Market Orientation, Firm Capacity and Financial Performance Indonesian State-Owned -Enterprises

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ABSTRACT

This study aims to contribute the influence of customer focus, competitor focus, and cross functional coordination on firm capacity and financial performance. This study also examines the critical mediating role of a firm capacity to enhancing financial performance. This study uses a quantitative research approach by comparing services and non-service industries in Indonesia, categorized as Indonesian State-Owned -Enterprises. The analysis unit in this study is the level of first line managers, middle managers, and top managers who are responsible for managing divisions within the company. The number of respondents examined in this study were 287 respondents with a distribution of 59 online and 155 offline. Purposive sampling technique is the research sampling. The results of this study indicate that customer focus, focus on competitors, and cross functional coordination directly influences on firm capability. The results of this study also explain the importance of firm capacity to enhancing the financial performance.

Keywords: customer focus, focus on competitors and coordination across functional firm capacity, business performance

JEL Classification : M31, G41

INTRODUCTION

Market orientation for companies is the main focus in improving performance (Jenny, 2005; Vaccaro, Parente, & Veloso, 2010; Z. W. Wang & Wang, 2012). Studies conducted by Verhees and Meulenberg (2005) explain that market orientation makes an essential contribution to the company through the creation of products that are attractive to customers, able to increase customer market intelligence so that it influences on improving company performance. Other studies also find the importance of market orientation, such as Blankson, Morwanti, and Levenburg (2006) found that the company needs to emphasize increasing the capacity of competitiveness and meeting customer satisfaction. Pelham (1999) states that an influential market orientation culture can be a significant source of competitive advantage for small companies. Market orientation must also be able to respond to the company's environmental conditions to increase the adaptability of the strategy and the company's environment, marketing environment, and innovation (Streimikiene, 2019). Also, market orientation has an impact on improving environmental performance

(Chen, Tang, Jin, Li, & Paillé, 2015). A study conducted by Nuryakin (2018) also showed that market orientation results had a positive effect on performance.

Many studies on market orientation refer to previous research conducted by A. K. Kohli and Jaworski (1990); John C. Narver and Stanley F. Slater (1990); Stanley F. Slater and John C. narver (1994). These studies concluded that market orientation had a positive influence on business performance. Other studies also found that market orientation on business performance (Hafeez, Chaudhry, Siddiqui, & Rehman, 2011; Sin, Tse, Heung, & Yim, 2005; C.-H. Wang, Chen, & Chen, 2012).

In contrast to the results of the above studies, several other studies explained different outcomes such as Bhuian (1997); Han, Kim, and Srivastava (1998); Jiménez-Jiménez and Cegarra-Navarro (2007); Keskin (2006); Ledwith and O'Dwyer (2009); Merlo and Auh (2009); Siguaw, Simpson, and Baker (1998); L. Y. M. Sin, A. C. B. Tse, O. C. B. Yau, R. P. M. Chow, and J. S. Y. Lee (2005). The results of these researchers concluded that there was no significant effect between market orientation on business performance. It even further explained the results that indicated a negative influence between market orientation on business performance.

This study is based on the existence of a research gap in the previous literature on the existence of inconsistencies in the results of research on the influence of market orientation on a performance that requires in-depth study. This study took place at the managerial level of companies oriented to products and services within the scope of State-Owned Enterprises. The study conducted by looking at the condition of BUMN in Indonesia after the issue of policies on the business merger and holding company becomes a new issue amid the global crisis that has hit several developed countries. Research by Huhtala, Sihvonen, Frosen, and Tikkanen (2013) found that companies needed to improve their innovation capabilities. Also, the ability of innovation mediates the relationship between customer orientation and performance in the progress of the economic environment.

The specific objectives in his research are twofold, including: first, to determine the effect of market orientation directly on the company's financial performance. The second is to examine the role of firm capacity mediation in the relationship of market orientation on financial performance considered to be a research gap in this study. The other objectives in this research are building, testing basic theoretical models, and building research models for later testing of hypotheses. Hypothesis testing used a quantitative research approach with the help of structural equation modeling (SEM) with a sample of 287 middle-upper managers of Indonesian State-Owned Enterprises.

1. Theoretical Framework

1.1. Market Orientation, Firm Capacity, and Financial Performance

Marketing activities have a base on the concept of science in business strategies that aim to achieve sustainable satisfaction for stakeholders *(Taiwo, 2010)*. Marketing is an objective science obtained using specific instruments as a measure of the performance of profitable business activities. As a business strategy, marketing is an act of adjusting an organization with a market orientation that follows changes in the business environment, both micro and macro.

As a consequence, marketing instruments used in measuring performance include customer orientation, competitor orientation, and cross-functional coordination activities (Greenley, 1995). Market orientation is a set of behaviors that affect on strategy implementation, how people activities with the environment, and adjust to change (Dobni, 2010). These activities by companies are more directed at creating long-term relationships (Mikalauskiene & Atkociuniene, 2019).

Several studies conducted the relationship and the concepts of customer orientation, competitor orientation and cross-functional coordination on businesss performance had varied results, such as studies from (J. C Narver & S. F Slater, 1990). Moreover, market orientation can be define : first, market orientation has a base on marketing strategies and competitive advantage. Secondly, market orientation behavior is related to customer orientation, competitor orientation, and inter-functional functional coordination, all of which have long-term effects on company profitability. Consequences in marketing strategies, companies must provide information to all parts of the organization about consumers so that it can deliver value to consumers better than competitors, the company must make a long-term commitment to retaining consumers through quality, service, and innovation.

Slater and Narver (1995), Ngo and O'Cass (2012) also examine the role of mediating market orientation and performance by exploring the capabilities of innovation and corporate marketing capabilities as corporate mechanization mediating between market orientation and firm performance. Enterprise capability theory is to combine resources and capabilities developed to respond to a dynamic business environment, so if the company's capabilities are complemented to improve superior company performance. Market orientation, strategy orientation in the Alobaidi and Kitapci (2019) studies work as essential factors in improving performance.

Market orientation, according to John.C Narver and Stanley F Slater (1990) and L. Y. M. Sin, A. C. B. Tse, O. H. M. Yau, R. P. M. Chow, and J. S. Y. Lee (2005), is part of an organizational culture that works effectively and efficiently in behaving to create superior value and the continued superior performance of business performance. Consumer orientation, according to S. F. Slater and J. C. Narver (1994), is how companies can understand target consumers as a way to create superior value for consumers. Market orientation illustrated from several facts Resource-Based View in various companies will become a superior market orientation. It will improve superior business performance because consumers' desires are fulfilled. The company can also manage capabilities and strategies to deal with competitors by building relationships with competitors and limiting the market environment of rival companies. With this condition, the company will run effectively and efficiently by combining market conditions (R. E. Morgan & Berthon, 2008).

Consumer orientation, according to Sørensen (2011), is an activity to collect, evaluate, and disseminate information about consumers. Consumer orientation is to detect general changes in market structure, consumer demand, industry preferences so that in detecting opportunities, there will be able to influence demand for products. While according to Brockman, Jones, and Becherer (2012), consumer orientation is an essential element for the success of small companies by creating superior value to customers so that they can meet and respond to customer needs and desires. Deshpande, Farley, and Webster Jr (1993) Deshpande et al. (1993) define consumer orientation as a set of beliefs that places the interests of customers to develop long-term profitable businesses by looking at consumer orientation as part of the corporate culture. Jaramillo and Grisaff (2009) define consumer orientation to offer products that fit the needs of consumers, provide the right products for consumers and help to meet customer satisfaction in the context of adaptive sales of products.

Meanwhile, Kohli and J. Jaworski (1990) explain the antecedent model and the consequences of market orientation. The role of senior manager policy, dynamics in cross-departmental company cooperation, and organizational systems as antecedents of market orientation are then followed by the roles of employee response, customer response, and company performance as a consequence of market orientation. A thriving market orientation, according to Kohli and J. Jaworski (1990), has 3 (three) main requirements, namely: (1) Customer focus, (2) Coordinated marketing, (3) Coordination across departments within the company.

In achieving performance, companies also need to improve internal capabilities. Developing competent capabilities for company performance, according to Singh (2009), is crucial, where market orientation and resources are one way to develop superior capabilities. Performance exploited and developed from potential new products or services to provide satisfaction and various needs potential consumers so that market orientation and capability can increase the company's business performance and improve the company's competitive advantage.

According to David J. Teece (2007), the ability of companies to be able to continue to scan, search, and explore the market requires the ability to investigate customers, industrial structure, technology, and new opportunities. So, it takes good sensing capabilities from the market and from consumers to increase awareness in changing events and trends, so companies must be active to always look for new information that is competitive for the company. Excellent sensing skills will increase the accuracy of effective decisions, and sensing capabilities will add to the company's ability to feel the identification of new knowledge. Capability, according to Day (1994) as a complex bond of expertise, collective learning, experience in organizational processes that guarantee superior activity and coordination.

Various other studies also define company performance as financial performance. Financial performance can be measured by profit, ROA, and ROI, while non-financial performance in the form of marketing is many networks owned by the company. Lin and Peng (2008) state that performance is the result of organizational, operational activities, including the achievement of corporate objectives, both internal and external achievements. Many companies are trying to adopt specific strategies in leading and achieving the goals set (Panigyrakis & Theodoridis, 2009). Zaman, Javaid, Arshad, and Bibi (2012) explain business performance more broadly, covering the concepts of both financial performance indicators and operational performance.

Furthermore, these indicators are such as checking the quality of products or services, market share, customer loyalty, and customer satisfaction that affect the overall performance of the company. The study developed by Zohdi, Shafeai, and Hashemi (2013) in measuring performance is, namely, market performance, customer performance, and financial performance. In customer performance, customer loyalty and satisfaction are emphasized. The focus on market performance is on the value of sales, sales growth, and stock returns in the market and financial performance measured by profit margins and focus on ROI.

1.2. Relationship of Market Orientation to Firm Capacity

Companies oriented to market demand and response need to develop an understanding of the strengths and weaknesses of competitors, through knowledge to develop and implement strategies to create better customer value and customer satisfaction. J. C Narver and S. F Slater (1990) explain that the main dimensions of market orientation are customer orientation and competitor orientation. There should be a combination with the third orientation to implement these two orientations better, namely coordination between functions within the company that will improve the company's endurance against competitors while increasing customer satisfaction.

Research conducted by Zhu and Nakata (2007) found the importance of companies to orient their customers. Customer orientation is said to be the company's strength in achieving performance. The customer orientation affects marketing performance, which in turn also affects financial performance. Kohli and J. Jaworski (1990) explain the antecedent model and the consequences of market orientation. The results of his research show the role of senior manager's policy, dynamics in cooperation across corporate departments, and organizational systems as antecedents of market orientation then followed by the role of employee response, customer response, and company performance as a consequence of market orientation. The successful market orientation itself, according to Kohli and J. Jaworski (1990), has 3 (three) main requirements, namely: (1) Customer focus, (2) Coordinated marketing, (3) Coordination across departments within the company.

From another perspective, companies are under enormous pressure and dealing with competitors because of the addition of the process of adaptation and speed, as a result of globalization, and innovation Companies need to increase awareness of the value of special knowledge contained in organizational processes and procedures in dealing with the pressures of globalization. Lee, Kim, and Kim (2012) state that the key to understanding the success and failure of knowledge management in organizations is the identification of "capabilities" or "resources" that enable companies to recognize, create, change, and distribute knowledge.

Market knowledge is gradually accumulated and develops market commitments. Market commitment increases with increasing market knowledge (Johanson & Vahline, 1977). Globalization trends have ushered in with the speed of development in various fields, including transportation, internet, and information technology, as well as economic and trade enhancements and exchanges between countries (T.-Y. Huang, Hu, & Chen, 2008). This result has led to significant changes in the industrial and business operational environment, including in some countries, the establishment of exchanges in services, goods, creativity, finance that began to develop in the business world without physical barriers (Koisova, Habanik, Virglerova, & Rozsa, 2017).

The study developed by Jayachandran, Hewett, and Kaufman (2004) measure the knowledge process of customers by using customer response capability. Capability in responding to customers in the organization is competence in satisfying customer needs through effectiveness and rapid response in achieving the company's continued success. Two dimensions used as a measure in the ability to respond to customers in the study are responding skills and speed in responding to customers. In this study, the empirical model developed in measuring the competence of market knowledge is the capability of responding to customers.

Other empirical evidence shows that efforts to integrate market orientation to build international marketing (Lengler, Sousa, & Marques, 2013). Besides, several studies have examined the influence of customer, and competitor orientation on export performance shows that customer orientation has a relationship with export sales, competitor orientation relates to corporate profits.

Based on the study of these studies, the following are hypotheses developed.
H1: Customer focus has a significant positive effect on firm capacity
H2: Competitor's focus has a significant positive effect on firm capacity
H3: cross-functional coordination has a significant positive effect on firm capacity

1.3. Influence of Firm capacity and Financial Performance

The company's capabilities and resources determine the success of a company's performance, according to Morgan N. A. Morgan (2011) Internal capabilities are closely related to dynamic capabilities, cross-functional coordination, architectural capabilities, and the specialization produced by companies. Marketing performance exists in the form of sales, customer satisfaction, customer retention, and market share served by the company. Lin and Peng (2008) mention that performance is the result of organizational, operational activities, including the achievement of corporate objectives, both internal and external achievements. Further, in that research, business performance is the achievement of organizational goals regarding sales growth, profits, and market share. Many companies are trying to adopt specific strategies in leading and achieving the goals set (Panigyrakis & Theodoridis, 2009). One effort to achieve company goals and process control is by measuring performance.

Meanwhile, D. J Teece, Pisano, and Shuen (1997) define capability as a company's ability to integrate, build, and reconfigure internal and external competencies to cope with rapid environmental changes. Dynamic capabilities reflect the ability of organizations to obtain new and innovative forms of competitive advantage. The term capability emphasizes the key role of strategic management in making appropriate adjustments, integrating and reconfiguring organizational skills, resources, and functional competencies both internally and externally to adapt to changes in the environment. The term dynamic refers to the capacity to renew competencies to achieve conformity with changing business environments.

Other researchers such as Chew, Yan, and Cheah (2008) describe capabilities and strategy as the company's primary key to achieving competitive advantage. Furthermore, the study also concluded that there was a positive relationship between capabilities and strategic superiority and the importance of company capability and strategy excellence as the main driving factors for achieving superior performance.

Other studies developed by Daugherty, Chen, Mattioda, and Grawe (2009) found the effectiveness of supplier relationships that have close integration within the company. The effectiveness of supplier relations has a positive relationship with information capabilities. They have a positive relationship with integration within the company, information capabilities have a positive relationship with logistics performance, and company integration has a positive relationship that is closely related to logistics performance.

T.-T. A. Huang, Chen, and Stewart (2010) describe three-dimensional concepts that can measure business performance. These three dimensions include business competition, manufacturing performance, and process efficiency. The dimensions of business competition include profitability, sales growth, total quality costs, and the company's ability to build new businesses. Manufacturing performance focuses on the average use of production machinery, production cycle time, operational costs, and customer satisfaction, both internal and external. Process efficiency is related to whether the company has carried out efficiency and effectiveness in the company's operational processes (T.-T. A. Huang et al., 2010).

Based on these studies, the following is a hypothesis developed.
H4: Firm capacity has a significant positive effect on financial performance.

Based on the review of previous studies, the following is a research model developed.

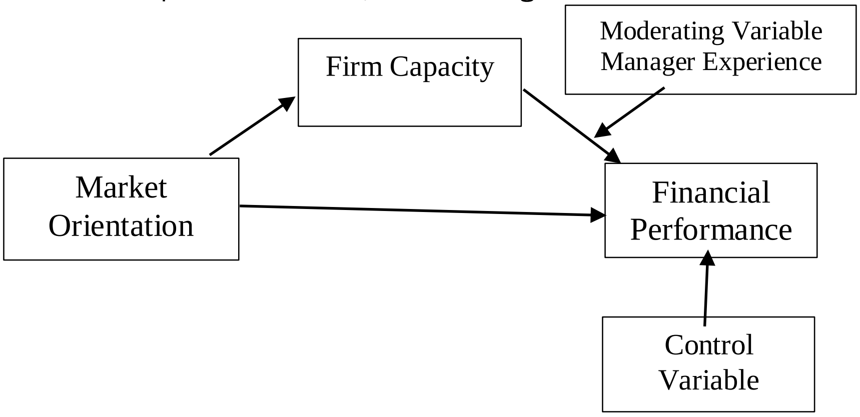

Figure 1. The Research Model

2. Methodology

This study used a quantitative research design. This study sought to examine the correlational relationships between exogenous and endogenous constructs. The quantitative design was to test the research hypothesis, whereas the sample in this study was the managerial level of BUMN companies in Indonesia. The companies sampled in this study included the service industry, trade, and retail, manufacturing, insurance, and banking.

Primary data used in the research were collected using a survey through a questionnaire conducted on respondents, namely the managerial level of SOEs in Indonesia. The number of respondents examined in this study were 287 respondents with a distribution of 59 online and 155 offline. The purposive sampling approach is used in sampling techniques.

2.1. Research Sample and Measurement

The researchers collected data using surveys at the managerial level of SOEs in Indonesia to examine the relationship of market orientation to firm capacity and financial performance in the scope of industries in SOEs in Indonesia. Then the researchers tested the instruments on each construct, market orientation, firm capacity, and financial performance and conducted a pilot test to examine the content analysis and reliability validity of 23 managers. Some questionnaires needed corrections by adopting the previous studies.

The researchers conducted a provide the literature review to identify validity and reliability testing of the instrument the four variables, such as customer focus, competitor focus, interfirm functional coordination, firm capacity, and financial performance and measured the construct with a five-point Likert scale (1 strongly disagree – 7 strongly agree).

Table 1. Characteristic of respondents

Characteristics of respondents	Frequency	Percentage
Gender	164	12.8
(1) Male	24	87.2
(2) Female		
Age		
(1) < 25	-	-
(2) 26 - 30	8	4.3
(3) 31 - 35	46	24.5
(4) 36 – 40	26	13.8
(5) 41 – 45	32	17
(6) > 45	76	40.4
Manager position	85	45.2
(1) Lower manager	58	30.9
(2) Middle manager	45	23.9
(3) Top		
Education Level		
(1) Junior high school	8	4.3
(2) Secondary	4	2.1
(3) Bachelor	70	37.2
(4) Master	97	51.6
(5) PhD	9	4.8
Manager experience		
(1) 1 – 10 year	39	20.7
(2) 11 – 20 year	86	45.7
(3) 21 – 30 year	63	33.5
(4) more than 30 year	-	-
Total	188	100%

Table 2. Characteristic Business

Characteristics of business	Frequency	Percentage
Scale operational		
(1) Small business	10	5.3
(2) Medium business	52	27.7
(3) Manufacture scale	126	67
Business scope		
(1) Service product	132	70.2
(2) Fast-moving consumer product	7	3.7
(3) Industrial product		
(4) Durable product	11	5.9
(5) Other	-	-
	38	20.2
Market condition		
(1) Perfect condition	71	37.8
(2) Monopolistic competition	49	26.1
(3) Oligopoly	-	
(4) Complete monopoly	68	36.2
Business positioning		
(1) Market leader	114	60.6
(2) Market challenger	13	6.9
(3) Market follower	39	20.7
(4) Market nicher	22	11.7
Total	188	100%

The total number of samples used in this study was 188 respondents (n = 188) using a purposive sampling approach with the consideration of managers' experience in managing the company. Nonresponse testing means to see the characteristics of different respondents with consideration of the scope of business consisting of 1) service products, 2) fast-moving consumer products, 3) industrial products, 4) Durable products, 5) and other types.

2.2. Validity and Reliability Measurement

The results of testing the validity and reliability of the instrument applied SPSS by looking at the value of loading factors on the rotated compenone matrix of each instrument. The validity test results show that the value of each instrument has a value of lodaning factor> 0.6 so that it can be concluded statistically valid. While the reliability test results show the value in Table 1 below.

Figure 1.
Testing of Validity and Reliability of Exogenous Constructs

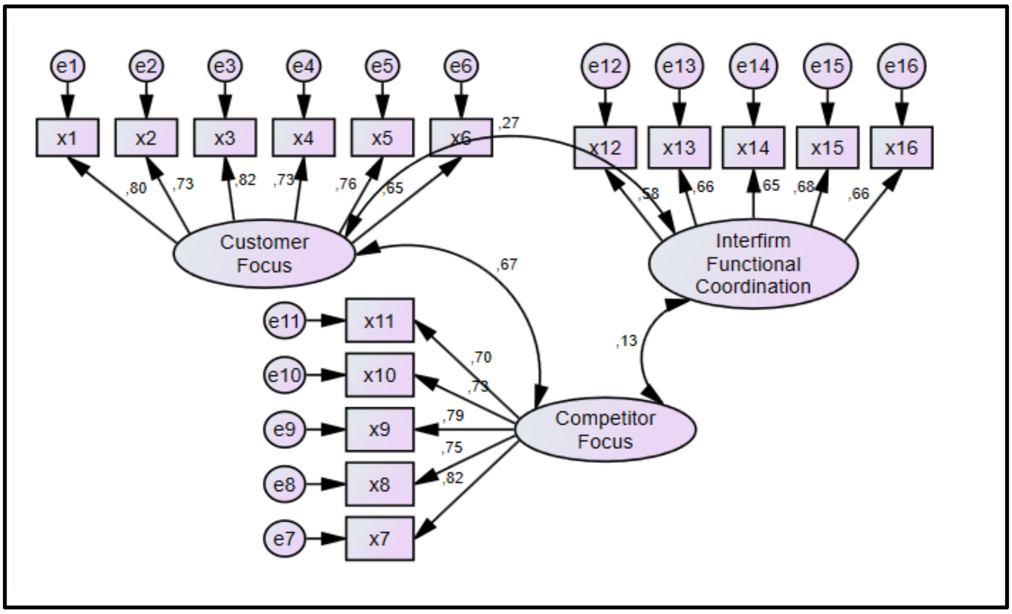

Figure 2.
Testing of Endogenous Validity and Reliability

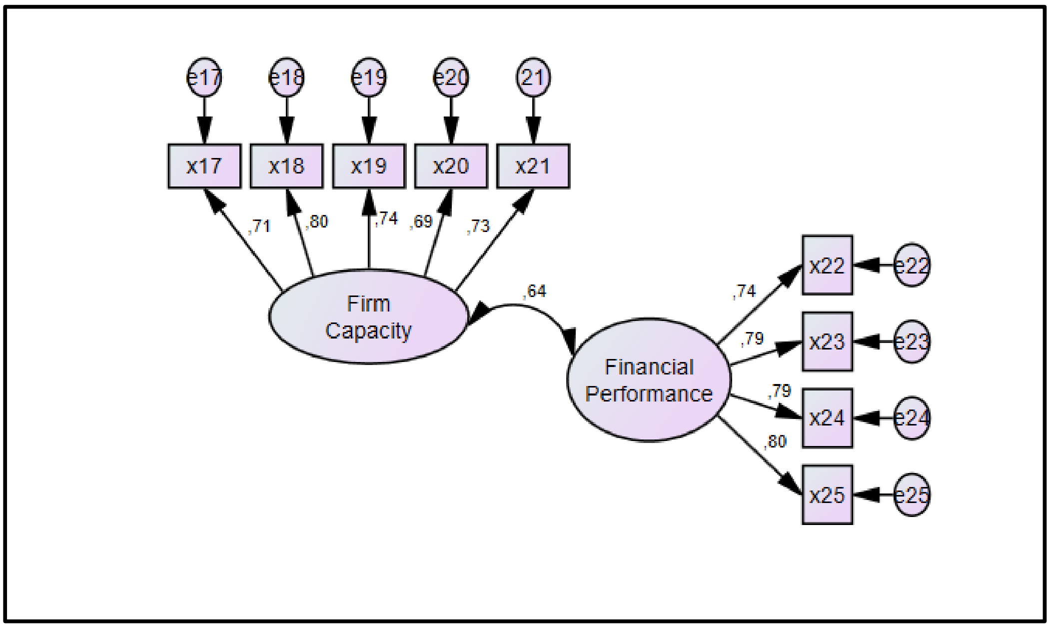

Table 3. Scale item for measures

Construct	Items	Standardized factor loading	CR	AVE	DV
Customer focus	X1	0.797			
	X2	0.734			
	X3	0.817	0.953	0.571	0.755
	X4	0.727			
	X5	0.761			
	X6	0.654			
Competitor Focus	X7	0.816			
	X8	0.746			
	X9	0.784	0.870	0.569	0.754
	X10	0.733			
	X11	0.700			
	X12	0.581			
Interfirm functional coordination	X13	0.656	0.883	0.607	0.779
	X14	0.651			
	X15	0.683			
	X16	0.662			
	X17	0.709			
Firm Capacity	X18	0.797			
	X19	0.745	0.906	0.576	0.759
	X20	0.686			
	X21	0.730			
	X22	0.741			
Financial Performance	X23	0.785	0.875	0.526	0.749
	X24	0.790			
	X25	0.802			
(Note : VE = Variance Extracted; CR = Construct Reliability; DV = Discriminant Validity)					

3. Result of the Study

This study seeks to test the research hypothesis with the help of the analysis program Structural Equation Modeling (SEM) AMOS software program 21. The results of studies using Structural Equation Modeling (SEM) in this study are in Figure 2. Then in Table 4 explains the results of testing the assumptions of the requirements in developing the Structural Equation Modeling (SEM) equation model. The results of the full model test show good results shown in the criteria for the goodness of fit. In testing, the structure of the model is to describe the models of research causality with a tiered relationship. The test results show several other criteria of goodness of fit that have not been met, such as Chi-Square at 398,594. A probability value of 0,000. Although these two assumptions have not yet been fully fulfilled, they lie in other assumptions. The results of different assumptions found a TLI value of 0.946, GFI value of 0.863, AGFI value of 0.835, and RMSEA value of 0.044, indicating these values were following the specified cut-off. This result demonstrates that the research model is accepted and meets the specified criteria (standards).

Further testing is by looking at the average value, standard deviation, and correlation of matrices between the constructs of customer focus, competitor focus, interfirm functional coordination, firm capacity, and financial performance is in Table 2. Hypothesis testing in this study is through statistical testing with the path approach analysis in testing the regression mediation regression and control manager experience variables, explained in Tables 2 - 3. The results of testing the hypotheses 1 through Hypothesis 4 are as follows.

Figure 3. Testing of Research Hypothesis

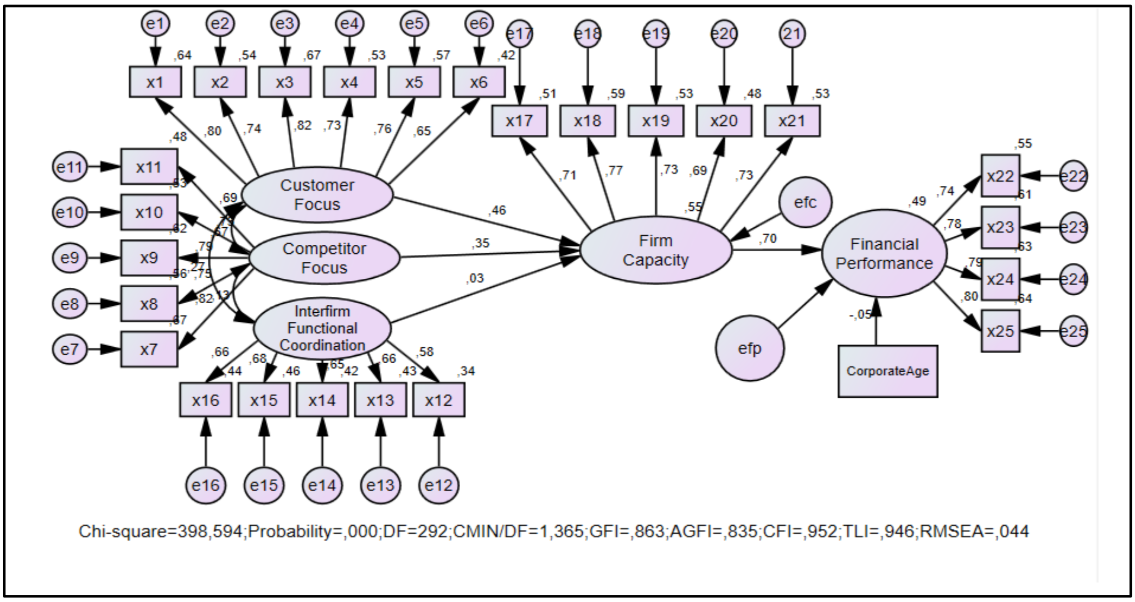

Table 4. Descriptive Statistic and Matrix Correlation

	Correlations 1	2	3	4	5
Financial Performance	1.000				
Customer Focus	,593**	1.000			
Competitor Focus	,559**	,603**	1.000		
Interfirm Functional Coordination	,193**	,228**	,106	1.000	
Firm Capacity	,557**	,570**	,533**	,145*	1.000

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Correlation test results between the customer focus construct and financial performance showed a significant correlation (0.593 **). The relationship between the constructs of competitor orientation and financial performance showed a less strong correlation (0.559 **), while the relationship between functional construct coordination and financial performance shows a strong correlation (0.193 **). The relationship between firm capacity construct, and financial performance shows a strong correlation (0.557 **).

Hypothesis testing results in Table 1 are the value of standardized path coefficients effect of market orientation with three dimensions, namely customer focus, competitor focus, and interfirm functional coordination on firm capacity and financial performance. Based on the results of these tests can be explained in the following Table, which forms four research hypotheses. The four hypotheses built in the study are the influence of customer focus, competitor focus, and inter-functional coordination on firm capacity and financial performance.

Table 5. Testing Results of Mediating Regression for Market Orientation, Firm Capacity on Financial performance and Experience Control Manager Variables

Hypothesis		Standardized path coefficients	**t value**	**Prob.**	**Result**
H1	Customer focus → firm capacity	0.367	4.419	0.000	Significant
H2	Competitor focus → firm capacity	0.034	0.363	0.716	Not Significant
H3	Interfirm fuctional coordination → firm capacity	0.339	3.589	0.000	Significant
H4	Firm capacity → Financial performance	0.752	7.262	0.000	Significant
Moderating	Firm capacity *Manager experience → financial performance	0.139	1.912	0.057	Significant
Control Variable	Corporate Age → Financial performance	-0.017	-0.813	0.416	Not Significant

Notes: * p , 0.10, ** p , 0.05 and *** p , 0.01; the standardized coefficients are reported with the t-values in parentheses

After testing using Structural Equation Modeling using the AMOS 21 program, which is in the table above, the results of the study describe the testing of each hypothesis 1 through hypothesis 4. The researchers found Hypothesis 1 testing the relationship of customer focus on firm capacity accepted (β = 0.367 p <0.05). Hypothesis testing results 2 the relationship of competitors' focus on firm capacity is rejected (β = 0.034 p> 0.05). Hypothesis testing results 3 interform functional coordination relationships in firm capacity is accepted (β = 0.339 p <0.05). Hypothesis testing results 4 firm capacity relationship on financial performance is accepted (β = 0.752 p <0.05).

Control Variable

Company age as a control variable shows the results of a negative effect on financial performance. The results of structural equation testing indicate that there is an insignificant effect between age firm on financial performance (β = -0.017 p> 0.05).

Moderating Variable

The experience of managers strengthens the relationship between a company's ability to financial performance. Moderating variable test results indicate that there is a significant moderating effect between firm capacity on financial performance with managers moderating the effect of experience (β = 0.139 p> 0.057).

4. Discussion and Conclusion

The study results prove the critical mediating role of firm capacity in improving financial performance empirically. Besides, the results of this study attempt to answer the research objectives, namely, to contribute to the influence of customer focus, competitor focus, cross-functional coordination on firm capacity, and financial performance empirically. This study also examines the critical role of firm age control variables in improving financial performance. This research also contributes to the body of knowledge related to the essential testing of market orientation on performance as previous studies conducted by previous researchers, which still provide contradictory results. The first, second, and third hypothesis testing in this study found that customer focus, competitor focus, and cross-functional coordination had a significant effect on firm capacity. The results of this study are in line with research conducted by (J. C Narver & S. F Slater, 1990). The results of other studies also found that market orientation, strategy orientation in the study of Alobaidi and Kitapci (2019) also supported the results of this study, which explained the essential factors of market orientation in improving performance. The study of Brockman et al. (2012) also found a crucial element of the company in creating superior value to customers so that they were able to meet and respond to customer needs and desires to be a necessary factor in achieving the ability of the company.

The results of this study also support previous research conducted by (Nitsenko et al., 2019). It is necessary for the company's ability to raise awareness of the value of special knowledge, contained in organizational processes and procedures in dealing with the pressures of globalization. Lee et al. (2012) also describe the identification of "capabilities" or "resources" that enable companies to recognize, create, change, and distribute knowledge. The results of other studies that support this research are the need for market orientation to build international marketing (Lengler et al., 2013).

Other findings in this study are in line with the study of N. A. Morgan (2011). It found that company capability and resources are essential factors managed by the company in achieving performance. Lin and Peng (2008), in their study, are also in line with the results of this study. It explains that performance is the result of the organization's operational activities, including the achievement of corporate objectives, both internal and external achievements. Many companies are trying to adopt specific strategies in leading and achieving the goals set (Panigyrakis & Theodoridis, 2009). Chew et al. (2008) also have similar results. They found capabilities and strategies as the primary key for companies in achieving competitive advantage.

5. Limitation

This study provides an essential contribution in testing the mediating role of firm capacity in the relationship of market orientation to financial performance, providing practical and theoretical consequences. Practically, the results of this study offer consequences to business managers in both the scope of manufacturing and services to build a close relationship with their customers continuously maximally. The results of this study recommend that the company's capacity is directly able to improve financial performance. The results of this study also suggest that business capabilities need to focus on business companies in improving performance in the form of creating superior service for customers, creating services that are fast in responding to customer desires, and adapting to customer demand. Besides, the researchers recommend the need for companies to continuously respond to customers, make clear financial targets, and build creative internal strategies.

This study provides relevant recommendations for future research, including the need to develop a more comprehensive empirical research model on the characteristics of a broader industry in the same scope, for example, the trade sector, the retail sector, and the hotel sector. Recommendations related to the sample of this study should be more selective in choosing respondents, given the characteristics of the heterogeneous respondents to allow a biased response.

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