THE ANALYSIS OF MARKET ORIENTATION AND COMPANY RESOURCES IN THE BUSINESS STRATEGY PREPARATION FOR PERFORMANCE IMPROVEMENT OF AUTOMOTIVE LUBRICANT'S COMPANIES IN INDONESIA

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ABSTRACT

Automotive lubricant production capacity in Indonesia continues to grow, where in the year 2014 its growth reaches 7% compared to the production capacity of previous year, which in the volume reaches 1.9 million kilolitres. However, despite the fact, the actual production achieved by the automotive lubricant industry is still under 50% of the production capacity. In terms of market share, PT Pertamina Lubricant dominates market share of automotive lubricant in Indonesia with achievement of market share ranging from 49-51% while the rest of automotive lubricant companies only able to control market share with the percentage is far below 20%. Such condition shows the not yet optimum performance of automotive lubricant company in Indonesia. It was allegedly related to the weaknesses in the implementation of business strategy and weakness in the development of market orientation and development of company resources.

The research was conducted through an explanatory survey method. Primary data were obtained based on the results of the census to 32 national automotive lubricant companies. The hypothesis was examined by using Partial Least Squares Path Modelling (PLS-PM). The results show that business strategy has greater influence than market orientation and company resources in improving company performance. Market orientation has a greater influence rather than company resources in formulating more precise business strategy. The results of this study have implications for national automotive lubricant companies that to improve the performance of the company, then business strategy needs to be formulated more precisely through the development of market orientation supported by the development of company resources.

Keywords: Market Orientation, Company Resources, Business Strategy, Company Performance.

INTRODUCTION

Background Research

The increase in the number of motor vehicles covering the types of passenger cars, buses, trucks and motorcycles from 54,802,680 units by 2007 to 122,508,613 units by 2015, led to an increase in market demand for lubricant products for automotive in Indonesia. Nevertheless, most of lubricant need is still met by imported products as seen from the need for imported lubricants in 2014 to reach US $354 million while exports are only US $85 million. Although the production capacity of lubricants in Indonesia grew by 7% in 2014 compared to the previous year (reaching

1.9 million kilolitres), the actual production is still below 50% of its production capacity. This shows one of the shortages of the performance of lubricant companies in Indonesia.

The growth of lubricant production and sales in Indonesia from 2009-2015 can be seen in the following Table 1:

Table 1
DEVELOPMENT OF PRODUCTION AND SALES OF LUBRICANT OIL IN INDONESIA, 2009-2015

Year	Local Product (Ton)	Imported Product (Ton)	Realization of Target Sales	
			Local (%)	Import
2009	552,320	112,544	85.20	86.13
2010	635,168	125,657	85.34	87.24
2011	745,687	130,500	86.15	85.44
2012	795,800	142,850	84.37	88.78
2013	847,527	160,706	86.54	86.75
2014	936,032	176,776	87.76	87.15
2015	933,453	179,643	85.79	86.38

Source: Matacorp, 2016

Table 1 shows that the growth of lubricant production increases but sales targets tend not to be achieved. Target realization has not reached 100% both import and local. From the results of verification of data obtained through interviews with some of the management of the lubricant industry, obtained information that unsold lubricant products are stored as stock, where the average stock reaches 20-25%. While the unattainable sales target occurs due to the increasingly fierce competition in the industry.

In 2015, lubricant oil demand in Indonesia is slowing due to the weakening of the national economy, which is affecting the decline of people's purchasing power. It is also seen from the sales of cars that fell 16% to 1,013 thousand units compared to 2014 realization of 1,208 thousand units (Gaikindo). In 2015, the national automotive lubricant production capacity reaches 1.933 million kilolitre, but its utilization only reaches 48 percent with sales target reaching 83.57%.

In 2011, Pertamina was a market leader in the lubricant industry with evidenced by mastery of market share 61%. Even though the figure was down to 57% in 2015, Pertamina still the number one followed by Shell (10%), BP (6%), Idemitsu (6%), Top 1 (5%), Total (2.9%) and the rest contested by several brands. Similarly, in 2016, Pertamina still controls the market share of automotive lubricant. Thus Pertamina is still able to become a market leader while its follower is only able to control the market well below 20%. Such conditions indicate that the performance of automotive lubricant companies has not been optimum due to market share which is as one of the company's performance indicators, as suggested by Wheleen & Hunger (2015); David (2013); Hubbard & Beamish (2011).

This condition is allegedly caused by the weakness in business strategy. Wheelen & Hunger (2015) argue that business strategy focuses on increasing the competitive position of a product or service of a business unit or company in a particular industry or market segment in which the business or business unit is competing. Business strategy covering competitive and cooperative strategy. Meanwhile, the lubricant companies have not been able to invent a unique product that are difficult to be copied by the competitors. The majority of the marketed lubricants are the same as those marketed by the competitors, without any value added. In addition, the selling price of automotive lubricant products that are considered cheap by customers is still hard to materialize due to the weak efficiency in raw material procurement and high operational costs. Other problem relate to inefficiency of operational costs and their impact to an uncompetitive price compared to its competitors, that cause customers easily switch to brands that are able to provide the most economical prices, as well as the creation of strategic alliances among lubricant companies has not been well done.

Meanwhile, some researches show the influence of business strategy on company performance. Chung et al. (2012) found that strengthening differentiation strategies, using information technology and implementing CRM activities can improve performance. In line with Nandakumar, Ghobadian & O'Regan (2010) who shows that competitive strategies affect performance.

The problem allegedly caused by the condition associated with the market orientation that has not been well developed. The definition of market orientation argued by Slaver & Narver (1990) is a broad organizational culture that helps companies performs the behaviours necessary for superior customer value creation and sustainable business performance. The conceptual model of market orientation includes three dimensions consisting of customer orientation, competitor orientation and inter-functional coordination. Meanwhile, the lubricant company is still not optimal in anticipating the movement of the direction of competition both short and long term and the change in customer demands that cause the difficulty of products to be absorbed by the market.

Meanwhile, Zolfagharian & Cortes (2010) find the relationship between market orientation and strategy (differentiation, cost leadership, innovation) mediated by the complexity of segmentation. Besides, Affendy, Asmat-Nizam & Farid (2015) found the positive effect from market orientation on company's business performance.

On the other hand, there are other issues related to the ownerships of company resources. According to Pearce & Richard (2015), the resources in each company fundamentally different and have unique "*bundle*" of resources consisting of tangible assets, intangible assets and organizational capabilities. Similar opinions are expressed by Ireland, Hoskisson & Hitt (2015), where RBV assumes that each organization is a collection of unique resources and capabilities. However, there are problems in financial resources, the reputation of lubricant products that are still low in comparison with the imported products, lack of intellectual property ownership and labor-related issues. Meanwhile, Roja & Nastase (2013); Ugheoke, Isa & Noor (2014); Karami, Sahebal, Zamani & Sarabi (2015) found a link between company resources and company performance.

Based on the research background, it can be identified the fact of the problem that is the low Performance of lubricant Company. Based on the results of preliminary research and the reviews of previous research, allegedly it caused by the problem in implementing Business Strategy. On the other hand, previous research shows that business strategy is related to market orientation and company resources. So this study aims to examine the effect of market orientation and company resources on business strategy and its implications on the performance of automotive lubricant companies in Indonesia.

LITERATURE REVIEW

Market Orientation

Sorjonen (2011) suggests that if to be previewed from the process and philosophy of management, market orientation is aimed at creating superior value to customers by responding to market information. Market orientation is defined as the development of market intelligence related to customers, competitors and other stakeholders, dissemination at the organizational level and response to information, as well as coordination of those matters. According to Junji (2011), market orientation is a behaviour based on organizational norms and values that encourage development, dissemination and responsiveness to market intelligence.

Gaur, Vasudevan & Gaur (2011) explains that the concept of market orientation can be grouped into two groups: Behavioural approaches and cultural approaches. In behavioural approaches, market orientation is seen as a set of activities to increase customer satisfaction. While in the cultural approach (Narver & Slater, 1990), market orientation emphasizes the dissemination of values and beliefs within a company to place customer interests above all else.

Kohli & Jaworski based on behavioural approaches, emphasizing market orientation that includes intelligence generation, intelligence dissemination and organization wide responsiveness. While based on a cultural approach, according to Narver & Slater (1990), market orientation is operationalized with customer orientation, competitor orientation and inter- functional coordination. Both approaches are similar in the sense that the customer remains a key element of the market orientation philosophy.

Lewrick et al. (2015) illustrates the differences in start-up and mature companies and reveals new insights with regard to market orientation and its constituent elements and its relationship with both incremental and radical innovations. In the study, market orientation was measured by the dimensions of customer orientation, competitor orientation, competitive environment and centralized interfunctional coordination in their association with radical innovation and incremental innovation of the start-up company.

Morgan et al. (2015) examine the entrepreneurial orientation-market orientation interplay and introduces consumer learning. In a sample of 206 mid-sized manufacturing firms, the study shows that entrepreneurial orientation has a positive impact on new product development performance, but the effects are reduced when firms simultaneously implement a market orientation philosophy. Market orientation in their study, adopted from Deshpande & Farley meta-analysis, which was developed by integrating and validating three previously used scales of marketing orientation: Kohli et al. MARKOR scale Narver & Slater (1990) scale and additional items added by Deshpande & Farley.

Ozkaya et al. (2015) examine two dimensions of market orientation and the corresponding dimensions of market knowledge competence i.e., the customer and competitor dimensions. They examine whether customer and competitor orientations are transmuted into market-based innovation either directly or through customer and competitor knowledge competencies indirectly. The findings support that knowledge competencies are the mediators of the positive relationships between orientations and market-based innovation. Also, market-based innovation mediates the positive relationships between customer and competitor knowledge competencies and overall firm performance.

Ho et al. (2017) explored the usefulness of market orientation in an agricultural value chain in an emerging economy i.e., Vietnam. Marker Orientation was measured using the Narver & Slater (1990) scale. The concept comprises three dimensions: Customer and competitor focus as well as the coordination among the firm’s units. Items were adapted for agricultural production in developing country. The MKTOR measurement scale developed by Narver & Slater (1990) initially focused on three dimensions: Customer orientation, competitor orientation and inter-functional coordination which have been adopted in numerous research studies to date.

Huhtala et al. (2014) examine the role of market orientation and innovation capability in determining business performance during an economic upturn and downturn. The results show that innovation capability fully mediates the performance effects of a MO during an economic upturn, whereas the mediation is only partial during a downturn. Innovation capability also mediates the relationship between a customer orientation and business performance during an upturn, whereas the mediating effect culminates in a competitor orientation during a downturn. Thus, the role of innovation capability as a mediator between the individual market-orientation components varies along the business cycle.

Based on the review of market orientation literatures, thus, in this study, market orientation is measured by dimensions that refer to Narver & Slater (1990) consisting of customer orientation, competitor orientation and interfunctional coordination.

Company Resources

A resource according to Cravens & Piercy is a complex set of aspects consisting of organizational processes, accumulated knowledge and expertise, coordinated activities and asset utilization. There are three categories of corporate resources, namely: Tangible assets, intangible asset and organizational capability. In line with Pearce & Richard (2015) opinion, resources in each company fundamental different in ways because each company has a unique "*bundle*" of resources consisting of tangible assets, intangible assets and organizational capabilities. Similarly, Ireland, Hoskisson & Hitt (2015) share resources on tangible resources, intangible resources and capabilities.

Based on the concept, the company's resources in this study are measured by the dimensions of tangible assets, intangible assets and organizational capabilities.

Business Strategy

Business strategy is an organization's effort to place its business to be more competitive than its competitors in similar industries (Hubbard & Beamish, 2011). According to Ireland, Hoskisson & Hitt (2015), business strategy is a set of integrated and coordinated commitments and actions to achieve competitive advantage by utilizing its core competencies in a particular product market.

As for Wheelen & Hunger (2015), business strategy focuses on increasing the competitive position of a product or service from a business unit or company in a particular industry or a particular market segment in which the business or business unit is competing. Business strategy is competitive strategy (competing against all competitors in excellence) and/or cooperative strategy (cooperation with one or more companies to achieve excellence over competitors).

In this study business strategy is measured by the dimensions referring to Wheelen & Hunger (2015) namely competitive strategy and cooperative strategy.

Company Performance

Bredin measures performance by size of earnings per employee, return on investment, return on equity, return on management and market share. Sharma & Gadenne measured organizational performance with QM measures of improved overall performance, QM improved competitive position and QM seen as positive development. Shin measures company performance based on profitability. David (2013) measures company performance with Return on Investment (ROI), Return on Equity (ROE), Profit Margin, Market Share and Debt to Equity, Earnings per share, Sales growth and Assets growth.

In this study the company's performance is measured by the dimensions of sales volume, profitability level and market share.

Previous Research

According to Gaur, Vasudevan & Gaur (2011) there have been many studies examining the relationship between market orientation and firm performance. The general consensus is that there is a positive correlation between market orientation and firm performance at least in the context of developed countries (Slater & Narver, 1990), as supported by the finding of Affendy, Asmat-Nizam & Farid (2015) which indicates that market orientation has a positive effect on the company's business performance. Besides, Zolfagharian & Cortes (2010) find the relationship between market orientation and strategy (differentiation, cost leadership, innovation) mediated by the complexity of segmentation.

Lee et al. (2015) examines the relationships between top management factors, franchisor market orientation, competitive strategy and business performance of Korean franchisor companies. The study involved 156 food-service franchise firms in the empirical investigation. They found out that top management factors such as management emphasis and risk aversion can lead to market orientation. Franchisor market orientation was found to lead differentiation and cost strategies, which, in turn, increase financial and non-financial business performance. Market orientation directly increases financial and non-financial business performance. The results also show that differentiation strategy has a significant positive effect on financial performance and non-financial performance.

Wu et al. concludes that the industry should pay attention to the evaluation of suppliers' capabilities by taking into account the overall capabilities of suppliers and resource integration, particularly innovation and quality, to enhance partnerships and to build core supplier chain competencies through technical cooperation and strategic alliances, all efforts that can help the organization achieve a higher competitive advantage and constant growth of operational performance. Ugheoke, Isa & Noor (2014) found that human resource management strategies have a significant positive effect on real performance. Karami, Sahebal Zamani & Sarabi (2015) shows that HR practices have a positive effect on company performance and there is also a positive relationship between integrated HR practices and business strategies with company performance. Hafeez, Shariff & Lazim proposes a theoretical framework in which innovation mediates the relationship between entrepreneurial orientations, corporate resources, branding SMEs with firm performance.

Chung et al. (2012) found that strengthening differentiation strategies, using information technology and implementing CRM activities can improve performance. In line with Nandakumar, Ghobadian & O'Regan (2010) who show that competitive strategies affect performance. Lechner & Gudmundsson (2014) explores how individual entrepreneurial orientation dimensions influence the relationship between competitive strategy and firm performance. The findings show the different impacts of individual entrepreneurial orientation dimensions on competitive strategy and the effects of cost leadership and differentiation on performance. Both differentiation and cost leadership strategies are positively related to performance.

Based on the literature review above, research hypothesis is presented as follows:

H_1: Market orientation and company resources affect business strategy either simultaneously or partially.

H_2: Market orientation and company resources affect company performance either simultaneously or partially.

H_3: Business strategy affects the performance of company performance.

METHODOLOGY

The research was conducted through an explanatory survey method. The unit analysis is the automotive lubricant companies in Indonesia where the observation unit is the management of the lubricant company. The observation was conducted in 2016. The study used the primary data obtained from the questionnaire through the census to 32 national automotive lubricant companies. The validity test used in this study is the construct validity. While the reliability test is done by using the technique of split half, namely a measure of consistency where a test is split in two and the scores for each half of the test is compared with one another (Davidshofer, Kevin & Charles, 2005).The hypothesis was examined by using Partial Least Squares Path Modelling (PLS-PM), that is the method to structural equation modelling allows estimating complex cause- effect relationship models with latent variables. It is a component-based estimation approach that differs from the covariance-based structural equation modelling. (Vinzi, Trinchera & Amato, 2010).The PLS model consist of two linear equations called the structural model (Inner model) which describes the relationship between the latent variables and measurement variables (Outer model) which show the relationship between latent variables and a group of manifest variables that can be measured directly.

RESULTS AND DISCUSSION

Analysis of structural model (inner model) shows the relationships between latent variables. Inner model is evaluated by using Goodness of Fit Model (GoF) that show the difference between the values of the observations result and the values predicted by the model. This test is indicated by the value of R square on endogenous constructs and Q square (Prediction relevance) or known as Stone-Geisser's. The value of Q square obtained 0.02 (minor), 0.15 (medium) and 0.35 (large) and only used for the endogenous construct with reflective indicator. Refer to Chin (1998), the value of R square amounted to 0.67 (strong), 0.33 (medium) and 0.19 (weak). Table 2 gives the R square value in the Company Performance as endogenous variables are in strong criteria (>0.67=strong) and Q square values are in large criteria, so it can be concluded that the research model is supported by the empirical condition or model is fit.

Table 2
TEST OF OUTER AND INNER MODEL

Variable	R Square	onbach's Alpha	Composite Reliability	Q square
Market Orientation		0.907	0.923	0.517
Company Resources		0.845	0.876	0.358
Business Strategy	0.617	0.936	0.946	0.650
Company Performance	0.607	0.949	0.959	0.745

Source: SmartPLS 2.0

Analysis of measurement model (outer model) shows the connections between manifest variables (indicators) and each latent variable. Validity and reliability test is used to measure the latent variables and the indicators in measuring the dimension that is constructed. Cronbach's Alpha's value is used to measure the reliability of dimension in measuring variables. The value of Cronbach's Alpha bigger than 0.70 (Nunnaly) indicate that the dimensions and indicators as reliable in measuring variables. Composite reliability and Cronbach's Alpha>0.70 show that all of variables in the model estimated fulfil the criteria of discriminant validity. Then, it can be concluded that all of variables has a good reliability. Table 2 shows values of Cronbach's Alpha>0.7 and Composite Reliability>0.7 so it can be concluded that all variables have reliable dimensions and indicators.

Second Order usage in this research model cause the loading factor obtained be able to explain the relationship between latent variables-dimensions and dimensions-indicators. Table 3 show the result of outer model for each dimension on indicator.

Table 3
LOADING FACTOR OF LATENT VARIABLE-DIMENSION-INDICATOR

Variable-Dimension	Indicator-Dimension	λ	SE(λ)	t-value	Conclusion
Market Orientation -> Customer Orientation		0.924	0.022	41.889	Valid
X11 <- Customer Or		0.759	0.073	10.441	Valid
X12 <- Customer Or		0.694	0.052	13.362	Valid
X13 <- Customer Or		0.819	0.034	24.383	Valid
Market Orientation -> Compt Orientation		0.920	0.015	59.567	Valid
X21 <- Comptv Or		0.793	0.026	30.080	Valid
X22 <- Comptv Or		0.763	0.053	14.433	Valid
X23 <- Comptv Or		0.843	0.017	49.371	Valid
X24 <- Comptv Or		0.755	0.058	12.959	Valid
Market Orientation->Interfunctional coord.		0.956	0.006	150.100	Valid
X31 <- Interfunctional coord.		0.805	0.029	28.091	Valid
X32 <- Interfunctional coord.		0.791	0.027	28.966	Valid
X33 <- Interfunctional coord.		0.781	0.036	21.707	Valid
X34 <- Interfunctional coord.		0.712	0.061	11.665	Valid
Company Resources -> Tangible Asset		0.862	0.027	31.696	Valid
X41 <- Tangible Asset		0.769	0.042	18.420	Valid
X42 <- Tangible Asset		0.809	0.027	30.036	Valid
X43 <- Tangible Asset		0.680	0.057	11.878	Valid
X44 <- Tangible Asset		0.835	0.031	27.135	Valid
Company Resources -> Intangible Asset		0.830	0.041	20.390	Valid
X51 <- Intangible Asset		0.679	0.088	7.751	Valid
X52 <- Intangible Asset		0.702	0.045	15.673	Valid
X53 <- Intangible Asset		0.716	0.078	9.178	Valid
X54 <- Intangible Asset		0.694	0.053	13.195	Valid
Company Resources -> Org Capability		0.803	0.040	20.238	Valid
X61 <- Org Capability		0.767	0.045	17.068	Valid
X62 <- Org Capability		0.744	0.037	20.010	Valid
X63 <- Org Capability		0.680	0.076	8.953	Valid
X64 <- Org Capability		0.735	0.049	15.000	Valid
Business Strategy -> Competitive		0.994	0.002	633.182	Valid
Y11 <- Competitive		0.873	0.026	32.983	Valid
Y12 <- Competitive		0.797	0.033	24.392	Valid
Y13 <- Competitive		0.886	0.024	36.287	Valid
Y14 <- Competitive		0.873	0.026	32.983	Valid
Y15 <- Competitive		0.809	0.031	26.209	Valid
Y16 <- Competitive		0.797	0.052	15.426	Valid
Y17 <- Competitive		0.867	0.032	26.985	Valid
Business Strategy -> Cooperative		0.896	0.031	28.592	Valid
Y21 <- Cooperative		0.790	0.039	20.173	Valid
Y22 <- Cooperative		0.817	0.037	21.839	Valid
Company Performance -> Sales		0.989	0.003	293.201	Valid
Z11 <- Sales		0.934	0.017	55.893	Valid
Z12 <- Sales		0.817	0.036	22.751	Valid
Z13 <- Sales		0.917	0.021	44.363	Valid
Company Performance -> Profit		0.954	0.011	88.376	Valid
Z21 <- Profit		0.910	0.017	53.953	Valid
Z22 <- Profit		0.896	0.024	38.023	Valid
Company Performance -> Market Share		0.971	0.008	123.164	Valid
Z31 <- Market Share		0.913	0.018	51.947	Valid
Z32 <- Market Share		0.908	0.021	43.514	Valid

The Figure 1 result of outer model of dimensions by its indicators show that the indicators are valid which the value of t<2.04 (t-table at α=0.05). The result of measurement model of latent variables on their dimensions shows to what extent the validity of dimensions in measuring latent variables.

Based on the research framework and then obtained a structural model:

$$Y=0.557X_1+0.316X_2+\zeta_1$$
$$Z=0.208X_1+0.182X_2+0.47Y\zeta_2$$

Where, Z=Company Performance X_1=Market Orientation
X_2=Company Resources Y=Business Strategy
ζ_i=Residual

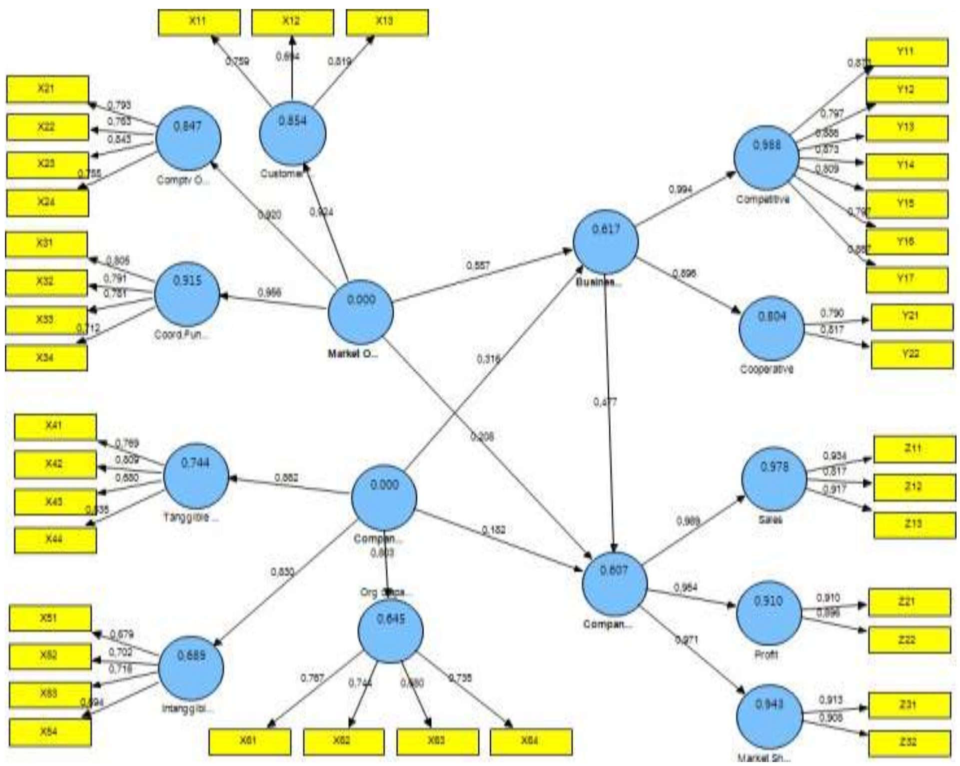

FIGURE 1
COMPLETE PATH DIAGRAM OF RESEARCH MODEL

Below is the result of hypothesis testing both simultaneous and partially:

Hypothesis 1

Table 4
SIMULTANEOUS TESTING OF HYPOTHESIS 1

Hypothesis	R^2	F	Conclusion
Market Orientation and Company Resources → Business Strategy	0.617	23.37*	Hypothesis accepted

*significant at α=0.05 (F-table=3.33)

Based on the Table 4, it is known that within the degree of confidence of 95% (α=0.05), simultaneously there is the influence of Market Orientation and Company resources on Business Strategy amounted to 61.7%, while the rest of 38.3% is affected by other factor did not examined.

Table 5
PARTIAL TESTING OF HYPOTHESIS

Hypothesis	γ	SE(γ)	t	R^2	Conclusion
Market Orientation -> Business Strategy	0.557	0.083	6.737*	0.414	Hypothesis accepted
Company Resources -> Business Strategy	0.316	0.088	3.606*	0.203	Hypothesis accepted

*significant at α=0.05 (t-table=2.04)

The Table 5 show that partially, Market Orientation and Company Resources influential significantly to Business Strategy, which is Market Orientation has a greater influence (R^2=41.4%).

Hypothesis 2

Table 6
SIMULTANEOUS TESTING OF HYPOTHESIS 2

Hypothesis	R^2	F	Conclusion
Market Orientation and Company Resources → Company Performance	0.121	3.36*	Hypothesis accepted

*significant at α=0.05 (F-table=3.33)

Based on the Table 6, it is known that within the degree of confidence of 95% (α=0.05), simultaneously there is the influence of Market Orientation and Company resources on Company Performance amounted to 12.1%, while the rest of 87.9% is affected by other factor did not examined.

Table 7
PARTIAL TESTING OF HYPOTHESIS 2

Hypothesis	γ	SE(γ)	t	R^2	Conclusion
Market Orientation -> Company Performance	0.208	0.096	2.175*	0.066	Hypothesis accepted
Company Resources -> Company Performance	0.182	0.077	2.349*	0.055	Hypothesis accepted

*significant at α=0.05 (t-table=2.04)

The Table 7 show that partially, Market Orientation and Company Resources influential significantly to Company Performance, which is Market Orientation has a greater influence (R^2=6.6%).

Hypothesis 3

Table 8
PARTIAL TESTING OF HYPOTHESIS 3

Hypothesis	β	SE(β)	t	R^2	Conclusion
Business Strategy -> Company Performance	0.477	0.119	3.992*	0.227	Hypothesis accepted

*significant at α=0.05 (t-table=2.04)

The Table 8 shows that partially, Business Strategy have influential significantly to Company Performance (R^2=22.7%).

Based on the results of hypothesis testing, can be described a research finding as follow:

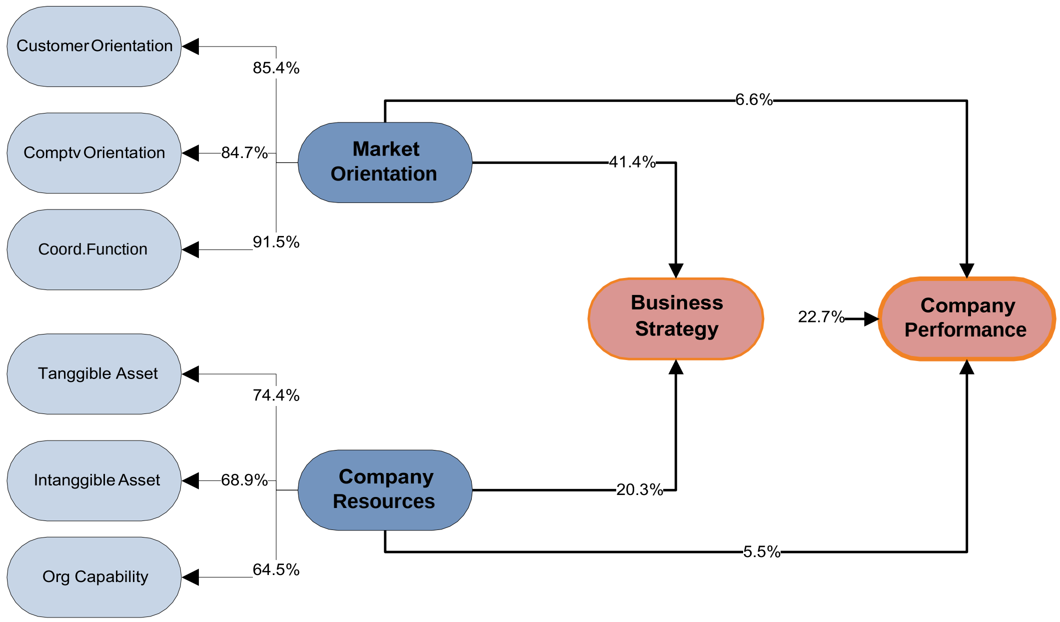

FIGURE 2
RESEARCH FINDING

The Figure 2 results show that business strategy has the highest influence in improving company performance. Competitive strategy has a greater role than cooperative strategy in shaping business strategy. Meanwhile, market orientation has the greatest influence compared to company resources in developing business strategy. While market orientation is more dominantly formed by the implementation of inter-functional coordination followed by the development of customer orientation and competitor orientation. The findings of this study indicate that the performance of automotive lubricant companies in Indonesia should be supported by the development of market orientation and company resources.

The automotive lubricant industry in Indonesia, competitive strategy has a more dominant role than cooperative strategy in improving company performance. As Wheelen & Hunger (2015) have pointed out, the two Porter's generic competitive strategies intended to outperform other companies in an industry are: Lower cost and differentiation. The strategy is called generic because it can be used in various business types and sizes, even in non-profits. In this case, lubricant companies can improve the implementation of competitive strategy through the implementation of lower cost strategy and differentiation strategy. Lower cost strategy is implemented by reducing operational costs so that it is more efficient than its competitors and thus able to create more competitive prices. While the differentiation strategy is implemented by creating unique products that meet the "customer needs" (benefits, quality, price & packaging design), then by creating product variations and Future Value products (new technological innovations). In addition, creating convenience for consumers in getting products in agents/distributors/oil shops and in the process of transactions with the principle of win-win solution is another effort made by automotive lubricants to apply differentiation strategy.

According to Wheelen & Hunger (2015) cooperative strategies are working with other companies to achieve competitive advantage in an industry. There are two types of cooperative strategies: Collusion and strategic alliance. Based on the results of research known that the automotive lubricant company in Indonesia is still not optimal in applying collusion strategy and strategic alliance so that has not optimally impact on improvement of company performance.

These findings support the results of Chung et al. (2012) found that strengthening differentiation strategies, using information technology and implementing CRM activities can improve performance. The finding of this study also in line with the finding by Nandakumar, Ghobadian & O'Regan (2010) who show that competitive strategies affect performance and also support Lechner & Gudmundsson who explores how individual entrepreneurial orientation dimensions influence the relationship between competitive strategy and firm performance. The findings show the different impacts of individual entrepreneurial orientation dimensions on competitive strategy and the effects of cost leadership and differentiation on performance. Both differentiation and cost leadership strategies are positively related to performance

In market orientation variables, it was found that interfunctional coordination has a greater role than customer orientation and competitor orientation in improving business strategy. It is established by the development of employee's competency and responsibilities, teamwork development, consistency of internal meetings and flexibility of employees in work. While in the development of customer orientation, it need a better understanding of customer needs, customer satisfaction levels and the extent of their ability to provide complete information of products. In addition, developing market orientation also must be supported by the development of competitor orientation, through the utilizing of information media, as well as by predicting the major competitors' behaviour, besides by developing a better understanding of the advantages and disadvantages of major competitors. These aspects proved to have an effect on the development of automotive lubricants business strategy, compared to company resources.

The company resources consisting of tangible assets, intangible assets and organization capability, where tangible assets have the greatest impact compared to intangible assets and organization capability in developing business strategy. So the results of this study indicate that the development of tangible assets should be a top priority in the company's efforts to develop company resources. Tangible assets include capital, the latest technological equipment, an adequate number of employees and a strategic factory location.

The results of this study is expected to be able to provide solutions for the management of automotive lubricant companies in improving business strategies which is supported by the development of market orientation and company resources in the effort to improve the performance of the company.

CONCLUSION AND RECOMMENDATION

All test results support the hypothesis, where market orientation and company resources have a significant influence on business strategy and company performance, business strategy has the most dominant influence in improving company performance compared to market orientation and company resources. Market orientation is more dominant than company resources in developing business strategy.

These findings support the results of Chung et al. (2012) found that strengthening differentiation strategies, using information technology and implementing CRM activities can improve performance. The finding of this study also in line with the finding by Nandakumar, Ghobadian & O'Regan (2010) who show that competitive strategies affect performance and also support Lechner & Gudmundsson who explores how individual entrepreneurial orientation dimensions influence the relationship between competitive strategy and firm performance. The findings show the different impacts of individual entrepreneurial orientation dimensions on

competitive strategy and the effects of cost leadership and differentiation on performance. Both differentiation and cost leadership strategies are positively related to performance.

The results of this study indicate the influence of market orientation both on business strategy and on company performance, so the findings are in line with the findings by Lee et al. (2015) who examines the relationships between top management factors, franchisor market orientation, competitive strategy and business performance of Korean franchisor companies. The study involved 156 food-service franchise firms in the empirical investigation. They found out that top management factors such as management emphasis and risk aversion can lead to market orientation. Franchisor market orientation was found to lead differentiation and cost strategies, which, in turn, increase financial and non-financial business performance. Market orientation directly increases financial and non-financial business performance. The results also show that differentiation strategy has a significant positive effect on financial performance and non- financial performance. The finding of this study also support Affendy, Asmat-Nizam & Farid (2015) who show that market orientation has a positive effect on business performance.

On the other hand, the findings of this study contradict with Ho et al. (2017) that indicate that there is no significant relationship between market orientation and performance; Ozkaya et al. (2015) who found out that market-based innovation mediates the positive relationships between customer and competitor knowledge competencies and overall firm performance. Similarly, when compared with the results by Huhtala et al. (2014) which show that innovation capability fully mediates the performance effects of a market orientation during an economic upturn, whereas the mediation is only partial during a downturn. In the study of Huhtala et al. (2014); Ozkaya et al. (2015), market orientation is mediated by other variables on firm performance, while in this study about automotive lubricant industry; market orientation can directly impact company performance, even though company performance is dominantly influenced by business strategy.

Based on the findings in this study, found the novelty in this research that is the improvement of the performance of automotive lubricant company in Indonesia is formed by the implementation of business strategy driven by the development of market orientation and company resource, in which the model of this research has not been studied by previous researchers.

So the results of this study provide implications to the management of automotive lubricant companies in Indonesia to develop business strategy with the basis of the development of market orientation and company resources.

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