Advances in Economics, Business and Management Research, volume 151
Proceedings of the International Conference on Management, Accounting, and Economy (ICMAE 2020)

The Effect of Market Orientation, Competitive Strategy on Firm Performance Through Support Government Policy as an Intervening Variable

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***Abstract*—This research aims to examine the effect of market orientation and competitive strategy on firm performance with support government policy as an intervening variable. The data was obtained from Housing Developers in Indonesia. The sample is 220 individuals, consisting of large, medium, and small developers. The research used the PLS (Partial Least Square) and showed that the support government policy was not significant to the firm performance. Therefore, it cannot be a mediation of competitive strategy and market orientation to improve firm performance. These results prove that support government policy is only a passive facilitator or performance, and used as a framework for theoretical development. Also, the results can be used in the implementation of policies by the government in the housing sector. The implication: in the property companies, the housing sector is a business-oriented. The companies always need a market mechanism, and therefore government support needs to be an independent factor, not as a mediation.**

Keywords—support government policy competitive strategy, market orientation, and firm performance

I. INTRODUCTION

The property business competition in Indonesia intensifies each day, having an increasingly rapid development. From various developer activities, such as building different types of structures. The housing development is following by a property agent business, where trading activities show competition both in the primary and secondary markets. The development of business competition requires anticipatory steps from management to strengthen the company by transforming existing products. The implementation of appropriate strategic management leads companies to success.

Many Indonesians still do not have houses, especially low-income people (MBR). The government needs to improve this condition using the Million Houses Program. It can easily be achieved by involving the private sector due to the lack of sufficient budget to fulfill housing needs. The government and the private sector accounts for 20% and 40% of the total housing needs, while the remaining 40% is stated as a *backlog*. Based on the 2016 Indonesia Central Bureau of Statistics) data, there is a high housing shortage or backlog of 13.4 million.

In the last three years, there has been a decline in the number of Home Ownership Credit (KPR), especially for developers building luxury and medium-sized houses (commercial houses). According to Property Giant's performance in 2 years (2015-2016), there was a problem that caused a decline in the performance of the housing construction developers, especially those building simple houses (MBR). The data from Bank Indonesia in 2019 shows the number of KPR in 2017 and 2018 decreased by 14.22% and 12.33%, respectively, and 8.55% in July 2019. The housing sector is the most significant contributor to the Indonesian economy. According to the BI data in 2017, the housing sector accounted for 55% of the Indonesian economy.

The previous research on government policies has a significant contribution to improving Firm Performance (FP) with limited Competitive Strategy (CS) and Market Orientation (MO). With developing a literature review for improving firm performance, a framework concept needs to established. This research broadens the previous works by adding a Competitive Strategy (CS) and Market Orientation (MO) variables. It is only limited to property companies that build houses. It examines the effect of Competitive Strategy (CS) and Market Orientation (MO) on Firm Performance (FP), which is intervened by Support Government Policy (SGP).

II. LITERATURE REVIEW

According to Peterson et al [1], the definition of organizational performance mainly focuses on the ability of entities to efficiently exploit the existing resources to achieve the goals set and consider the relevance for their use. Oliven et al stated that performance is a result obtained in economic management and marketing [2], which is characterized by competitiveness, efficiency, and effectiveness for organizations, as well as structural and procedural components. The measurement of firm performance based on six indicators, including 1) Achievement of sales targets, 2) Growth in sales,

3) Increase in the number of customers, 4) Achievement of profit targets set, 5) Achievement of sales profit targets for each project, and 6) Good ability to generate profits. The success of a firm performance could be measuring used three indicators, including 1) Sales growth, 2) Sales volume, and 3) Return on assets annually. Bayraktar et al measured firm performance using four dimensions of the Balanced Scorecard perspectives, which include financial, customer, internal business processes, growth, and learning [3].

The company's strategy is the result of management's efforts to position the organization uniquely in the industry. It enables the company to achieve a competitive advantage and generate profits above the industry average. These positions and results can be achieved in case a unique way of delivering superior value to customers is provided. Companies might achieve competitive advantage through the ownership of certain valuable goods, assets, factors, or attributes, such as a strong market position, unique and reputable resources [4]. According to Putnam [5], Competitive Advantage has three general strategies for achieving above-average performance in the industry, including Cost leadership, differentiation, and focus.

Narver et al defined market orientation as the most effective organizational culture in creating important behaviors to achieve superior value for buyers and performance in business [6]. Beutel measured market orientation by customer and competitor orientations and coordination [7]. Additionally, Kotler [8] established that what the customer desires is more important than the products currently sold.

The government operates in geographical units through different agencies that influence the business environment in specific locations. Government policies play an important role and affect the competitive environment directly or indirectly to minimize external threats and risks to economic conditions. From Thongsri and Chang [9], provision of systems, technical support, market information, budgeting assistance, ease in investment business and regulations are indicators that support businesses.

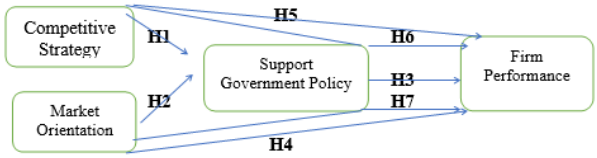

Fig. 1. Research framework.

III. Methods

This research uses the Housing Development Company (Developer) in Indonesia, which builds Commercial housing for Low-Income Communities (MBR). The quantitative data were collected using questions in the survey, while data processing is on the Structural Equation Model (SEM). Hypothesis testing used Amos in cross-sectional data in 220 Housing Development Companies in the Greater Jakarta area. This research emphasizes the distribution of questionnaires to respondents, specifically Manager / Top Management, as a decision-maker using the interval measurement of the Likert scale (1-5). Primary data ware obtained directly, while secondary data sources are collected indirectly or through intermediary media. The questionnaires were distributed to the respondents to obtain primary data. The secondary data involved the information obtained from various sources in the housing industry through BPS (Central Bureau of Statistics), Ministry of PUPR (Public Works and Housing of the Republic of Indonesia), Bank Indonesia, PPDPP (Center for Housing Financing Management), REI Association, APERSI (Association of Indonesian Housing and Settlement Developers), HIMPERA (Association of Public Housing and Settlement Developers). This research uses descriptive statistical analysis methods, normality, outliner, validity, reliability, and Structural Equation Modeling (SEM) tests.

IV. Results and Discussion

A. Results

The hypothesis for the study was accepted since the test results stated that the competitive strategy significantly influences the supporting government policy for P-Value of 0.000 < 0.05, which shows that the competitive strategy significantly influences the support policy. Songling et al stated that Government financial and non-financial support have a significant influence on the sustainable competitive position and firm performance [10]. Moreover, a sustainable competitive position mediates the relationship between government support and firm performance.

TABLE I. Hypothesis Test Results

Hypothesis	P-Value	Results
H1: Competitive strategy ----- > Support Government Policy	0,000	Significantly Positive
H2: Market Orientation ----- > Support Government Policy	0,743	Not significant
H3: Support Government Policy ----- > firm performance	0,951	Not significant
H4: Competitive Strategy ----- > Firm Performance	0,000	Significantly Positive
H5 :Market Orientation ----- > Firm Performance	0,001	Significantly Positive
H6: Competitive Strategy ----→Support Government Policy ----- > Firm Performance	0,952	Not significant
H7: Market orientation ----→Support Government Policy ----- > Firm Performance	0,984	Not significant

The test results showed market orientation did not significantly influence the support government policy. It is seen in the bootstrapping test results in Table 1 for P-Value of 0.743 > 0.05, which showed that market orientation does not significantly affect the support of government policy. Filatotchev et al stated that to encourage the growth strategies; companies should improve market orientation, and political and business ties to facilitate the growth with the market and product expansion [11].

This hypothesis rejected because the test results showed that the support government policy had no significant effect on firm performance. The bootstrapping test results in Table 1 for P-Value of 0.951 > 0.05, which means that support government policy does not significantly affect firm performance. This finding opposes many existing studies, such as Piza [12] which stated that the technical assistance program has a positive effect on firm performance, job creation, and labor productivity. Likewise, with the tax simplification program, export promotions and innovation programs do not affect the companies performance in Small and Medium Enterprises. In contrast, Guan and Yam [13] stated that financial incentives have negative effects on firm performance. Government funding policy with a central system does not significantly impact the technological progress of Chinese manufacturing companies. It might be better for the Government to reform the market and improve its role.

The competitive strategy affects firm performance, as shown by the bootstrapping test results in Table 1 for P-Value of 0.000 < 0.05. The competitive strategy significantly influences Firm Performance. Ombasa and Nzulwa [14] stated that the company implements cost leadership, differentiation, and focus, where the results positively impact firm performance. According to Mohamed and Gichinga [15], cost leadership and differentiation often used to improve firm performance in communication companies at Mogadishu. Agyapong et al [16] stated that cost leadership and differentiation are often used in family companies to improve firm performance with the moderating effect of managerial and capability innovations.

The bootstrapping test in Table 1 for P-Value of 0.001 < 0.05 showed that market orientation significantly influences firm performance. This finding is in line with Oluwatoyin et al [17], which stated that there is a significant relationship between market orientation and hotel performance, especially when it comes to customer satisfaction, retention of old clients and increased protection. However, this finding challenges other studies, such as Bridson and Evans [18], who examined 1,000 Australian retail companies, Faisal et al [19], who studied MSEs in Jakarta, stated that market orientation did not affect the company's strategic performance. Belyayeva et al [20] stated that research on customers and markets during an economic crisis is useless.

This hypothesis rejected since the test results stated that the competitive strategy had no significant effect on firm performance through the support of government policy. The results of the bootstrapping test in Table 1 for the P-Value of 0.952 > 0.05. It means that competitive strategy does not significantly affect firm performance through support government policy. According to Baker and Sikula [21] Thongsri and Chang [9] market orientation affect firm performance by mediating product innovation. Therefore, it might improve performance if mediated by other variables. [9] also stated that the interaction between business ties, customers, and competitor orientation increasing product innovation, while the interaction between government support and political relations improve the sustainability of innovation behavior. Furthermore, product and behavior innovations are mediators that may lead to superior firm performance. The results showed that entrepreneurs and public policymakers promote sustainable innovation.

This hypothesis rejected since the test results stated that market orientation did not significantly influence firm performance through the support of government policy. The results of the bootstrapping test in Table 1 for P-Value of 0.984 > 0.05, showing that market orientation does not significantly affect the firm performance through support government policy. According to Baker and Sikula [21] Thongsri and Chang [9] market orientation may affect firm performance by mediating product innovation. In this case, it may improve performance if mediated by other variables. Also, Baker and Sikula [21] stated that the interaction between business ties, customers, and competitor orientation, increasing product innovation. Similarly, the interaction between government support and political relations might improve the sustainability of innovation behavior. Additionally, product and behavior innovations are mediators that might lead to superior firm performance. The results showed that entrepreneurs and public policymakers promote sustainable innovation

TABLE II. THE RESULTS OF ADJUSTED R SQUARE TEST

Variable	R Square	R Square Adjusted
Firm Performance	0,658	0,654
Support Government Policy	0,472	0,468

Support government policy, if mediated by market orientation and competitive strategy, produces R square of 0.658, this shows that government support policy influence FP by 65.8%, while 34.2% is influencing by other variables.

V. CONCLUSIONS

The results of this research prove that government policy support is only a facilitator but not an actor. In case it is applied to companies, there will be market mechanisms, and therefore with or without government support, the entrepreneurs continue with their businesses. R_{Square}, which shows the influence of Competitive strategy and market orientation through the Support Government Policy, is 46.8%. It shows it still requires other variables. Likewise, Competitive strategy and market orientation through support government policy only explain the firm performance by 65.8%, showing the need for more support from other variables. However, if the support

government policy for competitive strategy results is significant, it is because the entrepreneurs are encouraged to make competitive strategies.

In the property companies, the housing sector is a business-oriented. The companies need a market mechanism and government support as an independent strategy, not as a mediation. For further research needs to add other variables that may improve firm performance.

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