

Analysis of Distinctive Capabilities and Competitive Advantage on Business Performance of Tourism Industry in Aceh

Nurdasila Darsono, Afrida Yahya, and Rizki Amalia

Abstract—The tourism and travel industry contribution to overall economic activities for regional or national are huge. This research is conducted to analyze the distinctive capabilities and competitive advantages in tourism sector in Aceh Province. The population was taken using cluster sampling of small scale tourism industry such as travel agents, hotel or hostel, restaurants and souvenir shops with total sample size are 50 firms in tourism industry. The data was analyzed using Linier Regression Analysis to find direct and indirect effects of variables tested. There is relationship between competitive advantage and business performance directly or indirectly. Tourism industry in Aceh need to revamp tourist infrastructure and maintain natural resources and heritage for its sustainable and originality so that the tourist can stay longer and hopefully they will attract more other tourist to visit Aceh.

Index Terms—Business performance, competitive advantage, distinctive capabilities, tourism industry.

I. INTRODUCTION

Although many of us have been "tourists" at some point in our lives as when we visit local tourism attraction and destinations and even when we visit some places for personal or work purposes and then we entertain ourselves by traveling around the city therefore we become tourist in our own place. Defining what tourism actually can be difficult since it covers a wide range of different kind of activities.

Data released by the World Travel and Tourism Council's (WTTC) 2014 Economic Impact Research Report indicates that Indonesia's tourism and travel sector recorded the highest growth of all G20 economies last year. Indonesia's travel and tourism sector grew by 8.4 percent or US\$10.28 billion last year, propelled by the some 8.7 million foreign tourists that visited Indonesia as well the growth of domestic travel and tourism. The WTTC's report predicted that the contribution of the tourism and travel industry to Indonesia's overall economy in 2014 would grow a further 8 percent, outperforming the general economy's growth rate by 2.8 percent.

The tourism and travel industry's contribution to the overall Indonesian economy is projected to grow a further eight percent. Global Business Guide Indonesia, 2013,

reported that Indonesia's was ranked 39th out of 139 countries for cultural heritage on the World Economic Forum Tourism Competitiveness Index illustrating the wide variety of traditional experiences which the creative economy campaign aims to develop to provide commercial opportunities for the local economy. The new advertising slogan in 2011 entitled '*Wonderful Indonesia*' encompassing tagline covering Wonderful Nature, Wonderful Culture, Wonderful People, Wonderful Cuisine and Wonderful Value for Money. The government has issued Regulation No.50 of 2011 on a Master plan for National Tourism Development which aims at developing tourism throughout the archipelago through coordinated promotion and priorities. The plan sets out a clear strategy to develop 50 national tourism destinations by 2050 such as Nias, Aceh, Lake Toba in North Sumatra and Komodo Island in East Nusa Tenggara. The local governments of each province are tasked with short, medium and long term measures to develop the tourism capacity of their respective regions such as public facilities and qualified human resources.

Aceh province has lot of tourism objects, whether cultural and art heritage, culinary, historical places especially Islamic history as known that Aceh is the first place when Islam entered Indonesia. Tourism industry in Aceh start to incline after Tsunami attacked on December 2004. At this time many people come to Aceh to see the Tsunami footmark. Even though Aceh has so many tourism objects that can attract tourists to visit Aceh, compare to Medan or Padang number of tourists who come to Aceh is lower than those provinces. Furthermore, we can see that public services and infrastructure in Aceh are not well maintained yet as well as Acehnese people are not well informed and socialized about the huge benefit of tourism industry. Therefore, this study aims to describe about distinctive capabilities, competitive advantages and business performance in tourism industry. Also to find out relationship among those variables.

II. THEORETICAL DEVELOPMENT AND HYPOTHESES FORMULATION

Tourism industry not only travel industry but include hotel and hostel, restaurants, souvenir shops and others industry as a supporting activities for tourists. Tourism industry will be successful if they have cooperating and coordinating both their activities even through organisms, formal or informal entities created for this purpose [1]. The Micro, Small and Medium Enterprises (SMEs) are the

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backbone of the national economy. In developing countries, SMEs constitute the main force of the economy [2]. Tourism industry in Aceh is dominated by SMEs in tourism business. SMEs have an important role in national economy on job creating and income generating. The tourism industry is the total of all business that directly provide goods or services to facilitate business, pleasure and leisure activities away from the home environment [3]. Before developing a tourism product, it is useful to understand how the tourism system operates. The diagram shows the components involved in tourism activities.

The literature on strategic management suggests distinctive capabilities or competencies as an important part of an organization's resources and competitive advantage [4]. Distinctive capabilities (DC) are parts of strategic orientation concept [5]. Distinctive capabilities (DC) refers to the unique skills and activities a firm owned to be ahead of others [5] fulfill valuable, rare, inimitable and organized resources.

Distinctive capabilities constitute firm's integrated bundle of skills and technologies, which are unique with knowledge driven and behavioral routines contributing to competitive advantage [6]. Reference [6] shows that distinctive competencies developed through entrepreneurial process such as opportunity recognition, creative process and innovation. Although the effect of distinctive capabilities on business performance is widely recognized, prior findings on direct and indirect between competitive advantage and business performance is still questionable [7].

Distinctive capabilities are the basis of competitive advantage. Core competencies are capabilities that serve as a source of competitive advantage for a firm over its rival. Core competencies distinguish a company competitively and reflect its personality [8]. The Core competencies emerge over time through an organizational process of accumulating and learning how to deploy different resources and capabilities as the capacity to take action, core competencies are "crown jewels of a company", the activities the company perform especially well compared with competitors and through which the firm adds unique value to its goods or services over a long period of time [8]. Distinctive competencies help a firm stand out in its markets when its competencies are superior to its competitors [2].

Tourism industry have to do the external analysis to identify the opportunities and threats and to do the internal analysis; to identify the distinctive competencies [2].

Competitive advantage is the capability of the organization to do its activity in a way or in different ways, that other competitors can not realize [9]. Competitive advantages of a company as a condition which competitors are unable to replicate its competitive strategies executed by the company, nor are competitors able to acquire the benefit that the company obtains by means of its competitive strategies.

The importance of the competitive advantage is increased these last decades. Competitive advantages are those factors that a firm needs to have in order to succeed in business [2]. A firm has competitive advantage when it is able to create more economic value than its rivals do [10]. A firm that has attained a competitive advantage has created more *economic value* (the difference between the perceived benefits of a

resource-capability combination and the economic cost to exploit them) than its competitors [11]. The authors continue by suggesting that economic value is generally created by producing products and/or services with either greater benefits at the same cost compared to competitors (i.e., differentiation-based competitive advantage) or the same benefits at lower cost compared to competitors (i.e., efficiency-based competitive advantage).

According to the competitive advantage model (see the figure above), a company can take steps to improve their prices, quality and delivery or to be super innovative in their use of new process technologies, marketing and service techniques (in the vertical axis), and also must consider about the external conditions that is extremely difficult for any company to be competitive [12].

It is important for tourism industry to obtain, maintain and increase the competitive advantage through the resources they may have and insure in the incoming years, the competitive advantage may have its sources based on: quick answers, continuous improvement of the product and services, service added in products, distinctive competences, skilled and trained staff for the long run [2]. Raising competitiveness in small enterprises as a continuous process consisting of four logical stages: (1) market situation analysis; (2) creating competitive advantages; (3) promotion of the competitive products in the market and (4) efficiency assessment and control of the enterprise activity [13].

Therefore we propose the following hypotheses:

H1: Distinctive capabilities has relationship with competitive advantage

H2: Distinctive capabilities has relationship with business performance

H3: Competitive advantage has relationship with business performance.

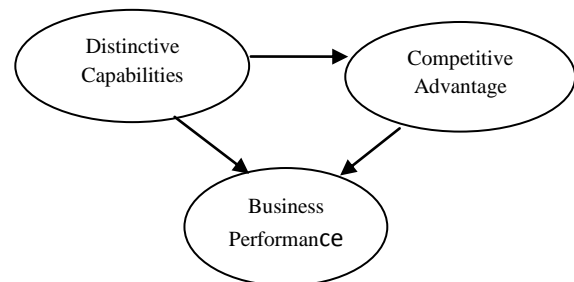


Fig. 1. Conceptual framework.

III. EMPIRICAL STUDY

Data was collected from a survey among 50 units tourism industry in Aceh. The tourism industry has been the object of some recent studies exploring the relationship of distinctive capabilities, competitive advantage and business performance. Furthermore tourism industry becomes popular for job creating and generating income, not only in Indonesia especially in Aceh but also worldwide. The data was obtained through 50 questionnaires to the owners of tourism industry like; travel agency owners, hostel and hotel owners, restaurant owners and souvenir shop owners.

Distinctive capabilities were measured following [8], [14], [15] as well as information from the tourism industry. We asked questions regarding distinctive capabilities such as (1) development process (2) financial information (3) capital

structure (4) general administration (5) entrepreneurship management (6) technology information. Competitive advantage (CA). Business performance contains information about financial and non financial measurement. financial (sales growth, market share, ROA, ROE and ROI), non financial (customer complain, customer satisfaction, employee turn over and service quality). Sampling method is cluster sampling i.e; tourism industry are travel agent, hotel/hostel, restaurant and souvenir shop and sample size are 50 tourism industry. Statistic method used Linier Regression to find out relationship between variables.

IV. RESULTS AND DISCUSSION

There are 50 samples of different type of small medium enterprises industry used for this study. Such as travel agent, hotel and hostel, restaurant and souvenir shop. Summary of the industry type are shown in Table I below.

TABLE I: THE SUMMARY OF THE FIRMS BY TYPE OF INDUSTRY

No	Type of industry	Frequency in %
1	Travel Agent	10 (20%)
2	Hotel and hostel	15 (30%)
3	Restaurant	15 (30%)
4	Souvenir shop	10 (20%)

Description about characteristics of small medium enterprises industry showed interesting information as depicted in Table II.

TABLE II: CHARACTERISTIC OF THE INDUSTRY

No	Description	Category	Frequency in %
1	The Owner Gender	a. Male b. Female	37 (74%) 13 (27%)
2	The Owner Education	a. High School b. Diploma/College c. Graduate d. Post graduate	15 (30%) 22 (44%) 10 (20%) 3 (6%)
3	Total assets (IDR) millions	a. 50- 100 b. 101- 200 c. 201- 300 d. 301- 400 e. 401- 500 f. > 500	4 (8%) 6 (12%) 9 (18%) 8 (16%) 10 (20%) 13 (26%)
3	Business Period	a. under 2 years b. 2 - 4 years c. 4 - 6 years d. more than 6 years	7 (14%) 18 (36%) 19 (38%) 6 (6%)
4	Location	a. Down Town b. Sub Urban c. Urban	24 (52%) 19 (38%) 7 (14%)

From the above table showed that gender of the owner are dominated by male with Diploma/college 22% and 38% of them has running the business between 4-6 years and location of the firm in the down town 52% and 14% location of the firms is in urban (14%). This data showed that tourism industry location depends on the tourism objects. Some object location of the tourism is in urban area so the firms will grow near tourism objects. Total assets 26 % more than IDR. 500 millions specially for hotel industry while the lowest assets is between IDR 50 -100 millions dominated by restaurant industries.

Measurement of validity is Confirmatory Factor Analysis (CFA). CFA showed that all variables (DC, CA and BP) has interval between 0.567–0.953 (higher than 0.4). Reliability

test (Cronbach's Alpha) for distinctive capabilities (DC) variable is 0.894, competitive advantage (CA) is 0.850 and 0.849 for business performance (BP). The reliability of construct were used Cronbach's Alpha and the coefficient exceeds the 0.60 level (Malhotra, 2009). Considering the result of validity and reliability, therefore this study was acceptable.

The finding of this research revealed that DC has mean at 3.87 with the lowest dimension was on capital structure where the firm relatively do not have support or soft loan from government or banks. Then, followed by entrepreneurship management with mean at 3.87 and information technology usage is relatively low. It can be concluded that distinctive capabilities of tourism industry in Aceh still in moderate level.

Competitive advantage has a mean at 4.25 with the lowest mean is at superior control 4.18 and superior resource 4.23 and superior skill 4.35. This concludes that businessman in tourism industry in Aceh became aware about the importance of competitive advantage to run the business. From the mean of competitive advantage we can say that competitive advantage for tourism industry in Aceh is tend to be good.

Business performance has mean at 4.07 with financial performance mean 4.02 and non financial performance 4.09. The lowest mean showed at market share indicators and financial ratio and sales volumes. The result showed that business performance indicated good enough even it is not very good.

Relationship between DC and CA showed significant relationship (0.000), CA to BP (0.011 and DC to BP (0.000). The degree of relationship among these variables can be explained from the below table:

The influence of distinctive capabilities to competitive advantage is 51.6% while the influence of competitive advantage to business performance is 72.2%, and the rest is influenced by other factors such as destination safety, public services, community welcoming, technology development, and tourism promotion.

To improve business performance in tourism industry in Aceh businessman should aware about distinctive capabilities that they have and improve competitive advantage of tourism industry in other regions. Businessman should be more professional and provide excellent service for the tourist so that they will return and tell other tourist their story in Aceh as words of mouth promotion.

It is suggested for the government to give support for tourism industry related to financial aids such as soft loans and working capital as well as technical assistance about entrepreneurship in tourism industry. Government should also has to upgrade the knowledge of community especially community that has direct access to tourism objects so that they can become more concern for greet the tourist (Smile, salutation and greeting/Senyum, sapa, salam). For firms to improve competitive advantage they have to have good strategy to expand market share, improve communication between management and employees. Tourism industry and society should take care about issues of cleanliness of tourism places. Aceh therefore surely needs to invest in its national image by putting huge investment in other areas such as infrastructure and creative industries to ensure tourism plays its rightful role in the nation's economy.

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