

The Effects of Business Environment, Market Orientation, Strategy, and Product Innovation on Business Performance in the Real Estate in Makassar City

Nur Naninsih

Ph.D., Candidate, Graduate School of Economics
Hasanuddin University, Makassar
South Sulawesi, Indonesia

Haris Maupa

Professor of Economics, Graduate School of Economics
Hasanuddin University, Makassar
South Sulawesi, Indonesia

Nurdin Brasit

Professor of Economics, Graduate School of Economics
Hasanuddin University, Makassar
South Sulawesi, Indonesia

Jusni

Ph.D of Economics, Graduate School of Economics
Hasanuddin University, Makassar
South Sulawesi, Indonesia

Abstract: This study aims to identify and analyze the effects of the business environment directly on strategy and product innovation, to know and analyze the effects of market orientation directly on strategy and product innovation, to know and analyze the influence of the business environment either directly or indirectly through the strategy and product innovation on business performance, knowing and analyzing the effects of market orientation both directly and indirectly through strategy and product innovation on business performance, knowing and analyzing the effects of strategies on business performance, knowing and analyzing the effects of product innovation directly and significantly to business performance

Data analysis method using path analysis is Structural Equation Modeling (SEM) which is part of inferential statistic. This research uses Partial Least Square (PLS). PLS analysis technique is used to answer the research problem. The data of the research were 168 respondents.

The result of this study indicates its significance towards business environment which affects directly toward business strategy and product innovation. Market orientation takes its direct significant towards business strategy and product innovation. Business environment takes its direct affect and significance towards business performance and also significantly through business strategy on business performance. Market orientation takes its direct influence towards business performance through business strategy, while its indirect significance affects through product innovation towards business performance. Business strategy takes its significant affect towards business performance while product innovation takes its direct significance affect towards business performance.

Index Terms: Business Environment, Market Orientation, Business Strategy, Product Innovation, and Business Performance

I. INTRODUCTION

Performance is an important issue in the development of every company because the company's goals will only be achieved if the company has a good performance. There are many factors that influence the company's performances such as business environment, market orientation, strategy, and product innovation.

According to Suwarsono (2008), in the business environment analysis, its goal is trying to apprehend the managerial implications caused either directly or indirectly from various external factors that have been identified affect the prospects of the company

The phenomenon in the field shows that housing developers have to face with land and license problems. The unpredictable license issue will cause high costs. If the construction is delayed, the developers' expenses for the construction credit become higher and indirectly affect the banking sector. Other than license issue, other issues also come arise that are considered to be a barrier to the acceleration of development on housing targets, such as, the increase of land and tax prices, and consequently affect the performance of housing developers.

Wheelen and Hunger (2007) argue that the business environment is the environment that directly affects the company's conditions that include the internal and the external environment

The issues of the business environment of housing developers in Makassar City in recent years, such as, in areas that should not be used for housing but have been built for luxury housing, the existence of the housing caused impacts for the environment and consequently becomes flood and noise problems.

Sylvie Laforet, 2013, shows that market orientation can improve organizational performance.

Then another phenomenon that researchers see is strategy, the reality on the field that housing developers experience that is, they are not strong and able to coordinate among related management functions, and although developers have moved with a strategy by concentrating more on a particular market group (niche market), certain geographic areas, or a specific product but the application of strategies for housing developers have not been able to market enough (market share).

Positive innovation affects business performance. In particular, the results show that different performance levels are related to the kind of innovation developed, (Carmen Otero-Neira, 2009)

Akira Kiminami, (2011), evidence that cooperation is significantly related to SME innovation in the food processing industry cluster. In addition, business performance is a function of innovation, where research results show that innovation significantly affects the performance of SME businesses

Based on the explanation, the researcher is interested to learn the factors that affect the performance of housing developer business in Makassar.

II. LITERATURE REVIEW

A. Business Environment

The factors that are affecting the business activity of housing developers in Makassar city in order to achieve business performance are not only within the company (internal), but also from outside (external)

Hunger and Wheelen (2003) use other terms in classifying corporate environments, including: societal environment, task environment and internal environment. Components in the societal environment are: sociocultural forces, economic forces, technological forces, and political-legal environment. The task environment component, hereinafter known as the industrial environment comprises: suppliers, trade unions, competitors, trade associations, communities, creditors, customers, special interest groups, governments, share holdings. Furthermore, the internal environment component consists of; structure, culture and resources

Wright et al (1996), divides the macro environment of: political legal forces, economic forces, social forces, and technological forces. The industry environment consists of: threat of entry, rivalry among existing competitors, bargaining power of buyers, bargaining power of suppliers.

Rajagopal, (2006), The results show that the growth rate of firms and the environment affects business success or performance

B. Market Oriented

The ability of companies to gather market information, disseminate market information to all business units, and understand potential needs in the market by implementing market-oriented strategies.

Inoghuci (2011), explains the researchers about market orientation to make large accumulation and expanded to several aspects such as marketing, new product development, company development, and so on. However, most studies are not qualitative but quantitative research. although much research in market orientation has clarified what is market orientation through quantitative methods. There are still few who examine how market orientation can be realized through qualitative methods.

Measuring market orientation using MARKOR scale; Intelligence generation, intelligence dissemination, and responsiveness. These measurements are noted some researchers adopt and develop in research (Sudirman.2002; Inoghuci, 2011; Hassim et al., 2011).

C. Strategy

A strategy is the direction and long-term coverage of the organization to get its business performance.

Porter (1990) in his classic Competitive Strategy outlines three strategies: 1) leadership / cost leadership, 2) differentiation, and 3) focus.

D. Product Innovation

Product innovation is the ways adopted by housing developers in Makassar city in order to develop products or create new products that can compete in the target market.

Greenberg and Baron (2008) define innovation as the process of making changes to something that has been established by introducing something new, successful implementation of creative ideas within an organization.

Schumpeter in his classic work suggests three types of innovative activities (Hitt, Ireland and Hoskisson, 1997), namely: (1) invention is the act of creating or developing a new product or process, (2) innovation is the process of creating a commercial product of an invention, and (3) imitation (imitation) is the adoption of an innovation by the same companies.

E. Business Performance

Business Performance is a condition to be achieved as a result of the effort that has been done by all components of the company

Moh. Pandu Tika (2005) defines the performance of a business as the outcomes of a person's or group's work / activities function within an organization that is influenced by various factors to achieve organizational goals within a certain period of time.

III. RESEARCH METHOD AND HYPOTHESIS

The population is a collection of elements that will be suspected in the inference, while the element is an object to which the measurement is taken. Singarimbun (1989) suggests that the population or universal is the total number of units of analysis whose characteristics will be suspected. In this study, the entire population will be the respondents. Selection of the development company is based on several considerations, among others:

- a. The housing market is a highly developed market.
- b. The challenges facing residential developers are generally the same.
- c. Residential businesspersons generally have the same environmental and market orientation

The sample is examining some of the elements of the population. The sample selection in this study was conducted through one stage because the characteristics of the elements between the sample unit group one with the other sample units were relatively homogeneous, the population of this study was 42 the number of housing developers with unit samples at the head of the company, manager, supervisor, the reason is because the total sample is 4 x 42 companies so the number of samples is 168 respondents, the third analysis tool used is PLSsmart, thus the entire population will be used as a sample of 168 respondents.

Hypothesis of this research as follows:

- 1. Allegedly there is a direct and significant impact of the business environment on product strategy and innovation on Housing Developers in Makassar City
- 2. It is assumed that there is a direct and significant effect of market orientation on product strategy and innovation on Housing Developers in Makassar City.
- 3. Allegedly there is influence of business environment either directly or indirectly through strategy and product product innovation to business performance at Developer of Housing in Makassar City.
- 4. It is assumed that there is influence of market orientation either directly or indirectly through strategy and product product innovation to business performance at Developer Housing in Makassar City.
- 5. It is alleged that there is a direct and significant influence of strategy on business performance on Housing Developers in Makassar City.
- 6. It is assumed that there is a direct and significant effect of product innovation on business performance on Housing Developers in Makassar City.

VI. RESULT AND DISCUSSION

Hypothesis testing is intended to decide whether to accept and reject the hypothesis based on the data obtained from the sample. In this study there are 6 hypotheses proposed but each path of hypothesis will be translated into numbers. Hypothesis testing on PLS analysis, basically is to test the significance of path coefficient in the model. To conclude whether the path or research hypothesis is proven, a cut-off value is used $t_{count} = 2.00$ (Ghozali, 2008). Thus, if t_{hitung} on the tested path ≥ 2.00 , then the research hypothesis proved. The results of the path coefficient test are presented in the following table:

Table 1. Hypothesis Testing Results

HIP	Direct path	original sample estimate	mean of subsamples	Standard deviation	t-Statistic	Decision
H1a	Business environment-> Strategy	0.369	0.379	0.075	4.929	Accepted
H1b	Business environment -> Product Innovation	0.457	0.448	0.075	6.064	Accepted

H2a	Market Orientation -> Strategy	0.361	0.351	0.062	5.852	Accepted
H2b	Market Orientation -> Product Innovation	0.169	0.166	0.076	2.212	Accepted
H3	Lingkungan bisnis -> Business Performance	0.025	0.036	0.068	0.368	Accepted
H4	Market Orientation -> Business Performance	0.304	0.305	0.063	4.798	Accepted
H5	Strategy -> Business Performance	0.385	0.392	0.082	4.708	Accepted
H6	Product Innovation -> Business Performance	0.367	0.361	0.079	4.657	Accepted
Efek tidak langsung						
Variabel Independen	Variabel Depend	Variabel Intervening			Standardize	Decision
Business environment	Business Performance	Product Innovation			0,168	Accepted
Market Orientation	Business Performance	Product Innovation			0,062	Accepted
Business environment	Business Performance	Strategy			0,142	Accepted
Market Orientation	Business Performance	Strategy			0,139	Accepted

The interpretation of Table 1 can be explained as follows:

The business environment has a significant positive impact on the strategy with t-count of 4.929 > t-table of 1.974 with the coefficient value of 0.369, this coefficient indicates that a good business environment will make the strategy better, as well as business environment has a significant positive effect on innovation product with t-count equal to 4,708 > t-table equal to 1,974 with coefficient value equal to 0385, this coefficient indicate that good business environment will push innovation better. This finding is consistent with the results of the study (Elenkov: 1997). Successful companies aligning or demonstrating high levels of adaptive and flexibility with the environment demonstrate better performance than less successful companies aligning strategies or demonstrating low levels of adaptability and flexibility. Porter (1990) that industrial organizations contribute to strategic management, especially when formulating competitive strategies in an industry. It also means that a company's success is determined by the company's ability to integrate its internal capabilities with opportunities from its external environment. Yi Li Nan Zhou YS, (2010), The findings indicate that both exploration innovation and exploitative innovation have a positive effect on company performance. And external innovation and environmental activities are related to firm performance. The results show that the growth rate of firms and the environment affects the success of the business or performance. Success is associated with high levels of innovation, competitive skills and dynamics in functional business management. In this study variables of economic dimension and external and internal environment have shown a bigger relationship with performance. (Rajagopal, (2006).

The market orientation has a significant positive effect on the strategy with t-count of 6.604 > t-table of 1.974 with the coefficient value of 0.457, this coefficient indicates that the better market orientation the better strategy, as well as the market orientation has a significant positive effect on innovation product with t-count equal to 4,806 > t-table equal to 1,974 with coefficient value equal to 0,354, this coefficient indicate that the better market orientation hence will progressively increase innovation ability. Several empirical studies have supported the hypothesis, Klaus Grunert (2008) explains that market orientation is the strategic planning focus of a business unit. Pleshko; and Heiens, (2011), This research takes the contingency theoretical approach to the relationship between market orientation and various marketing strategy concepts. Mahmoud; and Hinson, (2012), to examine how market orientation, innovation, and corporate social responsibility (CSR) together affect business performance.

Business environment has a significant influence on business performance with t-count of 5.852 > t-table of 1.974 with a coefficient of 0.361, this coefficient indicates that the business environment a significant positive effect on business performance through product innovation with coefficient value of 0.168, this coefficient indicates that a positive positive impact on business business performance through strategy with coefisen value of 0.142, this coefficient indicates that a conducting business is a business that is conducting a business strategy. Wheelen and Hunger (2007) states that the business environment is the environment ng directly affect the company's conditions that include the internal environment and the external environment. Tian (2002) examines the relationship between the company's stock and China's shareholdings as measured by the company's stock in China. Hambrick (1983) states that the relationship of business strategy and business performance is also influenced by various industry and environmental variables. high business performance is not only related to business strategy. So in this case is not solely influenced by strategy, but still need to consider other variables. While indirectly the business environment has a significant effect through innovation on business performance.

The market orientation has a significant positive effect on business performance with t-count of 2.212 > t-table of 1.974 with coefficient value of 0.169, this coefficient indicates that the better the implementation of business orientation, the business performance will also be better, and market orientation has a positive effect significant to business performance through product innovation with coefficient value of 0.062, this coefficient indicates that a good market orientation will encourage the creation of a good market resulting in improved business performance, as well as market orientation has a significant positive impact on business performance through strategy with a coefficient value of 0.139, this coefficient indicates that the market orientation impact on the implementation of the strategy undertaken so as to improve business performance. Sylvie L, (2013), Findings indicate that market orientation can improve organizational performance. Sami Kajalo and Arto Lindblom, (2015), The results from the SEM model show that both MO and EO can improve business performance among small retailers. Mohammed and Hinson, (2012), The results indicate that firm-level 'market orientation and CSR have a significant impact on innovation, which then affects business performance. Furthermore, market orientation has a significant direct effect on CSR, which tends to mediate the effect of market orientation on business performance.

Strategy has a significant positive impact on business performance with t-count 0.368 < t-table of 1.974 with coefficient value of 0.025, this coefficient indicates that the implementation of the strategy undertaken can improve business performance. The findings indicate that the business strategy used can improve the company's performance. John A. Parnell, (2010), Business strategy has a significant effect on organizational performance.

Product innovation has a significant positive effect on business performance with t-count of 4.798 > t-table of 1.974 with a coefficient of 0.304, this coefficient indicates that the better the standardized innovation then the business performance will increase. Khurram Iftikhar, (2012), The results show a significant direct relationship between entrepreneurship, innovation and performance of SMEs. In particular, the three dimensions of entrepreneurship, risk taking, proactive and autonomy are significantly related to innovation and performance. Innovation is directly related to the performance of SMEs. Akira Kiminami, (2011), evidence that cooperation is significantly related to SME innovation in the food processing industry cluster. In addition, business performance is a function of innovation, where research results show that innovation significantly affects the performance of SME businesses. Davood Askarany, Malcolm Smith, (2008), Research shows a significant positive relationship between business size and both technological innovation and ABC implementation.

V. CONCLUDING REMARKS

Based on the theory study, research hypotheses developed, and the results of hypothesis testing described in the results of research, it then can be concluded as follows:

1. The business environment directly affects and signifies business strategy and product innovation.
2. Market orientation has a direct and significant affect on business strategy and product innovation
3. The business environment has a direct and significant affect on business performance, but it has no direct significant affect through business strategy toward business performance, while business environment has significant indirect affect through innovation on business performance.
4. Market orientation directly affects on business performance, while indirect market orientation has no significant effect on business performance through business strategy, then the indirect effect of market orientation affected through significant product innovation on business performance.
5. Strategy has no significant effect on business performance
6. Direct product innovation has a significant effect on business performance.

Based on the results of research that has been described in other parts of this paper, it then can be described in suggestions as follows:

1. To formulate a good business strategy and to do innovations on products according to consumer preferences, it is advisable to housing developers to conduct a deep environmental assessment either internal environment in the form of raw materials, labor, equipment and machinery as well as capital and the external environment such as suppliers, intermediaries, competitors and government policies.
2. Market Intelligence Indicators, Information Dissemination, and Market Intelligence Responsiveness, should become the ultimate attention of business developers in the field of housing developers before devising business strategies to be used or making innovative changes to housing products.
3. In improving business performance, the housing developers must pay full attention to the internal environment consisting of raw materials, manpower, equipment, machinery and capital and they have to be able to adopt with their external environment in the form of suppliers, intermediaries, competitors and government policies. But in pursuing the continuity of performance, housing developers can not rely on strategies such as Cost Leadership, Differentiation, and Focus. On the other hand, company performance can be improved through implementing or creating new resources, making changes, successful implementation of creative ideas.
4. To improve business performance on an ongoing basis, the housing developers need to optimize the market orientation in the form of gathering information from competitors and also continue to disseminate information to the public, in this case, the

developer strengthens the data. But strategies designed based on needs of market orientation cannot be prioritized in supporting performance improvement of housing developers.

5. To improve the business performance, housing developers implement those strategies because they have to develop a new, more operational policy model that suits the needs of the market.
6. To improve business performance, housing developers need to implement creative or innovative ideas.

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ATTACHMENT

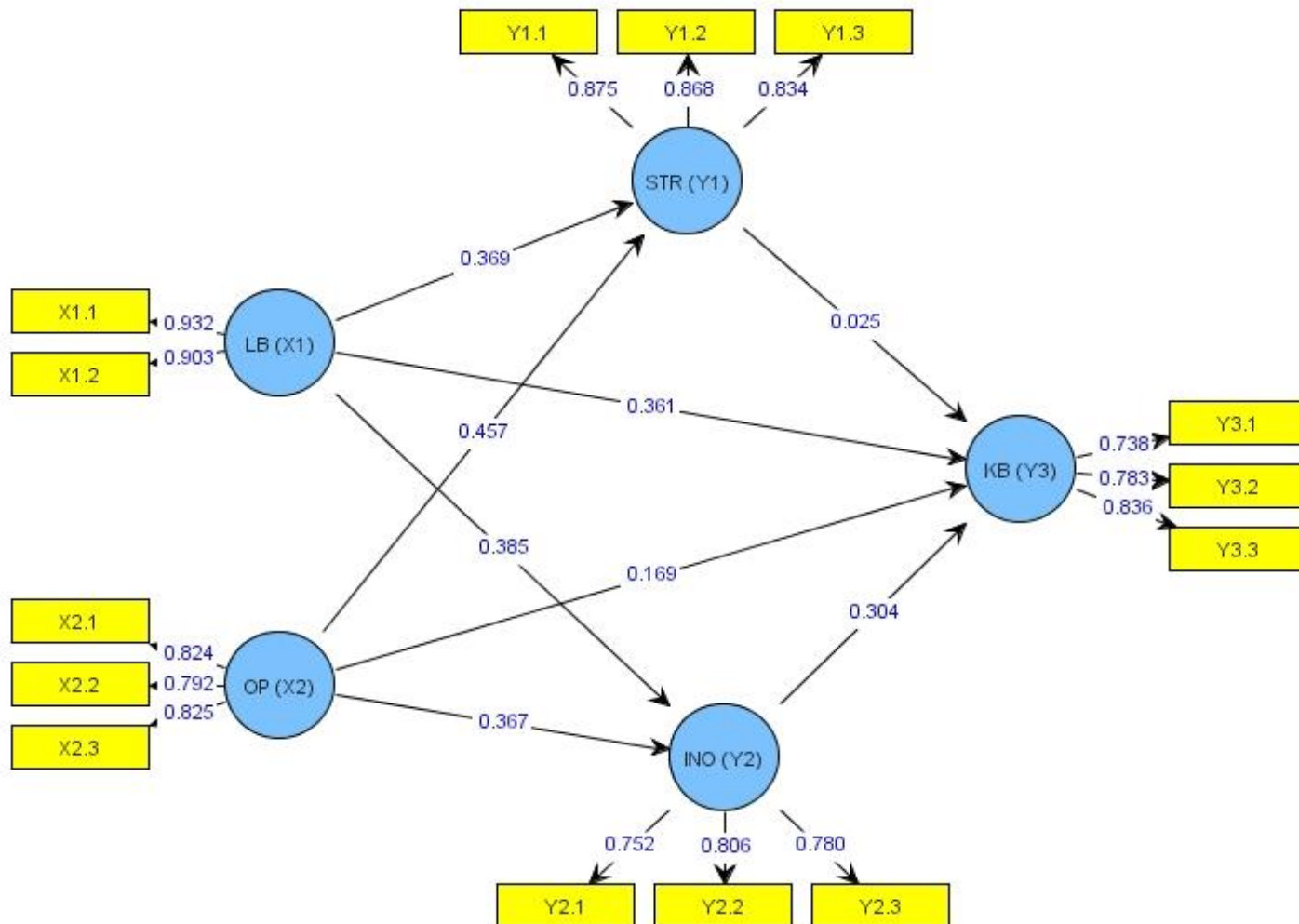


Figure 1. Inner Model (Original Sample Estimate) Output SmartPLS