

# The Influence of Market Orientation and Social Capital on Competitive Advantages of Guava in Simalingkar B, Medan, North Sumatera, Indonesia

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## Abstract

The purpose of this research is to examine the impact of market orientation and social capital on guava's competitive advantage in Simalingkar B, Medan. The study is descriptive in nature with a quantitative element. The sample consisted of 42 individuals who were guava vendors in the village of Simalingkar B, Medan. Multiple linear regression analysis, the t-test for partial significance, the F-test for simultaneous significance, and the coefficient of determination test are all data analysis procedures .

The t-test findings indicate that the market orientation variable has a significance value of  $0.001 <$  instead of 0.05, indicating that it has a partial influence on the competitive advantage variable. Additionally, since the social capital variable has a significance value of  $0.001 < 0.05$ , it is possible to conclude that it has a substantial influence on the competitive advantage.

According to the F-test, the market orientation and social capital variables both have a significance value of  $0.000 < 0.05$ , indicating that they both have a substantial influence on the competitive advantage simultaneously.

According to the coefficient of determination calculated using the adjusted R Square value, the adjusted R Square value is 0.629, indicating that market orientation and social capital have a combined influence of 0.629 (62.90 percent) on competitive advantage, with the remaining 37.10 percent influenced by factors not examined in this study.

**Keyword :** Market Orientation, Social Capital, Sustainable Competitive Advantage.

## Introduction

The government has implemented agricultural and rural development initiatives that are oriented toward regional development. These operations are aimed squarely at increasing the output of a variety of agricultural commodities, value-added products, and farmer income. Internal elements affecting competitiveness include the knowledge factor and the leader's strategic capacity, the ability to innovate, and the ability to adapt to changing dynamics. Furthermore, external variables affecting competitiveness include the price and quality of production factors, the dependability of procurement of production factors and inputs, the government's supply of infrastructural services, official and unofficial taxes, and national rules and regulations (Haris et al., 2019).

Simalingkar B Village is one of the villages in Medan, near the Deli Serdang border. Many people of Simalingkar B village continue to rely on farming for their livelihood. Guava is a well-known agricultural product in Simalingkar B village. In this village, guava farmers not only plant guava, but also sell it. Typically, the farmer sells the guava just in front of their front yard. Guava customers are mostly those passing through Simalingkar B on their way to the tourist destination of Berastagi.

A market-oriented organization will understand how to meet consumer needs, how to compete with rivals, and how to effectively use available resources (Srensen, 2009). According to Porter (1990), advantage is a mutual benefit approach for businesses that collaborate to achieve a more effective competitive edge in their market. This strategy must be developed in such a way that small and medium-sized firms may continue to gain a competitive edge, allowing them to dominate both new and developing markets. A competitive advantage develops primarily as a result of the values or advantages generated by a business for its consumers. Customers often prefer to purchase things that provide more value than they want or anticipate. This value, however, will be compared to the price given. This is reinforced by view-point of Styagraha (1994), which asserts that competitive advantage is defined as

a corporate entity's capacity to provide more value for its goods than rivals, and that added value results in advantages for consumers. Uniqueness, rarity, inability to be imitated, inability to be replaced, and competitive pricing are some of the factors used to determine competitive advantage. Porter in Maruta et al. (2017) define competitive advantage as a strategy for outperforming competitors and gaining market share.

To maintain a competitive edge, guava farmers in Simalingkar B must either generate the same level of customer value as their rivals and be more efficient in their production, or their production must produce final value at competitive pricing. The quality of guava products produced by farmers in Simalingkar B Village has to be enhanced, particularly those with flaws and brown stains on the skin. Guava consumers like smooth, undamaged guava skin. Guava grown by farmers in Simalingkar B also lacks the distinctiveness that would entice people to purchase it, such as guava grown in Bangkok, Vietnam, or Thailand, which weighs more than 1.5 kg per seed. Guava's shape or design must also be addressed, since there are presently several techniques for producing guavas with desired shapes, which might be smooth-round, not necessarily oval, or square in shape. When farmers sell, they might also use unusual ribbons or plastic to pique the curiosity of customers.

Market orientation is critical for businesses as company rivalry becomes more intense and client requirements more dynamic. Market orientation is a company culture in which small and medium-sized businesses are driven to be innovative in their pursuit of higher consumer value. According to Grinstein (2008), market orientation is one of the components of a business's culture and conduct that contribute to customer orientation. Additionally, Grinstein (2008) notes that the market orientation behavior of a business is composed of three components: customer orientation, competitor orientation, and interfunctional coordination orientation, all of which must be supported by a suitable culture.

Simalingkar B guava farmers are direct marketers of guava "klutuk." These guava farmers plant guava in their backyards or fields and sell the fruit in their front yards, which are often passed by visitors returning from the tourist destination of Berastagi and its environs. The phenomenon in the field of guava created by Simalingkar B farmers is still in its infancy. The guava they offer is identical to that grown in other parts of North Sumatera. Customer orientation is also not ideal among guava growers in Simalingkar B, as a result of which customer demands have been unsatisfied. Additionally, guava growers in Simalingkar B are not aggressive in their pursuit of knowledge of guava "klutuk" that appeals to customer preferences.

Social capital refers to an individual's efforts to develop ties with others. By adhering to social standards and developing trust, social capital is established through the pattern of interactions between people within a group and between groups. Developing social capital entails establishing social interactions with all stakeholders (Aslam et al., 2013; Zheng et al., 2013).

The village's guava farmers are mostly Karo, and the majority of guava klutuk farmers in Simalingkar B continue to be related. However, farmers of guava in Simalingkar B continue to face a lack of assistance from the government. There are seldom talks between farmers that develop and give mutual input. Additionally, the government has never offered instruction on how to grow excellent guava and sell it, which means that farmers nearly never participate in agricultural activities that would result in the best guava. These phenomena are worth investigating, particularly the degree to which market orientation and social capital affect guava's competitive advantage in Simalingkar B, Medan.

### **Research purposes**

- To analyze the effect of market orientation on the competitive advantage of guava in Simalingkar B, Medan.
- To analyze the effect of social capital on the competitive advantage of guava in Simalingkar B, Medan.
- To analyze the effect of market orientation and social capital on the competitive advantage of guava in Simalingkar B, Medan.

### **Literature Review**

#### **Market Orientation**

Market orientation is described as the process of creating and communicating market information in order to increase the number of customers (Kohli & Jaworski 1990). Narver and Slater (1990) describe market orientation as the most successful organizational culture for fostering critical behaviors that result in improved value creation for buyers and company performance. According to Hasan (2009), "market orientation" refers to the capacity to evaluate the market in order to comprehend the unique demands of each consumer in order to satisfy both present and prospective customers.

Customer orientation, competitor orientation, and market information are all markers of market orientation, according to Uncles (2000). Kholi and Jaworski (1993) define market orientation as consisting of three elements: customer focus, coordinated marketing, and profitability, because these three components are inextricably linked to the organizational decision-making process based on acquired information and have undergone a process of unification with the company's behavioral values (culture).

### Social Capital

Among the personalities is Fukuyama, who defines social capital as the capacity of individuals to cooperate cooperatively in groups and organizations for shared goals. In other words, Fukuyama views social capital as a collection of informal ideals or standards held by community members that facilitate collaboration (Field, 2010). According to Cohen and Prusak (2001), social capital is an active link between communities. Each relationship pattern is tied to mutual understanding and shared ideals, which link group members to the prospect of collective action being conducted efficiently and effectively. Social capital is a kind of capital that is inherent in social relationships (Wikramasinghe & Weliwitigoda, 2011).

According to Ridell (1997), social capital consists of three parts: trust, norms, and networks. Trust. As Fukuyama (2010) explains, trust is a hope that develops inside a community and is shown via honest, orderly, and cooperative conduct based on shared standards. Additionally, norms are constructed and evolved based on previous instances of collaboration and are utilized to foster an environment of cooperation (Putnam, 1993; Fukuyama, 1995). Putnam (1995) believes that intimate social networks foster members' sense of cooperation and the benefits of membership.

### Competitive Advantage

Competitive advantage is defined in two distinct but related ways. The first perspective is based on resources, while the second is based on competitive strength (Day and Wensley, 1988). According to Chen et al. (2009), a corporation with several positions in which rivals cannot duplicate the company's approach cannot reap sustained advantages. According to David Fried and colleagues (2016), a sustainable competitive advantage may be achieved by (1) adjusting continually to all changes and external trends, events, and internal capabilities and resources. (2) establishing, executing, and evaluating key strategies for both internal and external elements. According to Barney (1991), an advantage is possible if a business has the resources and is also capable of creating greater value for the business. It is quantifiable by its intrinsic value, rarity, imitable, and non-substitutability. Valuable is committed to maximizing the value of the company's resources by identifying opportunities and mitigating risks. Rare focuses on rare or unusual resources and goods in order to maximize the company's potential. Imitable focuses on resources and goods that are difficult for rivals to duplicate. A non-substitutable resource is one that cannot be substituted with another.

### Conceptual Framework

Market orientation may help discover customer needs, with the expectation that businesses will be able to provide those needs either through the creation of new products or product development in order to compete (Li and Zhou, 2010). The market orientation of an organization is a significant determinant of competitive advantage (Musigire, 2016). Additionally, Maruta et al. (2017) stated that market orientation has a favorable and substantial influence on competitive advantage.

According to Sugito and Kamaluddin (2012), social capital has a positive and significant influence on competitive advantage. The more effectively social capital is used, the higher the competitive advantage. Additionally, Khamimah and Suyati (2015) demonstrate in their study that social capital, which consists of networks, trust, and dedication, has an effect on the sustained competitive advantage of small and medium-sized firms. From the viewpoints expressed in the theories, it is possible to deduce a conceptual framework that serves as a determinant of thought flow and serves as the foundation for this study, which is stated as follows:

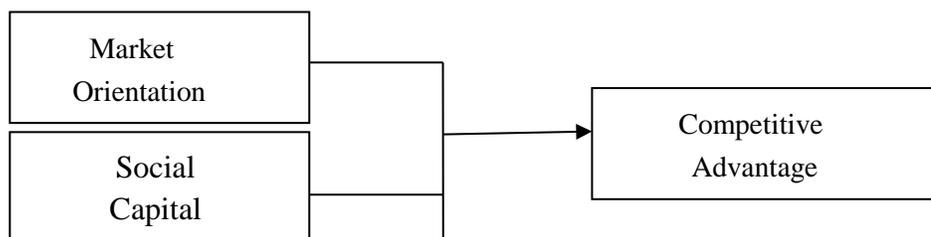


Figure1 Research Framework

**Research Methodology**

Sudjana (2004; 53) notes that descriptive research techniques with a quantitative approach are utilized when the objective is to numerically characterize or explain an occurrence or a current event. According to the level of explanation, this study is associative in nature, in that it seeks a link between two variables in a causal relationship comprised of one independent and one dependent variable (Arikunto 1993; 5).

According to Sugiyono (2010; 115), "population" is a broad category of things or people chosen by researchers for study and subsequent findings. The population in this research consisted of 42 guava vendors in the village of Simalingkar B, Medan.

The data analysis approach employed in this research was multiple linear regression, which is a strategy for determining the influence of an independent variable on a dependent variable. The following are the models used in this study:

$$Y = \alpha + b_1X_1 + b_2X_2 + e$$

Information :

- Y = Competitive Advantage
- A = Constant
- b<sub>1</sub>-b<sub>2</sub> = Regression Coefficient
- X<sub>1</sub> = Market Orientation
- X<sub>2</sub> = Social Capital
- e = Standart error

**Result and Discussion**

**Multiple Linear Regression**

**Tabel 1**  
**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.014	3.009		-.005	.996
MO	.506	.143	.434	3.552	.001
SC	.531	.142	.458	3.744	.001

a. Dependent Variable: CA

The following table compares the influence of market orientation and social capital on Guava's competitive advantage in Simalingkar B, Medan:

$$Y = a + b_1X_1 + b_2X_2 + e$$

$$Y = -0,014+ 0,506 X_1 + 0,531X_2 +e$$

The interpretation is :

Constant (a) =-0.014, shows that the value is constant if the variables are Market orientation (X1) and Social capital (X2) = 0, then the purchase decision is-0.014. The Market orientation Coefficient (b1) = 0.506 indicates that for every one unit increase in the Market orientation variable, the competitive advantage will increase by 0.506. The Social capital Coefficient (b2) = 0.531 indicates that for every unit increase in the social capital variable, the competitive advantage will increase by 0.531.

According to the interpretation above, market orientation (X1) and social capital (X2) factors have an effect on Guava's competitive advantage in Simalingkar B, Medan.

### The t-test results

**Table 2**  
**Partial Test Result (t-test)**  
**Coefficients<sup>a</sup>**

Model		t		Sig.
		B		
1	(Constant)	-.014	-.005	.996
	MO	.506	3.552	.001
	SC	.531	3.744	.001

a. Dependent Variable: CA

A t-test was used to determine if each independent variable, market orientation (X1) and social capital (X2), would have a significant effect on guava's competitive advantage in Simalingkar B, Medan. The following are the test criteria: As shown in Table 2, the market orientation variable has a significance value of 0.001 when compared to 0.05, indicating that it has a partially significant influence on the competitive advantage variable. Additionally, the social capital variable has a significance value of 0.001, which is lower when compared to 0.05, indicating that it has a significant effect on the competitive advantage variable..

### F-test Result

**Table 3**  
**Simultaneous Test Results ( F-Test)**  
**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	382.204	2	191.102	35.683	.000 <sup>a</sup>
	Residual	208.868	39	5.356		
	Total	591.071	41			

a. Predictors: (Constant), SC, MO

b. Dependent Variable: CA

The F test was used to determine whether the independent variables "market orientation" (X1) and "social capital" (X2) will have a significant effect on the competitive advantage (Y) of guava in Simalingkar B, Medan, either concurrently. The following are the test criteria: As shown in Table 3, the market orientation and social capital variables both have a significance value of 0.000 0.05, indicating that they both have a significant effect on the competitive advantage variable.

### Determination Test (R<sup>2</sup>)

**Tabel 4**  
**Hasil Keofisien Determinasi (R<sup>2</sup>)**  
**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
dimension0 1	.804 <sup>a</sup>	.647	.629	2.31421

a. Predictors: (Constant), SC, MO

As seen in Table 5, the coefficient of determination is calculated using the modified R-Square value since more than one independent variable is involved. According to table 4, the value of adjusted R square is 0.629. Thus, the size of market orientation and social capital effects on competitive advantage is 0.629 (62.90%), whilst the remaining 37.10% is affected by variables not addressed in this research.

## Discussion

According to the significance of market orientation, which is 0.001 instead of 0.05, the market orientation variable has a partial influence on the competitive advantage variable. This is consistent with the study by Talaja et al. (2017), which indicates that market orientation significantly improves competitive advantage. Additionally, Alwi and Handayani (2018) demonstrate in their study that market orientation has a positive and substantial influence on competitive advantage, and therefore, it is critical to pay attention to developing strategies that emphasize market-oriented methods. Guava producers in Simalingkar B must be able to make goods that outperform rivals, for example, by developing guavas with a more delectable flavor while remaining true to the guava flavor. Additionally, Simalingkar B guava producers must be able to boost customer satisfaction while purchasing guava at their kiosks. Finally, but certainly not least, guava farmers in Simalingkar B must actively seek information on customer interests since many guava farmers in Simalingkar B plant guava based on the seeds available nearby, rather than undertaking in-depth research of market preferences.

Additionally, the social capital variable has a significance value of  $0.001 < 0.05$ , indicating that it has a significant effect on the competitive advantage variable. This is consistent with Maretta Ginting's study (2019), which indicates that social capital has a positive and significant influence on the sustained competitive advantage of farmers in the Karo district's horticulture goods. Additionally, Pudjo Sugito and Kamaluddin (2012) demonstrate in their research that social capital has a positive and significant effect on the competitive advantage of small and medium-sized enterprises, such that the more effectively social capital is used, the greater the competitive advantage of small and medium-sized enterprises.

Guava farmers in Simalingkar B have not coordinated optimally with other guava business players, as a result of which they have been unable to supply negotiating power and mutual input into the guava industry. Additionally, guava producers in Simalingkar B must establish confidence with both other guava farmers and buyers. Guava farmers in Simalingkar B should also strengthen their relationships with the local community via a variety of mutually beneficial activities, such as cooperating with Simalingkar B housewives to manufacture processed guava dishes such as candied guava or pickled guava.

According to the F-test, the market orientation and social capital variables both have a significance value of  $0.000 < 0.05$ , indicating that they both have a significant effect on the competitive advantage variable.

According to the coefficient of determination calculated using the adjusted R Square value, the adjusted R Square value is 0.629, which indicates that market orientation and social capital have a combined influence of 0.629 (62.90 percent) on competitive advantage, while the remaining 37.10 percent is influenced by other factors not examined in this study..

## Conclusion

On the basis of the analysis and debate that have taken place, the following conclusion may be drawn: Market orientation has a significant positive effect on guava's competitive advantage in Simalingkar B, Medan. Social capital has a substantial beneficial effect on guavas' competitive advantage in Simalingkar B, Medan. Market orientation and social capital both have a strong positive effect on guava's competitive advantage in Simalingkar B, Medan..

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