

# MARKET ORIENTATION AND PERFORMANCE (A CASE OF CREATIVE INDUSTRY IN BANDUNG, WEST JAVA, INDONESIA)

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DOI: <https://doi.org/10.37178/ca-c.23.1.302>

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## Abstract

The Covid-19 pandemic that has hit almost two years has had a tremendous impact on almost every aspect of life. The demand for goods and services has decreased (especially for non-essential sectors), and this has resulted in increased competition in the industry. This is of course also experienced by companies in the creative industry in the city of Bandung. This study investigates the effect of market orientation and performance. Companies that are able to implement market orientation well will have a better competitive advantage, and will be able to achieve superior performance. A total of 250 questionnaires were sent using Google Form, and 158 respondents responded well. The goodness of measures test shows that the measuring instrument used is valid and reliable. This study found that market orientation and each of its three dimensions: customer orientation; competitor orientation; and inter-functional coordination; are positively and significantly affect the performance of companies in the creative industry in the city of Bandung.

**Keywords:** Market Orientation, Performance, Creative Industry

## Introduction

The Indonesian Minister of Manpower, Ida Fauziyah stated that the Covid-19 pandemic has dealt a blow to the creative industry sector, as a result of the limited space for people to move<sup>[1]</sup> However, he believes that the creative industry will be able to face these challenges in creative ways. It's not a creative industry if you can't

face challenges in creative ways. Besides the impact of pandemic Covid-19, another factor that also challenge the creative industry, is the increasing competition within this industry. The increasing market demand for creative industry products has resulted in more companies entering the industry, which in turn will increase the intensity of competition [2] Facing the current challenges, Ida Fauziyah stated three things that need to be continuously pursued by creative industry players to survive and grow in the current difficult situation. These three things are: first, the creative industry must be able to adaptively utilize technology and information; second, must actively collaborate to share ideas and resources to increase creativity; third, increase competence and flexibility[3]

Competition in an industry will suppress the performance of every company in the industry. Companies that cannot maintain their performance as a result of competitive pressures will be forced out of the industry. In an increasingly competitive situation, it will force every company in an industry to be more creative in building their competitive advantages. Companies having competitive advantage are generally better in adapting to the environmental changes and are more flexible. Market orientation is one of the cultures in the organization that can bring up creative and adaptive behaviours in the organization [2, 4-8]. A well-implemented market orientation will be a capability that can create excellence. Market-oriented companies will be creative companies because they are better able to understand their industry better [7, 9]). Market-oriented companies are better able to understand their environment, and from this understanding, they will be able to creatively produce innovations that will become values and benefits for consumers [10-14]. Market-oriented companies will become companies that can be a solution to consumer problems and will have higher performance than companies that are not market-oriented.

This study intended to investigate the effect of market orientation on performance of companies in the creative industry in the city of Bandung. The creative industries referred to in this study are companies engaged in the design, videographers, photographers, advertising, and fashion in the city of Bandung.

## Literature Review

### Market Orientation

In management philosophy, that relies on marketing concept, it is obvious that market orientation (MO) becomes a central element [3, 15-17] and greatly influences long-term profitability. Two seminal papers published ), suggested the concept of MO. Narver, and Slater (1990), represented a cultural perspective. MO is defined as the most effective and efficient organizational culture in creating the behaviours needed for creating superior values and benefits to satisfy customers' needs and wants, which in turn will result in continuous superior performance [1, 9, 13, 18] suggested MO construct consists three behavioural components, namely:

1. Customer orientation, concerning understanding of current and future consumer needs;
2. Competitor orientation, concerning efforts to understand existing and potential competitors, regarding the strengths, weaknesses and long-term capabilities of competitors;
3. Inter functional coordination, involving efforts to coordinate the resources owned by the organization aimed at creating superior value and benefits for customers.

Implicitly, the definition of [7] emphasizes that an organization's success in a highly competitive industrial situation depends on the organization's ability to innovate continuously.

On the other hand, [10, 11] represent behavioural perspective of MO. Kohli define MO as a construct consisting of three components or behavioural dimensions consisting of:

1. Intelligence generation, which is the beginning of all MO activities, aimed at finding the information needed to understand consumer needs (expressive needs and latent needs), and also to understand the behavior of competitors and other market players;

2. Intelligence dissemination, concerning the process of building internal communications and disseminating the results of market intelligence to all parts of the organization;

3. Responsiveness, concerns to organization's ability to react to the information obtained and disseminated within organization, which consists of two main activities, namely response design and response implementation.

Research on MO generally adopts the concept developed by [6, 19-21]. This study adopts definition of MO developed by) which emphasizes MO as a form of culture grow up within the organization that is most effective and efficient in creating behaviours which necessary for the creation of superior values and benefits for consumers.

### **Performance**

How to define and measure performance is very important, and it has attracted the attention of both researchers, and practitioners as well ([22-28] mainly concerns the relevance and success of the measurements .

Performance measurement develops in three consistent directions, namely: from financial to non-financial measures; from input to output measures; and from uni-dimensional to multi-dimensional measures [23] At first financial measurement was very commonly used, but in the 1970s measurement shifted to multidimensional auditing [16, 18, 23, 24, 29, 30] suggests the importance in measuring performance includes aspects of organizational efficiency, effectiveness, and adaptability.

Effectiveness is referred to as "doing things right" or also known as productivity which is the ratio between output and input [1, 23, 28] suggest return on investment (ROI) as a performance measure. Effectiveness or "doing the right things" implies that each performance measure should be linked to the goal of decision-making This perspective is a view that refers to the achievement of goals as organizational effectiveness, where managers whose performance reaches or exceeds organizational goals are considered effective [29, 30]. In the effectiveness perspective, the measure of effectiveness is the target and not the input as used in the efficiency perspective. stated that effectiveness is a success compared to competitors, which is one of the main targets in the context of competition. The adaptability perspective relates with the extent in which organizational programs can adapt the external environment. The adaptability perspective uses external measures. Adaptability relates to the organization's new products or other forms of innovation, and the idea behind this measurement is that in rapidly changing environmental conditions, organizations that are unable to adapt to these changes will face failure [28, 31]. This perspective is of course very relevant to the strategic view which states that success arises when the organization's strategy is appropriate and in line with environmental conditions

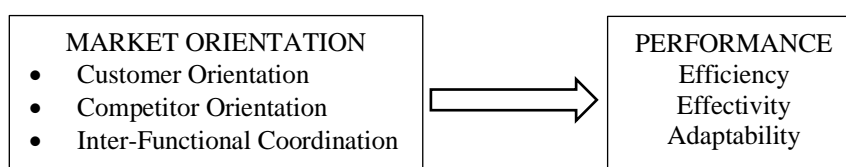
### **Market Orientation and Performance**

Studies conducted in the service industry sector, shows that MO has positively affect service companies' performances [5, 6, 10, 24, 29, 30, 32-34]. In the service industry, the MO concept has proven to apply to large and small companies. Service companies that adopt MO get important benefits, both internally and externally.

However, research conducted by found that MO is negatively correlated with service firms in a prospective economic period, where demand is high, and firms can earn large profits without needing to do anything. However, in times of recession where the economy is in decline, MO has been proven to be the critical success factor for organizations ). This argument does not mean that MO is not needed in prospective economic times. MO remains important especially in building good and close relationships with consumers, where this will be the main capital when the economic situation worsens. This principle is the principle of providing an umbrella just in case before the rain comes. Mo can be a trigger for efforts to build good relationships with consumers so that in the long term it could be expected that consumers will be loyal.

The positively impact of MO on organizational performance has been widely demonstrated [1, 3, 9, 13, 15, 19, 28, 31] Organizations that can implement MO well will be able to obtain and disseminate market intelligence regarding consumer needs to all parts of the organization.. Market-oriented organization would be able to create a unified focus, both for the individual businesses, and for parts of the organization so that this will enable the organization deliver better values and benefits to consumers. This will then provide opportunities for organizations to be able to achieve superior performance.

Figure 1 Theoretical Framework



Based on the discussion, it is clear that MO has a strong influence on the achievement of superior organizational performance. Organizations that can implement MO better will have greater chance of succeed, as compare to organizations that not implement MO properly. Thus, the hypothesis of this research can be structured as follows:

Main Hypothesis:

H: Market orientation positively and significantly affect performance.

Sub-Hypotheses:

H1. Customer orientation positively and significantly affect performance.

H2. Competitor orientation positively and significantly affect performance.

H3. Inter-functional coordination positively and significantly affect performance.

### Methodology

This research is explanatory research that aims to explain the relationship between variables, namely market orientation as independent variable, and performance as dependent variable. This research object is the perception of creative industry players in Bandung on market orientation and performance of companies within creative industry in Bandung. The unit of analysis is individual.

The population of this research are companies engaged in the creative industry engaged in design, videography, photography, advertising, and fashion. A total of 250 questionnaires were distributed using Google Forms, and, a total of 158 questionnaires returned and filled out completely. The number of respondents as many as 158 people is then considered as the sample of this study. The response rate for distributing this questionnaire is 63 percent.

Market orientation is measured by adapting a scale develops by [7] which consists 16 items to measure: customer orientation (CO), competitor orientation (CMO), and

inter-functional coordination (IFC). Performance is measured by adapting the scale develops consists of 12 items measuring the efficiency, effectiveness, and adaptability of the company.

Before data analysis, the goodness of measures was first tested for the measuring instruments used. Reliability was tested using Cronbach's Alpha criteria, and validity was tested using the Pearson Product Moment Correlation criteria. Hypothesis testing is done by using linear regression analysis (simple and multiple).

### Findings and Discussion

The data of this study were obtained from 158 actors in the creative industry in Bandung who responded and filled out a complete questionnaire. Most of the respondents were male and had an average experience of above five years in this industry.

The goodness of measures test indicates that the scale used to measure market orientation and performance are valid and reliable. The results of this test are presented in Table 1, Table 2, and Table 3 below.

Table 1

#### Reliability Statistics

Scale	Cronbach's Alpha	N of Items
Market orientation	.933	16
Performance	.986	12

Table 2

#### Validity – Market Orientation & Performance

Market Orientation Items	Pearson Correlation	Sig.	Performance Items	Pearson Correlation	Sig.
1	.777	.000	1	.445	.000
2	.799	.000	2	.490	.000
3	.713	.000	3	.393	.000
4	.629	.000	4	.511	.000
5	.648	.000	5	.506	.000
6	.665	.000	6	.500	.000
7	.655	.000	7	.453	.000
8	.694	.000	8	.461	.000
9	.618	.000	9	.413	.000
10	.690	.000	10	.502	.000
11	.674	.000	11	.466	.000
12	.723	.000	12	.437	.000
13	.802	.000			
14	.858	.000			
15	.670	.000			
16	.788	.000			

The results of hypothesis testing using simple regression analysis on market orientation and performance relationship is presented in Table 3, 4, 5. Table 3 and 4 shows the results of the F-test. This result shows an F value of 199,491 and is significant at 1% indicating that variations in market orientation are able to explain variations in the performance of 55.8% (Adjusted R Square). Table 5 shows the

results of the regression coefficient test or t-test. These results indicate that the market orientation coefficient has a t value of 6.133 and is significant at the 1% level. The results indicate market orientation is positively and significantly affect performance. Therefore, the main hypothesis is accepted.

Table 3

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.749	.561	.558	.43842

a. Predictors: (Constant), MO

Table 4

**ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.344	1	38.344	199.491	.000
	Residual	29.985	156	.192		
	Total	68.329	157			

a. Dependent Variable: Performance  
 b. Predictors: (Constant), MO.

Table 5

**Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.905	.311		6.133	.000
	MO	.715	.051	.749	14.124	.000

a. Dependent Variable: Performance

Table 6

**Coefficients**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.764	.584	.576	.42974

a. Predictors: (Constant), CO, CMO, IFC

Table 7

**ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	39.889	1	13.296	71.998	.000
	Residual	28.440	154	.185		
	Total	68.329	157			

a. Dependent Variable: Performance  
 b. Predictors: (Constant), CO, CMO, IFC

Table 8

## Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.111	.290		7.278	.000
	MO	.196	.079	.225	2.472	.015
	CMO	.220	.086	.262	2.560	.011
	IFC	.267	.078	.334	3.414	.001

a. Dependent Variable: Performance

Table 6, 7, and 8 shows the results multiple regression analysis. In Table 6 and Table 7 it can be seen that the F-test shows an F value of 71,998 and is significant at the 1% level. It shows the variations of the three dimensions of MO explained the variations of performance by 57.6%. The results of the regression coefficient test show that the t values for customer orientation, competitor orientation, and inter-functional coordination are 2.472 (sig. .015), 2,560 (sig. .011), and 3.414 (sig. .001). Furthermore, the t-test indicate that the three components of MO are positively and significantly affect creative industry performance. Therefore, the three sub-hypotheses are accepted.

This study found MO as an important predictor of performance of companies in the creative industry in Bandung, especially in the fields of design, videography, photography, advertising, and fashion. The finding in line with previous studies that also found a positive effect of MO on performance [4, 29, 32, 33]. A market-oriented companies have better response capabilities, among others: understanding consumer desires, even latent desires; the ability to translate the information obtained into product design; and speed in responding to consumer desires.

Companies in the creative industry in the city of Bandung certainly need to review the strategies that have been carried out so far. During the Covid-19 pandemic, which seriously threatens the sustainability of the company, companies in the creative industry in the city of Bandung need to have better adaptability. It takes creativity in understanding and responding to the market. Each individual in each company must have the same focus, so that the market orientation implementation can mobilize all potential resources owned to produce higher value and benefits, so that the company can achieve superior performance.

### Conclusion

This study investigates the effect of MO on performance of the creative industry in Bandung. This creative industry includes companies engaged in design, videography, photography, advertising, and fashion. The pressure due to the Covid-19 pandemic situation for almost two years has resulted in decreased demand and increased competition in the creative industry. Market orientation is one of the cultures within the organization which, if implemented properly, will be able to increase the organization's capabilities in responding to market changes. This of course will greatly impact the company's performance.

This study found MO is positively affect performance of companies in the creative industry in Bandung. Companies in this industry need to be able to exercise good market intelligence to understand customers and competitors better; then the company must disseminate information to all parts of the company so that everyone

has the same focus and can make the right response from the results good coordination.

Some of the things that may be weaknesses of this research are:

1. This research was only conducted on the creative industry in the city of Bandung. Further research is suggested to include creative industries from various cities in Indonesia;
2. This research is cross-sectional. It is recommended that further research be conducted in a time series, so that time effects can also be seen;
3. This study only investigates the relationship between MO and performance. Future research is suggested to includes other strategic orientations variables.

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