a need to conduct further analysis. The results of the study showed that four lines of the relationships were considered to be significant, while the other was not. The significant relationship lines were the relationship between: (1) the influence of market orientation and organizational advantage, (2) the influence of market orientation and organizational performance, (3) the influence of learning orientation and market orientation, and (4) the influence of organizational advantage and organizational performance. The insignificant line of relationship was between the influence of learning orientation and organizational advantage.

Keywords: Gapoktan, Banyuasin, tidal wetlands, GSCA.

1. Research Background

Indonesian territory consists of thousands of islands connected by sea. Geographically, this context is in need of the government policy in order that the development of all fields can be equally even and sustained. One way to create a sustainable development in agriculture is through utilizing natural resources such as rainfed fields, irrigated lands, and wetland areas. The development of irrigated lands in Indonesia during the New Order or Orde Baru was very fast. This was supported by a commitment of achieving self-sufficiency of food especially rice, through supporting programs such as BIMAS.

One attempt to optimize land for food sustainability is through the utilization of wetland areas. The distribution and development of wetland areas in Indonesia covers those in several islands, namely Sumatera, Kalimantan (Borneo), Sulawesi, and Papua. Banyuasin region province has one of the largest wetland areas in South Sumatera. The total area of Banyuasin region is 11,833.29 km². Most of it is tidal wetland area. The distribution of tidal wetland areas which has been cultivated is 329,415 Ha in total.

Agricultural development program in the areas of tidal wetland in Banyuasin has encountered several limiting factors such as capital constraints, labor, low quality results, low selling prices, and group dynamics that are hard to overcome. Among the various social issues that have been mentioned, group dynamics or institution is one of the factors that need discussing. Institution in the system of farming is a formal organization or institution that holds the norms which are related to all phases of
activity in farming, from preparing field to marketing results/crops. Institution can be in the form of group, combined group, association, or corporation. The institutions are facilitated and empowered by the central government and/or local government in order that they may grow and develop to be powerful and independent in attempt to achieve the outcomes expected by their members.

The development of farmer groups according to the Decree of Minister of Agriculture No. 73/KPTS/OT.160/4/2007 is completed in the manifestation of combined farmer groups (henceforth Gapoktan). The Gapoktan institutions are intended not only to be able to perform its function as an economic institution but it is also intended to perform other functions as well, such as having an essential role in agriculture (Syahputri, 2007).

Gapoktan has nationally been scattered in various regions with different characteristics. In its context, most of the Gapoktans have given their contributions to in particular the regional development and in general the national development programs. In regard to this, most Gapoktans have already had their own websites to support their activities.

The Gapoktans in South Sumatera are various; there are those of which existence and performance are profound and those of which existence and performance are poor (Hermanto, 2006). The variety of existences and performances indicate that the coaching and empowerment for Gapoktans are still needed in attempt to support the development of agribusiness system and endeavor in rural areas.

The research was then decided to be conducted to the Gapoktans located in Banyuasin. This research is expected to be able to identify the development of Gapoktans using the success in completing their functions and roles as the measurement. In general, the performance of every Gapoktan in Banyuasin region is not yet maximal. This is caused by the lack of the implementation of strategic planning system, learning system, and the development orientation is not based on market orientation.

Empirically, it is found that market orientation variable influences, both directly and indirectly, other variables in this research model. Market orientation influences learning orientation (Martinette and Obenchain-Leeson, 2012). Market orientation directly influences organizational advantage (Suliyanto and Rahab, 2012; Pett and Wolff, 2011; Adhikari and Gill, 2012; and Rasmussen and Nybakk, 2012). Market orientation indirectly influences performance through organizational advantage (Suliyanto and Rahab, 2012; Pett and Wolff, 2011; Adhikari and Gill, 2012; and Rasmussen and Nybakk, 2012).

Learning orientation variable is also found to have direct and influences on the other variables. Learning orientation directly influences market orientation (Pett and Wolf, 2011). Previous studies found that learning orientation indirectly influences both organizational performance and advantage through innovation. Because innovation is not included in this research, the relationship between learning orientation and organizational advantage becomes a new line of relationship that will be tested in this study.

Organizational advantage in this research is employed as a mediating variable that connects the other variables with performance. The relationship between two variables was found in the research conducted by Al-Dhaafri and Yusoff (2013). Al-Dhaafri and Yusoff (2013) found that the relationship between the variables can be directly influential and advantage may become a mediating variable that connects other variables with performance.

Based on initial observations and discussions of previous research, gaps in theoretical and empirical studies were identified. The gaps were (1) Research conducted by Suliyanto and Rahab (2012) had a limitation on the accuracy level of its model which was still very low (marginal). This was because the respondents had different backgrounds either in the Small Medium Enterprise (SME) business sector or educational background, therefore the obtained answers were heterogeneous; (2) Chei-Chang Chiou and Yen-Chang Chen (2012) acknowledged that the sample, which was IT industry in Taiwan, and the technique of analysis employed which was Generalized Structural Equation Model (SEM) had some limitations in order that the results could not be generalized; (3) Kohtama’ki et al.
(2012) had a weakness which was represented in the data obtained from SMEs in Finland. The obtained data was cross-sectional, thus there was a need to have a certain treatment according to relevant research technique. Besides, the results of the research were respondents’ perceptions and not a kind of objective data type; (4) Farming development program in Banyuasin encounters a number of limiting factors which, until now, have not been solved yet.

Out of the empirical gaps mentioned, an integrated empirical and multi-aspect framework to analyze and provide strategic alternatives to solve the issue can then be arranged. This study comprehensively provides strategic framework in attempt to achieve organizational advantage and performance of Gapoktan through the organization of market orientation and learning orientation.

2. Literature review and hypotheses

The concept of market orientation comes from a basic philosophy that underpins the concept of marketing, which exists to be focused on the fulfillment of the customers’ willingness and need (Houston, 1986; Pett and Wolff, 2011; Rasmussen, Casper, Claudi, Nybakk, and Erlend, 2012).

The role of market orientation in the actual implementation of marketing concept (Chang and Chen, 1994; Kohli and Jaworski, 1990) is to provide key constituencies in the organizational environment. This enables enterprise to modify their activities and attitudes to fulfill customer needs (Kohli and Jaworski, 1990). Consequently, market orientation is then considered to be the most effective and efficient organizational mechanism (Desphande and Webster, 1989) that leads to the creation of superior value (Lukas, 1999; Narver dan Slater, 1990). Thus, the market orientation is valued as one prerequisite for the success of organizational marketing concept implementation.

Pelhan (1997) remarks that an enterprise which is market oriented is the enterprise which develops a better understanding inside the enterprise itself of customer needs. It is completed in order to create consumer value, develop understanding of the strengths and weaknesses of competitors to create market strategy. Pelhan (1997) also provides three dimensions of enterprise that is market oriented, namely (1) customer need, (2) customer satisfactory, and (3) competitors. In this research, the dimension of market orientation that will be used is based on the research conducted by Slater and Narver (1995) which consists of customer orientation, competitor orientation and coordination between functions.

Learning Orientation

Learning orientation has been widely defined and developed in the literature for sociology, psychology, and anthropology which suggests having a wider perspective/approach in research (Slater & Narver, 1995). In the marketing literature, learning orientation has been viewed as an influence that bridges the relationship between market orientation and business performance (Baker & Sinkula, 1999). Learning orientation has also been shown to contribute to superior results of the success of new products, the improved quality explained to the customers, and superior performance and profitability (Slater & Narver, 1995).

Senge Peter M. (1990) postulates that learning can be considered as a process than harmonize and develop team capacity to bear results for the members, who eagerly expect them. According to Garvin (1993), learning orientation is a long-term investment of a company, since having learning orientation may motivate sales force more to work smarter and harder than only providing short-term revenue

Martinette and Obenchian (2012) state that, more widely, learning orientation domain is still highly relevant as academic investigation domain due to some reasons. First, organization needs learning process to create change of behavior that leads to improved performance (Slater & Naver, 1995). Second, enterprise is demanded to create competitive profit. Third, enterprise is also demanded to provide responsibility in gaining profitability and creating organizational culture.
Advantage

Enterprise is oriented to two main purposes that support each other, namely economic and social purposes. Economic purpose deals with profitability to ensure the continuity of business activities. Social purpose deals with the owner and company stakeholders’ prosperity. The balance of those purposes will result in more organizational advantage than the competitors.

Organizational advantage deals with the formulation of competition strategy to accommodate the environmental aspect in decision making process. Advantage allows the organization to gain more economic and competitive profit than the competitors. The company that has competitive advantage often has a capability in understanding changes in market structure and choosing effective marketing strategies.

Research conducted by Vickery, et al. (1997), with regard to the manufacture competitive strategy, suggests that there are four factors of competitive power in the industry of furniture; they are delivery, value, flexibility, and innovation. These four variables are explained further into 10 manifest variables consisting of:

1. Product flexibility, which is the ability to handle issues and unstandardized demands and produce products in various forms, options, sizes/colors.
2. Volume flexibility, which is the ability to adjust capacity quickly by increasing or decreasing the production level as a response to the changes of customer demands.
3. Process flexibility, which is the ability to manufacture products with low cost, various changes in product are also easily completed.
4. Low product cost, which is the ability to minimize total production cost.
5. New Product Introduction, which is the ability to introduce new product improvements/variations quickly.
6. Speed of delivery, which is the ability to decrease the total amount of time between the time for order and the time for the product to be received by customers.
7. Delivery reliability, which is the ability to confirm the number of orders and anticipate the time for the order to be accepted.
8. Quality (appropriacy), which is the ability to manufacture products with the standard performance.
9. Product reliability, which is the ability to maximize the time of product defect.
10. Design quality or design innovation, which is the ability to provide products in various forms, models, and characteristics which are the manifestation of competitive advantage.

Performance

There are several benchmarks to measure the performance of an enterprise, but basically they are classified into two types: subjective and objective. Objective benchmark is usually related to the profitability of the product sales and the subjective indicator of profitability is determined by the manager’s perspective on the profitability of his enterprise activities (Zeller, Stanko and Cleverly in Budiarto and Ristrini, 2004). Quantitatively, the performance of an enterprise can be observed from the comparison between current achievements and the previous ones or between its competitors in regard to several factors, such as income, stock prices, the level of dividend, earnings per share, the return of capital, the return on equity, market share, sales growth, the number of working days lost due to labor strikes, the cost of production and efficiency, employee turnover, and employee satisfaction index. Meanwhile, qualitative measurement is completed through questions asked to identify purpose,
strategy and integrated and comprehensive plan of an enterprise that have been consistent, accurate, and able to be completed or not.

**Hypotheses**

The research hypotheses of this study can be formulated as follows:

H₁: Market Orientation significantly influences Organizational Advantage

H₂: Market Orientation significantly influences Organizational Performance

H₃: Learning Orientation significantly influences Organizational Advantage

H₄: Learning Orientation significantly influences Organizational Performance

H₅: Organizational Advantage significantly influences Organizational Performance

**3. Research Methods**

In accordance with the objectives to be achieved in this study, which was to describe the influence which existed between defined variables, the type of research employed in this study was explanatory research. The explanation observed was a kind of explanation with the characteristic of associative (Sugiyono, 2006).

The research was conducted at Gapoktan in the tidal area of Banyuasin region, South Sumatera province. The population of this study was all Gapoktans in the tidal areas of Banyuasin as many as 192 Gapoktans. The selection of samples was conducted using sample random sampling technique, as suggested by Slovin (…), such that there were 169 Gapoktans selected.

Validity testing was completed in order to ascertain the extent to which the precision and accuracy of a measuring instrument to perform its measuring function. Reliability testing was conducted to the extent to which a measuring device can be trusted in data collection or, in other words, the instrument has consistent results even if used repeatedly in different time. Validity and reliability testing was performed using SPSS computer program version 22.0.

Data analysis completed comprised descriptive and inferential data analysis. Descriptive analysis was completed in attempt to analyze the data by describing or explaining it without any intention to make any inferences (Sugiyono, 2006). The inferential analysis of this study used Generalized Structural Component Analysis (GSCA) modeling (Solimun, 2013). The influential pattern between the observed variables was causal from one or several independent variables to another or several other dependent variables.

**4. Results and discussions**

The descriptive analysis showed that the mean for market orientation variable was 3.61. This means that the Gapoktans studied had good market orientation. The Mean value for learning orientation variable was equal to 4.06. This value is categorized in the good category, which means that learning orientation has been carried out by the organization well. The Mean value for organizational advantage variable was 3.87. This means that most of the Gapoktans have already had organizational advantage. With the advantage, the Gapoktans may create good profit and organizational culture. Next, the Mean value for performance variable was 3.87. This value is categorized in the good category, which means that the organizational performance of the Gapoktans has been carried out well.

**GSCA Analysis Results**

**Goodness of Fit (Inner Model)**
The test results using GSCA analysis tool generates model feasibility or Goodness of Fit which is used as the basis for further analysis.

**Table 1. Goodness of Fit**

FIT at 0.516. This number means that of the total formed model of research 51.6% of it can be explained by the market orientation, learning orientation, organizational advantage, and performance variable. This shows that the research model is quite good to explain the diversity of the obtained data.

AFIT at 0.510. This means that 51% AFIT may explain the diversity of the data constructing the model. GFI=0.942. SRMR=0.187. These values mean that the overall model is very good.

**Outer Model**

Outer Model was conducted to test construct validity based on convergent approach, discriminant validity, and construct reliability. Discriminant validity test results can be seen on the value of AVE, reliability on the value of alpha, while convergent validity can be seen from the its loading factors. The results of GSCA analysis on every research variable show that convergent and discriminant validity assumption as well as construct reliability assumption was all fulfilled.

**Hypothesis testing**

Hypothesis testing results of the relationship of each variable are represented at the following figure.

The results of hypothesis testing are described in detail in the following table.
### Table. The results of hypothesis testing of every path

<table>
<thead>
<tr>
<th>Path Coefficients</th>
<th>Estimate</th>
<th>SE</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Orientation-&gt; Learning Orientation</td>
<td>0.510</td>
<td>0.095</td>
<td>5.37*</td>
</tr>
<tr>
<td>Market Orientation -&gt; Advantage</td>
<td>0.693</td>
<td>0.099</td>
<td>6.99*</td>
</tr>
<tr>
<td>Learning Orientation -&gt; Market Orientation</td>
<td>0.510</td>
<td>0.095</td>
<td>5.37*</td>
</tr>
<tr>
<td>Learning Orientation-&gt;Advantage</td>
<td>0.068</td>
<td>0.128</td>
<td>0.53</td>
</tr>
<tr>
<td>Advantage-&gt;Performance</td>
<td>0.677</td>
<td>0.085</td>
<td>7.98*</td>
</tr>
</tbody>
</table>

CR* = significant at .05 level

The table shows the testing results of 5 research hypotheses, which can be explained as follows:

1. H1 which states that Market Orientation significantly influences Learning Orientation is at the estimated value of 0.510. This means that market orientation variable may contribute to the changes in organizational advantage variable by 35.5%. The influence between these variables is significant at the 95% confidence level, thus the first hypothesis is then accepted.

2. The result of the testing of H2, which states that Market Orientation significantly influences organizational advantage, shows the value of 0.693. This figure means that if there is an increase in capability variable, it will be followed by an increase in performance variable. The relationship between the variables is significant, thus the second hypothesis is then accepted.

3. The result of the testing of H3, which states that Learning Orientation significantly influences Market Orientation, shows the value of 0.510. This figure means that if there is an increase in learning orientation variable, it will be followed by an increase in market orientation variable. This confirms that the third hypothesis be accepted.

4. H4 which states that Learning Orientation significantly influences Organizational Advantage is at the estimated value of 0.068. This means that there is an insignificant relationship between learning orientation variable and organizational advantage, H4 is then rejected.

5. H5 which states that Organizational Advantage significantly influences Organizational Performance is at the estimated value of 0.677. This means that organizational advantage variable may positively contribute to the changes in performance variable by 35.5%. The relationship is said to e significant, thus the fifth hypothesis is then accepted.

### Findings

1. This study may contribute to Business Marketing Strategic Science, particularly in correlation to the theory of Competitive Advantage. One real contribution of this study is that the theory that has long been applied in business world can also be replicated to develop combined farmer groups (Gapoktan), which in the viewpoint of organization has not performed its business function well.

2. Another finding of this study is that learning orientation does not significantly influence organizational advantage. The finding does not support the theory proposed by Senge (1990) and Porter (1990).
3. The study finds two novel relationships, between market orientation and performance through organizational advantage. This main line of relationship rejects previous research findings which state that planning and capability are the predictors of performance.

**Study Contribution**

**Scientific/theoretical Contribution**

1. This study may contribute to Business Marketing Strategic Science, particularly in correlation to the theory of Competitive Advantage. One real contribution of this study is that the theory that has long been applied in business world can also be replicated to develop combined farmer groups (Gapoktan), which in the viewpoint of organization has not performed its business function well.

2. This study finds that planning is not the absolute determinant for organizational advantage and performance. Performance as the benchmark of the success level may also be determined by other variables.

3. This study finds a new main relationship which is the influence of market orientation on organizational advantage. This means that through a good market orientation, organizational advantage will then be created, such that the performance will be resulted.

4. This study finds that the influence of learning orientation on organizational advantage to be insignificant, which can be understood that although learning orientation has not been an urgent need organization is still in need of organizational advantage.

5. This study in a broader view confirms and broadens the Organizational Learning Theory proposed by Senge (1990) and the Competitive Advantage proposed by Porter (1990). Organizational Learning is rooted from the theory of thinking system; thinking system combines people into a coherent unity in respect to organizational success (Senge, 1990).

**Practical Contribution**

This research has practically been applied to combined farmer groups (Gapoktan) organization in South Sumatera Province, Indonesia. The practical contributions that can be drawn from this study are:

1. Market Orientation variable is an important predictor for the creation of organizational advantage and performance of Gapoktan. Thus, Gapoktan may keep developing orientation on the customers, competitors or target market in order that the possibility to keep improving the performance is made possible.

2. Learning orientation can be a bridge to apply good planning or to conduct market orientation. Therefore, Gapoktan should keep the endeavor on conducting learning orientation.

6. **Conclusions, limitations, and suggestions**

The overall research results can be concluded as follows:

1) Market orientation variable significantly influences learning orientation. This result shows that Gapoktans that have put their activities by focusing on the market have experienced the importance of learning orientation to ensure the sustainability of their work.

2) Learning orientation variable significantly influences market orientation. This means that there is a two-way relationship between the two variables. Organizations that gradually become aware of the importance of market orientation will commit to conduct learning activities, in contrast those which have conducted learning activities will apply market orientation well and accurately.

3) Learning orientation variable insignificantly influences organizational advantage. This means that learning orientation is acknowledged to promote the improvement of organizational advantage. However, in practice, that has not been a consideration or even a priority of the Gapoktan organization.
4) Market orientation variable significantly influences organizational advantage. This shows that having a good and appropriate orientation of target market may improve organizational advantage.

5) Organizational advantage variable significantly influences organizational performance. This means that the Gapoktan has realized the importance of competitive advantage as an essential predictor for the improvement of organizational performance.

Suggestions

For the government

1. The local government of South Sumatera province is expected to keep providing support to improve the combined farmer groups (Gapoktan) under their work territory.

2. The Ministry of Agriculture of the Republic of Indonesia is expected to not only support Gapoktan from the organizational technical aspect only but also the business organizational aspect in compliance with the Decree of Minister of Agriculture No. 273/KPTS/OT. 160/4/2007.

For future researchers

In order to develop science in the field of business strategic management, some suggestions for future research can be explained as follows:

1. Future researchers are expected to conduct research on different kind of enterprises so that the results can be generalized for a wider scope.

2. Future researchers are expected to broaden the scope of the research area to ensure generalization at the national level.

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