THE ROLE OF ORGANIZATIONAL CHANGE AND COMPETITIVE EXCELLENCE IN OPTIMIZING THE PERFORMANCE WITH THE MIXTURE OF STRATEGY BASED ON DEMOGRAPHY

Darmanto, Choerudin A., Rahayu B.S., Wardaya S.*

Abstract: The purpose of this research is to analyze the role of the organization of change capacity strengthens or weakens the influence of customer orientation, competitor orientation on innovation orientation, and competitive excellence mediates or does not mediate customer orientation, competitive orientation on performance. The population of the research is SMEs of food in Central Java, Indonesia and 750 samples are selected by the technique of convenience sampling. The cross analysis and Structural Equation Model (SEM) is used in research. The result of the analysis shows the organization change moderates the influence of customer and competitor orientation on innovation orientation, the influence of orientation of customer and competitor on performance is mediated by competitive excellence based on demography.

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Introduction

Trying to establish small and medium-sized enterprises (SMEs) is choice of some scholars to be more prosperous, independent and helpful for many people and this can reduce unemployment rate. SMEs have positive and negative characteristics. The positive characteristics of SMEs are tough, flexible, independent, efficient, and self-financing, while the negative characteristics are informal, low economic-scale, not applying the management principles (Khasali et al., 2009). Research about the influence of demographic variable on the antecedent variable of customer orientation shows inconsistent results. Antecedent variable of customer orientation consists of entrepreneurship, reward and learning orientation (Darmanto, 2014). Demographic variable influences insignificantly on the entrepreneurship orientation (Luca and Tingting, 2012). The research of Amin et al. (2011), shows demographic variable has a positive and significant impact on the granting of rewards or incentives. Meantime, another research (Zhou and Uhlaner, 2009)

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states that demographic variable influences weakly, experience influences positively and significantly on entrepreneurship orientation. Research on the influence of demographic on strategy orientation shows the various results. Variable of strategy orientation consists of customer, competitor, innovation, and competitive excellence orientation. Demographic variable has a positive and significant impact on the variable of strategy orientation (Nabsiah et al., 2011). Christian and Wagner (2012) demonstrate in their research that women are more active, and performance of young people is more innovative. Luca and Tingting (2012) say that gender, age and experience have positive and significant impact on customer and competitor orientation. Researchers about the influence of demographic variable on the performance show inconsistent results. Caligiuri and Tarique (2009), Yoshitaka (2012), Abdul et al. (2012), in their research said that demographic variable has positive and significant impacts on performance. Meanwhile Jane et al., (2006), in the results of their study said that women have positive impacts, but men do not, while (Evren and Peyrach, 2008; Karl, 2013), says that there is no significant difference between the performance men and women. On the other side Backes-Gellner and Veen (2013), in her research finds that age variation increases productivity. Research on the influence of strategy orientation mixture on performance results in various findings. For example, the influence of strategy and customer orientation on performance produces different findings. Lukas and Ferrell (2000) state that customer and competitor orientation has no influence on the new product. The relationship between the strategy of customer and competitor orientation on performance is very weak. Verhess and Meulenberg (2004) show that orientation of customer and competitor can influence positively or negatively on performance orientation, depending on the owners’ authority in developing new products. Strong competitor orientation has a positive influence on incremental performance and strong customer orientation has positive and significant impact on innovation performance (Grawe, 2009; Altindag et al., 2010).

Researches on the influence innovation and performance orientation result in different findings. Darroch (2005) and Darmanto (2014), in their researches show that innovation orientation has no influence on performance. Jhonso et al. (2009) in their researches present integrated innovation orientation has positive impacts on the performance of the companies of manufacturing industry. The companies are more successful if they focus more on innovative activities. The more powerful the capacity of change of an organization is, the higher innovation orientation will be (Lam, 2011). The weaker the capacity of change of an organization, the lower the innovation orientation will be (Oppen, 2009; Gravenhost et al., 2010). The high or low level of innovation orientation depends on the high or low level of the organization’s capacity change. Meanwhile, market orientation has positive and significant impacts on innovation orientation (Pau, 2011; Dentoni and Domenico, 2011). The organization of change capacity moderates the influence of market orientation in innovation orientation. Competitive excellence has positive
and significant impacts on the performance of marketing. The high or low level of marketing performance is determined by the strong or weak level of competitive excellence (Li et al., 2010; Gurhan et al., 2011). This competitive excellence influences performance. Competitive excellence association of the process and on an influences the performance (Ana et al., 2011). Based on the business phenomenon, and the results of the previous studies, the problems of this research are stated below: (1) Does the organization of change have a role in moderating the influence of customer and competitor orientation on innovation orientation, (2) Does competitive excellence have a role in mediating the influence of customer and competitor orientation on the performance of SMEs? The objectives to be achieved in this research are to analyze the influence of the organization of change moderates the influence of customer and competitor orientation on innovation orientation and the influence of customer and competitor orientation on performance is mediated by competitive excellence based on demography.

Method
The study is done on SMEs of food in Central Java, Indonesia and consists of 36 regencies and 6 cities. The time of research applied is a cross section, namely, the research conducted is not related to previous or to the future ones. The kind of research viewed from its nature belongs a causal research (Sekaran and Rogers, 2010). The individual analysis unit is the manager/the owner of food SMEs. The instrument of data collection is a questionnaire list. The kind of data used is primary data of respondents dealing with the variable that is studied. The population is food SMEs in Central Java, Indonesia and the number of sample in this research is 625 units of food SMEs which are selected by the method of convenience sampling, because the number population always increases from month to month, and the increase is not fixed. The analysis methods used are the cross analysis and SEM.

Results
Based on cross analysis (cross tab) between the influence of demographic and orientation customer, orientation competitor. The results are presented served on Tables 1.

<table>
<thead>
<tr>
<th>Demographic Variable</th>
<th>Orientation Variable</th>
<th>Customer</th>
<th>Chi square</th>
<th>Significance</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td>Customer</td>
<td>28.304a</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td>Customer</td>
<td>25.970a</td>
<td>0.001</td>
<td>Supported</td>
</tr>
<tr>
<td>Experience</td>
<td></td>
<td>Customer</td>
<td>131.005a</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Number of Employees</td>
<td></td>
<td>Customer</td>
<td>136.877a</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td>Customer</td>
<td>716.843a</td>
<td>0.000</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Table 1. The results cross analysis (cross tab) between the influence of demographic and orientation customer, orientation competitor (Primary data, 2016)
Based on cross analysis (cross tab) between the influence of demographic and performance of SMEs are presented served on Tables 2.

Table 2. The results of cross analysis between the influences of demographic and performance of SMEs (Primary data, 2016)

<table>
<thead>
<tr>
<th>Demographic</th>
<th>Performance</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi square</td>
<td>Significance</td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>12.516a</td>
<td>0.002</td>
</tr>
<tr>
<td>Education</td>
<td>16.621*</td>
<td>0.034</td>
</tr>
<tr>
<td>Experience</td>
<td>31.478*</td>
<td>0.000</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>14.739*</td>
<td>0.022</td>
</tr>
<tr>
<td>Age</td>
<td>59.485*</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Result analysis SEM is presented served on Figure 1.

Based on Table 3, the SEM analysis model is expressed either. The organization of change moderates the influence of customer and competitor orientation on the orientation of innovation. The result of SEM analysis shows the value of CR and P of innovation orientation, customer orientation, competitor orientation and mediated of organization change are presented served on Table 4.

Table 3. The value of CR and P of innovation orientation, customer orientation, competitor orientation and mediated as organization change (Primary data, 2016)

<table>
<thead>
<tr>
<th>No</th>
<th>Dependent</th>
<th>Independent</th>
<th>CR (Critical Ratio)</th>
<th>P (Probability)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Innovation Orientation</td>
<td>Customer Orientation</td>
<td>2.016</td>
<td>0.044</td>
<td>Supported</td>
</tr>
<tr>
<td>2.</td>
<td>Innovation Orientation</td>
<td>Change Customer Orientation</td>
<td>5.224</td>
<td>0.002</td>
<td>Supported</td>
</tr>
<tr>
<td>3.</td>
<td>Innovation Orientation</td>
<td>Competitor Orientation</td>
<td>2.196</td>
<td>0.041</td>
<td>Supported</td>
</tr>
<tr>
<td>4.</td>
<td>Innovation Orientation</td>
<td>Orientation change Competitor Orientation</td>
<td>7.403</td>
<td>***</td>
<td>Supported</td>
</tr>
</tbody>
</table>
The result of SEM analysis shows the value of CR and P of performance, competitive excellence, competitor orientation strategy, and customer orientation strategy are presented served on Tables 5.
Table 5. The value of CR and P of performance, competitive excellence, competitor orientation strategy, customer orientation strategy \((Primary\ data,\ 2016)\)

<table>
<thead>
<tr>
<th>No.</th>
<th>Dependent</th>
<th>Independent</th>
<th>CR (Critical Ratio)</th>
<th>P (Probability)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Performance</td>
<td>Competitive Excellence</td>
<td>6.052 ***</td>
<td></td>
<td>Supported</td>
</tr>
<tr>
<td>2.</td>
<td>Performance</td>
<td>Competitor Orientation Strategy</td>
<td>2.438 0.035</td>
<td></td>
<td>Supported</td>
</tr>
<tr>
<td>3.</td>
<td>Performance</td>
<td>Customer Orientation Strategy</td>
<td>4.074 ***</td>
<td></td>
<td>Supported</td>
</tr>
</tbody>
</table>

The result of SEM analysis shows the value of CR and P of performance, competitive excellence, competitor orientation strategy, and customer orientation strategy are presented served on Tables 6.

Table 6. The value of CR and P of performance, customer orientation strategy, competitor orientation strategy with direct and indirect influence \((Primary\ data,\ 2016)\)

<table>
<thead>
<tr>
<th></th>
<th>Direct</th>
<th>Indirect</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Orientation Strategy</td>
<td>Critical Ratio 4.074 Probability 0.00</td>
<td>Critical Ratio 6.052 Probability 0.00</td>
<td>Mediate</td>
</tr>
<tr>
<td>Competitor Orientation Strategy</td>
<td>Critical Ratio 2.438 Probability 0.035</td>
<td>Critical Ratio 6.052 Probability 0.00</td>
<td>Mediate</td>
</tr>
</tbody>
</table>

Discussion

The results of cross-analysis (Cross tab) Table 1 shows that all the demographic variables consisted of gender, age, education, experience, number of employees who held positive and significant effect on variable customer orientation and competitor orientation variables. These results correspond with the results of studies Nabsiah et al. (2011), Abdul et al. (2012), as well as Simone et al. (2013) that claim demographic variable and variables effect on customer and competitor orientation. The results of cross-analysis (Cross tab Analysis) in Table 2 shows that all the demographic variables consisted of gender, age, education, experience, number of employees who held positive and significant effect on the performance. Some researchers on the influence of demographic variable on performance (Caligiuri and Tarique, 2009; Kotler, 2010; Abdul et al., 2012). Their researches state that demographic variable has positive and significant impacts on performance. On the other side Backes-Gellner and Veen (2013) in their research finds that age diversity increases productivity. The results of the analysis of Structural Equation Model (SEM) in Table 3 shows the variable orientation changes moderate in customer orientation and competitor orientation Innovation. Customer orientation influences significantly on the ability of innovation on exploration and exploitation, competitor orientation has significant influence on the ability of innovation on exploitation (Ana et al., 2011), and the higher the degree of customer and competitor orientation, the higher degree of technical innovation orientation (Sergio and Roberto, 2008; Grawe, 2009; Dentoni and Domenico, 2013).
2011). The ability of the organizational changes could increase the influence of competitors on customer orientation and innovation orientation. When customers expect increased commitment to SMEs in satisfying, collect information needs, seek a satisfactory way, pay attention to customer complaints, the company will fulfill this requires companies to boost innovation. On the other hand increased activities of SMEs competitors trying to discuss it information, production excellence, competitor strategies, respond to competitor actions it requires companies to increase of innovation. This resulted in customer orientation and competitor effect on innovation. This influence in moderation by the ability of organizational change. This result is in accordance with the advice of Morgan and Berthon (2008) that improving the capacity of organizational change will influence of customer and competitor orientation on innovation orientation is stronger. Managers or owners of SMEs which have high organizational change capability means having the resources to change, employee commitment to organizational change, the commitment of managers in organizational change, cultural change in the organization, belief changes to improve performance. It is very helpful to produce a product or a typical menu. Results of testing the hypothesis that the ability of the organizational changes may increase the effect of competitor orientation to the orientation of technical innovation, and is logical. The results of the analysis of Structural Equation Model (SEM) figured in Table 5 shows the variables of competitive excellence, customer orientation and competitor effect on performance. Research done by Eris and Ozmen (2012), finds the positive relationship of market orientation on innovation and the company's performance. Then Reijonen and Komppulab (2010), in their research state that the dimension of market orientation is the success factor in SMEs. Competitive excellence can be seen from the cost that consists of cost in the process and cost in the machine. The competitive excellence of cost in the process and machine influences the performance (Ana et al., 2011). Competitive excellence has positive and significant effects on performance. The results of the analysis of Structural Equation Model (SEM) in Table 6 shows the competitive excellence variables mediate customer orientation and competitor on Performance. The influence of customer and competitor orientation on performance proves to be different. According to Verhess and Meulenberg (2004) orientation of customer and competitor has impacts on performance orientation (Grawe, 2009). Jhonson et al. (2009) in his research says that integrated innovation orientation has positive and significant impacts on the performance of manufacturing companies. Managers or owners of SMEs oriented competitors are always discussions about competitor information, seek excellence competitor information, discuss strategies of competitors, and respond to competitor actions, trying to outperform competitors in all things (Kirca et al., 2005). The result of this research is in line with one of previous researches. Some of them state that they are influential, and some others claim that they do not have any effect. The excellence of this research is that the researchers put variable on the performance. This is the first finding of this research, since the researchers
have never found any research that tests variable of competitive excellence mediating the influence of customer and competitor orientation on the performance. These results are quite rational because customer and competitor orientation which is able to increase the competitive excellence will increase the influence of customer and competitor orientation on the performance. This is the second finding of this study, because as long as the researchers search through their librarian research, they have never found any research testing a variable of competitive excellence mediates the influence of customer and competitor orientation on the performance. The competitive excellence will be reached. With competitive excellence will cause the sales target to be fulfilled, the number of customers to increase, sales growth to get higher and higher, the scope of market to get larger and larger, the profit growth to increase more quickly, and the profit achievement to be better. These all are indicators of performance. Thus, with the good strategy of and support of competitive excellence, the performance will be superior. This is the outcome found in this study, the influence of orientation of customer and competitor on performance is mediated by competitive excellence. As long as the researcher searches, there have never been found a competitive excellence variable used as worn as mediation variable between variable of customer and competitor orientation on the performance of SMEs. The contribution of research in science is to explain the role of organizational change capabilities moderating influence on customer orientation and competitors on innovation orientation. The competitive excellence to mediate the effect customer orientation, competitors and innovation on the performance of SMEs, throughout investigators never found in the search results that states this.

Limitation

The number of the population of food SMEs increase from year to year and the increase is uncertain, so that the total number cannot be identified correctly. This makes the researchers, hard to select the samples so the convenience sampling method is used to determine the total number of samples.

Conclusion

The results of cross-analysis show that all the demographic variables consisted of gender, age, education, experience, number of employees who held positive and significant effect on variable customer orientation and competitor orientation variables. All the demographic variables consisted of gender, age, education, experience, number of employees who held positive and significant effect on the performance. The variable organizational of changes as moderate in customer orientation and competitor orientation on innovation, the variables of competitive excellence, customer orientation and competitor effect on performance. The competitive excellence variables mediate customer orientation and competitor on Performance. The researchers recommend further researchers to do research
by adding environment variables completely, fixed variable, economic variables, consisting of inflation, fixed variable, income of SMEs, cultural policies, consisting of Javanese, Chinese and Padang culture, variables of politics and social.

References


Streszczenie: Celem przeprowadzonych badań jest analiza zdolności do zmian wzmacniających lub osłabiających wpływ orientacji na klienta, orientacji na konkurencję w kierunku innowacji i konkurencyjnej doskonałości pośredniczącej lub niepośredniczącej w orientacji na klienta oraz konkurencyjnej orientacji na wydajność. Populacją badań są małe i średnie przedsiębiorstwa spożywcze centralnej części Jawy w Indonezji. Metodą wygodnego doboru pobierania próbkę wybrano 750 próbek. W badaniach wykorzystano analizę krzyżową i model równań strukturalnych (SEM). Wynik analizy wskazuje, że zmiana organizacji wywiera umiarkowany wpływ orientacji klienta i konkurenta na innowacje. Wpływ orientacji klienta i konkurenta na wydajność jest uzależniony od konkurencyjności doskonałości opartej na demografii.

Słowa kluczowe: demografia, orientacja strategiczna, wydajność

ROLA ZMIANY DOSKONALOŚCI ORGANIZACYJNEJ I KONKURENCYJNEJ W OPTYMALIZACJI WYDAJNOŚCI Z POŁĄCZENIA STRATEGII BAZUJĄCYCH NA DEMOGRAFII

Streszczenie: Celem przeprowadzonych badań jest analiza zdolności do zmian wzmacniających lub osłabiających wpływ orientacji na klienta, orientacji na konkurencję w kierunku innowacji i konkurencyjnej doskonałości pośredniczącej lub niepośredniczącej w orientacji na klienta oraz konkurencyjnej orientacji na wydajność. Populacją badań są małe i średnie przedsiębiorstwa spożywcze centralnej części Jawy w Indonezji. Metodą wygodnego doboru pobierania próbkę wybrano 750 próbek. W badaniach wykorzystano analizę krzyżową i model równań strukturalnych (SEM). Wynik analizy wskazuje, że zmiana organizacji wywiera umiarkowany wpływ orientacji klienta i konkurenta na innowacje. Wpływ orientacji klienta i konkurenta na wydajność jest uzależniony od konkurencyjności doskonałości opartej na demografii.

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