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The Effect of Market Orientation on Business Performance Moderated By Personality, Attitude, and Leadership on SMEs in Purwokerto, Indonesia

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Abstract: This study aimed to explain the influence of market orientation and business performance toward personality, attitudes, and leadership as moderation variables. To test the empirical models, Structural Equation Modelling (SEM) was used. Among the softwares used to assist the analysis in this study were AMOS 21.0, SPSS 16.0 and Microsoft Excel 2007. Sample size of this research was 150 owners and/or managers of Small and Medium Enterprises (SMEs) in Purwokerto area. The result showed that market orientation has positive effect on business performance, and personality, attitudes, leadership as moderation variable of market orientation to business performance.

Keywords: market orientation; personality; attitudes; leadership; business performance

I. INTRODUCTION

(A) Background

In this modern era, customer's expectation is varied. Thus, company should be able to anticipate it well. One of the anticipations is by performing market orientation. Market orientation is company's view towards marketing core i.e. focus on customers and coordinated marketing [1]. Reference [2] also define market orientation as organization culture required to create superior value for buyers and superior performance for company. According to [3], business performance is a factor that is often used to measure effects of company's strategy in facing competition. This definition clarifies that business performance needs long process [4].

Many researches have proven the effect of market orientation on business performance. Generally, the result of the research on correlation of market orientation and business performance suggests that

there is positive effect of those two variables (research by Julian, 2010, Castro *et al.*, 2005, Kirca *et al.*, 2005). However, there were researches that were not successful proving that market orientation can increase business performance (research by Kohli & Jaworski, 1990 and Selnes *et al.*, 1996). The result of the research depicts that there are other factors that influence business performance. One of them is human resources in the company.

There are three main factors that can support business performance. The first factor is personality (George and Zhou, 2001). The second factor is attitude. Rahayuningsih (2008) suggests that attitude is one of the factors that should be noticed to create creative and innovative ideas. The third factor that influences performance is leadership. The result of the research conducted by Williams (2004) shows that a responsible leader will create appropriate work structure. He added that a leader who gives employees more space to move will influence the performance of the organization. Based on the statement above, this research adds leadership, attitude, and personality as moderation variables of market orientation on business performance.

Based on the explanation above, small and medium enterprise is a business that can be the sample of this research. Duncan (2000) explains that there is advantage if the research focuses on small and medium enterprise because the result of the research will be clearer and can reduce bias. Therefore, the researcher is interested in performing empirical study on small and medium enterprise in Purwokerto. Purwokerto is a small town in Banyumas Regency, Central Java, but it has big potential to grow. It may be caused by the easy access to other big cities. According to data from Department of Industry, Trade, and Cooperatives Banyumas Regency in 2016, small and medium enterprises still become the mainstay industry in Purwokerto. Therefore, the researcher will carry out a research on the effect of market orientation on business performance through personality, attitude, and leadership as mediation.

(B) Identification of Problems

The results of the researches that examine the effect of innovation on business performance are still varied. The research, which concludes that there is positive effect of the two variables, is the research conducted by Julian (2010). However, there were some other researches that fail to prove that market orientation can increase business performance. The result of the research suggests that there are other factors that can influence the business performance. One of them is human resource in the company. Based on the statement above, this research adds leadership, attitude, and personality as moderation variables of market orientation on business performance. The reason is that market orientation will be successful if it is supported by leadership, attitude, and personality of the business owners. Based on the research gap of the previous researches, the problems of this research are formulated as follows:

1. Does market orientation have effect on business performance?
2. Does leadership moderate the effect of market orientation on business performance?
3. Does attitude moderate the effect of market orientation on business performance?
4. Does personality moderate the effect of market orientation on business performance?

(C) Aim of the Research

General Aim

This research aimed to solve the research gap regarding the effect of market orientation on business performance and to know further about the variables that can influence business performance.

Specific Aim

Based on the problem formulation, here are the specific aims of the research:

1. To analyze the effect of market orientation on business performance.
2. To analyze leadership as moderation variable of the effect of market orientation on business performance.
3. To analyze attitude as moderation variable of the effect of market orientation on business performance.
4. To analyze personality as moderation variable of the effect of market orientation on business performance.

(D) Benefits of the Research

Scientific Benefits

This research is expected to clarify the reason of different result of researches on the effect of market orientation on business performance.

Practical Benefits

As additional information in making marketing strategy, especially those related to market orientation, leadership, attitude, and personality in order to encourage the achievement of optimal business performance.

II. LITERATURE REVIEW AN HYPHOTESIS DEVELOPMENT

(A) Market Orientation and Business Performance

The research conducted by Tseng and Liao (2015) examines the causal relationship between integration of supply chains, market orientation, application of information technology (IT) and the performance of container delivery company in Taiwan. The data were collected from 124 companies of container voyage in Taiwan. They suggest that customer's orientation and coordination among functions, which is a dimension of market orientation, are a strategy that should be done to increase performance. Zhou, *et al.* (2005) also examines the effect of market orientation especially dimension of competitor's orientation on performance. The result of the research shows that competitor's orientation will make company more effective and help its business performance. The result of this research is also supported by the research by Wang and Miao (2015). Muecke and Hofer (2015) examines on how occupational behavior oriented on market will encourage optimal performance of the company in the context of developed country. The result of the research shows that market oriented strategy has positive effect on performance in developed countries. The researcher also suggests the company adopts market oriented strategy to achieve better result in international scope. Therefore, the hypothesis is formulated as follows:

H_1 : Market orientation has positive effect on business performance.

(B) Leadership, Market Orientation, and Business Performance

Research by Williams (2004) shows that a leader can influence his subordinates' attitude in improving business performance. Arief and Eisha (2011) in their research at EPC (*Engineering, Procurement, Construction*) company concludes that managers who have a good leadership style will help company achieve optimal business performance. Besides that, Williams (2004) also suggests that a leader is responsible to distribute duties to his members. Clear job description can make all employees in the company have one similar goal i.e. optimizing company performance. Therefore, the hypothesis is formulated as follows:

H_2 : Leadership moderates the effect of market orientation on business performance.

(C) Attitude, Market Orientation and Business Performance

Willimas (2004) suggests that one of the factors related to the achievement of optimal business performance in organization is a leader's attitude towards divergent thought. One of important factors related to divergent thought is how much a leader listens, produces, remembers, and builds divergent ideas. These attitudes show that a leader can help company reach its optimal performance with his creative thinking. Research by Arief and Lataruva (2011) shows that such a creative attitude can be created¹ through certain process. It can be both from internal and external factor. Therefore, the hypothesis is formulated as follows:

H_3 : Attitude moderates the effect of market orientation on business performance.

(D) Personality, Market Orientation and Business Performance

Personality is a dynamic organization of psycho-physic system that can determine individual's behavior and thought n (Yosep, 2003)). Personality is said "dynamic" because it can change through learning process, reward, punishment, education, and many others. George, Zhou (2001) and Williams (2004) suggest that one of personality indicators that can improve performance is openness to experience. A leader who has open attitude to everything tends to be more creative than the other members of the organization. Therefore, openness becomes one of personality characteristics that can improve performance in organization. Therefore, the hypothesis is formulated as follows:

H_4 : Personality moderates the effect of market orientation on business performance.

III. METHOD OF THE RESEARCH

Population of this research was all of the owners/managers of small and medium enterprises in Purwokerto. The methods used to collect the data were questionnaire with scale 1-7 and direct interview about the effect of market orientation on business performance. Based on Hair, et al (2010), the minimum sample size is 100. Therefore, the suggested sample size is 5-10 times parameter. In this research, there were 26 indicators and 4 line coefficients so that total estimated parameters were 30 parameters. Thus, the samples taken in this research were 150 (30x5). To test the empirical model, Structural Equation Modeling (SEM) was used. The other analysis tools used in this research were AMOS 21.0, SPSS 16.0 and Microsoft Excel 2007.

IV. DISCUSSION

(A) Discriminant Validity Test

Based on the result of the *convergent validity* test, it can be seen that all *loading factors* are statistically significant and *loading* value was $\geq 0,60$. Therefore, it can be concluded that all indicators used in this research were reliable so that they can be used for the next analysis step. The result of *discriminant validity* test also shows that all AVE value was higher than correlation square among constructs in all correlations among variables. Therefore, it can be concluded that the result of the test shows that all constructs used in this research had good validity and could be used in for the next analysis step.

Table I
Discriminant validity test

	<i>Market orientation</i>	<i>Leadership</i>	<i>Attitude</i>	<i>Personality</i>	<i>Business Performance</i>
Market orientation	0.672				
Leadership	0.071	0.795			
Attitude	0.360	0.062	0.904		
Personality	0.230	0.171	0.300	0.863	
Business Performance	0.106	0.132	0.210	0.178	0.896

(B) Goodness of Fit Test

Goodness of fit test shows whether a model is fit to the data used in the research. It can be seen from the criteria i.e. *Chi-Square*, *Probability*, *CMIN/DF*, *GFI*, *AGFI*, *TLI*, *CFI*, and *RMSEA*. According to Hair, *et al* (2010) goodness of fit test can be accepted or the model is categorized “fit” if minimally 5 criteria are met. The result of goodness of fit can be seen in the following table II:

Table II
Goodness of fit test

<i>Index of Model Fit</i>	<i>Cut-off Value</i>	<i>Result of Analysis</i>	<i>Note</i>
χ^2 – Chi Square	$< \chi^2 38.885$ (p 0.05; df 26)	38.730	Good
Probability	≥ 0.05	0.052	Good
CMIN/DF	≤ 2.00	1.490	Good
RMSEA	≤ 0.08	0.057	Good
GFI	≥ 0.90	0.947	Good
AGFI	≥ 0.90	0.909	Good
TLI	≥ 0.95	0.974	Good
CFI	≥ 0.95	0.981	Good

Based on the result of SEM analysis in model-goodness-of-fit test, eight criteria were obtained in category “good”. Based on the result, model in this research can be categorized a very good model or fit model.

(C) Hypothesis Testing and Discussion

Hypothesis testing is carried out by looking at the critical value or t_{table} , by comparing the value of t_{table} and $t_{statistic}$ or by comparing the value of p and 0.05. Hypothesis is accepted if $t_{table} < t_{statistic}$ or $p < 0.05$. Based on the t distribution table, the value of t_{table} in this research with 150 samples and significance level 5% (0.05) was 1.976. Meanwhile, for the value of $t_{statistic}$ in the correlation among variables of this research can be seen in Table 4. Based on the calculation result, it can be concluded that market orientation had positive effect on business performance.

Table III
Result of hypothesis testing

<i>Hypothesis</i>	<i>Value of C.R.</i>	<i>Value of t_{table}</i>	<i>P</i>	<i>Test result</i>
Market orientation → business performance	5.2788	1.976	0.000	Accepted

The acceptance of the first hypothesis shows that there was positive effect of market orientation on business performance. Thus, market orientation that has been done by company can give direct influence in creating optimal business performance. Recently, there are many companies that have prioritized market as their marketing strategy. Dimension of market orientation is divided into competitor orientation, customer orientation, and coordination among functions. Customer orientation and competitor orientation are done to understand more about the target buyers and create continuous superior value for company (Narver and Slater, 1990). Thus, customer orientation requires company to understand buyers' need and interest. Comprehensive understanding about customers and competitors can be done by looking for as much as information about them. Thus, company can understand potential buyers at this moment or in the future. Besides that, with customer orientation, company can monitor customer satisfaction on their product. If it seen from the condition of SMEs in Purwokerto, most of them has routinely performed customer orientation. However, several SMEs fail to increase their business performance even though they have done customer orientation. It is because analysis cost spent by the company to understand customer need is higher than the profit obtained by the company. Thus, customer orientation will decrease company's business performance

The result of the research by Brockman *et al.* (2012) suggest that customer orientation, which is a dimension of market orientation and value based selling done by sellers, is a strategy that must be done to improve performance. Zhou, *et al.* (2005) also examines the effect of market orientation especially competitor orientation dimension on the performance. The result of the research shows that competitor orientation will make company more effective and help improve their business performance. The result of this research is also supported by the research by Wang and Miao (2015) and Muecke and Hofer (2015).

Moderation test of leadership

Moderation test in this research used *Moderated Regression Analysis*. This test was done by multiplying variable, hypothesized as moderation variable, with independent variable. Based on the result, it can be said that interaction variable 1 had significant and positive effect on business performance. Therefore, leadership is quasi moderator variable.

Table IV
moderation test of leadership

<i>Hypothesis</i>	<i>C.R.</i>	<i>t_{table}</i>	<i>P</i>
Int_1 → Business performance	2.446	1.979	0.000

The acceptance of second hypothesis shows that leadership moderates the effect of market orientation on business performance. Thus, managers/owners of SMEs that have good leadership style will strengthen the effect of market orientation on business performance. Research by Williams (2004) shows that a leader can influence his subordinates' attitude in improving business performance. Sedyowidodo and Urip (2008) in their research at EPC (*Engineering, Procurement, Construction*) company also concludes that managers who have a good leadership style will help company achieve optimum business performance. Besides that, Williams (2004) also suggests that a leader is responsible to distribute duties to his members. Clear job description can make all employees in the company have one similar goal i.e. optimizing company performance.

Moderation test of attitude

Moderation test in this research used *Moderated Regression Analysis*. This test was done by multiplying variable, hypothesized as moderation variable, with independent variable. Based on the result, it can be said that interaction variable 2 did not have significant effect on business performance. Therefore, attitude is pure moderator variable.

Table V
moderation test of attitude

<i>Hypothesis</i>	<i>C.R.</i>	<i>t_{table}</i>	<i>P</i>
Int_2 → Business Performance	0.531	1.979	0.596

The acceptance of this third hypothesis shows that attitude moderates the effect of market orientation on business performance. Thus, managers'/owners' of SMEs good attitude will strengthen the effect of market orientation on business performance. The result of this research is relevant with the research by Williams (2004) which suggests that one of the factors related to the achievement of optimal business performance in organization is a leader's attitude towards divergent thought. One of important factors related to divergent thought is how much a leader listens, produces, remembers, and builds divergent ideas. These attitudes show that a leader can help company reach its optimal performance with his creative thinking. Research by Arief and Lataruva (2011) shows that such a creative attitude can be created through certain process. It can be both from internal and external factor.

Moderation test of personality

Moderation test in this research used *moderated regression analysis*. This test was done by multiplying variable, hypothesized as moderation variable, with independent variable based on the result, it can be said that interaction variable 3 did not have significant effect on business performance. Therefore, personality is pure moderator variable.

Table VI
Moderation test of personality

<i>Hypothesis</i>	<i>C.R.</i>	<i>t_{table}</i>	<i>P</i>
Int_3 → Business Performance	1.630	1.979	0.105

The acceptance of this fourth hypothesis shows that personality moderates the effect of market orientation on business performance. Thus, the managers/owners of SMEs with good personality will strengthen the effect of market orientation on business performance. Personality is a dynamic organization of psycho-physic system that can determine individual's behavior and thought. Personality is said "dynamic" because it can change through learning process, reward, punishment, education, and many others. George and Zhou (2001) and Williams (2004) suggest that one of personality indicators that can improve performance is openness to experience. A leader who has open attitude to everything tends to be more creative than the other members of the organization. Therefore, openness becomes one of personality characteristics that can improve performance in organization.

CONCLUSION

Market orientation has positive effect on business performance. Leadership moderates the effect of market orientation on business performance. Attitude moderates the effect of market orientation on business performance. Personality moderates the effect of market orientation on business performance.

In performing this research, there were several limitations of the research such as not focus on one sector. Therefore, the next similar research should focus on one sector such as food industry. Besides that, the researchers should be able to make open questionnaire in order to know the factors that make the business performance of small and medium enterprises improves.

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