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# Market Orientation Model In Indonesia Special Autonomy Regional Government

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## ABSTRACT

The purpose of this study is to analyze market orientation antecedents on Indonesia Special Autonomy Regional Government performance and also to examine a mediating role of market orientation. To address these objectives, the quantitative design was applied, within the sample design based on cluster random sampling. Usable data of 312 respondents coming from the employers as the representative of the regional work unit of West Papua Province and Jakarta Special Capital were analyzed by structural equation modeling. The results show that market orientation antecedents are determined by organizational commitment, information technology capability, and the culture of organizations. Market orientation plays a mediating role in the effects of organizational commitment, information technology capability, and organizational culture on organizational performance.

**Keywords:** Organizational Commitment, Information Technology Capability, Organizational Culture, Organizational Performance.

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## INTRODUCTION

Market orientation can improve the performance of business organizations (Cano *et al.*, 2004; Kirca *et al.*, 2005) and public organizations (Cervera *et al.*, 2001; Jas and Skelcher, 2005; Caruana *et al.*, 1999). Walker *et al.* (2011) emphasizing that market orientation works best to improve customer satisfaction with public services. However, there is a criticism of the concept of market orientation on organizational performance, claiming that organizational performance in market orientation is not as it should be implemented by the government which results in public disappointment over government services, so this hurts public trust (Taylor *et al.*, 2009). Therefore, all market-oriented organizational activities must respond to what consumers want (Kohli and Jaworski, 1990; Kotler and Keller, 2016). Cervera *et al.* (1999) mention 4 (four) important things about market orientation in local governments: first, improving the mission to serve the community (Hayden, 1993); second, provide appropriate instruments to reduce criticism from the community (Cowell, 1991); third, facilitating the provision of services to meet community demands (O'Fairchiallaigh and Weller, 1992); fourth, responsible for guaranteeing the level of quality that is considered to have a purpose to satisfy the community (Bovaird, 1995). In connection with this argument, Mahmoud and Hinson (2012) mentioned that "Accra Metropolitan Assembly", a Government Institution in Metropolitan City, Ghana, implemented market orientation by carrying out the community needs, through creating employees' commitment.

However, the study results of the relationship between market orientation and organizational performance still show inconclusive, as the result findings of Cano *et al.* (2004); Kara *et al.* (2004); Kirca *et al.* (2005). Cano *et al.* (2004); Kara *et al.* (2004) found

that the relationship between market orientation and organizational performance is stronger in service companies and non-profit oriented companies than in manufacturing companies and profit-oriented companies. Otherwise, Kirca *et al.* (2005) found that the correlation of market orientation with organizational performance is stronger on manufacturing companies compared to good service companies based on the size of income or cost. Furthermore, several studies show there is a positive influence of market orientation on organizational performance, such as the results of the study of Kara *et al.* (2005); Ellis, (2006); Vieira (2010); Ogbonna and Ogwo (2013); Pinho *et al.* (2014); and Wahyuningdyah (2017). Other study results, however, showed that market orientation does not have a significant positive effect on organizational performance (Diamantopoulos and Hart (1993); Greenley (1995); Au and Tse (1995); Bhuian (1997); Han *et al.* (1998); Sargeant and Mohamad (1999); Agarwal *et al.* (2003); Sandvik and Sandvik (2003); Olavarrieta and Friedmann (2008); and Widiartanto and Suhadak (2013).

On the other hand, there is the thought that organizational performance and market orientation are influenced by organizational commitment and organizational culture (Rashid *et al.*, 2003; Robbins and Judge, 2008), as the behavior in an organization (Kohli and Jaworski, 1990; Robbins and Judge, 2008). Also, Kohli and Jaworski (1990); Schlesinger and Heskett (1991); Jaworski and Kohli (1993); Lee and Miller (1999); Rashid *et al.* (2003); Kirca *et al.* (2005); Kim (2005); Castro *et al.* (2005); Beer (2009); Abzari *et al.* (2011); Zebal and Quazi (2011) found that organizational commitment is one of the consequences of market orientation. However, those findings contrasted with the findings of Pinho *et al.* (2014); Adam and Syahputra (2016) that organizational commitment does not affect organizational performance.

Another thought is that organizational culture plays an important role as an antecedent of market orientation (O'Cass and Viet Ngo, 2007; McClure, 2010). However, Appiah-Adu and Blankson (1998); O'Cass and Viet Ngo (2007); Gao (2015); Yaprak *et al.* (2015) found that organizational culture with different dimensions had different market orientation influences. Besides this, Appiah-Adu and Blankson Research (1998); Gao (2015) found that organizational culture with hierarchical and clan cultural dimensions did not affect market orientation. Meanwhile, culture with the dimensions of adhocracy influences market orientation (O'Cass and Viet Ngo studies, 2007; Gao, 2015; Yaprak *et al.*, 2015).

Furthermore, Pinho *et al.* (2014); Holmes and Marsden (1996) found organizational culture, influencing the behavior and motivation of its employees, can affect organizational performance. Then, the results of the Jogaratnam study (2017) found that certain types of culture can be considered as resources that can be utilized to develop a competitive advantage. Specifically, the results show that innovative types of culture function as resources that enhance competitive positions, and influence organizational performance Khan, A. B. (2020). However, there still is a debate about the influence of organizational culture on performance remains unresolved. As Ott's argument (1989) that in general organizational culture is not relevant to organizational performance. Byles *et al.* (1991) argued that organizational culture is merely an allegation of organizational performance.

Also, organizational performance is influenced by the superiority of resources to meet consumer or market-oriented needs. Resource superiority can be defined as intangible and intangible factors controlled by organizations (Hunt and Lambe, 2000) such as information systems and technology (Hunt and Derozier, 2004). Jaworski and Kohli (1993), Kirca *et al.* (2005) found technological turbulence was tested as a moderating variable in the effect of market orientation on organizational performance. However, the results of his study did not provide support for this hypothesis. Wahyuningdyah (2017) suggested that the technology turbulence variable functions as an antecedent of market orientation, but technological turbulence does not affect market orientation. In contrast to the results of Zebal and Quazi (2011) showed that technological turbulence influences market orientation. Wang *et al.* (2013) also found that information technology capabilities influence market orientation.

Moreover, Bharadwaj (2000); Santhanam and Hartono (2003) found that information technology capabilities influence firm performance. However, Chae *et al.* (2014) found on the contrary that information technology capability does not affect firm performance.

On other sides, empirically, public services to regional governments, specifically in autonomous regions, based on released by the Ombudsman of the Republic of Indonesia showed that their organizational performance exists in the red zone or have a low compliance predicate, by Papua Provincial Government and West Papua Provincial Government, while Aceh and Government Provincial Yogyakarta Special Region in the yellow zone or a moderate compliance predicate, then, Government Jakarta Special Capital Region Provincial in the green zone or a high compliance predicate, as it can be seen in Figure 1.1 below. The compliance performance assessment above is intended to improve the compliance

of public service providers continuously and continuously as an effort to accelerate the improvement of the quality of public services and the government performance (Kuchits *et al.*, 2019; Ombudsman Regulation Number 22 the Year 2016).

To have the best government performance, as public service providers, it needs organizational commitment. Another requirement is to have the development of information technology capabilities (Dimiati & Fahmi, 2019; Theffidy, 2018). Other criteria of the government performance come from the Ministry of Administrative and Bureaucratic Reform (2017), measuring the performance based on six aspects (service policy, the professionalism of human resources, infrastructure, public service information systems, consultation, and complaints and innovation). The Performance is categorized into five class criteria (Very good/A-, Good/B, Good with Notes/B-, Enough/C, and Enough with notes/C-). Based on these kinds of categories, the Jakarta provincial Government province has very good ratings (A-), two provinces, classified as Special Autonomous Regions, the Special Province of Yogyakarta, and the Provincial Government of Aceh are in rating (B) and (B-). Interestingly, the two provinces in the classification Special Autonomy Region, Papua, and West Papua, do not yet accept performance rating.

Special Autonomy Regional Government according to Law No.32 / 2004 in article 1 (5) is the right, authority and obligation of autonomous regions to regulate and manage their government affairs and the interests of local communities under statutory regulations and article 2 paragraph (3) also states that the regional government carries out the broadest possible autonomy, except for matters which are the affairs of the government (central), to improve the welfare of the community, public services and regional competitiveness (Jaweng, 2011; Djojosoekarto *et al.*, 2008). Meanwhile, Wehner (2000) mentioned that the Special Autonomous Region is known as asymmetrical decentralization based on the uniqueness and cultural differences and the limited capacity of an area or region in carrying out the basic functions of government.

Therefore, this research aims to analyze the antecedent of market orientation and its effect on organizational performance. Specifically, the research objective is to examine market orientation as a mediating effect, follows the opinions of Baron and Kenny (1986); Bruning *et al.* (2001); Wang *et al.* (2013); Jogaratnam (2017).

#### LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

##### Resource Advantage Theory (RA theory)

This research applies a theory of Resource Advantage (RA theory), developed by Hunt and Derozier (2004). Market orientation can achieve competitive advantage and financial performance, by systematically collecting information about consumers, current and potential competitors, and use that information in a coordinated way to guide strategy introduction, understanding, creation, selection, implementation, and modification. RA theory enables the success of market orientation strategies because it assumes that organizational information is imperfect and shows that information can be a resource, that is, the systematic acquisition of information about potential customers and the use of that information to guide coordinated strategies so that they can contribute on organizational capabilities to efficiently

and effectively produce offers to consumers (Haseeb & Azam, 2020). To implement market orientation strategies based on RA Theory, organizations use tangible resources, such as information systems to store, analyze, and disseminate information about competitors and customers. Organizations also use intangible resources to implement market orientation (Hunt and Lambe, 2000).

Tangible resources in this research are information technology capability conceptualized as the integration of 4 (four) dimensions of information technology infrastructure, information technology integration, information technology alignment, and information technology management (Wang *et al.*, 2013). While the intangible resources in this study are organizational commitment and organizational culture (Jaroengarmsamer & Jermstiparsert, 2019; Hunt, 1995).

## 2 MARKET ORIENTATION

Market orientation studies began in the early 1990s and have been conceptualized in a different but related approach. The concept of market orientation has broad support (Piercy *et al.*, 2002): a behavior-based view of market orientation developed by Kohli and Jaworski (1990); and cultural interpretation based on market orientation tested by Narver and Slater (1990).

Kohli and Jaworski (1990) define market orientation as organizational behavior consisting of three components, namely the development of market intelligence (intelligence generation) broad in organizations related to the needs of current and future consumers, the dissemination of intelligence results (intelligence dissemination) among departments within the organization, and responsiveness, that is, the broad responsiveness of the organization to the intelligence results, which is manifested in the formulation of consumer-oriented policies. Then, Kohli and Jaworski (1990) revealed that the term market orientation was chosen instead of marketing orientation based on consideration, that the concept of market orientation is not solely the responsibility or attention of the marketing function, but all departments participate in intelligence collection, dissemination, and disability market.

Narver and Slater (1990) define market orientation is the most effective and efficient organizational culture of creating the behavior needed for value creation for consumers, so that it becomes a continuous performance for businesses. Market orientation consists of three behavioral components, namely customer orientation, competitor orientation, and inter-functional coordination.

Joseph and Mehta (2015) concluded that market orientation is very important because, in reality, the organization focuses on continuously gathering information about the needs of the target market and the ability of competitors to use that information to create consumer value (Slater and Narver, 1995). In public sector service arrangements, especially local governments, which display interactions with consumers, understanding the impact of applying market-oriented behavior is a need that must be scrutinized (Caruana *et al.*, 1999).

### Organizational Commitment

Organizational commitment is defined and measured in different ways. In general, organizational commitment is seen as a binding or liaison between individuals and

organizations. Organizational commitment is very important for performance elements (Shaikh, 2019). There are two approaches related to organizational commitment, namely attitudinal and behavioral approach (Segallaa, *et al.* 2020). The most widely used definition in attitudinal approach also called affective commitment. Mowday *et al.* (1982) define organizational commitment as identifying individuals who are relatively strong with a particular organization and involvement in that organization. Based on this definition, a three-component theory of commitment is developed, including affective commitment, continuous commitment, and normative commitment (Allen and Meyer, 1990).

## INFORMATION TECHNOLOGY CAPABILITY

The concept of information technology capability is conceptualized as the integration of 4 (four) dimensions of information technology infrastructure, information technology integration, information technology alignment, and information technology management (Wang *et al.*, 2013). Information technology infrastructure refers to a comprehensive and tangible set of information technology resources that provide a platform or foundation for present and future service applications (Duncan, 1995). It consists of a hardware and operating system; network and telecommunications technology; data and core information processing applications (Byrd and Turner, 2001). The basic function of information technology infrastructure is to make information run smoothly and automatically spread to all systems and services (Bharadwaj, 2000).

The integration of information technology refers to the extent to which organizational systems and applications are related to society, helping them to exchange information, communicate, and establish collaborative relationships (Rai *et al.*, 2006). Community information is collected through various channels and then combined to provide important and holistic input to organizations regarding changes in customer demand and rapid responses (Barua *et al.*, 2004; Grover and Saeed, 2007).

The alignment of information technology refers to the extent to which organizations' technology and work programs share goals that are in harmony with one another (Luftman and Brier, 1999). This reflects the organization's ability to combine competencies or resources from the organization's work program domain and technology. With the increasing availability of sophisticated information technology, organizations are looking for the potential of various technologies that provide platforms for market segmentation and communication with the public (Kearns and Lederer, 2003).

Then, information technology management refers to the ability of organizations to effectively implement information technology project management practices, systems development practices, and information technology control and evaluation systems (Zhang *et al.*, 2008). Information technology management capabilities reflect an organization's capacity to plan and design systems, applications, project management, and standard and control planning (DeLone, 1988).

## ORGANIZATIONAL CULTURE

Organizational culture is a complex phenomenon that shapes everyday organizational life and has many different definitions (Barney, 1986). Pettigrew (1979) defines organizational culture as a system of public and

collective meaning that applies to certain groups at certain times. System term, interpreting a person's situation. Barney (1995) defines organizational culture as a benchmark for a complex set of values, beliefs, assumptions, and symbols that determine the way a company conducts its business. While Hagget (1975) defines organizational culture as a pattern of behavior that forms examples, where ideas and images can be transferred from one generation to another, or from one group to another. Thus, culture influences the conclusions people make from their observations, the assumptions they make when they have factual knowledge, and how they behave.

The concept of organizational culture is considered as one of the most interesting and easily understood topics for management researchers (Ahmed et al., 2019; Lloyd C. Harris, 1998; LC Harris and Ogbonna, 2002), with more than 4,600 articles since 1980. The main role of organizational culture in the management literature is caused by the belief that these social characteristics can be the main determinants of organizational, group, and individual behavior (McKinnon et al., 2003; Gregory et al., 2009; Hartnell et al., 2011).

The main idea is that the term culture refers to core organizational values and norms (Flamholtz, 2001) which influence different variables in organizational settings. According to Moorman (1995), organizational culture influences organizations in two ways. First, it influences the choice of company results, and second, the means to achieve results, including organizational structure and processes. Jones (1983) argues that organizational culture acts as a cognitive map and provides mechanisms, norms, and values that must be followed and internalized by members. It also influences the way people think, makes decisions, and ultimately how they feel, and their actions (Lok and Crawford, 2004). Organizational culture has also been shown to influence performance (Rashid et al., 2003; Mannion et al., 2005).

Research on culture types is the dominant perspective in the development of cultural concepts (Hartnell et al., 2011; Richard et al., 2009; Lok and Crawford, 2004). Organizational culture can be analyzed using many dimensions, so it is conceptually different, but basically, the models and theories are similar (Yüing and Ahmad, 2009).

This study applies a cultural framework developed by Deshpandé et al. (1993). Portrayals by Cameron and Freeman (1991), Deshpandé et al. (1993) observed that, because culture is defined by values, assumptions, and interpretations of organizational members, and because the same set of dimensions governs these factors at the psychological and organizational level, models of cultural types can be derived. This type of culture is based on two axes. The first describes the continuum from organic to mechanistic processes and focuses on whether organizations are more flexible and spontaneous in opposition to control, order, and stability. Secondly, it emphasizes internal maintenance (smoothing activities, integration) that conflict with external positions (competition and differentiation). Deshpandé et al. (1993) distinguish four types of organizational culture, (1) Clan culture, which emphasizes cohesiveness, participation, and teamwork; (2) Adhocracy culture, which emphasizes the value of entrepreneurship, creativity, and adaptability; (3) Hierarchy culture, which highlights order, rules and regulations; and (4) Market culture, which

emphasizes the competitiveness and achievement. Rose et al. (2008) stated that the type of organizational culture produces superior organizational performance.

#### ORGANIZATIONAL PERFORMANCE

In the marketing strategy literature, market orientation is believed to provide the ability for organizations to recognize markets and relate them to consumers, thus leading to superior organizational performance. Kohli and Jaworski (1990) concluded that market-oriented organizations are organizations that can track and respond to the needs and desires of consumers so that they have better performance. This conclusion is also supported by the study of Narver and Slater (1990). The organizational performance consists of performance measures based on costs, which show performance after calculating the costs for implementing the strategy (eg profit measures), and performance measures based on revenue, which do not take into account the costs of implementing the strategy (eg. sales levels and market share) (Kirca et al., 2005).

#### THE EFFECT OF ORGANIZATIONAL COMMITMENT ON MARKET ORIENTATION

Sivaramakrishnan et al. (2008) show that committed employees tend to be more willing and more able to apply and / or adopt market orientation than less committed employees. This study argues that organizational commitment is an important antecedent of market orientation, and not a consequence, as proposed by Kohli and Jaworski (1990). This finding has the support of a study conducted by Vazifehdoost et al. (2012); Oyeniyi (2013) in her study that organizational commitment influences market orientation. From this description the following hypotheses can be formulated:

**H1: Organizational commitment influences market orientation.**

#### THE EFFECT OF INFORMATION TECHNOLOGY CAPABILITIES ON MARKET ORIENTATION

From the technological aspects and market orientation, Jaworski and Kohli (1993); Kirca et al. (2005); Zebal and Quazi (2011); Wahyuningdyah (2017) uses technology turbulence as an antecedent of market orientation, while Wang et al. (2013) using information technology capability variables find evidence of influence on market orientation. The concept of information technology capability consists of four dimensions: information technology infrastructure, information technology integration, information technology alignment, and information technology management. From this description the following hypotheses can be formulated:

**H2: Information technology capability influences market orientation.**

#### THE INFLUENCE OF ORGANIZATIONAL CULTURE ON MARKET ORIENTATION

Appiah-Adu and Blankson (1998); O'Cass and Viet Ngo (2007); Gao (2015); Yaprak et al. (2015) found that organizational culture with different dimensions had different market orientation influences. Another thought is that market organizational culture plays an important role as an antecedent of market orientation (O'Cass and Viet Ngo, 2007; McClure, 2010). From this description the following hypotheses can be formulated:

**H3: Organizational culture influences market orientation.**

**THE EFFECT OF MARKET ORIENTATION ON ORGANIZATIONAL PERFORMANCE**

The findings of the study of the effect of market orientation on organizational performance are not conclusive. According to Han *et al.* (1998), that market orientation does not have a significant positive effect on organizational performance. The results of this study are supported by Greenley (1995); Diamantopoulos and Hart (1993); Au and Tse (1995); Bhuian (1997); Sargeant and Mohamad (1999); Agarwal *et al.* (2003); Sandvik and Sandvik (2003); Olavarrieta and Friedmann (2008); and Widiartanto and Suhadak (2013). On the other hand, several studies show there is a positive influence of market orientation on organizational performance, such as the results of the Kara *et al.* (2005); Ellis, (2006); Vieira (2010); Ogbonna and Ogwo (2013); Pinho *et al.* (2014); and Wahyuningdyah (2017). From this description the following hypotheses can be formulated:

**H4: Market orientation influences organizational performance.**

**A MEDIATING ROLE OF MARKET ORIENTATION**

Schlesinger and Heskett (1991) highlight the importance of employee commitment to improving organizational performance. This thinking directs increasing awareness of the role of employees to create customer satisfaction that can provide core quality of service so that in the end the commitment of employees that reflects organizational commitment can improve organizational performance. Bruning *et al.* (2001) found that market orientation mediates organizational commitment and performance. From this description the following hypotheses can be

formulated:

**H5: Market orientation mediates influence organizational commitment to organizational performance.**

Studies support the influence between information technology capabilities and company performance, including Bharadwaj (2000), Santhanam, and Hartono (2003). Taking from the perspective of resource-based competitiveness, Bharadwaj believes that the capabilities of information technology can be specific, rare, difficult to replicate or replace, and can be an important source of differentiation and competitive advantage. Santhanam and Hartono conducted further studies to address some of the methodological problems identified in Bharadwaj, but their findings corroborated the original study. Wang *et al.* (2013) found that market orientation fully mediates the effect of information technology capabilities on innovation performance. From this description the following hypotheses can be formulated:

**H6: Market orientation mediates the effect of information technology capabilities on organizational performance.**

Holmes and Marsden's (1996) argues that organizational culture influences the behavior and motivation of its employees, which in turn affects the financial performance of the organization. Jogaratnam (2017) found that market orientation mediates an innovative organizational culture on company performance. From this description the following hypotheses can be formulated:

**H7: Market orientation mediates the influence of organizational culture on organizational performance.**

THE HYPOTHESIS DEVELOPMENT ABOVE CAN BE DRAWN IN THE PROPOSED RESEARCH MODEL BELOW

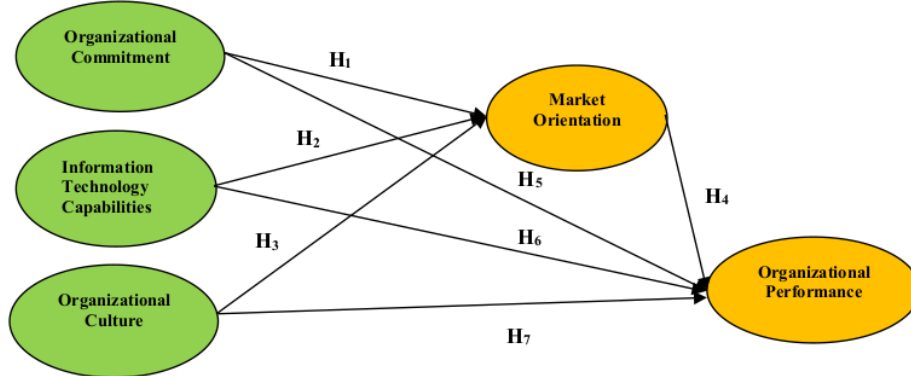


Figure 2.3 The Proposed Research Model, 2020

**RESEARCH METHOD**

This study uses a quantitative research design (Creswell, 2014; Neuman 2007), so a survey method was applied. Usable data of 312 respondents' samples, fulfilling the requirements (Byrne, 1998), coming from the employers of Regional Work Unit of Jakarta Special Capital Region and West Papua Province, was analyzed by Structural Equation Modeling (SEM), with Lisrel Application. The analysis applied a two-step SEM analysis, the first is the measurement of the fit model, and the second is the structural estimation to confirm the hypothesis testing results.

Two selected regions as the samples are based on the Special Autonomy Regional Government that has the highest Gross Regional Domestic Product (GRDP), Jakarta Special Capital Region, and the lowest GRDP, West Papua Province (Central Statistics Agency, 2017). GRDP is measured by the total government expenditure allocated in the regional budget, the greater the productive regional government expenditure, the greater the economic level of a region, as the income size (Wibisono, 2003). Therefore, the sampling technique of this research applied a Cluster sampling technique.

Data used is based on the previous measurement instruments that have fulfilled the requirement of

Validity and Reliability test (Hartono, 2010; Wijanto, 2008). Validity and reliability test used Confirmatory Factor Analysis, based SEM analysis under the LISREL statistic application. All instruments are valid and reliable, fulfilling Standardized Loading Factor (SLF)  $\geq 0.5$ , the value of the Variance Extracted (AVE)  $\geq 0.5$ , and the value of CR  $\geq 0.7$ .

## RESULTS AND DISCUSSION

Referring to the SEM analysis, the first stage is to assess the validity and reliability test of the measurements, that must be fulfilled the requirements. All measurements of the constructs meet the requirements, as stated in Table 4.1

Table 4.1 Test Validity and Reliability Measurement

Variable	SLF > 0.5	Error	CR > 0.7	VE > 0.5	Conclusion
<b>Organizations Commitment</b>			0,93	0,65	Reliable
X11	0,67	0,33			Valid
X12	0,73	0,27			Valid
X13	0,73	0,27			Valid
X14	0,80	0,20			Valid
X15	0,76	0,24			Valid
X16	0,74	0,26			Valid
X17	0,63	0,37			Valid
<b>Information Technology Capability</b>			0,97	0,90	Reliable
X21	0,93	0,07			Valid
X22	0,96	0,04			Valid
X23	0,87	0,13			Valid
X24	0,89	0,11			Valid
<b>Organizational Culture</b>			0,90	0,70	Reliable
X31	0,77	0,23			Valid
X32	0,69	0,31			Valid
X33	0,80	0,20			Valid
X34	0,76	0,24			Valid
<b>Market Orientation</b>			0,92	0,74	Reliable
Y11	0,78	0,22			Invalid
Y12	0,75	0,25			Valid
Y13	0,79	0,21			Valid
Y14	0,82	0,18			Invalid
<b>Organizational performance</b>			0,85	0,51	Reliable
Y21	0,59	0,41			Valid
Y22	0,61	0,39			Valid
Y23	0,51	0,49			Valid
Y24	0,53	0,47			Valid
Y25	0,54	0,46			Valid
Y26	0,54	0,45			Valid
Y27	0,74	0,26			Valid

Source: Data processed by LISREL version 8.8, 2020

The second stage is to test the measurement fit model by absolute fit measures, incremental fit measures, and parsimonious fit measures to verify the model fit according to the data, as it can be seen in Table 4.2. The goodness of fit model shows all measurements meet the good category, so all the values goodness of fit (GOF) used to construct the structural model at this stage show good

compatibility.

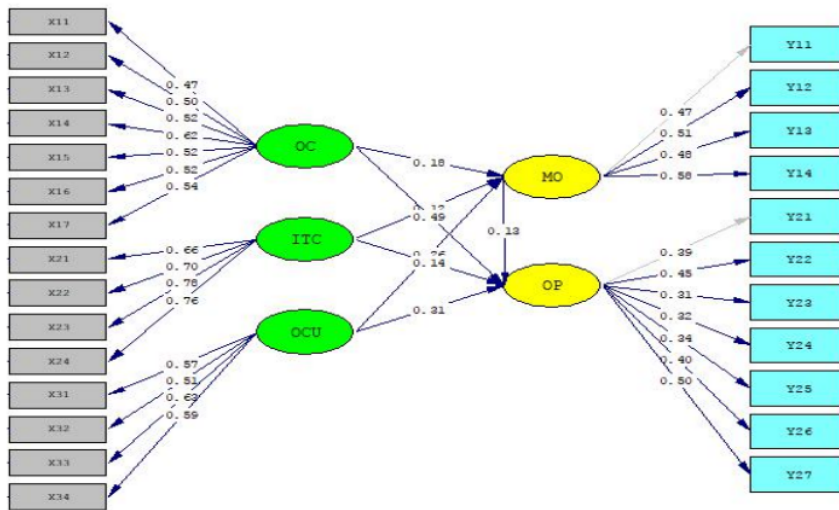
The last stage is to examine the overall structural model of the influence of the variable organizational commitment, organizational culture, and information technology capabilities on market orientation and organizational performance variables, as shown in Figure 4.1 below.

Table 4.2 Index Goodness of Fit (GOF) Measurement Model

Overall Fit	Result	Value	Standard Value	Conclusion
Absolute Fit Measure	$\chi^2$	174.05	expected small	Good
	p-value	0.44	expected small	Good
	RMSEA	0.006	RMSEA $\leq 0.08$	Good
Incremental Fit Measure	GFI	0.96	GFI $\geq 0,90$	Good
	AGFI	0.92	AGFI $\geq 0.90$	Good
	CFI	1.00	CFI $\geq 0.90$	Good
Parsimonious Fit Measure	NFI	0.99	NFI $\geq 0.90$	Good
	PNFI	0.52	expected small	Good
	PGFI	0.47	expected small	Good

Source: Data processed by LISREL version 8.8, 2020

*Market Orientation Model*  
*In Indonesia Special Autonomy Regional Government*



Chi-Square=174.05, df=172, P-value=0.44194, RMSEA=0.006

Figure 4.1.

Overall  
Structural  
Model

Figure 4.1 above, can be simplified in Table 4.3.

Table 4.3 Results of Hypothesis Testing in Direct Effect

Hypothesis	Path Analysis	Direct Effect	t-value	Hypothesis Decision
H <sub>1</sub>	OC → MO	0,18	1,97	Supported
H <sub>2</sub>	ITC → MO	0,12	2,02	Supported
H <sub>3</sub>	OCU → MO	0,26	2,97	supported
H <sub>4</sub>	MO → OP	0,13	2,28	supported

Source: Data processed LISREL version 8.8, 2020

Based on Table 4.3 the direct effect testing result, the effect of Organizational Commitment (OC) on Market Orientation (MO) has a significant positive influence, within the estimated value of 18%. The effect of Information Technology Capability (ITC) on Market Orientation (MO) also has a significant positive influence, within the estimated value of 12%. Also, Organizational Culture (OCU) significantly positively affects Market Orientation (MO), within the estimated value of 26%.

Market Orientation (MO) has a direct positive influence on Organizational Performance (OP), within the estimated value of 13%.

To detect the mediating effect of Market Orientation, The estimated value of the direct effects must be summed with the estimated value of the indirect effect, based on Hair *et al.* (2010); Baron and Kenny (1986). The results of the mediating effect support the hypothesis, that can be seen in Table 4.4

Table 4.4 The Mediating Effect of Market Orientation Results

Hypot heis	Path Analysis	Direct Effect	t-value	Indirect Effect	Total Effect	t-value	Hypothesis Decision
H <sub>5</sub>	OC → OP	0,49	5,83	0,02	0,51	5,97	Supported
H <sub>6</sub>	ITC → OP	0,14	2,66	0,02	0,16	2,91	Supported
H <sub>7</sub>	OCU → OP	0,31	4,16	0,03	0,34	4,54	Supported

Source: Data processed by LISREL version 8.8, 2020

The results show that Market Orientation (MO) mediates the Organizational Commitment (OC), Organizational Culture (OCU), and information technology on Organizational Performance, respectively, within the estimated value of 51%, 34%, and 16%.

**Effect of Organizational Commitment on Market Orientation**

Based on the SEM Analysis results, organizational commitment has a positive influence on market orientation by 18%. This result supports Sivaramakrishnan *et al.* findings (2008). However, the results of this study still have a lower estimated magnitude of influence compared to Sivaramakrishnan *et*

*al.* finding (2008), which is 49%. The gap in the estimated magnitude of influence is due to differences in respondents. The 105 key respondents in Sivaramakrishnan *et al.* study (2008) were from the top and middle-level managers at various functional fields in profit-oriented companies, Canada, and then responded also by employees at the operational level. Gray *et al.* (1998) recommend that it is better to use many respondents to achieve a more accurate view of the overall level of market orientation in organizations. This has a greater positive estimate effect on service delivery oriented to public needs, even though the estimated value of the effect has not yet given value above 50%. The results of another study conducted by Oyeniyi (2013)



provide an estimated value of the influence of organizational commitment towards a better market orientation of 82%. Again, this is due to the different samples. Oyeniyi (2013) used the employees. 78,9% of the employees feel their future is closely related to the organization's performance in the future, so indeed, they must perform high commitment. This condition is consistent with Robbins and Judge's (2009) thinking that the commitment of a regional work unit government is influenced by factors such as emotional feelings for the organization as well as beliefs in its values, economic values in surviving its organization and also there are moral or ethical reasons. Herzberg *et al.* (2017) stated in detail that the level of organizational commitment is influenced by job satisfaction that is formed from the dimensions of work, working conditions, work environment, job security, compensation, health insurance, retirement insurance, careers, organizational policies, leadership, subordinate supervisor relations, friend relations workforce, job autonomy, and respect. Therefore, the results of this study imply that the organizational commitment must be applied following the dimensions of works, as Herzberg *et al.* opinion (2017).

#### **Effect of Information Technology Capability on Market Orientation**

The result shows that the capability of information technology has a positive influence on market orientation of 12%. This result supports the study conducted by Wang *et al.* (2013), but this study does not cover the analysis, based on four dimensions, as Wang *et al.* study (2013), because after being statistically tested based on factor analysis, the four dimensions form one factor of information technology capability. Wang *et al.* finding (2013) showed that the estimated magnitude of information technology capability of 75%. They used two-level respondents. Specifically, chief information officers (CIO) answered questions related to information technology capabilities and market orientation, and chief financial officers (CFO) answer questions related to innovation performance in the profit-oriented business sector. This study focuses on the management responses of the Regional Working Unit of Special Autonomy Regional Government. Specifically, 88,4% of the employers agreed that organizational information system is the strength of the organization's external environment, to achieve the best government performance. This statement is consistent with Aritonang's (2017) thinking that information systems in Indonesian public services contain outdated information about organizational structure, normative events, and general information. In more detail based on Presidential Regulation No. 95 of 2018 concerning Electronic-Based Government Systems that the trend of communication information technology can be adopted selectively adjusted to the local government external environment conditions, including 1) Mobile internet; 2) Cloud computing, as a sharing service technology; 3) Internet of Things (IoT), as an electronic device equipped with software, sensors, actuators, and internet connectivity; 4) Big Data Analytics, as a very large technology analysis, unstructured data, and unknown patterns, correlations or relationships among data, 5) Artificial Intelligence (AI), as an artificial intelligence technology on machines that have cognitive functions for learning and problem solving as it is done by humans. This result implies that information technology capability must cover the information

technology system, facilitated by five aspects as stated in Presidential Regulation No. 95 of 2018. The next question is whether all regional governments implement the information technology system, improving government performance.

#### **Effect of Organizational Culture on Market Orientation**

Test results prove that organizational culture has a positive influence on market orientation by 26%. This result supports the study conducted by Gao (2015), covering four dimensions of organizational culture (market culture, clan culture, adhocracy culture, and hierarchical culture). with the estimated effect of 18%. This study does not include those four dimensions because after being statistically tested based on factor analysis, the four dimensions form one factor of organizational culture.

Those gap results can be happened because of using different respondents. Gao (2015) used respondents who attended the executive Master of Business Administration (MBA) program in China. The executive MBA program is primarily designed to educate working executives, managers, entrepreneurs, and other business leaders. As Woodside *et al.* (1999) point out, the responses of the participants are likely to be different from those found in other studies.

Also, culture is a complex system of norms and values that develops over time and influences organizational processes and behavior (Hurley and Hult, 1998). This has a greater positive estimate effect on service delivery oriented to public needs, even though the estimated value of the effect has not yet given value above 50%.

Another research results by Jogaratnam (2017) provide an estimated value of the influence of organizational culture on a better market orientation of 60%. This is the highest estimated value of the organizational culture effect on market orientation, different results if compared to this research, just 26%. The most important result is that 83% of the employers stated that our organization emphasizes on competitive action, achievement, and measurable goals. This result is consistent with Schwab's publication (2019) in The Global Competitiveness Report of 2019 edition, that all countries should achieve high performance to have the competitiveness. Data shows that Indonesia is only able to rank 50th out of 141 countries or down 5 ranks from the same assessment in 2018. One of the pressures from the licensing side is already quite good at the center, but synchronization in areas outside Jakarta is still problematic. To trigger Indonesian government performance, Osborne and Gaebler (1992) suggested that local governments must foster a competitive spirit in the delivery of public services (injecting competition into service delivery) so that local governments can improve the quality of public services without having to increase costs (cost savings).

#### **Effect of Market Orientation on Organizational Performance**

Test results prove that market orientation has a positive influence on organizational performance by 13%. This result supports a study conducted by Wahyuningdyah (2017) that organizational performance is a consequence of market orientation in local governments. Market orientation according to Wahyuningdyah (2017) consists of four dimensions namely the development of market intelligence, the spread of market intelligence, the design of responses to market intelligence, and the

implementation of responses to market intelligence. Her study result shows that the estimated value of market orientation effect on organizational performance by 55%. This study did not include these four dimensions because after being statistically tested based on factor analysis, the four dimensions formed a factor of organizational culture. This gap result exists due to the differences in characteristic samples. Wahyuningdyah (2017) used a sample of 137 employers of 6 local governments in Central Java Province including Pekalongan Regency, Boyolali Regency, Rembang Regency, Sragen Regency, Klaten Regency and Semarang City that have the differences based on government structures, area coverage, social culture, and economic income. On the other hand, the magnitude of the estimated value of the effect of market orientation on organizational performance by 13% in this study is supported by management responses at the Regional working unit. Specifically, 83,3% of the employers stated that periodically the organization needs a plan of the work program to respond to the changes in technology fundamentals. This statement is in line with the thoughts of Nurrohmah *et al.* (2017) that information technology planning in the Ministry is managed by a functional area called the information technology planning section that regulates the information technology master plan. Therefore, all aspects of the information technology master plan must be able to support all activities of the institution (Fuente, 2013).

#### The mediating role of Market orientation

The result shows that market orientation mediates the effect of organizational commitment on organizational performance by 51%. This result supports the research result of Bruning *et al.* (2001) that market orientation mediates the effect of organizational commitment on organizational performance. The mediating role of market orientation influences organizational commitment on organizational performance as evidence that market orientation spreads a sense of pride and friendship among employees which ultimately influences organizational performance (Kohli & Jaworski, 1990).

The sense of pride and friendship above according to Desmet (2012) in the short term takes the form of a person's pride that comes from the pleasure of interacting with work tools, while in the long term according to Desmet and Pohlmeier (2013) it takes the form of maintaining motivation, developing competence, and growing self-esteem. In line with this, 75,3% of the employers stated that they feel proud to work in the organization implementing market orientation to meet the public needs.

Market orientation also mediates the effect of information technology capability on organizational performance by 16%. This result supports the research of Wang *et al.* (2013) that market orientation fully mediates the effect of information technology capabilities on innovation performance. But the results of this study still have a value of the estimated magnitude of influence lower than the value of the estimated magnitude of the effect of the research results of Wang *et al.* (2013), which is 47%. Market orientation is an organizational resource, activated by information technology and then utilized by organizations to adapt to rapidly changing information technology (Wang *et al.*, 2013). This is in line with Resource Advantage Theory (Hunt and Derozier, 2004). The government's adoption toward information technology must be executed rapidly to adapt the

environment changing, as anticipated by issuing Presidential Regulation No. 95 of 2018 concerning Electronic-Based Government Systems (SPBE) whose application takes the form of 1) Mobile internet; 2) Cloud computing; 3) Internet of Things (IoT); 4) Big Data Analytics and 5) Artificial Intelligence (AI). This kind of government technology system is supported by the management response of regional working unit. Specifically, 75% of employers stated that the organization's information system must be implemented optimally to anticipate the environment changing and to trigger the high-performance achievement.

Also, market orientation mediates the influence of organizational culture on organizational performance by 34%. This result supports the research results of Jogaratnam (2017) and Joseph and Francis (2015). However, the estimated value of this study is lower compared to the estimated value of the Jogaratnam study results (2017) of 38% and Joseph and Francis studies (2015) of 38,1%. The mediating role of market orientation in the effect of organizational culture on organizational performance proves that certain types of culture are resources that can be utilized to develop competitive advantage and thereby improve performance (Jogaratnam, 2017), so this condition supports Resource Advantage Theory (Hunt and Derozier, 2004).

Types of hierarchy and clan cultures are found in three government institutions in Indonesia (Ministry of Administrative and Bureaucratic Reform, State Administration Agency and State Civil Service Agency), clan culture is mainly more dominant in promoting collaborative organizational environments, by enriching the human development process through several knowledge enrichment activities and employee capacity building (Sensuse *et al.*, 2015). This statement is supported by 71,2% of employers stating that organizations must focus on human resources development to improve capacity building of either the employers or employees.

#### CONCLUSIONS, IMPLICATIONS, AND FUTURE STUDY

Organizational commitment, information technology capability, and organizational culture affect market orientation that impacts organizational performance. Those three aspects are a combination of tangible and intangible resources. The main important result is that market orientation plays a mediating role in organizational commitment, information technology capability, and organizational culture effect on organizational performance. The structural results show that the model of market orientation is a strategic tool to boost high organizational performance, for the public' needs satisfied. Commitment, Information technology capability, and culture of the government organizations are the main resources to support market-oriented services to the public. The primary factor to trigger market orientation implementation is organizational culture to improve the high performance of government organizations. Therefore, the results of this study have two implications, that are theoretical implication, and managerial implication.

The theoretical implication can be traced from the role of market-oriented services to the public of special autonomy /local government asymmetrical decentralization which is based on the uniqueness and cultural differences. The main key to the success of the regional autonomy special government is to have the

uniqueness to achieve a competitive advantage through a market orientation strategy, supported by Resource Advantage Theory (Hunt and Derozier, 2004). A market orientation strategy is a strategic tool, referring to Resource Advantage Theory. Market orientation strategy can be implemented successfully, if organizations accommodate tangible and intangible resources, such as commitment, information technology capability, and culture. Therefore, Resource Advantage Theory in this research is a robust theory to explain and predict the organizational performance, affected by market orientation, and it is supported by organizational resources, such as commitment, information technology capability, and culture.

The extent function of market orientation is a mediating effect in the effect of organizational commitment, information technology capability, organizational culture on organizational performance. Therefore, this result implies the management of Special autonomy regional or local government.

Some managerial implications for the management are 1. Because employees have a lower commitment to advance the organization's future, the management must improve their organizational commitment by taking into account the dimensions of job satisfaction namely: working conditions, work environment, job securities, compensation, health insurance, retirement insurance, careers, organizational policies, leadership, subordinate boss relations, colleague relations, job autonomy, and rewards; 2. The organization's information system is not able to map the strength of the external environment, so the management must improve the capability of information technology by observing the trend of communication information technology-adjusted to service delivery, among others, by a) providing Mobile internet, b) serving cloud computing, as a sharing service technology; c) socializing Internet of Things (IoT) strength, as an electronic device; d) by providing Big Data Analytics, as a technology of analysis of very large, unstructured data, and unknown patterns, correlations or relationships among data; and e) extensively facilitating Artificial Intelligence (AI) technology that has cognitive functions for learning and problem solving as it is done by humans; 3. Because the finding shows that organizations do not emphasize competitive action, the management of special autonomous regional or local governments can improve organizational culture by injecting competition into service delivery and rewarding competition results; 4. Because the research finding shows that organizations do not plan work programs to respond to technological fundamentals, the management of the special autonomous regional or local governments can improve market orientation by increasing realization and minimizing duplication of communication information technology budgets and integrating planning services among internal integration of Ministries and

Regional or Local Government nationally; 5. Regarding research findings that employees do not feel proud to work in the organization, the management of the special autonomous regional government can implement a market orientation mediating role that influences an organization's commitment to organizational performance, in the short term in the form of a person's pride derived from pleasure interact with work tools, while in the long term, the driving factor is through maintaining motivation, developing competence, and growing self-esteem; 6. The finding shows that organizational information systems are not compatible, Special autonomous local governments can use the role of market orientation mediation that affects the capability of information technology on organizational performance in the form of implementation: a) Mobile internet; b) Cloud computing; c) Internet of Things (IoT); d) Big Data Analytics and e) Artificial Intelligence (AI); f. The finding shows that organizations do not emphasize on human resources, the management of the special autonomy regional or local governments can use the role of market orientation mediation that influences organizational culture on organizational performance by carrying out human development processes through some knowledge enrichment activities and employee capacity building.

Due to the research on market orientation model in Indonesia governments is still very limited, so that extent future research of market orientation antecedents should be developed by examining leadership style, reward system, innovative cultural, and innovation variable, within various unit analysis, not only taken from the employers but also from employees as internal marketing to get insights results so that the relationship commitment can be explored between employers and employees.

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