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# **The Effect of Organizational Culture on Business Performance of Small-Medium Enterprises in Fisheries Among Coastal Communities**

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**Abstract.** The aim of this study is to determine the effect of organizational culture moderated by competitive advantages on business performance of SMEs in fishery in coastal communities of North Minahasa Regency, North Sulawesi Province, Indonesia. A quantitative method was used to determine the effect. Data were collected by a survey among 200 business actors of SMEs in fishery in coastal communities of North Minahasa Regency. The authors carried out the data analysis by a multiple linear regression technique. Findings of the study show that organizational culture had no positive relationship with business performance of SMEs in fishery among coastal communities. However, simultaneously organizational culture moderated by competitive advantages had a positive and significant effect on business performance of SMEs in fishery among coastal communities of North Sulawesi Regency.

**Keywords.** Organizational culture, competitive advantages, business performance, fishery, coastal community

## **1. Introduction**

In business, a high level of organizational performance is the outcome expected by business owner and/or manager, so that the organization can always maintain a position in the business. For this reason, an organization should develop a dynamic organizational culture. This demand is also felt by small and medium enterprises (SMEs) actors in fisheries of coastal communities. Armenakis et al. (2012) explained that SMEs need to grow organically and

inorganically, and such growth is a prerequisite for maintaining or strengthening its position in the market[1]. This shows the importance of change management as the challenges of technological progress and globalization increase in the modern era.

Change management becomes a challenging task for SME leaders to maintain or enhance organizational success. In this case, cultural dynamics influence the way people think, feel, and act[2]. Organizational culture is important to provide the employees with motivation and meaning, control the decision making and allocation of resources, and facilitate communication [3]. For SMEs, a dynamic organizational culture is expected to improve SME progress. However, organizational cultural values that support the progress of SMEs are not easy to develop, especially to improve their competitive advantage and performance. In North Minahasa Regency, some programs have been implemented to increase the economic empowerment of SMEs in fisheries sector of coastal communities. In the 2016-2021 Middle-Term Development Plan of the Provincial Government of North Sulawesi, the local government began implementing the Economic Empowerment Program as a priority in regional development. The program has been implemented through several activities, including (a) aid of facilities and equipments in fisheries for poor people in coastal areas and islands; (b) assistance of seaweed cultivation as alternative livelihoods; (c) the empowerment of coastal women in support of the increase of family income; and (d) improving the skills of coastal community groups.

The coastal community economic empowerment program has been strategic, but to date there has been no academic study to evaluate the success of the program. This study is interested in examining the success of the implementation of the Economic Empowerment Program in coastal communities of North Minahasa Regency, especially the extent to which the organizational cultural values instilled by local government through the empowerment increased their competitive advantage as well as the effect of organizational cultural values on the business performance of SMEs simultaneously moderated by competitive advantage. This aim of this study is to examine the effect of organizational culture on business performance moderated by competitive advantage of SMEs in fisheries among coastal communities, North Minahasa Regency, North Sulawesi Province. It is expected that the results of this study can be taken into consideration by local government in formulating policies to foster organizational cultural values and competitive advantage in improving the business performance of SMEs in fisheries among coastal communities in the following years.

## **2. Conceptual Background**

### *2.1. Performance*

Organizational performance refers to how well an organization achieves market objectives and financial goals[4]. In a firm, corporate performance is the ability of a company to manage the existing resources to provide economic values. Firm performance shows the level of an organization to meet the needs of stakeholders and their needs in order to maintain the sustainability of the company[5].

Company performance can be seen from the efficiency and productivity of the company. It can be seen from the work that can be achieved by a person or group of people in a company in accordance with the authority and responsibility of each person to achieve company goals[6]. It is produced by the company in a certain period by looking at its effectiveness. In general, companies have certain goals to achieve in meeting their stakeholders' interests. Success in achieving the goals is an indication of company performance. The measurement of success can be used as a basis for making decisions by internal and external parties of the company. This means that the company performance can be seen from the meeting of stakeholders' needs,

productivity, as well as efficiency and effectiveness of the company by utilizing the existing resources to achieve the expected economic results. The paragraph text follows on from the subsection heading but should not be in italic.

### *2.2. Organizational Culture*

Culture can be defined as a recurring habit carried out by a person or group of people and is believed to have a certain value or meaning and is accepted as a form of tradition that is embedded with meaning or value[7]. Schein (1994) states that culture refers to traditions, values, and norms shared by a group of people in a society[8]. Boseman & Phatak (1989) states that organizational culture is a way of life for groups of people consisting of knowledge, morals, norms, and values, as well as other abilities obtained by a person as a member of society[9].

Organizational culture is seen as values, beliefs and assumptions describing the organization and its members[10]. It is regarded as a collective set of values that express organizational opinions, preferences, and responses[11]. Chin-loy & Mujtaba (2007) emphasized that organizational culture is a pattern of norms, values, beliefs and attitudes that can influence behavior in an organization[12]. Organizational culture is very important to influence people as well as their thoughts, behaviors, norms and values of the organization[13]. It also reflects philosophy, ideology, values, assumptions, beliefs, expectation, attitudes, and norms in organizations[14]. According to Schein (2009), it is the beliefs, assumptions, and values the members of group have regarding the rules of behavior, leadership style, administrative procedures, rituals and habits[15].

As Lund (2003) stated, organizational culture is a human invention that can create solidarity and meaning as well as inspire commitment, productivity or a shared value and belief system that interact with company staff, organizational structure, and control systems to produce the norms of behavior in an organization[14]. It guides members' perceptions and behavior[16]. It is considered as a system of meaning shared by members of an organization that distinguishes an organization to another[17]. Organizational culture involves assumptions and values that consciously and unconsciously strengthen organizational cohesion and in turn determine the behavior patterns of members in the organization.

Thus, it can be concluded that organizational culture refers to organizational members' general understanding on beliefs, traditions, values, norms, and goals upheld by the organization. It forms a mental community as a basis for organizational activities and underlies specific tasks that must be completed to achieve competitive advantage and organizational performance[14][10][11][12][15][13][7].

### *2.3. Competitive Advantage*

The SMEs' business performance can be explained by competitive advantage. Competitive advantage can be considered as the organization's ability to distinguish itself from competitors. It is the foundation to think about business strategies to achieve sustainable growth[18]. The important things of competitive advantage relating to value creation for customers are developed, including: cost leadership, differentiation, and focus[19]. Such strategies for increasing competitive advantage can be used to achieve business objectives effectively and are generally adopted by SME actors.

As Barney and Hesterly (2010) stated, firms must be able to achieve competitive advantage by creating economic values for customers[20]. Therefore, the creation of a competitive advantage that covers all business processes should consider values given to customers. Once customers recognize the values of the products and services offered, they can also distinguish such products and services from the products and services of their competitors.

In addition to cost leadership, product and service differentiation, and responsiveness to the needs of market segments, competitive advantage can also be seen from attitude on market demands and the business environment that can facilitate the creation of competitive advantage[21]. SMEs must devote energy, resources, business capabilities and supplier-intermediary collaboration networks to create competitive advantage in all chain activities[22]. Such things encourage organizational success in shaping competitive advantage in support of SME business performance.

#### *2.4. Relationship of Organizational Culture and Performance*

Organizational culture is socially constructed as well as built and maintained by a group of people who collectively form organization[23]. The culture can affect various outcomes related to employees and organization. It influence behavior, learning, and development of creativity and innovation among employees[24]. It includes essential assumptions which might be discovered and evolved via way of means of a set of human beings at the same time as studying to remedy the hassle of variation to the surroundings and inner integration. The assumptions are taken into consideration applicable and accurate in addition to shared via way of means of every new member of the organization as a real technique for feeling and perceiving and because the proper manner of considering issues and teamwork to reap performance[25]

Research at the impact of organizational culture on overall performance accelerated at some stage in the 1980s[14]. Organizational culture is an important construct that affect the process and results of organization[26]. Indeed, not all research carried out shows a positive and significant relationship of organizational culture and performance. The results of Zainol's research (2010), for example, show that there was no relationship between organizational culture and performance in Malaysian family businesses[27]. Karyeija's research results (2012) also found a negative relationship between organizational culture and performance[28], and Lo's (2012) research results show a negative relationship between managerial ability and organizational culture on financial performance[29].

Nevertheless, Shah et al. (2011)'s research results showed that organizational culture had a positive and significant relationship with organizational performance[13]. Cultural orientation played the role of creating superior organizational performance, so that there was a positive and significant relationship between organizational culture and performance[30]. Mujeeb and Ahmad (2011) also reported a positive and significant relationship between elements of organizational culture and management practices that support performance[31]. Chow (2012)'s research results showed that organizational culture moderated the relationship between human resources and performance[32]. Duke and Edet (2012)'s research results showed that there was a positive relationship between organizational culture and performance[33]. From these relationships, the following hypothesis can be formulated.

H1: There is the effect of organizational culture on business performance of SMEs in fisheries among coastal communities of North Minahasa Regen.

#### *2.5. Relationship between Organizational Culture and Performance Moderated by Competitive Advantage*

Companies with aggressive benefit have the capacity to apprehend modifications in marketplace shape and to pick powerful marketing strategies. Competitive benefit may be understood through searching on the origins of aggressive benefit, which include some of distinctive activities carried out through the business enterprise in designing, producing, marketing, delivering, and helping their products. Each of those activities can assist distinctive

business enterprise function and create a foundation for differentiation. Competitive benefit is the business enterprise's capacity to gain better earnings than competition within the marketplace within the equal industry [7]. Thus, it could be concluded that aggressive benefit is a bonus over competition through imparting excellence, so it could be standard through the marketplace. Competitive benefit comes from a selection of activities done through the business enterprise.

As Barney (2001) stated, aggressive benefit encompasses all belongings along with expertise, organizational processes, attributes, information, and information possessed with the aid of using a enterprise and the those who make the enterprise capable of create and put in force a few vital techniques to improve performance and effectiveness [34]. Competitive benefit is a thing that makes an corporation cap in a position to distinguish services or products from competitors' services or products to boom marketplace share [35][36]. It often refers to an organization's ability to formulate strategies utilizing various profitable opportunities that maximize returns on investment. Two main principles understood by customers to be competitive are value and uniqueness, which describe the extent to which a business has a competitive advantage.

Peters and Waterman (1982) argued that organizational culture plays an important role in developing organization's competitive advantage [37]. Building an organizational culture is the first stage to create competitive advantage for organizations. Some studies showed that organizational culture plays a strategic role as a source of sustainable competitive advantage [38][39]. Organizational culture is a spirit of organization based on philosophy as the strength to achieve its vision and mission if internalized by all members. It can be organizational competitive advantage with several components, such as habits, traditions, regulations, policies, and procedures that make work enjoyable to achieve organizational goals through the productivity of members. It is a management tool for company to achieve competitive advantage and organizational performance as it contains expectations, values, and attitudes that are upheld by all members of the organization. From the relationship, the following hypothesis can be formulated.

H2: Organizational culture affects business performance moderated by competitive advantage of SMEs in fisheries among coastal communities of North Minahasa Regency.

### **3. Research Method**

This study was conducted by a quantitative method with a survey method. It was based on an assumption that the business performance of SME actors in fisheries among coastal communities of North Minahasa Regency increases if they have organizational cultural values for competitive advantage. This means that without organizational culture that support competitive advantage, the business performance of SMEs in fisheries among coastal communities of North Minahasa Regency is difficult to develop. Therefore, authors developed a model to examine the effect of organizational culture on business performance moderated by competitive advantage of SMEs in fisheries among coastal communities.

The study was conducted from July to August 2019 in North Minahasa Regency, North Sulawesi Province, Indonesia. Population of the study consisted of SME actors in fisheries with the sample of 200 respondents among coastal communities of Kema, East Likupang, West Likupang, and Wori Subdistricts, North Minahasa Regency. The sample was determined by a proportional random sampling technique based on a category of SMEs in fisheries among coastal communities. Authors collected primary data directly from respondents in form of interval data with the highest value of 5 and the lowest value of 1, collected through

questionnaires with 5-point Likert scale. The questionnaires were used to collect data on the effect of organizational culture (X1) (independent variable) on the business performance of SMEs (Y) (dependent variable) moderated by competitive advantage (X2).

The authors examine the validity and reliability of research instruments by distributing the questionnaires to 50 respondents among SMEs of coastal communities in North Minahasa Regency. The instrument validity and reliability tests were done in order that the data collected were valid and reliable as a basis for further analysis. The validity tests were carried out to decide the capacity of questionnaires in measuring what ought to be measured [40][41]. The tests were carried out with the aid of using evaluating  $r$ -table and  $r$ -statistic. Meanwhile, the reliability tests were completed to decide the consistency of questionnaire objects to degree the equal symptoms [42]. The tests were carried out with the aid of using evaluating Cronbach's alpha values with important value of 0.6. Data analysis in the study was conducted by a multiple linear regression method using SPSS for Windows version 25.

#### **4. Result**

##### *4.1. SMEs in Fisheries among Coastal Communities of North Minahasa Regency*

North Minahasa Regency was officially established on 18 December 2003 based on Law No. 33/2003 as a regency splitted from the parent Minahasa Regency. Since 2005, North Minahasa Regency has implemented the Coastal Community Economic Empowerment Program. One of the problems faced by coastal communities is high rate of poverty, which can be caused by low human resource capacity, weak access to science and technology, and weak access to information.

Based on the General Guidelines for Coastal Community Empowerment (2007), community businesses in coastal areas consist of fishermen, fish cultivators, fishery product traders, small-scale fish processing, fishery service providers, marine tourism managers, and other related entrepreneurs located in coastal areas [43]. The authors examined businesses in fisheries among coastal communities as the research objects, especially in Kema, East Likupang, West Likupang, and Wori District, North Minahasa Regency. In the region, the development of coastal communities has been focused on the development of fishery and marine sectors.

##### *4.2. Characteristics of Respondents*

Respondents were 200 SMEs in fisheries among coastal communities of North Minahasa Regency. They are scattered in West Likupang Subdistrict (18 villages), East Likupang Subdistrict (15 villages), Kema Subdistrict (2 villages), and Wori Subdistrict (2 villages) with different types of jobs and incomes.

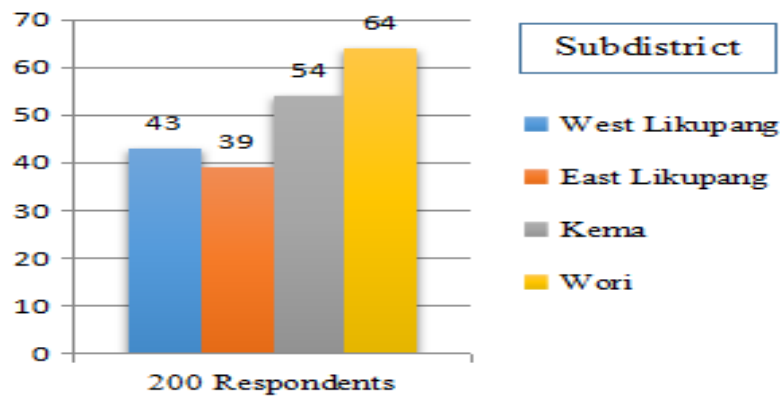


Figure 1. Number and distribution of respondents in each subdistrict (2018)

Figure 1 shows that respondents in this study were spread in four coastal subdistricts, namely West Likupang 43 people in 18 villages (21.5%), East Likupang 39 people in 8 villages (19.5%), Kema 54 people in 2 villages (27%), and Wori 64 people in 2 villages (32%). The data showed that SMEs in fisheries among coastal communities of North Minahasa Regency were scattered in many villages of West Likupang (18) and East Likupang (8), and were less concentrated in Kema District (2) and Wori (2).

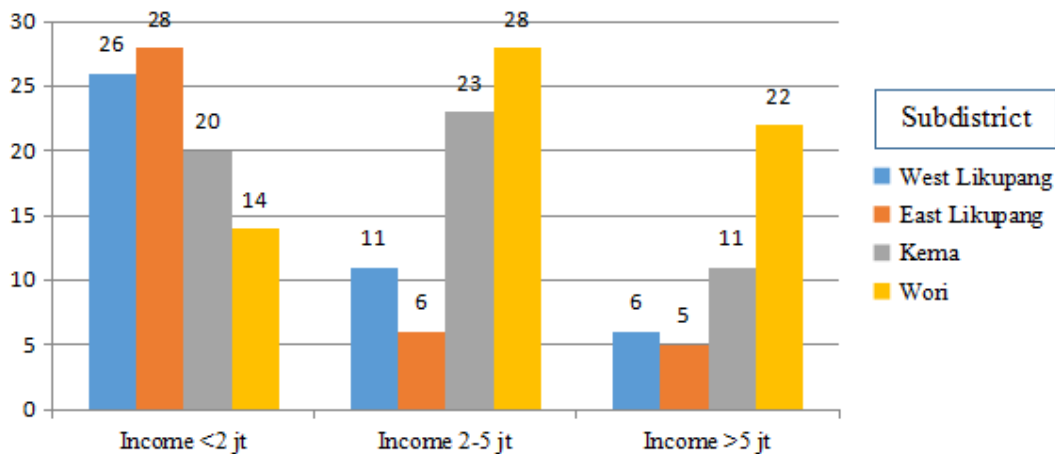


Figure 2. Level of income in accordance with the distribution in each subdistrict (2018)

In this study, respondents generally earn less than IDR2,000,000, namely, 26 people (13%) in West Likupang and 28 people (14%) in East Likupang, and IDR2,000,000-IDR 5,000,000, i.e.23 people (11,5%) in Kema and 28 people (14%) in Wori. Overall most respondents earn less than IDR2,000,000, i.e. 88 people 44%), followed by IDR2,000,000-IDR5,000,000 68 people (34%), and above IDR5,000,000 44 people (22%). This shows that respondents' income in West Likupang and East Likupang were generally low as traditional fishermen, while in Kema their income increases as traders or collectors of fishery and in Wori as aquaculture fishermen.

#### 4.3. Instrument Test

In this study, a validity check turned into carried out to decide the capacity of the questionnaires to degree what have to be measured[40][41]. This check turned into performed via way of means of evaluating the r-table and the r-statistic value, as proven in Table 1.

Table 1. Correlated Values of Total Correlated-Items

No.	Statement Item	r-statistics
1.	Organizational Culture	
	- X <sub>1a</sub> - Belief	0.645
	- X <sub>1b</sub> - Tradition	0.873
	- X <sub>1c</sub> - Value	0.903
	- X <sub>1d</sub> - Norm	0.805
2.	Competitive Advantage	
	- X <sub>2a</sub> - Cost leadership	0.790
	- X <sub>2b</sub> - Differentiation	0.906
	- X <sub>2c</sub> - Strategy focus	0.899
	- X <sub>2d</sub> - Technology	0.842
3.	Business Performance of SMEs	
	- Y <sub>a</sub> - The meeting of stakeholders' needs	0.731
	- Y <sub>b</sub> - Productivity	0.963
	- Y <sub>c</sub> - Efficiency	0.957
	- Y <sub>d</sub> - Effectivity	0.937

Source: Field survey processed, 2018

From Table 1, it may be visible that the statement items withinside the questionnaires were legitimate due to the fact the r-statistic values have been more than the r-table values (i.e.: 0.279).

The reliability take a look at turned into performed to decide the consistency of the questionnaire in measuring the equal symptoms[42]. This take a look at turned into executed via way of means of evaluating the values of Cronbach's alpha with a critical value of 0.6. Results of the reliability take a look at may be visible in Table 2.

Table 2. Cronbach's alpha values (a)

No.	Variable	A	Critical Value
1.	Organizational Culture	0.884	0.6
2.	Competitive Advantage	0.918	0.6
3.	Business Performance	0.940	0.6

Source: Field survey processed, 2018

From Table 2, it may be visible that the Cronbach's alpha values have been more than 0.6, so that each variables on this tool have been reliable[42]. With the validity and reliability of the studies tool, the information may be used as foundation for similarly evaluation to obtain the studies objectives.

#### 4.4. Hypothesis Test

Hypothesis test was done through three tests, i.e. the test of significance of individual parameters or partial test (t test), simultaneous significance test (Anova/F test), and determination test (R<sup>2</sup>).

Partial test was conducted to determine significance of the effect of organizational culture (X<sub>1</sub>) and organizational culture moderated by competitive advantage (X<sub>1</sub>X<sub>2</sub>) on the business performance of SMEsin fisheries (Y).

Table 3. Results of Partial Test (t-Test)  
Coefficients<sup>a</sup>

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Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	3.723	.242		15.380	.000
	X <sub>1</sub>	-.594	.087	-.538	-6.821	.000
	Moderation	.167	.012	1.133	14.364	.000

a. Dependent Variable: Y

Source: Primary data processed, 2018

Table 3 shows that the organizational culture (X1) did not have a positive relationship with business performance of SMEs in fisheries among coastal communities in North Minahasa Regency ( $t=-6.821$ ) with a parameter coefficient of  $-.594$  with a significance level of  $.000$  ( $<0.05$ ). However, the moderation of organizational culture by competitive advantage (X1X2) had a positive significant relationship with business performance of SMEs in fisheries among coastal communities in North Minahasa Regency ( $t = 14.364$ ) with a parameter coefficient of  $.167$  and a significance level of  $.000$  ( $<0.05$ ). The moderating variable as an interaction between X1 and X2 was positive and significant, so it can be concluded that X2 was a moderating variable in the effect of organizational culture on business performance of SMEs in fishery among coastal communities in North Minahasa Regency.

F-test was conducted to determine significance of the simultaneous effect of organizational culture (X1) and organizational culture moderated by competitive advantage (X1X2) on the business performance of SMEs in fisheries among coastal communities of North Minahasa Regency.

Table 4. Results of Simultaneous Significance Test (F Test)

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	46,291	2	23,146	137,637	.000 <sup>b</sup>
	Residual	33,129	197	.168		
	Total	79,420	199			

a. Dependent Variable: Y

b. Predictors: (Constant), moderat, X1

Source: Primary data processed, 2018

Table 4 shows that F-statistic value was  $137.637$  with a significance of  $.000$ . The probability was lower than  $.05$ , so the regression model can be used to predict Y. Thus, it can be said that the organizational culture (X1) moderated by competitive advantage (X1X2) simultaneously affected the business performance of SMEs in fisheries (Y) among coastal communities of North Minahasa Regency.

The determination test was conducted to examine the simultaneous effect of organizational culture (X1) moderated by competitive advantage (X1X2) on the business performance of SMEs in fisheries among coastal communities of North Minahasa Regency.

Table 5. Results of Determination Test (R<sup>2</sup> Test)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.763 <sup>a</sup>	.583	.579	.410

a. Predictors: (Constant), moderat, X1

Source: Primary data processed, 2018

Table 5 shows that the coefficient of determination of the Adjusted R Square (R<sup>2</sup>) value was .579. It means that 57.9% of the variation in business performance of SMEs (Y) in fisheries among coastal communities of North Minahasa Regency can be explained by the effect of organizational culture (X1) moderated by competitive advantage, while the remaining (42.1%) was explained by other factors not examined in the model.

## 5. Discussion

The results of this study show interesting findings that the business performance of SMEs in fisheries among coastal communities of North Minahasa Regency was not directly affected by the organizational culture. This was because the organizational cultural values they have are generally still based on family traditions and do not support the optimal business performance of SMEs in fisheries. With no support of adequate cultural values, the business performance of SMEs tended to be low, so did the achievement of market objectives and financial goals by SMEs[4]. This means that SMEs among coastal communities in North Minahasa Regency were generally not able to manage the existing resources in order that the resources can provide value to the company and they have so far been unable to maintain business sustainability optimally[5]. The low business performance may be due to the low productivity of works in achieving their business goals[6].

SMEs among coastal communities in North Minahasa Regency generally shared traditional organizational cultural values, but these values tend to be based on family business tradition, but not modern business performance management values. The traditions, values, and norms shared by the family business-based SMEs do not encourage them to improve their business performance. Indeed, traditional family-based organizational culture becomes a recurring habit that has been passed down from generation to generation[7]. However, the organizational culture mostly did not support the achievement of competitive advantages in an increasingly competitive market. These organizational cultural values strengthened the family-based SME business cohesion, but their contribution to achieving the business performance of SMEs was relatively low.

The results of this study are consistent with those Zainol (2010)'s study that organizational culture did not positively affect company performance in Malaysian family businesses[27]. In addition, they also support those Karyeija (2012)'s research results that organizational culture did not have a positive effect on managerial ability or performance[28]. This finding is contrary to the results of Shah et al. (2011)[13]; Slater, Olson and Finnegan (2011)[30]; Mujeeb, Masood, and Muhammad (2011)[5]; Chow (2012)[32]; Duke and Edet (2012)[33], indicating that the organizational culture generally had a positive and significant effect on organizational performance. Thus, it can be concluded that organizational culture did not have a positive relationship with business performance of SMEs in fisheries among coastal communities in North Minahasa Regency, so the first hypothesis (H1) was rejected.

In addition, the results of this study show an interesting finding that if organizational culture values are oriented to competitive advantage, they had a positive and significant effect on business performance of SMEs in fisheries among the coastal communities in North Minahasa Regency. The stronger cultural values do not necessarily lead to the high business performance of SMEs, because there are still other factors that need to be considered, i.e. competitive advantage. Only with high competitive advantage, organizational culture had a positive and significant effect on the business performance of SMEs in fisheries.

This finding shows that the business performance of SMEs can be explained by competitive advantages. SMEs with competitive advantage-oriented organizational culture were generally able to build cost leadership, differentiate themselves from competitors, and focus on thinking

about business strategy to achieve sustainable growth[18][19]. It means that SMEs with competitive advantage-oriented organizational culture strive to create high economic values for customers[20], so that they have better responsiveness to the needs of market segments in the business chain activities[21][22]. In this study, the organizational culture moderated by competitive advantage could support the improvement of the business performance of SMEs in fisheries among the coastal communities of North Minahasa Regency, so that the second hypothesis (H2) was accepted.

In the context, competitive advantage was very strategic. The role of organizational culture was shown by its positive and significant effect on competitive advantage, leading to the business performance of SMEs in fisheries among coastal communities of North Minahasa Regency. If the competitive advantage-oriented organizational culture is low, the business performance of SMEs is also low. However, the organizational culture had no positive effect on the business performance of SMEs, except being moderated by competitive advantage.

Thus, the estimated results of the model examined in this study showed that organizational culture had a positive and significant effect on the business performance of SMEs if it is moderated by competitive advantage. Without moderated by competitive advantage, the organizational culture in communities did not have a positive effect on the business performance of SMEs. This finding indicates that organizational culture moderated by competitive advantage positively and significantly affected the business performance of SMEs in fisheries among coastal communities of North Minahasa Regency with a  $R^2$  value of .579. It means that the stronger the organizational culture and the stronger the values oriented toward competitive advantage, the higher the business performance of SMEs in fisheries among coastal communities in North Minahasa Regency.

The findings of the study showed that SMEs in fisheries among the coastal communities in North Minahasa Regency generally shared organizational values oriented to competitive advantage. They can relatively understand changes in market structure and the ability to choose some effective marketing strategies. They can also distinguish themselves from other businesses with higher profits[7]. In North Minahasa Regency, SMEs have generally developed with a higher competitive advantage in coastal areas that are oriented towards trade and aquaculture with higher incomes. The findings of this study show that the SMEs' income in West Likupang and East Likupang subdistricts was relatively low as traditional fisherman, while the SMEs' income in Kema subdistrict was higher as fish traders or collectors and in Wori Subdistrict as aquaculture fishermen. The SMEs engaged in fishery trading and aquaculture generally had a higher competitive advantage compared to competitors offering different products and/or services with higher income potential.

SMEs with the organizational culture oriented to competitive advantage generally have non-physical assets such as special expertise, more established organizational processes, better business attributes, more systematic information and sufficient knowledge to create and implement important business strategies to increase efficiency and effectiveness. This is in line with Barney (2001)[34]. With the competitive advantage, they can differentiate products or services from competitors to increase market share and formulate business strategies to take advantage of profitable opportunities that can maximize the returns on investment[35][36]. Organizational culture plays an important role in developing competitive advantage, which in turn also supports the improvement of business performance. The findings of this study are consistent with Alavi et al. (2006)' and Xenikuo & Simosi (2006)'s research findings, indicating that the organizational culture plays a strategic role as a source of sustainable competitive advantage for SMEs[38][39]. Organizational culture becomes a management tool to achieve the competitive advantage and business performance. Thus, it can be concluded that the second

hypothesis (H2) was accepted, i.e. the organizational culture affects the business performance moderated by competitive advantage of SMEs in fisheries among coastal communities in North Minahasa Regency.

Nevertheless it must be recognized that the authors also found that the organizational culture held by SME owners were not necessarily able to increase their competitive advantage because they maintain traditional values in business handed down from generation to generation and not relevant to the current situation. For example, when a person in local community dies, all people's activities are stopped to attend a series of mourning ceremonies as well as in other religious events such as marriage and baptism. In local community, there is also a belief that Friday and Sunday are sacred days for its adherents, so on that day all business activities must be stopped. These cultural values contradict efforts to increase competitive advantages. The SME owner shows the cultural character of local communities prevailing in the area. Most SMEs develop the ethical value of doing business, verbal and written rules when running a business, and maintain good habits in running a business such as not cheating, will not take profits in large amount, and do a kinship-based business which results in 'loan-for-capital' problems if the borrower is unable to pay it off. This emphasizes that the business of coastal communities in North Minahasa Regency have generally been built on the basis of a family culture in fulfilling the religious observance tradition. On Sunday, people must worship and not be able to work, and if they violate it, they are isolated. In addition, when there is a wedding or grief party, all must take part in attendance even though at that time there was a demand for fish or seaweed. They would rather lose in business than not attend the family events. Thus, the cultural values shared by coastal communities are still weak and does not affect the increase in competitive advantage.

In practice, the organizational culture developed did not maximize competitive advantages. The findings of this study are not consistent with the results of previous studies that organizational culture affected a company's competitive advantage [44]. Chatman & John (1994) explained that from a functional perspective, organizational culture is a source of competitive advantage for business sustainability if it has value, is rare, and is not easy to imitate [45]. It means that if the organizational culture of coastal communities is based on hereditary culture and it is considered that the culture was good enough, they will not adopt new organizational culture that leads to competitive advantages. This is a basis to explain why organizational culture among coastal communities did not significantly affect the competitive advantages. Therefore, the development of organizational culture is important to enhance competitive advantages for the business performance of SMEs in fisheries among coastal communities of North Minahasa Regency.

## **6. Conclusion**

The findings of this study show that organizational culture had no positive relationship with the business performance of SMEs in fisheries among the coastal communities of North Minahasa Regency. However, simultaneously the organizational culture moderated by competitive advantage had a positive and significant effect on the business performance of SMEs. The findings provide benefits for SMEs, both owners and managers, by giving them a good understanding of the direct relationship between organizational culture and competitive advantage as well as the organizational culture relationship and the business performance of SMEs. SME owners should run their business with main orientation to market and technology by considering the trust values collectively held as positive cultural values in running a business.

The local government as the coordinator of activities carried out by SMEs in fisheries among coastal communities in North Minahasa Regency, North Sulawesi Province, can use

these findings for the development of economic empowerment policies through the working capital credit program as well as the entrepreneurship extension and training program for SMEs in fisheries among coastal communities by developing organizational cultural values oriented to competitive advantages in the future. In addition, further researchers should also use the results of this study as a framework for future follow-up research by adding other variables that were not examined in the study, such as income, education, and capital with the research object being expanded from various other types of business in order that more research results are obtained optimally with a higher level of generalibility.

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