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## Article

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# Performance Marketing Model through Acculturation Innovation and Market Orientation in the Bakery Industry

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*Small and Medium Enterprises (SMEs) have their own superiority in which they pervade not only in terms of human resources, but also in their role in national economic development. The aim of this study is to develop acculturation innovation and competing superiority for increasing the marketing development of the bakery business actors in Central Java. This study's sample consists of 161 respondents who are bakery business owners from Central Java. By using the purposive sampling technique, several criteria were considered for the SMEs representatives from the bakery industry sample, such as the SMEs must be certified at Disperindag, have at least one employee, and invest at least IDR 1.000.000,- . The analyzing method that is used in this study is SEM. The result of the study shows the market orientation with specific dimensions, such as gaining information about the customers' needs, competitors' powers, and functions' coordination affected competitors' superiority, and acculturation innovation. While it comes to some dimensions such as changes in culture-based products, culture-based price' changing, culture-based packaging, and production processes, competing superiority is affected.*

**Key words:** acculturation innovation, market orientation, marketing, sales performance, structural equation model

**JEL Classification:** M31

## 1. Introduction

Every business cooperation finds necessity, desire, taste, complaint, and satisfaction that customers may experience. It is aimed at the business' strategy for product development with the customers' desire in mind, by developing value for the customers, good quality products, products variation, lower price, and better servings. Afterwards those businesses will be able to succeed in line with owing the market (Johnson 1990, Day and Joachim, 1987). Therefore, those businesses have to do some market orientation activities because by doing such initiatives, they can control competitors' activities, focus on the customers' necessity and desire, and also be able to coordinate the cross function in business's internal operations (Slater and Narver, 1990). However, market orientation also needs some customers' necessity not only in current operations, but also the

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customers' necessity in the future, and the clearest information about the knowledge of the market orientation or the information important for the market such as: product, price, promotion, distribution, and responsibility toward market development. Those responsibilities in the market development are market knowledge, market development dissemination and decision making in order to increase disposal (Kohli and Jaworski, 1993). Market orientation pushes the seller in line with its function to sell the products, which is giving the positive impacts toward the power, in the turn; therefore, market orientation also affects the performance (Spiro and Weitz, 1990). Although, some researches showed that market orientation significantly affected the performance through acculturation innovation as the intervening variable (Han et al., 2008). Kanter (1985) clarified that acculturation innovation is the process into the changes by finding new methods in line with production, so that this acculturation innovation will produce different products than competitors' products. Then, acculturation innovation must have succeeded because it is aimed at increasing the production. In order to be more innovative organizations, businesses have to pay more attention to the market condition. It is purposed for the businesses about the need of new ideas and creativity for the products' development with the result that, those businesses have to create the suitable environment for gaining acculturation innovations as well as their processes, products, even technologies (Gede Raka, 1992).

Lukas and Ferrel (2000) said that marketing and acculturation innovation are facilities for pushing out the competing superiority because businesses that are doing some acculturation innovation projects imply that they are applying new ideas for the development of the product. Hunt (1997) explained that acculturation innovation is the process of implementing the ideas in order to make better than someone implements or more valuable than competitors. It means that acculturation innovation is the basic resource for competing superiority, which also means that on the process of better businesses.

Day and Wesley (1988) propose that a firm has different competitors while producing products which means that the firm has power in competency and available resources, that the retained products will succeed the market. In the other words, the superior product means that it has its own quality and price, and increasing the firm performance.

Then, Lee and Chang (2006) concluded that the ideas in the acculturation innovations realize in the organization, so that it increases its performance. Pablo Javier Crespell (2007) states there is existence of the relation between acculturation innovation and performance in the forestry industry in America. Yet another research showed the contradiction toward the result, namely Mavondo et al.'s (2005) study entitled '*Learning Orientation and Market orientation Relationship with Acculturation innovation, Human Resource Practice and Performance*', in which the authors found that acculturation innovation has no affection for the performance and marketing effectivity significantly.

This article gives deep integrated conceptualization about the relationship between the concept of acculturation innovation and marketing development. The contribution of this study is divided into several steps: 1) finding if there is similarity and difference between acculturation innovations as they positively affect the performances, or have no effect, 2) providing a conceptual model in which acculturation innovation affects the marketing development.

### **1.1. Research Objectives**

This study is aimed at:

- 1) testing the empirical data between market orientation and acculturation innovation, and market orientation with competing superiority in the bakery businesses from Central Java,
- 2) testing the effect of acculturation innovation toward the competing superiority, and competing superiority toward performance, and
- 3) testing the SEM model, using AMOS.

## **2. Literature Review**

The *resource based value* approach explains that the needed resource of the firm for developing, choosing, and implementing the resource is owed using the strategy in order to make different competence outcome (Barney, 1991). Whereas competence is knowledge and skill that is naturally owned by the businesses in order to develop a more valuable product than their competitors (Amit and Shoemaker, 1993). The industrial environment have to be dynamically characterized, so that requires the harmony between the strategies with the external environment, because this kind of environment decides the continuation of the performance and existence of the industry (Lee and Miller, 1996). In line of ideas, is the contingency theory which explains that, there must be a harmony and balance between external environments with the business's strategy in increasing profit.

So does the need of *market based view* theory which means that the market-based strategic view is aimed at the industry to manage its business and to produce highly valued superior products. Slater and Narver's (1990) study explained that a firm's market orientation is needed because it focuses on the customers' orientation, competitors, and function coordination. Another idea showed by Kohli and Jaworski (1993) is that activities that focused on the market-related information, consumer necessity and responsibility toward the market development. Cadogan et al. (1999) defined the market orientation as the spread of market information, knowledge related to the market and making decision as well as the two that related to the customer and competitor. Burns and Staiker (1961) said that acculturation innovation is the organization's capability to adopt or implement ideas, processes, or new products with success. Afterwards, Keegan and Turner (2002) also concluded that acculturation innovation ideas in management are important in all activities. It is aimed at the success of the goal. Varadarajan and Jayachandan (1999) also developed a study about the acculturation innovation that is composed by incremental acculturation innovation and radical acculturation innovation. Incremental acculturation innovation is defined as acculturation innovation that needs a few changes in technology while the radical acculturation innovation is defined as an activity that uses knowledge by employing new technique. The radical acculturation innovation has higher risk more than the incremental one (Chandy and Tellis, 1998). The same as Gopalakrishnan and Damanpor (1997) defined that the steps of acculturation innovation in the organization is divided into two. They are 1) making acculturation innovation phase which implies the creation, idea, and split-up the products or process solution, 2) adopting phase which means that acquisition or implementation of the changed acculturation innovation. McLaughlin (2002) said that acculturation innovation is having a positive relation with the performance.

The competing superiority concept, according to Hunt and Mogan (1995) is an alternative concept, which is not powerful enough to develop into a powerful product from the resources of an company and having competing superiority in the process of the product. Then, by having those two concepts the firm will be able to increase the financial superiority. There are two ways to reach competing superiority, first is a low cost strategy that enable the company to offer the product in lower price than the competitor. Second, the product differentiation strategy makes the customer benefit by buying a unique product in lower price.

Pelham, Alfred M (1997) commented that three points affected marketing development. They are firm effectiveness, growth/share, and profitability. Nonetheless, Argawal et al (2003) measured an organization development by using two constructed dimensions that are the objective performance dimension, which is composed by financial performances, and the subjective performance dimension, which implies performance measurement based on the customer and employee.

### **3. Hypotheses Development**

#### **3.1. Relationship between Market Orientations and Acculturation Innovation**

An organization with market-oriented management will push a sales performing environment by having a good manner, because the conducive environment makes light of the worker to adapt to the condition of the environment, and able to do better a selling activity. By doing such kind of things, the firm will get a better effect for the customers' servings, therefore the better customers' servings the better customers' satisfaction (Brehman and Perreault, 1984; Donnelly and Ivanceich, 1984).

In the process of the firm marketing activities doing its sales function by selling the product to the customer so that the customer will get the product based on the need and desire. Thus, it gives the positive impact to the performance in the turn (Spiro and Weitz, 1990). Han et al. (1998) said that market orientation is positively affected the firm's performances but in that study, they said that market orientation affects the firm activities significantly through acculturation innovation as the intervening variable. Based on the consideration, the first hypothesis is proposed as follow:

*H1: Market orientation positively affects acculturation innovation.*

#### **3.2. Relationship between Acculturation Innovation and Competing Superiority**

Slater (1997) explained that the successful acculturation innovation is the successful product that resulted from the remedial processes and development based on the creative ideas so that the creative ideas produce innovative products because the innovative products having superiority than the competitor's. Hurley and Hult (1998) explained that a firm could be identified as successful while it succeeded on making acculturation innovation and it means that the firm is going through the firm management. Furthermore, Hunt (1997) said that acculturation innovation is an idea implementation process to make something that higher valued from the competitor. Hurley and Hult (1998) said that an industry engaged with acculturation innovation will affect competing superiority. Chermin (2005) said that the acculturation innovation process

implied the whole organization from the first idea generation up to introducing the product to the market. It means that firms have to pay attention to the management of the resulted product from the beginning on buying the raw materials until the producing process which providing the suitable products with the customer desire and taste so that the product will be different in design, component, and product architecture. A study by Ana Christine (2008) explained that acculturation innovation product affected the competing superiority to the middle to low industries, from the traditional up to the highly technological, by using a higher sample which employed 300 low executives in UK. Therefore, the following hypothesis is proposed:

*H2: Acculturation innovation positively affects competing superiority.*

### **3.3. Relationship between Market Orientation and Competing Superiority**

Pelhan (1997) explained that a market-oriented firm is a firm that develops a better understanding in the organization about the costumer's needs. Therefore, the firm is trying to do anything in order to fill up the customer need, particularly the consumer's value in which means that the valuable product means a product that having the best quality, best image, and in which a firm can develop a lower price strategy. Pelhan (1997) also gave three dimensions of the market-oriented firm as follows: 1) consumer desire, 2) consumer satisfaction, 3) competitors. A market-oriented firm will be narrow-minded toward the market information that explains how to distribute the product to the market with all information related to the needs and market desire (Jaworsky and Kohli, 1993; Kohli and Jaworski, 1990). Chermin and Nijhof (2005) said that a firm develops the product based on its ability, from the product development, technology development, so that it results in superior products more so than that of its competitors. Despande et al. (1993) said that there is a relation between market orientation and competing superiority especially as the consumer's knowledge affects the competing superiority, the more aware of consumer knowledge the more the firm will fill up the necessity and consumer desires. Therefore, the following hypothesis is proposed:

*H3: Market orientation positively affects competing superiority.*

### **3.4. Relationship between Competing Superiority and Performance**

Day and Wesley (1988) described that a firm which has a distinctive competence in line with superiority and skills in line with resources, it will develop a better product and reach success in market. It means that the product, which has high rank market automatically, has a good quality and price superiority. Moreover, that kind of product automatically increases its performance. Porter (1995) explained that the competing superiority increased the sales performance. Day and Wesley (1988) have two different meanings on the point of competing superiority, such as 1) focusing on superiority, relates to skill, superior in raw materials, or in other words high quality materials produce high quality products; 2) competing superiority from the performance resulted, means that superior in managing the price and giving customer a high value of the product. Afterwards, it means that firms that manage the outcome and income well also manage all the expenses well, too. Hornbug and Pflesser (2000) explained three indicators of competing superiority in which they relate to this study as follows: 1) product uniqueness, 2) product quality, 3) competitive price. It can be concluded that this study similar to the research of Keegen (1995).

Keegen (1995) proposed that competing superiority happened when there is harmony and competence both in line with the factors of the industry, such as superiority in the available resources and the skills of the firm should be better than those of the competitors. Day and Wesley (1988) said that the higher the competing superiority the higher the sales performance will be. Therefore, it is proposed a hypothesis as follow:

*H4: Competing superiority affects the sales performance positively.*

### **3.5. Theoretical Framework**

Based on the theories and the results of those studies related to the market orientation, acculturation innovation, and sales performance, the theoretical framework can be summed up in figure 1.

Figure 1 explains the increase of the acculturation innovation required for the existence of market orientation, and acculturation innovation increases the competing superiority, then competing superiority increases the sales performance.

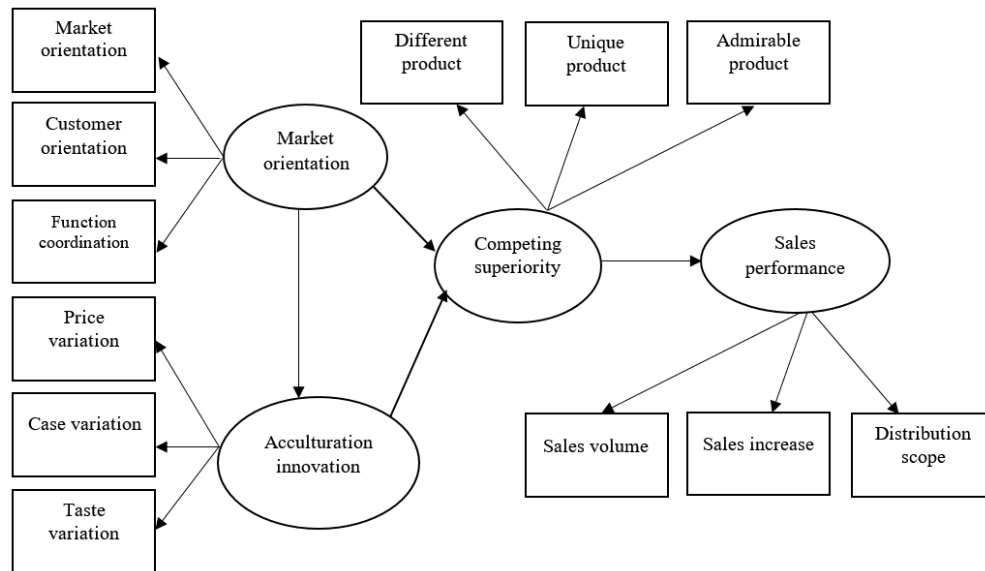


Figure 1. Theoretical framework

#### 4. Research Methodology

The steps of the research methodology involve explanations of the sample, procedure and the indicators of each research variable, and methods of analysis.

##### 4.1. Sample

Population in this study is the bakery industry in Central Java. The amount of the population means that all bakery industries in Central Java were accounted for, namely in the amount of 464 firms (Disperindag Central Java, 2012). The sample of this study is aimed at representing the population, which needs to be researched.

The determining the sample amount is based on Hair et al (2010) who said that the minimum amount of the sample is 100, while in this study the constructed model is in amount of 7 or less, then using minimum a 161 respondents, based on the responses received (Hair et al, 2010).

##### 4.2. Research Procedure

The variable measurement and study indicators of this study can be seen in Table 1.

Table 1. Research procedure

No	Variable	Conceptual Definition	Indicator
1.	Market Orientation	Point of view related to the information about customers, competitors, and function coordination (Slater and Narver, 1990)	1. Gaining consumer necessities 2. Gaining information about competitor's superiority 3. Function coordination
2.	Acculturation innovation	Ability to develop creativity processing, the related method to the acculturated product (Han et al, 1998; Radenkers, 2005; Mc Laughin, 2002; Amit, 2003).	1. The amount of variation in bread price 2. The amount of variation in bread packaging 3. The amount of bread in taste
3.	Competing superiority	A different activity regarding the process of designing, producing, selling, distributing, and supporting the product (Porter, 1985).	1. Different taste of the bread 2. Unique taste of the bread 3. Admirable taste of the bread
4.	Performance	Related to the market development, profitability, sales volume increase (Pelham, 1997; Augusty, 2006).	1. Sales volume 2. Selling development 3. Distribution scope

##### 4.3. Data Analysis Method

In order to test the model and hypotheses, this study employed the SEM analyzing method with AMOS application.

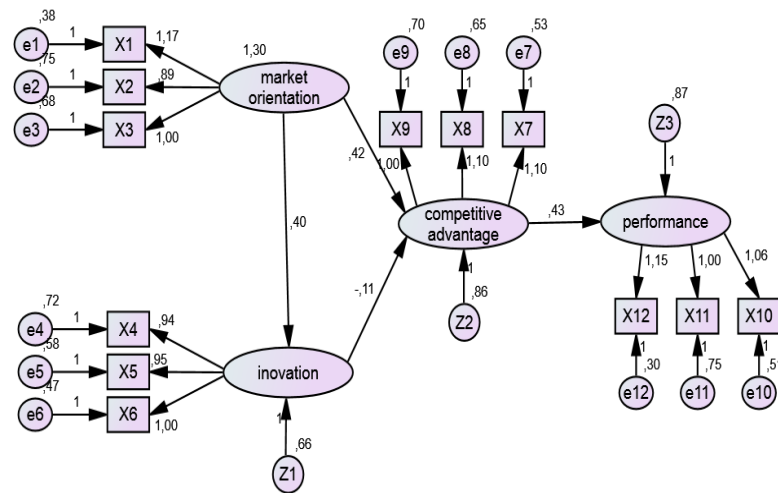
## 5. Results of the Study

### 5.1. Path Diagram

The results of the study have implied hypothesis testing. The *Exogenous Variable* is market orientation, while the *Endogenous Variable* is the acculturation innovation, competing superiority and sales performance are also part of the full model of SEM (Structural Equation Modelling) as the result of the data measurement in the study. Then the shaped path of theoretical model displayed in the path diagram form estimated with AMOS 16.0 in the following figures. Figure 2 shows the fit of the model, which is in accordance to indicators, reflecting a good fit. Figure 3 shows the full SEM model's results.

Model test  
 Chi-square =78,081  
 DF=50  
 Prob=.007  
 RMSEA=.059  
 GFI=.932  
 AGFI=.893  
 TLI=.960  
 CFI=.970  
 NFI=.922

**Figure 2. Model fit**



**Figure 3. SEM results**

Based on reliability, if the reliability index is between 0.5-0.6 is enough to justify a research, and variance extract is under the defined value. Then, it can be concluded that indicators used as observed variables for the latent variables are able to explain the latent variable which it constructed. More details are available in Table 2.

**Table 2. Reliability and validity of the results**

NO	Reliability	Validity
X1	,564	,748
X2	,679	,846
X3	,734	,807
X4	,578	,756
X5	,546	,727
X6	,572	,706
X7	,576	,775
X8	,693	,786
X9	,648	,819
X10	,567	,816
X11	,643	,764
X12	,753	,774

Source: Developed for research purpose

## 5.2. Empirical Model of Hypothesis Testing

The Hypothesis testing in this model, needs to test based on H0 hypothesis which shows the regression coefficient between the relations through customary t-test in regression model (Ferdinand, 2005).

**Table 3. Regression Weight Structural Equation Modelling**

Relationship			Estimate	S.E.	C.R.	P
market_orientation	→	innovation	,396	,077	5,146	***
market_orientation	→	competing_superiority	,418	,098	4,248	***
acculturation innovation	→	competing_superiority	-,107	,119	-,903	,367
competing_superiority	→	performance	,431	,093	4,655	***
market_orientation	→	X2	,886	,086	10,267	***
market_orientation	→	X3	1,000			
market_orientation	→	X1	1,165	,098	11,876	***
acculturation innovation	→	X5	,954	,114	8,334	***
acculturation innovation	→	X6	1,000			
acculturation innovation	→	X4	,936	,115	8,168	***
competing_superiority	→	X8	1,099	,109	10,074	***
competing_superiority	→	X9	1,000			
competing_superiority	→	X7	1,104	,108	10,183	***
performance	→	X12	1,146	,102	11,256	***
performance	→	X11	1,000			
performance	→	X10	1,055	,098	10,738	***

Source: Developed for research purpose

Note: \*\*\* p< ,001

**Table 4. Standardized Regression Weights: (Group number 1 - Default model)**

Relationship			Estimate
market_orientation	→	innovation	,485
market_orientation	→	competing_superiority	,464
acculturation innovation	→	competing_superiority	-,097
competing_superiority	→	performance	,429
market_orientation	→	X2	,759
market_orientation	→	X3	,810
market_orientation	→	X1	,907
acculturation innovation	→	X5	,758
acculturation innovation	→	X6	,806
acculturation innovation	→	X4	,714
competing_superiority	→	X8	,814
competing_superiority	→	X9	,776
competing_superiority	→	X7	,841
performance	→	X12	,908
performance	→	X11	,765
performance	→	X10	,890

Source: Developed for research purpose

Hypothesis 1 states that market orientation positively and significantly affects acculturation innovation. Table 3 has known that the value of CR (Critical Ratio) for the market orientation variable through the variable in amount 0,396 with P (Probability) in amount 0,001. This value shows that the result completes the requirements in which the value is above 1,96 for the CR and under 0,05 for P value. Afterwards, hypothesis 1 in this study is accepted or in another words, market orientation increases the acculturation innovation.



This finding is relevant to the research done by Narver and Slater (1990) as the aim of a company in developing various marketing strategies is to enhance the profitability and to reach a level of profitability, therefore the company focuses its marketing attention to the effort of acknowledging their customers.

Hypothesis 2 of this study, namely that acculturation innovation affects competing superiority, is rejected, because it is not significant at a .0001 probability level. From the data measurement, the CR value for the relationship between acculturation innovation and competing superiority variable, seen in table 3, has a registered value of -0,097 for the CR, lower than the 1,96 threshold. Thus, these results reject the hypothesis 2 or in another words, acculturation innovation cannot increase the competing superiority. This result is relevant to the opinion of Hunt (1997), who stated that innovation is a process of implementing an idea to make something better/ have more value than the competitor's, therefore it needs a market orientation, so that a market oriented company is the basis for enhancing products, which all resulted in competitive superiority against other products.

Hypothesis 3 implies that market orientation positively and significantly affects competing superiority. From table 3, it is known that the value of CR is in amount of 0,418 and P value is 0,001. These values show that they are completing the requirements in which the CR value has to be above 1,96 and P has to be under 0,05. Thus, market orientation increases competing superiority. Therefore, the finding is in line with the study of Aaker (1989) who stated that resource management and competence are key to achieve competitive superiority. So various kinds of resource that belong to the company need to be well maintained according to their ability, expertise and skill or even technology of the company, so that it can lead to better products.

Hypothesis 4 states that competitive superiority positively and significantly affects sales performance. Table 3 presents a CR value of 4,655 ( $> 1,96$ ) and a P value of 0,001 ( $< 0,05$ ). This lead to accepting hypothesis 4 and competing superiority increases the sales performance of a company. Thus, according to the research done by Day and Weasley (1988), different competition in the expertise and resource superiority, showed a successful product in the market, therefore a product with a superior position in the market would have product quality and cost superiority, and so it will increase its performance.

## **6. Conclusion**

### **6.1. Implications**

The development of the sales performance in bakery industry of Central Java can be done by some principles as such: increasing acculturation innovation can be done by (1) expanding creative ideas; (2) finding new inspiration; (3) developing new product attributes. Acculturation innovation also can be increased through the market orientation: (1) obtaining information about the customer necessities; (2) obtaining information about the competitor's superiority; (3) function coordination. Increasing the competing superiority can be done by (1) bread variation in price (2) bread variation in packaging (3) bread variation in taste. Increasing the sales performance can be done using (1) sales volume (2) growing up sales (3) distribution scope.

### **6.2. Limitation and Future Research**

Several restrictions related to the results and the research process involved in the development of this research are explained in this section.

The accuracy test model (available in Figure 2) in the empirical model of this study cannot be described as a very good fit for the model yet since there are some indicators that could have presented higher values, hence we would describe the model with an adequate fit. This case happens since there are values that are quite close to the cut of value (above the ,900 threshold).

Moreover, there is definite amount of members of the population included in the study. As in any primary research, more respondents of the targeted population could have improved the results.

Future studies should continue to test the impact of acculturation innovation toward the performance involving the intervening variable, control variable, and moderating variable. Afterwards, new studies hope to explain the research gap of the result differences between this study and the previous ones. Communication variable can be the intervening variable between acculturation innovation and sales performance. These things could be concluded since acculturation innovation is aimed at giving customer satisfaction. So, a trust variable that can be an intervening variable too, and can lead to increased level of customer satisfaction.

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