

Innovation and Market Orientation Model in Improving the Performance of BRI

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Abstract-Contradictions are still found in the research about innovation and market orientation towards performance, most of the researchers stated that both innovation and market orientation have positive effect on innovation, while others argue that they negatively affects performance. This research presents a market orientation and innovation model toward performance of Bank Rakyat Indonesia. This research aims to examine how the bank implements the innovation and market orientation. The results show that a higher innovation will also increase the performance, as well as the better a bank focused on market orientation, the better the performance.

General Terms-Marketing, Management

Keywords-Innovation; Market Orientation; Performance

1. INTRODUCTION

1.1 Background Research

Rakyat Indonesia (BRI) is one of the largest state-owned banks in Indonesia. Initially, Bank Rakyat Indonesia (BRI) was established in Purwokerto, Central Java by Raden Bei Aria Wirjaatmadja.

Since August 1, 1992, as stated on Banking Act no. 7 of 1992 and Government Regulation No. RI. 21 years 1992, BRI status changed to a limited liability company. The ownership of BRI was still 100% in the hands of the Government of the Republic of Indonesia. In 2003, the Government of Indonesia decided to sell 30% of its shares, thus becoming a public company with the official name of PT. Bank Rakyat Indonesia (Persero) Tbk., Which is used until today.

Vision and Mission of BRI Bank is to become a leading commercial banking company by giving priority to customer satisfaction. Its mission is to perform best banking activities by prioritizing service to micro, small and medium enterprises to support economic growth, providing excellent service to customers through extensive network and supported by professional human resources by conducting good corporate governance practice, as well as providing optimal benefits and benefits for all interested parties.

BRI tasks are generally the same as other banks such as:

- Establish and implement monetary policy
- Setting the Monetary Targets to concern of the rate of inflation determined
- Conducting monetary control by special techniques including but not limited: - Open market operations in the money market, both rupiah and foreign currency. So the performance of BRI has increased, using the variables of market orientation and innovation.

The concept of marketing is a corporate activity that is seen as a philosophy of fulfilling the needs and desires of Hunt and Morgan (1995)[15]. Thereby firms that focus on subscribers or consumers will generate profits, means the company has made a habit or attitude or behavior that always pay attention with customer desires, so a corporate culture had to be done by the company, the culture of attention to the customer will be a key The company's success (E Jerome McCarthy)

The organizational culture referred to by Hurley and Hult (1998)[16] is: participation (involvement) in decision making, task distribution, support and self-development, as well as PT. Bank Rakyat Indonesia Branch of Yogyakarta to be able to improve performance can be seen with the growth of Sales (Pitt et al, 1996), which means the growing number of deposits, as well as the increasing number of savings (Lewis & Smith, 1994, in Tjiptono, 2000).

Innovation strived by PT. Bank Rakyat Indonesia Branch of Yogyakarta, the possibility of many ideas, new ideas will grow in order to achieve better performance. So it can be understood if the market orientation of the greater role in the overall marketing strategy of PT. Bank Rakyat Indonesia Branch Yogyakarta. While the problems that arise in PT. Bank Rakyat Indonesia Yogyakarta Branch, why the number of deposits has decreased, this can be seen there are several reasons, including the interest rate is declining depending on the BI rate, the possibility of PT. Bank Rakyat Indonesia Yogyakarta Branch does not perform well, and lack of attention (oriented) to the market.

The variable that influences performance is the attitude of the innovating company, because according to Peter Drucker (1985) and Kanter 1985), that innovation is a clear definition of activity about work, authority, achievement and responsibility, besides innovation also

explains the relationship between superiors and subordinates and lines of authority are not divided into two. Therefore, it is necessary to have dialogue and interpersonal relationships that can support innovation (I Gede Raka, 1992)[17]. Research conducted by Calantone (2002)[6] also states that innovation is positively related to performance, which is supported by theories and empirical results in new product development, adoption, technology absorption, process improvement and innovating capacity.

There is a decreasing of number in deposits of PT. Bank Rakyat Indonesia Branch Yogyakarta in 2013. For example deposit products has decreased the number of figures in 2012 / trw 4 s / d 2013 / trw1 from 227.238 million to 118.364 million and then savings products in 2012 / trw4 s / d 20113 / trw1 from 173,572 million to 86,344 million. . Based on the data and description above, then there are several factors that can inhibit the amount of deposits and savings deposits, therefore the author intends to conduct research on innovation and market orientation and how the influence on the performance of PT. Bank Rakyat Indonesia Branch Yogyakarta.

1.2 Formulation of the Problem

In the research, the problem can be formulated as follows:

1. How is the influence of innovation by PT. Bank Rakyat Indonesia Branch of Yogyakarta to its performance?
2. What is the effect of market orientation on the performance of PT. Bank Rakyat Indonesia
3. What is the effect of innovation and market orientation on the performance of PT. Bank Rakyat Indonesia Branch Yogyakarta?

2. LITERATURE REVIEW

2.1 Market Orientation

The company focuses its management on recognizing customers, because marketing philosophy shows that profits can be created through customer satisfaction.

The marketing concept formally says the need for the marketer makes his company a customer centered, (Keith, 1960 and Pelham, 1997).

Marketing theory is almost the same as marketing concepts, such as Neergard and Ventatesh (1987), the concept of marketing is a paradigm that must be operated in a concrete form into concrete action, in meeting the needs of society.

The marketing concept means that the organization directs all of its efforts to meet customer needs and profitability (E Jerome Mc Carthy, 1993). Similarly, the opinions of Houston (1986)[14], Wong Sounders (1993)[41], Hunt and Morgan (1995)[15], that the marketing concept is seen as the best philosophy to do business and is a core part of a successful organizational culture. The organizational culture is an organizational culture that places the customer on the axis of the axis of management and consumer strategy as the central point that determines the success of the company.

According to research conducted by Narver and Slater (1990)[25], market orientation is the most effective and efficient organizational culture for human behavior in creating value for buyers, therefore the market orientation consists of:

1. The three main components, namely competitors, customers and coordination functions
2. Have two decisions: to achieve profit in the short term and maintain a long-term profit.
3. According to the researchers, an organization continuity, always being able to conduct activities on an ongoing basis, need to finance (funds) to operationalize (run) his business, therefore organizations should seek to profit from goods (services) generated.

Desphande and Webster (1989) The philosophy of marketing concept work is nothing but a specific organizational culture that puts the customer on the axis of the management strategy process. Howard (1993) concept of marketing concept is a philosophy of the consumer, while Peter Drucker (1991) argues that the concept of marketing is a business activity that has a function as a marketer / seller (marketing), and performs activities (changes) such as innovation in accordance with the development, and always try to improve the performance of salespeople.

According to Slater and Narver (1995) who take an approach in acting and responding to the market with the introduction of ideas from organizational learning, the company must have the ability to introduce the lessons of the organization, with organizational learning expected to improve performance.

2.2 Innovation

Innovation by Thompsons (1965)[37] is defined as something that arises in implementing new ideas about processes, products or services. Similarly, Zaltman, Duncan and Nollebeles (1973)[42] argued that innovation as an idea, exercise or perceived material, as a relevant unit to take, can be found in the lessons of the organization.

For organizations to be more innovative, there must be groups that are responsive to change and creativity within the organization. For that we need to create an innovative organizational environment and encourage the emergence of innovation (I Gede Raka, 1992)[17].

According to Peter Drucker (1985) organizations need to create policies that can make innovation into something interesting and beneficial to the development of the organization. Meanwhile, according to George Freedman (1988), companies need to support the existence of innovation activities, because the policies implemented by the company can provide direction on innovation activities.

Market orientation can be associated with innovation, for that market orientation requires a new attitude (innovative). Therefore the idea of innovation can be used in the model on market orientation.

There are 4 variables culture proposed into innovation activities according to Hurley and Hult (1998)[16]:

1. Participation in decision making

Participation is the participation of decision-making. Universal decision-making is defined as the choice between alternatives, in that it includes choice making, or problem solving, or it can be said that decision-making is a process of selecting a series of activities.

This reflects an alternative action for problem solving (Soekanto Reksohardjo, 1992)[29].

2. Support

Support is someone's encouragement to do something, a person's behavior is only the simplest reflection of self-motivation, therefore motivation is a person's personal circumstance that encourages the individual's desire to perform certain activities (Soekanto Reksohadiprojo, 1992).

A good organization is an organization that looks forward and prepares for the upcomings. An important way to develop an organization is to train and develop managers so that they will be able to cope with new problems, demands and challenges (Soekanto Reksohadiprojo, 1992).

3. Division of tasks

The division of this task is very important for the organization, because the organization to run properly need to divide the tasks among employees, so the division of tasks will be able to facilitate the process of activities, which ultimately the desired goal can be achieved

4. Self Development

A good organization is an organization that looks forward and prepares. An important way to develop managers so that they will be able to cope with new problems, demands and new challenges (Soekanto Reksohadiprojo, 1992)[29]Performance

Market-oriented companies have a positive impact on the performance of big companies (Kohli and Jaworski, 1993)[20] and small companies (Pelhant and Wilson, 1996). Performance is any system related to the activity with the result (outcome) obtained.

The performance of PT. Bank Rakyat Indonesia Branch Yogyakarta can be seen from the approach which emphasizes the importance of evaluation of output from Bank BRI, that is by looking at the amount of savings.

2.3 The Relationship between Market Orientation and Performance

Research conducted by Agus. W. Soehadi (1999)[33] states that market orientation is formed from customer information, competitor information, inter-functional coordination.

Research conducted by Pitt et al (1996) explains, that market orientation has a positive influence on performance, namely the existence of sales growth.

From the results of previous research stated that there is a positive relationship between market orientation and business performance (Narver and Slater, 1998)[32], then a study conducted by Fritz (1996) who conducted

research as many as 144 companies in Germany, see that there is a positive contribution to the performance Companies, and a significant relationship between market orientation and sales.

Research conducted by Agus. W. Soehadi (1999) [33]states that market orientation are formed from customer information, competitor information, inter-functional coordination, firm performance, and a significant relationship between market orientation and sales.

Sulistiyani (2000)[35] also stated that market orientation has a positive effect on company's performance.

1. Hypothesis 1: Higher market orientation will have a positive effect on performance.

2.4 The Relationship of Innovation and Performance

Kohli and Jaworski (1996)[20] states, that innovation as a factor of accuracy can be used in market-oriented. Desphande and Farley and Webster (1993 said that there is a relationship between market orientation and innovation.

The relationship between innovation and performance was significant in the research effort of four and five star hotel in east java (Mohammad Yusak Anshori, 2011).

Then in order for the organization to exist for a long time, a better future, it is necessary to maintain the long-term gains that the organization can grow and grow better.

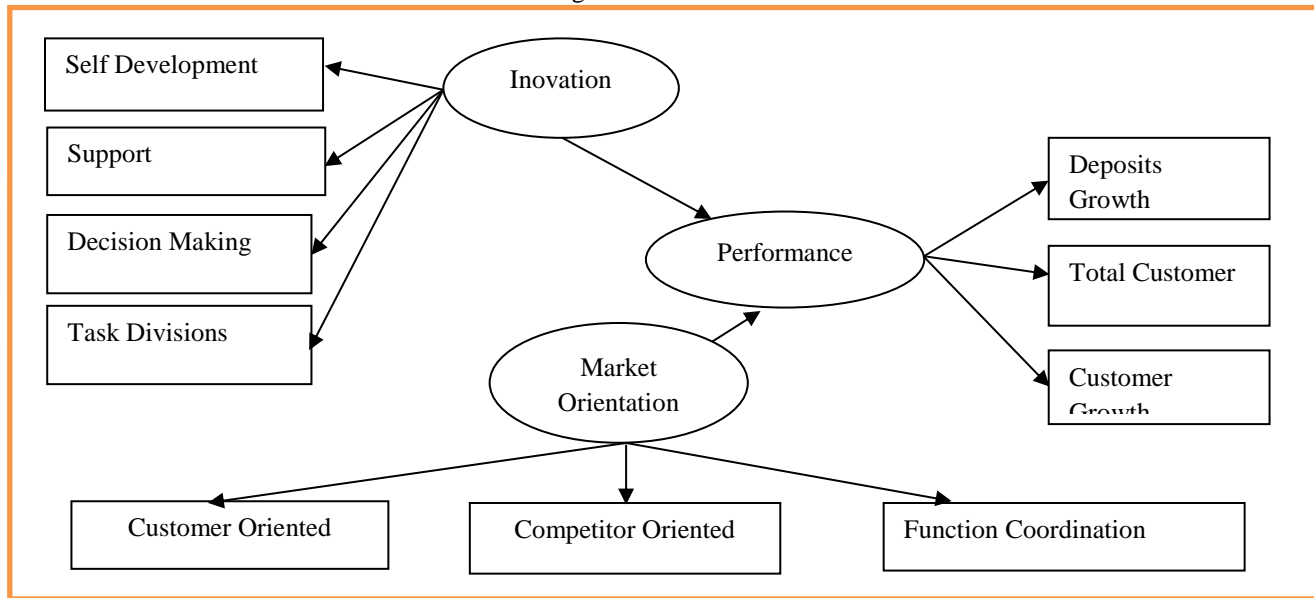
Research conducted by Kohli and Jaworski (1993)[19] states that market orientation is an organization's attempt to know clearly about:

1. Human needs for the present and the future.
2. Dissemination of knowledge about the market, that is information about a goods / services in the market must be clear, so consumers know there is goods or services as they wish.
3. Having a sense of responsibility from the organization to market developments, it is necessary the involvement of the organization to always monitor or monitor market developments that always change at any time, so when something happens can be followed up or anticipated as soon as possible.
4. In this study, innovation variables are related to self-development, support / support, division of tasks and participation in decision making while market orientation variables are related to customer information, competitor information and inter-functional coordination. With the two variables of innovation and market orientation, it affects the performance variables that can increase the number of deposits, the number of customers and the growth of customers.

A research conducted by Sulistiyani (2017)[36] also stated that the higher innovation of a company will also results in a higher performance.

Based on the literature review and hypothesis developed above, a conceptual model can be developed as presented in the diagram as follows:

Hypothesis 2: Higher innovations have a positive effect on performance
Figure 1. Framework



Source: Develop for research (2016)

3. RESEARCH METHODOLOGY

3.1 Population

Population is a collection of individuals / research objects that have the qualities and characteristics that have been set. Based on these qualities and traits, the population can be understood as a group of observation individuals who choose at least one characteristic equation (Sokhta, 1997[34]; Cooper & Emory, 1995)[7]. In the conduct of a study, sometimes the population is indispensable, as there are several surveys in the field of education that do not require samples, due to the small size of the population to

be studied (Consuelo G. Sevilla, 1993). Population in this research is all marketing actors (Head Unit) that exist in PT.Bank Rakyat Indonesia Branch of Yogyakarta.

3.2 Sample

Samples are some of the population that have relatively similar characteristics and are considered to represent the population (Singarimbun, 1991). In this study, the sample is not used because the population used in this study is limited to 100 units office under the auspices of PT. Bank Rakyat Indonesia Branch Yogyakarta with 100 respondents.

Table 1. Operational definition

Variables	Indicator	Attribute
Innovative	Participation in decision making	<ul style="list-style-type: none"> Bank Rakyat Indonesia Yogyakarta's Branch will develop any information, either from the leadership or subordinate Trying to involve every employee or individual in decision making
	Tasks division	<ul style="list-style-type: none"> Bank Rakyat Indonesia Yogyakarta's Branch trying to form a working team in accordance on each duties and functions Bank Rakyat Indonesia Yogyakarta's Branch performs the division of tasks in carrying out the work
	Support	<ul style="list-style-type: none"> Provide encouragement to every employee to develop every idea / idea Trying to help and support one department with another in doing the work
	Teaching and Self Development	<ul style="list-style-type: none"> Provide an opportunity for every employee to be included in seminars, workshops, training, symposiums Trying to do job rotation (job rotation)
Market Orientation	Customer Information	<ul style="list-style-type: none"> Trying to know what customers need Trying to be responsive and giving best service
	Competitor Information	<ul style="list-style-type: none"> Ability to adjust to changes Other banks are doing a vigorous promotion, we make a response effort
	Coordination between Function	<ul style="list-style-type: none"> Bank Rakyat Indonesia Yogyakarta Branch will involve all functions / sections in providing information All parts / functions strive to be responsive and earnest in serving

		customers
Performance	Deposits Growth	Average percentage of deposit growth over 5 years
	Total Customer	Number of customers for 5 years
	Costumer Growth	Average number of costumer growth in 3 years

Source: Developed for this research

3.2.1 Operational Definition

The data needed in this research is primary data and secondary data. Primary data collected by conducting observations, interviews and questionnaires. In this study, data collection is more emphasized using the list of questions. Primary data of marketing actors at PT Bank Rakyat Indonesia Branch of Yogyakarta, which consists of: first, innovation indicators consisting of participation co-workers, support (support), self-development, and division of tasks. Both market orientation indicators consist of: competitor information, customer information, and inter-functional coordination; Third, performance indicators are growth of savings and number of customers. While the secondary data obtained from the literatures and reports that have relation with this research.

Data collection technique by through questionnaires that represent all latent variables (variables that we form) and observed variables. The type of questionnaire is structured and closed, means the form of questions and answers has been provided. Questionnaires are given to marketing and customer actors in the form of questions covering all the elements of the variable. The answers on questionnaires are multiple choice intervals on a scale of 1-5

Validity according to Nunnally (1988) [26] is an index indicating the extent to which a measuring instrument actually measures what needs to be measured or in other words the validity indicates to the precision and meticulousness of the measuring instrument in carrying

out its measurements. Meanwhile, according to Azwar (1997)[4], reliability is an index showing the extent to which a measuring instrument can produce consistent measurements. Reliability to shows the extent of which the measurements can give relatively no different results when re-measured against the same subject.

Data processing collected from questionnaires distributed from preparation, tabulation, and application of data on research approach. Next tabulation the results of the questionnaire by providing scores in accordance with predetermined system that is using the interval scale 5.

This research model is causality model (causality / causal relationship) to verify the analysis's tool used in this research is SEM (Structural Equation Modeling) model which is operated through AMOS (Analysis of Moment Stucture) program.

4. DISCUSSION

Testing data is to analyze the level of normality of data used in this study. The assumption of data normality must be fulfilled so that data can be further processed for SEM modeling. Univariate normality testing is to observe the value of skewness data used, if the value of CR in skewness data is between the range between + 2.58 at the level of significance 0.05, then the research data used can be said to normal. The univariate and multivariate normality of the data used in this analysis as presented in Table below,

Table 2. Normality test

Variable	min	max	skew	c.r.	kurtosis	c.r.
X8	1.000	5.000	-.631	-2.575	.437	.892
X9	1.000	5.000	-.226	-.923	-.019	-.038
X10	1.000	5.000	-.391	-1.595	.167	.341
X5	1.000	10.000	.932	3.807	.490	1.000
X6	1.000	9.000	.593	2.422	1.605	3.276
X7	.000	10.000	.591	2.413	2.410	4.919
X1	3.000	10.000	-.300	-1.225	-.743	-1.516
X2	3.000	10.000	-.590	-2.407	-.507	-1.035
X3	2.000	10.000	-.922	-3.766	.189	.386
X4	3.000	10.000	-.596	-2.434	-.004	-.008
Multivariate					16.422	5.300

The reliability test indicates the extent to which a measuring instrument can give relatively the same result when a re-measurement is done on the same object. The

minimum reliability value of an acceptable latent variable forming dimension is 0.70.

Table 3. Reliability Test

Indicator	Loading	Error	Loading Squared	Reliability
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X4	Inovation	0,639	1.425	11,176	0,775
X3	Inovation	0,941	0.406		
X2	Inovation	0,91	0.575		
X1	Inovation	0,853	0.836		
	total	3,343	3.242		
X7	Market Orientation	0,646	1.367	3,508	0,445
X6	Market Orientation	0,621	1.097		
X5	Market Orientation	0,606	1.91		
	total	1,873	4.374		
X10	Performance	0,94	0.103	6,729	0,915
X9	Performance	0,937	0.109		
X8	Performance	0,717	0.413		
	total	2,594	0.625		

a. Model suitability test

Conformity testing of research model used to test how goodness of fit level of research model. The test results are as follows:

Table 4. Goodness of fit Test

Goodness of fit index	criteria	Cut of value	Remark
Chi-square	Should small	64,830	Tidak fit
Significant Probability	$\geq 0,05$	0,001	Tidak fit
RMSEA	$\leq 0,08$	0,102	Marginal
GFI	$\geq 0,90$	0,885	Marginal
AGFI	$\geq 0,90$	0,802	Marginal
CMIN / DF	$\leq 2,00$	2,006	Fit
TLI	$\geq 0,90$	0,926	Fit
CFI	$\geq 0,90$	0,947	Fit
NFI	$\geq 0,90$	0,902	Fit
CFI	$\geq 0,90$	0,947	fit

Hypothesis was tested based on data processing research by using SEM analysis, by analyzing the regression value

shown in Table Regression Weights Structural Equation Modeling Analysis as follows:

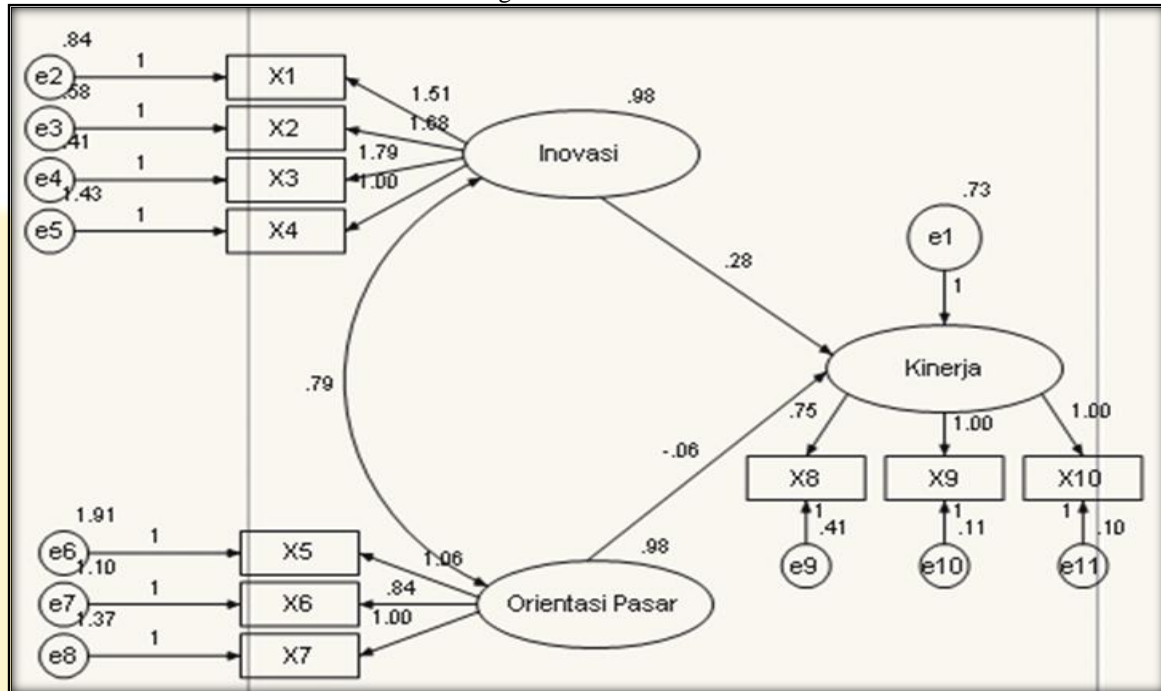
Table 5. Regression Weights

			Estimate	S.E.	C.R.	P	Label
Performance	<---	Inovation	0,276	0,222	2,244	0,0214	par_8
Performance	<---	Market Orientation	0,259	0,242	2,242	0,0209	par_9

The next analysis is the analysis of Structural Equation Model (SEM) in Full Modely which is intended to test the model and hypothesis developed in this research. Testing model in Structural Equation Model done with two test,

that is conformity test model and significance test of causality through regression coefficient test. Results of data processing for SEM analysis seen in the picture as follows

Figure 2. Full Model



The result of second hypothesis analysis showed that there is positive influence of innovation to market performance. This is proved because the p value is less than the alpha pad (5%) ($0.021 < 0.05$). In addition to the increase in innovation will result in a performance increase of 27.6%, this can impact on the growth of deposits, the number and growth of customers that will increase with the innovation of products environment PT. Bank Rakyat Indonesia Yogyakarta's Branch. This analysis supports the idea of Sulistiyani (2017) who stated that the higher innovation of a company will also results in a higher performance. Wahyono (2002, p.28-29) explained that continuous innovation in an enterprise is a basic need which in turn lead to the creation of a competitive advantage

There is a positive influence of market orientation on market performance. This is proved because the p value is less than the alpha pad (5%) ($0.020 < 0.05$). In addition to the increase in market orientation will result in performance gains of 25.9%, this may have an impact on the growth of deposits, the amount and growth of customers will increase their market orientation in PT. Bank Rakyat Indonesia Yogyakarta Branch. This supports the research conducted by Akimova (2000) [1] and Sulistiyani (2000) who prove that market orientation has a positive effect on performance. Companies that implement market orientation have advantages in terms of customer knowledge and these advantages can be used as a source to create products that suit the wants and needs of customers.

5 CONCLUSION

5.1 Conclusions

1. There is a positive effect of innovation on market performance. This is proved because the p value is less than the alpha pad (5%) ($0.021 < 0.05$). In addition to the increase in innovation will result in a performance increase of 27.6%, this can affect the growth of savings, the number and growth of customers that will increase with the product innovation in PT Bank Rakyat Indonesia Branch Yogyakarta
2. There is a positive effect of market orientation on market performance. This is proven

5.2 Managerial Implications

Because the p value is less than the alpha pad (5%) ($0.020 < 0.05$). In addition, an increase in market orientation will result in a performance increase of 25.9%, this may impact on the growth of deposits, number and growth of customers that will increase with the market orientation in PT Bank Rakyat Indonesia Branch Yogyakarta.

Associated with the positive influence of innovation and market orientation on performance there are several things that can be used as a policy directive of PT. Bank Rakyat Indonesia Yogyakarta's Branch. First, the influence of innovation on performance, then the indicator division of tasks have the strongest strength to innovation. This is because with the leadership of a person in dividing the tasks in each division correctly and in accordance with the skills and abilities it will further improve the performance that will have a positive impact in achieving the level of performance. Where will be able to attract prospective customers, resulting in an increase in the number of customers, the number of loans, etc.

Associated with market orientation indicators which are an important role is the coordination between functions. This is closely related to innovation in the division of tasks, where the coordination of each part is very important both in communication, cooperation and opinion. So that the coordination of each function is an activity that involves between parts, if coordination between parts can work and run well it will have a positive impact on performance. So that will affect the increase of customers and the amount of deposits in the Bank.

5.3 Future Research Agenda

Innovation, market orientation to performance emphasized by the PT. Bank Rakyat Indonesia Yogyakarta Branch will be very useful for the development of management itself, so for further research can be done by expanding the respondents from other professions and can be done addition of the dependent variable. So that performance appraisal is not only linked to innovation or market orientation but related for example on competitive advantage

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