

Contribution of Organizational Learning and Market Orientation on Business Unit Performance Mediated by Job Satisfaction at Dairy Cattle Milk Cooperatives in East Java, Indonesia

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Abstract: Dairy cattle milk cooperatives in East Java has been threatened to be failure in achieving the target of Milk Self-Capacity By 2020. The reason of this failure threat is low productivity among dairy cattle milk entrepreneurs. Productivity is closely related with performance of dairy cattle milk business units, but this performance is affected by factors such as organizational learning, market orientation and job satisfaction. The objective of this research is to understand the contribution of organizational learning and market orientation on business unit performance through mediation of job satisfaction. This research is designed to use quantitative approach. The causal relationship across research variables is examined with *Structural Equation Modeling-Partial Least Squares* (SEM-PLS). Research population is 52 dairy cattle milk cooperatives in East Java. Sampling method is simple random sampling, and after using this sampling to populaton, it results in a sample of 46 cooperatives. Data are collected through questionnaire. Questions on questionnaire are made and processed with Software SmartPLS Version 3.27. Research has given some results: (1) Organizational Learning and Market Orientation have a positive contribution to the increase of Job Satisfaction; (2) Organizational Learning and Market Orientation do not have a positive contribution to the increase of Business Unit Performance; and (3) Job Satisfaction has a positive contribution to the increase of Business Unit Performance at dairy cattle milk cooperatives in East Java.

Keywords: Organizational Learning, Market Orientation, Job Satisfaction, Business Unit Performance.

INTRODUCTION

East Java is one of Indonesian provinces known as the biggest producer of dairy cattle milk that dominates national milk storage (IFC, 2011). Based on its Total Plate Count (TPC), the quality of milk produced by dairy cattle milk cooperatives in East Java is the best in Indonesia (Aminudin, 2017). However, these cooperatives have been suffered from trouble and threatened to fail from achieving the target of Milk Self-Capacity By 2020 (Deny, 2016; Jaramaya, 2016). This threat of failure is caused by low dairy cattle milk production delivered by dairy cattle milk entrepreneurs (Jaenudin, Amin, Setiadi, Sumarno, & Rahayu, 2017), and it unsettles national milk stock (Nugroho, 2012; Sutarno & Setyawan, 2015).

The standing of dairy cattle milk cooperatives as Small-Middle Enterprises is so far still weak in recent days. In general, these cooperatives are still poorly administered, and overburdened with internal issues, such as limited capitalization (Wangmo, 2015), less competitive management (Siriwan, Ramabut, Thitikalaya, & Pongwirithon, 2013), unsupportive

organizational culture (Fernández & Camacho, 2016), and being difficult to have an access to market, information technology, and institutional support (Sinaga, 2013). External issue is mostly coming from strategic factors, such as the market share that remains untouchable, and the yet unexploited sources of economic activities (Prawirokusumo, 2001). In such condition, it is very difficult for the cooperatives to attain desired growth and development, and it is also hard for them to achieve their expected roles and functions. The fact shows that the productivity of dairy cattle milk cooperatives in East Java is relatively stagnant in domestic market (Guntoro, Widyobroto, Umami, Nurtini, & Pertiwiningrum, 2016). If recent condition of Indonesian economic is taken into account, it has been set toward market mechanism and free competition, as proved by the enactment of ASEAN Economic Community (AEC) since 2015 (BBC, 2014) and the setting of Asian Pasific Economic Cooperation (APEC) goals for 2020 (Direktorat Neraca Pembayaran dan Kerjasama Ekonomi Internasional, 2014). All of them are the consequence of economic development in globalization era (Samimi & Jenatabadi, 2014). Dairy cattle milk products from East Java may find difficulty to compete over imported products. Stricter business competition has led to greater number of transactions. Both smooth financial flow and economic growth would increase the pace of business competition (Noman,

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Gee, & Isa, 2017)). As a result, the number of employees is increasing, and the production issues are becoming significant. Therefore, the cooperatives must manage business more professionally to maximize business unit performance.

Business unit performance is about how successful is certain business unit to achieve market performance through using sustainable competitive advantages (Aaker, 1989). Business unit must behave aggressively in responding customer necessities (Longin, 2016). Business unit performance can also be measured from the capacity to deliver excellent products and services to customers, and it is a vital measure because product is one indicator for customer satisfaction (Lin *et al.*, 2017). Excellent value can be given to customers through delivering products and services in excellent quality on the demand and interest of customers (Johnson, Bardhi, & Dunn, 2008; Menon, Jaworski, & Kohli, 1997). Customer satisfaction is reflected from the ability of business unit in translating customer demand (Álvarez, López, & Perry, 2014). The expectation to give excellent value to customers can be met through creating and maintaining culture that produces behavior needed to fulfill this expectation (Narver & Slater, 1990). Market orientation and organizational learning are organizational culture elements that are the most effective and the most efficient in creating behavior needed to deliver in sustainable way excellent value for the buyers and also excellent performance for the business (Kohli & Jaworski, 1990; Wilson, Perepelkin, Zhang, & Vachon, 2014). Therefore, it can be said that business unit performance is affected by market orientation and organizational learning because the culture of market orientation and organizational learning is a truly important attribute to survive within intensive competition (Kalmuk & Acar, 2015).

Market orientation is a very important attribute because it impels organization to collect in sustainable way information about customer interest and competitor capability. Other reason is that market is an integration of many organizations that administer financial flow, social structure, environment, and economic necessity (Glavas & Mish, 2015). The collected information can be used as the guide of value creation for customers (Slater & Narver, 1995). Moreover, market orientation also influences the development of firm environment and firm's environmental orientation (Segarra-Oña, Peiró-Signes, & Cervelló-Royo, 2015).

Market-oriented firm would be responsive and be able to anticipate what customers need and want on

recent and future days (Chen, Tang, Jin, Li, & Paillé, 2015; Kiessling, Isaksson, & Yasar, 2016). Market orientation is an extensive concept covering not only customer orientation but also orientation toward competitors, and involving coordination activity across functions (Narver & Slater, 1990; Voss & Voss, 2000). Firm with market orientation would not only conduct formal activities to produce market intelligence and disseminate this intelligence to all departments, but also be responsive to what consumers need and want (Baker & Sinkula, 1999; Kiessling *et al.*, 2016; Kohli & Jaworski, 1990). So far, it can be said that market orientation may affect the increase of business unit performance, and this position is consistent with (Guleş, Zerenler, Çağlıyan, Şener, & Karaboğa, 2015) and (Kharabsheh, Ensour, & Bogolybov, 2017).

Other aspect affecting the increase of business unit performance is job satisfaction. Employees' job satisfaction has been reviewed by (Luthans, 2011) who deduces that job satisfaction is related with an attitude expressed by employees to certain job. Job satisfaction is determined from how satisfied is employee with the job (Waqas *et al.*, 2014). Role of employees at the job is influenced by various factors (Raziq & Maulabakhsh, 2015). According to Schwab & Cummings (1970), main factors perceived as potential sources triggering job satisfaction or job dissatisfaction are supervision, job condition, firm policy, and perceived benefit. It is consistent with Neog & Barua (2014) who mentioned that job satisfaction is influenced by supervision support, salary, and balance between job and family.

Schwab & Cummings (1970) have reviewed several studies about relationship between job satisfaction and performance, and it is declared that job satisfaction is not only influencing performance but also is influenced by performance. In addition, Schwab & Cummings (1970) asserted that performance may influence job satisfaction when performance allows employees to receive intrinsic reward (promotion) or extrinsic reward (salary and bonus). In general, more satisfied employees tend to have more effective performance than dissatisfied employees (Awaludin, Ode, Adam, & Mahrani, 2016). Productivity of more satisfied employees is always higher (Singh & Jain, 2013). Schermerhorn, Hunt, & Osborn (1998) found that job satisfaction influences performance. It is said that performance can be increased by attending employees' entitled rights and also by keeping them to feel happy (or enjoyed) with the job because such feeling motivates them to develop job professionalism. Organization shall also develop strategies to reinforce

job environment, and also to increase job enthusiasm and job satisfaction of employees if performance and productivity of employees must be improved (Singh & Jain, 2013). Furthermore, Churchill, Ford, Hartley, & Walker (1985) argued that job satisfaction has a relation with employees performance in term of sale. This relationship manifests within interaction between employees and customers. More satisfied employees often show a behavior of helping customers (Locke & Latham, 1990). Schneider (1990) declared that employees who experience role conflict often have poor job satisfaction and low performance. Pursuant to the outlines above, it is said that job satisfaction affects business unit performance.

Given with all explanations stated in previous paragraphs, it can be deduced that some factors are affecting business unit performance at dairy cattle milk cooperatives in East Java. Among these factors, three are examined in this research, namely organizational learning, market orientation and job satisfaction. There is not yet a research attempting to reveal the contribution of organizational learning and market orientation on business unit performance with the mediation of job satisfaction at dairy cattle milk cooperatives. Thus, this research is aimed to uncover the contribution of organizational learning and market orientation on business unit performance through job satisfaction as mediation variable.

Hypothesis

Some hypotheses are formulated after reviewing the outline on introduction section:

- H_{a1}: There is a positive and significant contribution of organizational learning on job satisfaction of dairy cattle milk entrepreneurs in East Java.
- H_{a2}: There is a positive and significant contribution of market orientation on job satisfaction of dairy cattle milk entrepreneurs in East Java.
- H_{a3}: There is a positive and significant contribution of organizational learning on business unit performance of dairy cattle milk entrepreneurs in East Java.
- H_{a4}: There is a positive and significant contribution of market orientation on business unit performance of dairy cattle milk entrepreneurs in East Java.
- H_{a5}: There is a positive and significant contribution of job satisfaction on business unit performance of dairy cattle milk entrepreneurs in East Java.

METHOD

Research design is using quantitative approach. The causal relationship across research variables is examined with *Structural Equation Modelling-Partial Least Squares* (SEM-PLS). Two kinds of variable are considered, respectively latent (construct) variable as *unobserved variable* and indicator variable as *observed variable* of each latent variable. Latent variable consists of exogenous latent variables and endogenous latent variables. Exogenous latent variables include: *Organizational Learning* (OL) and *Market Orientation* (MO), whereas endogenous latent variable involves: *Job Satisfaction* (JS) and *Business Unit Performance* (BUP). The model of hypotheses of relationship across variables is described in Figure 1.

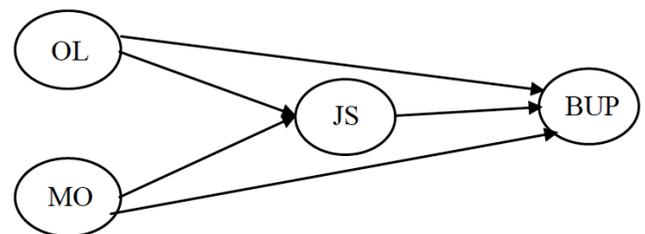


Figure 1: Model of Hypotheses.

Research is conducted at dairy cattle milk cooperatives in East Java. Sampling method that using this research is simple random sampling. This method is used on research population comprising of 52 dairy cattle milk cooperatives in East Java, which resulting in a sample of 46 cooperatives. To obtain the size of sample from research population, then Taro Yamane’s Equation is used (Riduwan, 2007):

$$n = \frac{N}{Nd^2 + 1} = \frac{52}{52 \times 0.05^2 + 1} = 46.017 \approx 46$$

Data are collected with questionnaire. Questions on questionnaire are made and processed using Software SmartPLS Version 3.27. Data analysis and hypothesis testing are conducted with the support of SEM-PLS. This analysis tool is also useful in examining the relationship between exogenous latent variable and endogenous latent variable. Research model is made of four latent variables, which each of them is the indicator of each latent variable. The model of research is then illustrated in Figure 2.

RESULT

Goodness-of-fit test on research model must be carried out first before proceeding to hypothesis test.

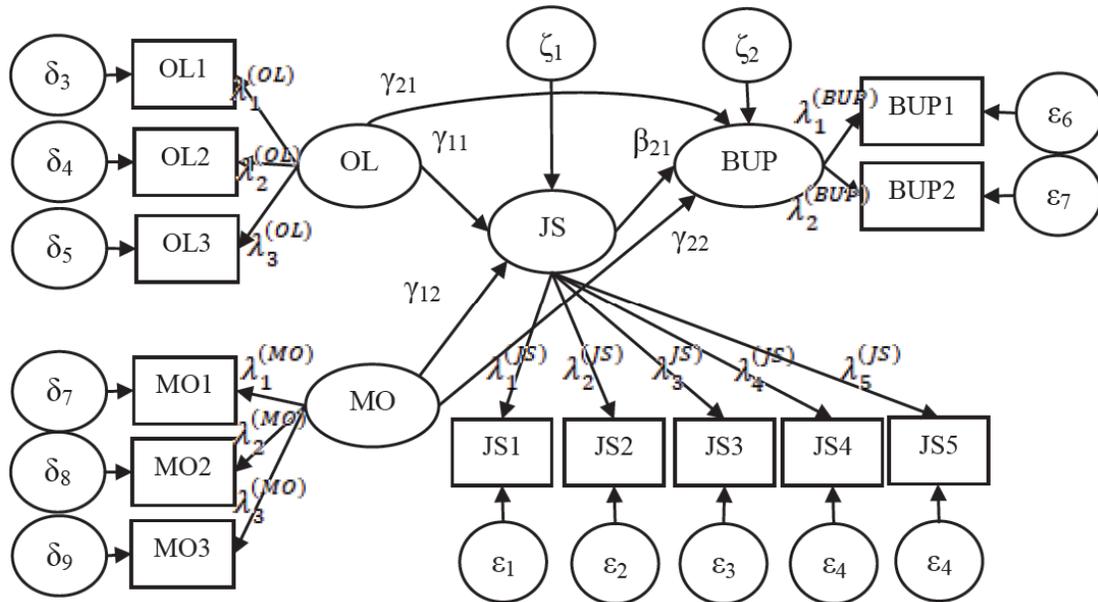


Figure 2: Model of Research.

Table 1: Summary of Results of Goodness-of-Fit Testing

Goodness-of-Fit		Parameter	Rule of Thumbs	Decision
Outer Model	Convergent Validity	Factor Loading	Factor loading of all indicators must be > 0.7	Meeting Convergent Validity
		AVE	AVE of all indicators must be > 0.5	
	Discriminant Validity	Cross loading	Factor loading of all indicators in one latent variable are greater than those in other latent variable.	Meeting Discriminant Validity
	Reliability	Composite Reliability	Composite Reliability must be > 0.7	Reliable
Inner Model	R ² Evaluation	R ² Value	R ² > 0.25	Model is considered as fit

This goodness-of-fit test involves testing the criteria of goodness-of-fit for outer model and inner model. Goodness-of-fit criteria for outer model are tested through parameters: (1) *convergent validity*, which is tested by analyzing *Factor Loading Rate* and *AVE* (Average Variance Extracted) *Rate*; (2) *discriminant validity*, which is tested by analyzing *Cross Loading Rate*; and (3) *reliability*, which is measured by analyzing *Composite Reliability*. In the other hand, goodness-of-fit for inner model is estimated by taking an evaluation on R² value. If all *rule of thumbs* of each parameter are fulfilled, then model can be considered as fit and eligible for hypothesis testing. The procedure of goodness-of-fit test is run using SmartPLS 3.2.7 and the result is displayed on Table 1.

As shown in Table 1, all criteria of goodness-of-fit have been met, and it prevails either to goodness-of-fit for outer model and goodness-of-fit for inner model

(Hair, Hult, Ringle, & Sarstedt, 2017; Hartono, 2011; Wiyono, 2011). Based on this result, research model is considered as fit and thus, can be used for hypothesis testing.

Hypothesis testing is done by processing the values obtained from bootstrapping formulation using SmartPLS 3.2.7. Alternative hypothesis (H_a) is accepted if t_{count} ≥ 1,96 (Hair et al., 2017; Hartono, 2011). The summary of t-statistic (t_{count}) values from direct effect test is indicated in Table 2.

Hypothesis testing with direct effect test in Table 2 above indicates several results: (1) MO has direct and significant contribution on BUP; and (2) OL does not have direct and significant contribution on BUP. As previously said by Baron & Kenny in cite (Hair et al., 2017; Hartono, 2011), testing the indirect effect is only implementable if the direct effect is significant.

Table 2: Summary of t_{count} Values from Direct Effect Test

No	Direct Effect	Hypothesis		Path Coefficient	t_{count}	Decision	Remark
		H_0	H_a				
1.	OL on JS	$H_{0(1)}: \gamma_{11} = 0$	$H_{a(1)}: \gamma_{11} \neq 0$	0.583	3.755	H_0 is rejected; H_a is accepted.	Has a positive and significant effect
2.	MO on JS	$H_{0(2)}: \gamma_{12} = 0$	$H_{a(2)}: \gamma_{12} \neq 0$	0.411	2.631	H_0 is rejected; H_a is accepted.	Has a positive and significant effect
3.	OL on BUP	$H_{0(3)}: \gamma_{21} = 0$	$H_{a(3)}: \gamma_{21} \neq 0$	-0.327	0.615	H_0 is accepted; H_a is rejected.	Has a negative and not significant effect
4.	MO on BUP	$H_{0(4)}: \gamma_{22} = 0$	$H_{a(4)}: \gamma_{22} \neq 0$	-0.975	2.180	H_0 is rejected; H_a is accepted.	Has negative but significant effect
5.	JS on BUP	$H_{0(5)}: \beta_{21} = 0$	$H_{a(5)}: \beta_{21} \neq 0$	2.093	3.660	H_0 is rejected; H_a is accepted.	Has a positive and significant effect

Therefore, it can be said that: (1) hypothesis testing with mediation effect, or the indirect effect (mediation) test, between MO exogenous variable and BUP endogenous variable through JS, is implementable; and (2) indirect effect test between OL exogenous variable and BUP endogenous variable is not implementable. Hypothesis testing is done in similar way to the previous, which involves processing the values derived from bootstrapping formulation using SmartPLS 3.2.7., but the difference is only that the operation is done on *indirect effect* menu. The summary of t-statistic (t_{count}) values from indirect effect test is shown in Table 3.

The summary of factor loading, path coefficient, and t-statistic (t_{count}) of the hypothesis model is presented in Figure 3.

DISCUSSION

Contribution of Organizational Learning on Job Satisfaction

Organizational learning done by dairy cattle milk entrepreneurs in East Java has significantly increased job satisfaction. Good organizational culture has impacted favorably on employees performance because employees feel satisfy with organization and

Table 3: Summary of t_{count} Values from Indirect Effect Test

No	Indirect Effect	Hypothesis		Path Coeff.	t_{count}	Decision	Remark
		H_0	H_a				
1.	MO on BUP through JS	$H_{0(5)}: \gamma_{12} + \beta_{21} = 0$	$H_{a(5)}: \gamma_{12} + \beta_{21} \neq 0$	0.435	1.978	H_0 is rejected; H_a is accepted	Has a positive and significant effect

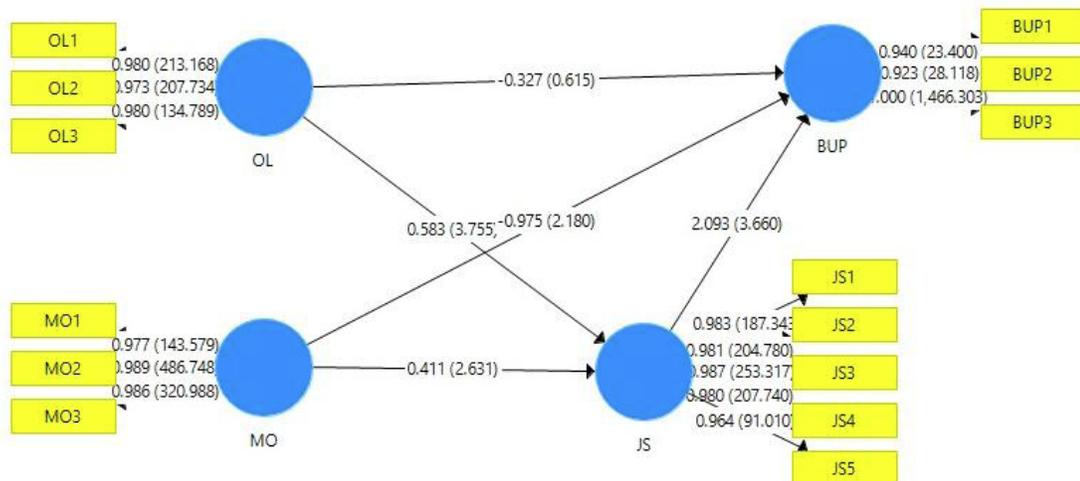


Figure 3: Summary of Calculation of Hypothesis Model.

are willing to increase their productivity (Habib, Aslam, Hussain, Yasmeen, & Ibrahim, 2014). If organizational culture is becoming positive through organizational learning, then it successfully increases job satisfaction of employees. If employees feel that they are supported by organization, they may initiate the creation of learning culture by sharing knowledge and idea with other employees (through organizational learning). So far, it can be said that organizational learning is significantly influencing job satisfaction of employees (Islam, Khan, Ahmad, & Ahmed, 2014).

Contribution of Market Orientation on Job Satisfaction

Market orientation applied by dairy cattle milk entrepreneurs in East Java can increase job satisfaction significantly. It aligns with the finding of Jyoti & Sharma (2012) showing that market orientation has a positive effect on employees performance. Market orientation has a significant effect on employees job satisfaction (Sulaiman, Rahim Othman, Perumal, & Azmi Hashim, 2014). Market orientation that entails some attributes such as orientation on consumer, orientation on competitor, and being attentive to information, are influencing performance improvement and also job satisfaction (Taleghani, Gilaninia, & Mousavian, 2011).

Contribution of Market Orientation on Business Unit Performance

Organizational learning conducted by dairy cattle milk entrepreneurs in East Java may decrease job satisfaction but it is not significant statistically. In other words, organizational learning does not have positive effect on business unit performance at dairy cattle milk cooperatives in East Java. Factors that determine relationship between dairy cattle milk cooperatives and Association of Indonesia Milk Cooperatives (GKSI), such as cohesiveness, synergy, and more intensive communication, are not optimally considered in determining milk-related policies and trading rules of fresh milk (Suwasono, 2006).

Ideally, organizational learning shall improve business unit performance. As previously declared by Ambula, Awino, & K'Obonyo (2013), organizational learning, through understanding about consumer perspective and internal business process, would increase business unit performance, especially in non-financial context. Organizational learning indeed improves business unit performance because there is a synergy between organizational learning and attention

to market. This synergy helps organization to satisfy market demand which then has good impact on improving business unit performance (Lee & Lee, 2015).

However, result of test on this hypothesis is challenged by some studies. Schein (2010) found that organization with organizational learning would experience a sustainable process to develop good capacity and performance for the better future. Therin (2003) said that organizational learning has a positive relationship with financial performance. Also declared by Suwasono (2006), members of milk cooperatives in East Java shall be cohesive in creating synergy and producing intensive communication, mainly with the prime of milk cooperatives in East Java, respectively GKSI.

Contribution of Market Orientation on Business Unit Performance

Market orientation used by dairy cattle milk entrepreneurs in East Java can significantly decrease business unit performance. It supports the position of Guleş, Zerenler, Çağlıyan, Şener, & Karaboğa (2015) stating that there is no positive and significant effect from market orientation on business unit performance. It happens due to several causes such as: less supportive managerial factor; improper behavior from cooperative board; lack of attention from government to the policies concerning with distribution, marketing and community consumption level of dairy cattle in East Java; and incapacity of milk business to cover world market (Mubardjo, 2006). Business units must focus their business on the demand of market representing their share to improve their performance (Kharabsheh *et al.*, 2017).

The result of testing on this market orientation hypothesis is not consistent with previous studies. Narver & Slater (1990) asserted that market orientation is a business philosophy considered as effective and efficient tool to produce behavior needed to create superior value for buyers, which in turn gives good effect on business unit performance in sustainable way. Deshpandé, Farley, & Webster (1993) and Jaworski & Kohli (1993) have same position in this case because their research shows that market orientation can improve business unit performance. Slater & Narver (1995) indicated that market orientation may influence return-on-assets, sale and new product success.

Mubardjo (2006) declared that constraints on the marketing of dairy cattle milk in East Java include less

supportive managerial factor and lack of attention from government to the development of cooperative, especially dairy cattle milk cooperatives in East Java.

Contribution of Job Satisfaction on Business Unit Performance

Job satisfaction of dairy cattle milk entrepreneurs in East Java can significantly increase business unit performance. It is closely related with the harmonization of various roles played in cooperative organization (especially between managing board and manager). These different roles can be organized into maximum through the clarity of position, discretion and responsibility (between managing board and manager). By this condition, it is expected that job convenience and job satisfaction would impact on business unit performance at dairy cattle milk cooperatives in East Java (Nirbito, 2003).

Employees job satisfaction may increase business unit performance. It supports the finding of Bakotić (2016) and Fadlallah (2015). Employees usually cannot concretely measure or describe the success of enterprise (Bakotić, 2016). Enterprise that is successful in maintaining convenient job relationship and in giving salary or remuneration periodically is one that can improve employees job satisfaction, which then helps increasing business unit performance (Fadlallah, 2015).

Result of testing on this job satisfaction hypothesis is consistent with (Churchill *et al.*, 1985) who said that job satisfaction has close relationship with performance of managers/employees, and their performance is connected with sale. As reported by (Suwasono, 2006), job satisfaction is also influenced by the harmonization of roles played by the managing board and the manager of dairy cattle milk cooperatives in GKSI of East Java, and thus, this harmonization shall be optimized.

Contribution of Market Orientation on Business Unit Performance Mediated by Job Satisfaction

Market orientation expressed by dairy cattle milk entrepreneurs in East Java would improve business unit performance significantly through the increase of job satisfaction. As previously explained, market orientation can reduce business unit performance, but if market orientation is used through job satisfaction, then business unit performance is improving. In other words, to improve their market orientation and business unit performance, then the cooperatives must realize

how important is to increase employees job satisfaction.

The cooperatives shall have strong awareness when they decide to implement market orientation in meeting customer demand and also in dealing with competitor or other business unit. At the end, it is done to improve performance of cooperatives' own business unit (Hussain, Rahman, & Ali Shah, 2016). If business unit attends information acquired from market about market demand, then it can improve its performance (Jangl, 2015). But a thing that must be noted is to increase employees job satisfaction either through incentive or non-incentive (Agyare, Yuhui, Mensah, Aidoo, & Opoku Ansah, 2016; Ambula *et al.*, 2013; Nur Agustiningsih, Thoyib, H., & Noermijati, 2016) because job satisfaction may stimulate employees toward positive action and then increase their performance (Nur Agustiningsih *et al.*, 2016) and also build a strong commitment to business unit (Agyare *et al.*, 2016).

CONCLUSION

Based on problem, research objective, analysis result and discussion. The research gives results that can be described: (1) organizational learning done by dairy cattle milk entrepreneurs in East Java can significantly increase job satisfaction; (2) market orientation applied by dairy cattle milk entrepreneurs in East Java may significantly increase job satisfaction; (3) organizational learning conducted by dairy cattle milk entrepreneurs in East Java may decrease job satisfaction but the decrease is not significant statistically; (4) market orientation used by dairy cattle milk entrepreneurs in East Java can significantly decrease business unit performance; (5) job satisfaction of dairy cattle milk entrepreneurs in East Java may significantly increase business unit performance; (6) Market orientation expressed by dairy cattle milk entrepreneurs in East Java would improve business unit performance significantly but it happens if the cooperatives can increase job satisfaction.

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