

The Influence Of Knowledge Management On Business Performance And Competitive Advantage In Riau Food Products On Small And Medium Enterprises In Pekanbaru

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Abstract: Knowledge-based economy requires organizations to be able to apply knowledge management to a company. This study aims to determine the relationship of knowledge management to business performance and competitive advantage in Riau food products on small and median enterprises. Mapping of conditions of knowledge management, business performance, competitive advantage in small and medium enterprises were analyzed using descriptive analysis. Any efforts to improve the effectiveness and performance of employees in a company or organization are important factors in improving the company's capacity of available intellectual capital.

Index Terms: Knowledge Management, Business Performance, Competitive Advantage, Riau Food Products, Small Medium Enterprises.

1 INTRODUCTION

The emergence of a free market era brings the impact of increasingly competitive business competition so that this condition spur the business world to be more concerned about the strategy being run (Waskita, et al., 2012). The existence of such business competition makes the company faced with various opportunities and threats both coming from outside or from within the country, because directly or indirectly the competition greatly affects the performance of corporate organizations. For that every company is required to always understand and understand what happens in the market and what the consumer wants, and the various changes that exist in the business environment so as to achieve competitive advantage. This also applies to small and medium enterprises in Indonesia. the growth of SMEs in Riau itself experienced a growth of 7% per year, where currently there are 526,800 SME business actors (www.dumaiheadlines.com). One of the most developed SMEs in Riau Province today is the business of Riau food products. In general, this business provides a good contribution for the economic development in Riau. Based on data from the Association of Food Riau (ASPARI) Year 2014 developments enthusiasts entrepreneurs who sell typical Riau food every year continue to show significant improvement. This is evident from the number of Riau food entrepreneurs in Riau until the end of Year 2014 of 325 entrepreneurs. Pekanbaru as the capital of Riau Province is a city that has a rapid development of SMEs among other cities / regencies in Riau.

Based on data from the Office of Cooperatives and SMEs Pekanbaru City in 2014, the development of SMEs in Pekanbaru City itself for the last 5 years ranked first from other districts, because the number of SMEs Pekanbaru amounted to 68,728 business units to be the largest number compared to the number of SMEs in other districts / in Riau. Among the number 108 business units are entrepreneurs or SMEs Riau food products typical. Seeing the number of SMEs that produce or sell food typical of the area that developed at this time of course because of this business has its own advantages compared with other businesses, Riau food business excellence is among others (ASPARI 2014): 1. low fat typical local foods. 2. more natural / non-chemical. 3. lots of fiber. 4. the price is cheaper and affordable. However, apart from these advantages there are also some weaknesses possessed by this typical Riau food business, so that entrepreneurs in this typical Riau food business often get the risk of loss. The disadvantages of this typical Riau food business include (ASPARI 2014):

- 1) The production process is still much to use manual rather than develop with technology;
 - 2) Composition and packaging of products that have not been innovative and creative.
 - 3) Marketing of products that are still difficult;
 - 4) Capital that is still lacking;
 - 5) Human resources are still minimal in the skills and knowledge. Of the advantages and disadvantages possessed by the typical Riau food business is certainly a problem for entrepreneurs how to create better advantages in minimizing weaknesses, so that often local food entrepreneurs especially in Riau there are collapsed and can not develop due to not be able to compete with other efforts. Therefore, it needs creative training and thinking and innovation so that by itself can bring the business involved can move towards the more advanced and developed and ready to face the ASEAN Economic Community (MEA) by the end of 2015. Here is an example of typical Riau food that became the traditional culinary icon of Riau (Source: ASPARI 2014):
- 1) Wet Cake, among others: Bolu Kemojo Riau, Flour Gomak Riau, Bolu Dam Riau, Pulut Srikaya, Lopek Bugi, Lemang, Tapai Ketan Hitam, dll.

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- 2) Dry Cakes, among others: Rise Riau, Lempuk Durian, Bolu Cermat, Beans, Riau Loyang Flower, Banana Chips, Sagon Bakar Riau, etc .
- 3) Food Sepinggan/Half Heavy, among others: Bubou Lambouk Riau, Sempolet Riau, Kepughun, Sago Fried Noodle, Rice Jala Srikaya, etc.
- 4) Cuisine, among others: Spicy Tenggara Acid, Spicy Acid Patin, Cook Ketap Riau, Yellow Cucumber Pickles, Anyang Pakih Pangkek, Curried Chicken, Tauco Saute Shrimp, etc.

Various types of food Riau food is a typical food processed native Riau who need to get attention from various parties to promote the existing SMEs in Riau, especially in Pekanbaru City. Seeing the advantages of SMEs such as this typical Riau food business makes this business became much in demand by business actors of the same kind. However, the significant development of this processed food business in Riau especially in Pekanbaru City again see whether the increase of quantity or quantity of this business is followed by the improvement of the quality of food business itself in running the business process. Based on information obtained from the Riau Food Association (ASPARI) that the phenomenon that occurs in SMEs Riau food products can be explained that knowledge management owned by typical food entrepreneurs of Riau is arguably still relatively low, the average typical Riau food entrepreneurs are acquiring knowledge of the self-taught, they can not create new value by digging knowledge from the results of cooperation with government or related agencies, then the knowledge given to employees or staff tends only at the time of processing there is no training on a regular basis, in addition to implementing knowledge is still sourced from the owner or entrepreneur not from other sources. Viewed from the development of typical Riau food products especially in Pekanbaru, the innovation is still very low, in terms of typical Riau food production still use manual technology, marketing system is still to the distributor and sell their own. So this needs a change in creating new innovations in order to excel in competing. Many research has been done with the aim of proving that knowledge management, innovation and organizational learning have an influence on company performance to achieve competitive advantage. And knowledge management, innovation, and organizational learning have a direct or indirect relationship to competitive advantage. But from several studies and journals that have been summarized there are some differences/gaps or research gap. The research of Choi, et al., (2008), Wulantika (2012), Afiouni (2007), Lee and Lee (2007), Bogner, et al., (2007), Kosasih and Budiani (2007) which is significant and effective between knowledge management on company performance. Then Kautsar (2012), Anthony, et al., (2009), Aldi (2005), Dewi (2013), Anshori (2005), and Fifi, et al., (2013) states that knowledge management has an influence on the competitive advantage of an organization. Impelementasi knowledge management can be a solution for SMEs, in addition to improving achievements can also improve the competitiveness of SMEs. With the use of knowledge management, will give a positive influence on the company's competitive advantage. On the contrary, Siadat, et al., (2012) indicates that there is no significant relationship between knowledge management and competitive advantage which is done by two factors, namely cultural factor and success factor. Various studies have been conducted with the aim to prove the

effect of innovation on company performance. Tsai, et al., (2005), Chen, et al., (2007), Han, et al., 1998 (Sismanto, 2006), Prakoso (2005), Salim, et al., (2011) the relationship between innovation and organizational performance. However, in the Darroch (2005) study, it has concluded that innovation has no significant effect on company performance. Furthermore, previous research also suggests a relationship between innovation to competitive advantage. Yulianto (2013) and Wahyono (2002) in Hapsari (2014), Suliyanto (2011), Dewi (2006) in his research explained that continuous innovation in a company is a basic need which in turn will lead to the creation of competitive advantage and the company's willingness to develop its product innovation has an impact on improving the company's ability to face competition. However, the research is different from the results of research conducted by Hery, et al., (2007) states that innovation is not proven to have a significant influence on competitive advantage. This means to achieve the competitive advantage of an organization of innovation variables of the organization is not widely influential. In developing SMEs, it is also necessary for organizational learning. Baker's research, et al., (2002) in Sari (2014), Anshori (2011) states that organizational learning has a significant effect on company performance. This proves that the new trainings and knowledge gained are able to change the behavior and open the insights of individuals to think about a change. But Makrufah (2011) research states that the culture and learning of the organization does not fully represent the factors of employee performance improvement, so there are other factors as factors which can improve employee performance. Furthermore, in studies that have been done that competitive advantage is also greatly influenced by organizational learning. Ho (2008), Wang, et al., (2003) in Hapsari (2014), Lopez, et al. (2005), Njuguna (2009) found evidence that empirically organizational learning has a positive influence on the firm's core competencies, at where building and developing competencies can only be done through organizational learning. This is because the learning-oriented organization will cause the organization to quickly reconstruct its resources to focus on opportunities or threats. Then research conducted by Ferdinand, et al., (2000) in Anggraini (2014) says there is a positive influence between the performance of the company with competitive advantage. If the resources and specific advantages of the company produce economic advantage and not imitated by competitors, Such power is a potential resource for achieving competitive advantage (Barney, 2006).

2 LITERATURE REVIEW

2.1 KNOWLEDGE MANAGEMENT

The concept of knowledge has been widely discussed since the days of Ancient Greece. The concept of knowledge today is also an important factor, in the development of contemporary economic theories, especially in the field of strategic management science. Based on a knowledge-based strategic management outlook, knowledge itself is an important source of excellence and a company's success depends on its ability to manage knowledge (Khalifa, et al., 2008). Maimunah, et al., (2008) argues that knowledge management is an activity of planning, collecting and organizing, leading and controlling data and information already owned by a company which is then combined with various thoughts and analyzes from various competent

sources. Knowledge management can be seen as a comprehensive approach in achieving company goals by focusing on knowledge. There are 2 (two) types of knowledge, namely tacit knowledge and explicit knowledge, tacit knowledge is something that is stored in the human brain, while explicit knowledge is something that is contained in documents or other storage places other than in the human brain (Uriarte, 2008). Uriarte (2008) defines simplicity of management knowledge as a process of converting tacit knowledge into explicit knowledge which is then distributed to members within an organization. Furthermore, Uriarte explains that knowledge management is an organization's process of creating value derived from knowledge-based intellectual and organizational assets. The purpose of knowledge management is to improve and improve the operation of the company in achieving profits, competitive and increasing profits. The concept of knowledge management in a company also aims to improve performance by growing knowledge sharing culture, where knowledge is an asset that can be managed so that it can be communicated and used together (Priambada, et al., 2010). In addition, according to (Kosasih and Budiani, 2007) the application of knowledge management can also provide tangible benefits to the company's performance include:

- 1) People Aspects, which consists of education, development, recruitment, motivation, retention, organization, job description, corporate culture change, and encourage the development of cooperative thinking and participation of all employees (share knowledge to creating value through social interaction).
- 2) Process aspects, which consists of innovation, continues improvement, and radical changes such as reengineering.
- 3) Technology aspects, which consists of information and decision support system, knowledge-based system, and data mining system.

Delivering knowledge with the right timing and timing of the right people is an essential requirement in order to introduce a set of knowledge management procedures, including the collection, dissemination, creation and renewal of corporate knowledge to create a systematic management method so that knowledge can be employed by employees to establish a knowledge-based work environment. Knowledge management indicators used in this study refers to Shannak, 2009; knowledge sharing, knowledge participation, participation in activities, knowledge efficiency, contribution to knowledge management, usability (easy to apply).

Knowledge Management Relationship to Company Performance.

Choi, et al., (2008) analyzes knowledge management strategies based on their sources. The results show that firms can benefit from knowledge management by applying internal or strategy-oriented knowledge management. That is, it incorporates an internal-oriented implied strategy and explicitly external-oriented knowledge. The result, showing a complementary relationship, which means proving the effect of knowledge management strategy on the performance of the company. Afiouni (2007) argues that combining human resource management initiatives with knowledge management will help improve the company's performance. While Lee, et al., (2007) found that there is a significant relationship between knowledge management and performance

processes. Aldi (2005) also stated that knowledge management is an organizational strategic advantage needed as a capital base to support organizational strategy. Furthermore, Bogner, et al., (2007) demonstrated that there are three components of a knowledge management system that affect company performance, namely: the ability of a firm to generate new knowledge, to build that knowledge, and to seize the opportunity for the development of that knowledge effectively. Transfer of knowledge within the organization manifests itself through changes in the knowledge or performance of the receiving unit. Thus, knowledge transfer can be measured by measuring changes in knowledge or changes in performance.

Knowledge Management Relationship To Competitive Advantage

Anthony et al., 2009 in his research states that policy has emerged as a major domain in the field of creating more knowledge management knowledge so that knowledge management is increasingly highlighted in the literature as the main and primary source of competitive advantage for organizations. Knowledge management can be integrated externally through a relational network that includes organizational boundaries. These networks provide effective mechanisms for accessing and integrating new knowledge, but they may not do so quickly to keep up with competitive changes. Later in the study Aldi, et al., (2005) explained that the leading management theorists and organizations have popularized the concept of knowledge management as a competitive advantage. They suggest that in order to remain competitive, organizations must efficiently and effectively create, locate and capture and share their knowledge and expertise to apply knowledge in solving problems and exploiting opportunities. Award and institutionalization of knowledge and learning roles is an effective approach to building the foundation of an organization's competitive ability. Fifi research, et al., (2013) shows that knowledge management has a significant influence on competitive advantage. This result means that with the use of knowledge management, it will have a positive effect on the company's competitive advantage. Further Kautsar (2012) on the results of his research mentions that various problems often appear that hamper the growth and development of SMEs. The problem comes from both outside and inside the SME itself. One of the problems in the internal environment of SMEs is the limited mastery of knowledge. In addition, the existence of SMEs is increasingly threatened when large companies through high quality and competitive products with affordable offer prices entering the Indonesian market. Therefore a simple solution can be implemented to address this challenge. One way is to create competitiveness through the implementation of Knowledge Management in SMEs.

2.2 PERFORMANCE

Company performance is the ability of the organization to achieve its objectives by using resources efficiently and effectively (Daft, 2000 in Fifi, et al., 2013). Company performance is a measure of the success of a company that is measured every time period that has been determined. This result can be said as the value of each activity that has been prepared and implemented to be able to identify whether the strategy is made and its implementation is appropriate or vice versa. Baker and Sinkula (2002) mentioned that the

company's performance can be seen from the growth of market share, the success of new products and so on. Measuring company performance is a complex and a big challenge for researchers (Beal, 2000 in Sari, 2014). Beal (2000) also points out that there is no consensus on the most feasible performance measures in a study and the objective measures of performance that have been used in many studies are still many shortcomings. For example, the size of ROI (Return on Investment) has a weakness, because there are various methods of measuring depreciation, inventory and fixed cost value. To anticipate the unavailability of objective performance data in a study, it is possible to use a subjective measure, based on manager perceptions (Beal, 2000) in Andreas (2012). In addition, Voss & Voss (2000) research in Sari (2014) shows a close correlation between subjective performance measures and objective performance measures. Company performance is a company achievement measured in the form of results profitability. In addition to profitability, which is still regarded as an aspect of company performance measurement is market share as one indicator of company performance measurement (Cahyono, 2000 in Andreas, 2012). Researchers encourage sales growth; growth of labor. employment growth, income growth, and market share growth as the most important indicator of corporate performance (Hadjimanolis 2000, in Sari 2014). It is also based on the argument that growth is a more appropriate and easier to get indicator than accounting measurement and is therefore superior to financial performance indicators. Growth and financial performance are more appropriately viewed as different aspects of company performance, each of which has important and unique information. Together. Growth and financial performance provide a richer and more actual description of the firm's performance when compared if the measurement is done independently. There are several criteria in assessing the performance of a company delivered in contemporary literature. These criteria include both financial and nonfinancial criteria. These different criteria actually depend on the performance measurement itself. The benchmark is unique because of the specificity of each business entity, between line of business, background, legal status, capital structure, growth rate. And the level of technology used by the company. These differences and affect the behavior of business entities and in turn, will also affect the company's performance and benchmarks used. Hatmoko (2000) in Sari (2014) that in the evaluation of corporate performance, there are some things to note because it will affect the achievement of success, that is:

- 1) Relevance between the means of assessment and performance to be assessed.
- 2) Compliance with the validity of the benchmarks used in the job evaluation.
- 3) The difference between efficiency and effectiveness, both of which are important.
- 4) Influence of value system and perception of assessment.

Based on the description above, the performance indicators used in this study refers to Baker and Sinkular (2002), Hadjimanolis (2000); product success, sales growth, market share growth.

Relationship of Corporate Performance to Competitive Advantage

Company performance according to Ferdinand (2000) in Sari (2014) is a common construct used to measure the impact and strategy of the company. According to Slater's opinion, et al., (2002) in Sari (2014) suggests there are 3 performance measurement criteria namely effectiveness, efficiency and adaptability. Superior companies are believed to have something special and hard to imitate to enable them to outperform their competitors. If the company's specific resources and advantages produce economic excellence and can not be duplicated by competitors, then these resources are a potential resource for competitive advantage (Barney, 2006). Therefore, in achieving competitive advantage must have organizational competence, which means that existing resources in business organizations there are performance improvements. Under these conditions, if a business institution there is an increase in performance both input and output aspects and managerial meaning to have an irreplaceable value. Competitive advantage can be obtained largely from resources and capital. The resources in question are the strengths and weaknesses of corporate performance, while capital is defined as the ability of companies in managing the resources they have to work together like a team of one department or in other words high low, the company's performance will affect the high competitive advantage of the company. Based on research Day, et al., (2000) in Sari (2014), which says that there is a positive influence between the performance of companies with competitive advantage.

2.3 COMPETITIVE ADVANTAGES

The Resources Based (RB) approach sees economic or business activity in terms of resource utilization and capability, not the market served. The utilization of these resources and capabilities in order to build competitiveness directed at efforts to capture various opportunities to overcome various threats in the competition, so from this condition built a strategy to discourage competitors in the form of difficulty to be imitated (barriers to imitation) (Syafar (2004) in Sari (2014). In a model of sustainable competitive advantage recognizing that managerial productivity in business performance with a strategic selection approach will focus attention on organizational variables that are essential for creating and maintaining competitive advantage. Porter (2008) reveals that "competition is at the core of a company's success or failure. This implies that failure depends on the courage of the company to compete, it is impossible to achieve success ". Competition determines the accuracy of a company's activities that can support its performance, such as innovation, cohesive culture or good practice. A competitive strategy is the search for a favorable competitive position within an industry, the fundamental area where competition takes place. A competing strategy aims to establish a favorable and sustained position against the forces that determine industrial competition. A company differentiates itself from competitors based on a bunch of competitors. Porter (2008) outlines the following competitive advantages: "Competitive advantage essentially evolves from the value a company can create for its buyers that exceeds the cost of the company in creating it." Values are what buyers are willing to pay, and their superior value comes from lower price bids than competitors to benefit commensurately or provide more unique benefits than simply offset higher prices. According to Hitt, et al., (2012) the various

competitive advantages of the company include:

- 1) Superiority in Price, competitive advantage due to price. Prices here do not always have to be cheaper, may be higher but the customer must feel the added value is greater than the price.
- 2) Superiority Quality and Design, competitive advantage for quality and better design compared to competitors.
- 3) Superiority in Customer Responsiveness, competitive advantage because the company is able to respond to need and wants customer.
- 4) Superiority in Innovation, Competitive advantage due to continuous innovation, conducted by the company. In the concept of the company there are two types of competitive advantage that is the cost advantage of differentiation. Porter (2008) defines competitive advantage as a benefit strategy of companies that collaborate to compete more effectively in the market place. Strategy must be designed to realize sustainable competitive advantage, so that the company can dominate old market and new market. The most important thing in achieving the success of the strategy being implemented is to identify the real company assets, in this case the tangible and intangible trait and the resources that make the organization unique. Porter (2008) put forward an example of where the source of excellence comes from, namely as follows: "Cost advantages may come from different sources, such as low-cost physical distribution systems. Highly efficient assembly process, or superior sales force utilization. Differentiation can come from a variety of similar factors including high-quality feedstocks, responsive order entry systems, or superior product design." Competitive advantage is the heart of the company in the face of competition competitive advantage can be sourced from a variety of different activities undertaken in the company to design, manufacture, market, distribute, and support its products. Basically competitive advantage takes the form of a lower price than the competitor's price for a commensurate benefit or the provision of more unique benefits and simply offsets the premium price. According to Porter (2008) there are two basic types of competitive advantage, namely low cost (low cost) and differentiation (differentiation). All these advantages come from industrial structure. Based on the description above, the indicator of competitive advantage used in this study refers to Hitt, et al., (2001); cheap product prices, superior quality and designs from competitors, able to meet the needs and desires of consumers, superior because of continuous innovation.

2.4 THEORETICAL FRAMEWORK

Knowledge management is a process that helps organizations to find, select, organize, deploy, and transfer important information and expertise necessary for activities (Zaied, 2012). Then Choi, et al., (2008), Wulantika (2012), Afiouni (2007), Lee and Lee (2007), Bogner, et al., (2007), Kosasih and Budiani (2007) which is significant and effective between knowledge management on company performance. Research Kautsar (2012) and Anthony, et al., (2009), Aldi (2005), Dewi (2013), Anshori (2005), and Fifi, et al., (2013) state that knowledge management has an influence on competitive advantage on an organization. Implementasi knowledge management can be a solution for SMEs, in addition to improving achievements can also improve the

competitiveness of SMEs. With the use of knowledge management, will give a positive influence on the company's competitive advantage. Innovation is needed in developing a business, especially SMEs in order to be able to make the business survive in the era of globalization. Robbins (2002) in Samsir, et al., (2013) defines innovation as a new idea applied to initiate or improve a product or process and service. The relationship of innovation to firm performance is expressed in Tsai, et al., (2005), Chen, et al., (2007), Han, et al., (1998) in Sismanto (2006), Prakoso (2005), Salim, et al., (2011) that there is a relationship between innovation and organizational performance. Then how is the relationship of innovation with competitive advantage. Yulius (2013) and Wahyono (2002) in Hapsari (2014), Suliyanto (2011), Dewi (2006) in his research explained that the innovation of creating competitive advantage and the company's willingness to develop product innovation has an impact on the improvement of company capability in facing competition. In an organizational learning relationship to competitive advantage, Baker, et al., (2002) in Sari (2014), Anshori (2011) stated that organizational learning has a significant effect on company performance. This proves that the new trainings and knowledge gained are able to change behavior and open the insights of individuals to think of a change. Furthermore, in the organizational learning relationship to competitive advantage, Ho (2008), Wang, et al. (2003) in Hapsari (2014), Lopez, et al., (2005), Njuguna (2009) in his research found evidence that empirically organizational learning has a positive influence on the core competencies of the company, where building and developing competencies can only be done through organizational learning. Company performance is a measure of the success of a company that is measured every timeframe that has been determined. Ferdinand's research, et al., (2000) in Anggraini (2014) says there is a positive influence between company performance and competitive advantage. If the company's specific resources and advantages produce economic advantages and are not imitated by competitors, they are a potential resource for competitive advantage (Barney, 2006).

3 HYPOTHESIS

The hypothesis proposed in this research is as follows:

- 1) The better the knowledge management the business performance will increase.
- 2) The better the knowledge management then the competitive advantage will increase.
- 3) The better the innovation is done then the competitive advantage will increase.
- 4) The better the organization's learning then the competitive advantage will increase.
- 5) Better business performance will increase competitive advantage.

4 RESEARCH METHODOLOGY

The method of collecting primary data was done by interview method and questionnaire. The interview technique is intended to obtain preliminary data (preliminary study) aimed at obtaining more detailed information in relation to the subject of research and research object. While the questionnaire/questionnaire used to obtain data from respondents, because the method used in this study is by survey. Hypothesis testing is done by using path analysis model and data processing using SPSS 17.00 program. Path analysis is the basic model used to analyze the path in

estimating the strength of the causal relationships described in the path model. Path analysis is used because there is suspected correlational correlation between independent variables, so there is direct and indirect influence on dependent variable. To know whether there is influence of independent variable to dependent variable then tested to hypothesis proposed in this research. Test methods on the proposed hypothesis, simultaneous testing and partial testing. Testing simultaneously using F test, whereas partial test using t test. The last step in the path analysis is to interpret the analysis result that is to determine the paths of significant influence and identify the path with stronger influence that is by comparing the standardized coefficient of path. In the path analysis in addition to direct influence there is also an indirect influence and total influence. The coefficient of beta is called the path coefficient which is a direct influence, while the indirect effect is done by multiplying the beta coefficients of the passed variable. The total effect is calculated by summing up the direct and indirect effects.

5 DISCUSSION OF RESEARCH RESULT

The path analysis technique is used to test the amount of contribution (contribution) shown by the path coefficient on each path diagram of the causal relationship between knowledge management, leadership orientation and innovation, competitive advantage. In addition to test the hypothesis that has been proposed and to detect the influence of intervening variables in mediating the independent variables to the dependent variable used path analysis method. Path analysis in this study has 2 structural equations. Knowledge Management Relationship to Business Performance.

The results showed that knowledge management has a significant positive effect on business performance.

This means that the better the knowledge management that is owned by small and medium enterprises, the better the business performance. These results also show that the level of knowledge management of small business entrepreneurs typical of Riau food in Pekanbaru City is high. Business actors have an awareness that knowledge is very important in developing a business, so that the participation of business actors in every business activity for knowledge improvement is a concern to be improved. Increased knowledge undertaken by small and medium enterprises will be able to improve business performance *pasa* business they do. From the result of the research, it is seen that 6 indicators as a measure of knowledge management, which is considered important by SMEs of Riau food products in Pekanbaru City are: awareness of knowledge, participation in knowledge activity and efficiency due to knowledge, knowledge sharing behavior, contribution to knowledge management and usability easy to use). The results of this study are consistent with the findings of the research conducted by Choi, et al., (2008), Wulantika (2012), Afioni (2007), Lee and Lee (2007), Bogner, et al. (2007), Kosasih and Budiani 2007) that there is a significant and effective relationship between knowledge management and performance.

Knowledge Management Relationship to Competitive Advantages

The results show that knowledge management has a non-significant positive effect on competitive advantage. This means that the more knowledge management possessed by

business actors will increase the competitive advantage. From the research result, it can be seen that the main thing that the businessmen need to improve in knowledge management to achieve competitive advantage is the participation of small and medium business entrepreneurs of Riau food products in Pekanbaru City in seeking knowledge either by self study or obtained from outsiders such as consumers, of other associations. So with the increased participation of business actors are expected business actors are able to meet the needs and desires of consumers to achieve competitive advantage small and medium businesses typical food products Riau in Pekanbaru City. This study is consistent with research findings conducted by Kautsar (2012), Anthony, et al., (2009), Aldi (2005), Dewi (2013), Anshori (2005), and Fifi, et al., (2013) knowledge management has an influence on competitive advantage in an organization. Implementation of management knowledge can be a solution for small and medium businesses typical Riau food products in Pekanbaru City, in addition to improving achievement can also improve competitiveness. With the use of knowledge management will have a positive impact on the company's competitive advantage. On the other hand, the results of this study are not in line with the research conducted by Siadat, et al., (2012) where it is found that there is no significant relationship between knowledge management to competitive advantage which is done by two factors, namely cultural factor and success factor.

Relationship of Business Performance to Competitive Advantage.

The results of this study indicate that the company's performance has a significant positive impact on competitive advantage. This means the competitive advantage of small and medium businesses Riau's typical food products will increase along with the improvement of business performance. Furthermore, from the results of research shows that 3 indicators as a measure of company performance is considered important by small and medium-sized food products typical of Riau in Pekanbaru City are: product success, perceived overall performance and market share growth. Then from these results also seen that the level of corporate performance of SMEs Typical Food Products Riau in Pekanbaru City is high. Nevertheless, the results of this study indicate that the success of selling new products offered is not in line with the increase in average sales during the last 2 years, so the increase in average sales to achieve competitive advantage of small and medium business Riau food products need to be a concern to be improved. The results of this study are in line with research conducted by Ferdinand (2000) in Anggraini (2014), Day, et al., (2000) in Sari (2014), Slaten, et al., (2002) in Sari (2014) a positive influence between company performance and competitive advantage. The results of this analysis and testing also support the opinion expressed by Barney (2006) which states explicitly that the company's performance has a positive and significant impact on competitive advantage. The results of this study are supported by research (Day and Wensley 1988) and (Ferdinand 2000) which says there is a positive influence between the company's performance with competitive advantage.

6 CONCLUSION AND SUGGESTION

6.1 CONCLUSION

Based on the discussion of research results it can be taken some conclusions as follows:

- 1) Knowledge management affects business performance, meaning better knowledge management within a company, then business performance will increase. This means that the improvement of business performance in small and medium businesses of Riau food products in Pekanbaru City will directly increase significantly as the increase of knowledge acquisition and knowledge dissemination by employees in small and medium enterprises.
- 2) Knowledge management affect the competitive advantage. This means that the better the knowledge management within a company, then the competitive advantage will increase. This means that good knowledge and disseminating it to others such as employees and responding to every development of knowledge will increase competitive advantage for the company.
- 3) Performance of business influenced to competitiveness, meaning the better the performance of the meal will be better competitiveness of small and medium businesses typical food products Riau in Pekanbaru City.

6.2 SUGGESTION

Based on the results and conclusions of the research as described earlier, then in achieving competitive advantage in SMEs Riau Food Products in Pekanbaru City needs to be given the following suggestions:

- 1) For SMEs Typical Food Products Riau in Pekanbaru City.
 - a) The actors of SMEs need to make improvements and improvements in knowledge management it has, especially diprioritaskan on, increasing the participation of business actors in every company activity such as seminars.
 - b) SME actors need to make improvements and improvements in the company's performance, especially prioritized on: Increase in average sales of the company. Where this increase reflects that the business actor has been able to meet what the needs and desires of consumers desire.
- 2) For the Fabrication Institution with SMEs Riau Food Products in Pekanbaru City.
 - a) As a maker and policy maker, the relevant agencies should provide various activities such as seminars, workshops, which can encourage small and medium businesses typical Riau food products to do better business.
 - b) Protect in the form of patents, haki and others as to ensure that the products supplied by small and medium enterprises can continue to grow and at the same time can maintain and increase the typical products of Riau.

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