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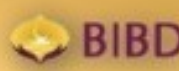
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**5TH ASEAN'S
INTERNATIONAL
CONFERENCE ON
ISLAMIC FINANCE**

(AICIF)

VOLUME 2

**5TH ASEAN'S
INTERNATIONAL CONFERENCE ON
ISLAMIC FINANCE**

(AICIF)

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SHARIA MARKETING INNOVATIVENESS ON MARKETING PERFORMANCE MODEL

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ABSTRACT

In some studies, although theoretically market-oriented companies will result in better marketing performance, empirically, it does not guarantee that it is able to produce better marketing performance. This gap is interesting to be studied in depth, especially on Islamic-based marketing approach. Based on theoretical studies and the views of previous researchers, the concept of sharia marketing innovativeness is expected to be the solution in addressing the research gap. Company with Islamic market orientation, producing *sharia marketing innovativeness*, is the company that will have the ability to improve marketing performance. This study tries to assess in depth the correlation of *sharia marketing innovativeness* with Islamic market orientation and marketing performance. The correlation of these three concepts is something that has not received serious attention from academics in Indonesia and in the world. In-depth study of this phenomenon is expected to contribute to the development of science, especially Islamic Marketing.

Keywords: *Islamic Market Orientation, Sharia Marketing Innovativeness, Marketing Performance*

Introduction

Islamic Marketing (IM) as a relatively new discipline in marketing has attracted attention of academics and practitioners both Muslims and non-Muslims, and it is still not satisfactorily described in the marketing literature (Wilson and Grant, 2013). In fact, about two-thirds of Muslims around the world who live in 10 countries such as Indonesia, Pakistan, India, Bangladesh, Egypt, Nigeria, Iran, Turkey, Algeria, and Morocco is a potential market for halal products globally. In these countries, the Muslim customer is the fastest growing market and become a major growth opportunity for worldwide business. Islamic market potential offers a total of \$2 billion per year in various sectors, especially *halal* products and finance (Abuznaid, 2012). The population is expected to follow the Islamic way of life that includes every sphere of life practiced in everyday activities, including matters related to consumption and business in line with Islamic norm. Therefore, marketing practice in the Muslim market must be adapted to the characteristics of a typical Islamic and unlike conventional marketing (Sandikci, 2011). In addition, a remarkable development in recent years on goods and services that are designed to meet the needs of Muslim customers worldwide provide opportunities to create religious value-based market (Dean, 2014). The emergence of the *halal* global market offers new opportunities for business with great potential of the global market value in halal products trading. This has forced many companies to observe and adapt to the changing environment in which halal or adherence with *sharia* is very important for Muslim customers. In the current global market environment, it has become more sophisticated and demanding that any business is forced to formulate a strategy and marketing that is able to serve well to each of the target markets defined, including the needs and desires of Muslims on the halal products (Adnan, 2013).

Islamic finance as financial institution whose products and services are designed with the sharia (Islamic law) principle is one of the fastest growing market segment in the global financial industry (Gait and Worthington, 2008). Although Islamic finance has been practiced for centuries, it has only been around the past 30 years that Islamic finance institutions offer widespread and massive sharia products and services. In some Muslim countries, such as Indonesia, Islamic financial products have been designed to be able to compete with conventional bank products and services. One of the well-known financial institutions in Indonesia is an Islamic microfinance institution.

Islamic Microfinance in Indonesia is a financial institution based on the principles of sharia which is specially set up to provide business development services and community development, either through a loan or financing for micro enterprises to members and the public, the management of deposits, and the provision of consulting services business development which is not only profit-oriented (Act No. 1 of 2013). Such institutions can be in the form of Islamic Rural Banks (BPRS), Baitul Mal Wat Tamwil (BMT), and Islamic Cooperatives. A BPRS is a bank with a transaction system by using conventional methods but based on sharia principles. BMT is a financial institution that organizes *baitul maal* and *baitul tanwil* activities (Antonio 2011). *Baitul maal* is an Islamic financial institution that has main activities of collecting and distributing zakat funds, *infaq*, *Sadaqah*, *waqf* and grants without seeing profit earned (*non-profit oriented*). *Baitul tamwil* is included in informal Islamic financial institutions in which its activities and operation are profit oriented. The main activity of *baitul tanwil* is to collect funds and distribute to members in return for results or *mark-up / margins* based Islamic system (Antonio 2011). Islamic cooperative is a business unit established and owned by its members and assigned to provide services to its members with the principles of sharia.

All Islamic financial institutions, whether banks, financial cooperatives and Islamic financial services unit are allowed to collect funds from members and the public in the form of

savings deposits, time deposits in *Mudharabah* financing, *Musharaka*, *murabaha*, *salam*, *istisna*, *Ijara* and *alqadr*. In addition to the activities, financial service cooperatives are also permitted to running the collection and distribution of zakat, donation, and alms to the people in need and those who are entitled to. *Waqaf* is also managed by separately by them. BMT is a financial institution which engages in receiving and distributing funds of Muslims in non-commercial use. In addition, BMT is also an institutional / financial institution whose main business is to collect funds from a third party (depositor) and provide financing to productive and profitable businesses (Antonio 2011).

The existence of Islamic microfinance which is quite strategic in enhancing the economic empowerment of small and medium communities must always continue to be cultivated and nurtured so that it will become one of the best alternative in solving the growing problems of small medium enterprises, especially in terms of capital. Such empowerment can be done through optimizing the utilization of service products and services available in sharia micro finance institution. In order to increase the benefits of the products and services, Islamic microfinance institutions need to equip themselves with the customer and competitor information. Information will be an important resource in planning and implementing marketing strategy to gain a competitive advantage and superior performance (Zhou *et. al.*, 2009; Martinette and Obenchain-Leeso 2012).

In companies targeting Muslim populations, Islamic-based market orientation should be an important part of organizational culture. This approach is needed because the new sharia-based marketing methods are very different from conventional marketing methods. For example, Islamic banks must operate under very strict religious guidelines, which are based on different principles than the conventional banks (Amin, 2008). These principles are the prohibition of interest in all forms of transactions, conducting business and trading activities lawfully with fair profit sharing, zakat payments for the poor from their operations, monopolistic restrictions that exploit resources or economic activities; cooperation in the development of society, and investment only in business and trade that is not prohibited by Islam (Amin, 2008).

For Islamic financial institutions, Knowledge about customers and competitors as a part of market orientation (Narver and Slater, 1990 ; Jaworski and Kohli, 1993) is required to increase customer value and gain competitive advantage. At more specific level, Islamic financial institutions require knowledge of the market segments or customers served such as typical behavior, decision making processes, needs, and desires of the typical customer, including the activities of the muslim customer's life which are bound by the norms of sharia, like forbidden to do *Riba* (interest), *Masyir* (Gambling), and *Gharar* (transparent usury). The company also requires knowledge of potential competitors in the segments of replacement and complementary products. Finally, in a broader view, knowledge is not only about customers but also suppliers and other relevant supply chain actors (Aspara *et. al.*, 2011).

Since 1990, when Narver and Slater (1990) proposed a market-oriented culture as an important driver of corporate performance superiority, some experts have empirically explored the relationship between them (Langerak *et. al.*, 2004; Shergill and Nargundkar 2005; Zhou *et. Al.*, 2009; Suliyanto and Rahab, 2012; Scholastica E and Maurice I, 2013). Empirical findings have found an inconsistency relationship between them. Many of them discovered that the cultural market orientation becomes a driving factor to increase company's performance (Jaworski and Kohli, 1993 ; Lee and Tsai, 2005; Voola and O'Cass 2010). However, some also found that market orientation is not the driving performance of the company (Han *et. al.*, 1998 ; Langerak *et. al.*, 2004 ; Keskin 2006 ; Merlo and Auh 2009 ; Bodlaj 2010). Other researchers reinforced this view by explaining that the cultural market orientation will improve organizational innovativeness and the success of new products, which in turn improve

organizational performance (Zhang and Duan 2010; Suliyanto and Rahab, 2012). In addition, the researchers also explained that the market orientation will impact positively on the business performance when moderated by environmental factors (Apaydin, 2011 ; Murray *et. al.*, 2011).

Those empirical findings above basically show that although theoretically a market orientation is a strategic way to improve marketing performance, practically, the market orientation does not always produce a better marketing performance. This means, the relationship between market orientation and marketing performance is still full of controversy. Companies with good market orientation have not guaranteed to improve their marketing performance better. This reality seems to apply to any industry, including the Islamic financial services industry. Although still very limited, some previous researchers have started to correlate the orientation of the Islamic market with the performance of the company. For example, qualitative research by Ahmed Zebal and M. Saber (2014) explained that *Islamic finance* needs to focus on Islamic market orientation in order to obtain profitability, customer satisfaction and retention, new customers, increase employee team spirit, quality of service, *market share*, and work efficiency. Zakaria and Abdul - Talib (2010) explained that companies that want to export halal products and services must approach the market orientation through information based approaches to make the company more sensitive to the various cultures established on the Islamic values. Cultural values, attitudes, and beliefs of employee that are built based on the Islamic value had a profound impact on the organization, and eventually will have an impact on improving the performance of the market. Moreover, Abdul-Talib and Abd-Razak (2013) suggested that the exporters of halal products not only pay attention to the behavior of customers and competitors in the export market, but also consider other factors such as the sensitivity of politics and culture, including culture based on Islamic values. This study is different with the previous study because it will examine in depth the role of market orientation based on Islamic values in improving innovativeness and marketing performance of Islamic microfinance institutions.

The above description basically shows that there are still inconsistencies of research findings on the role of market orientation to improve marketing performance. On one hand, the market orientation is an important driver in the improvement of marketing performance; on the other hand, it was found that market orientation is not a determinant of performance marketing. This phenomenon is likely to occur in the Islamic-based industries, such as *Islamic microfinance*. Therefore, to build a new concept to fill the gap of research on the role of Islamic market orientation in improving the performance marketing company is still urgently needed. There are three questions proposed, first, are Islamic market orientation and its dimensions becoming important factor in determining the sharia marketing *innovativeness*?; Second, is *sharia marketing innovativeness* the driving factor of marketing performance?; third, Does *sharia marketing innovativeness* really mediate the correlation of Islamic market orientation and marketing performance?

Conceptual Mapping of Sharia Marketing innovativeness

The concept of *sharia marketing innovativeness* is a synthesis of sharia, marketing and innovativeness concept. Sharia is an Islamic legal entity. Etymologically sharia means the rules or decrees commanded by God to His servants, such as fasting, prayer, pilgrimage, zakat and all virtues. This is the legal framework in which the public and private aspects of life are governed for those living in the legal system on the basis of Islamic principles. The Islamic principles bring guidance to control all aspects of daily life, including politics, economics, banking, business, contracts, family, sexuality, health and social problems (Alserhan 2012). Therefore, the Shari'a is God's law prescribed to His servants, both the laws of the Qur'an and the Sunnah of the Prophet in the speech, deeds and confirmation.

Marketing is an organizational function and a set of processes for creating, communicating, and providing value to customers and managing customer relationships in a beneficial way for the organization and its stakeholders (*American Marketing Association*). Marketing is a form of *muamalah* justified in Islam, as long as in all the transaction process, it is maintained from things prohibited by the provisions of sharia. Therefore, sharia marketing is a strategic business discipline that directs the process of creation, supply and changes in the value of a initiator to interested parties, which in the overall process, is in accordance with the contract and the principles of *muamalah* (business) in Islam (Arham 2010; Adnan, 2013; Wilson and Grant, 2013; Dean, 2014). This means that, in sharia marketing, the whole process, i.e., the process of creation, bidding, and change in the value (*value*), should not contain things that are contrary to the contract and the principles of *muamalah*. As long as it can be guaranteed from deviations, Islamic *muamalah* principle in any marketing transaction is permitted.

Innovativeness is one of the strategic instrument of company in managing the operations of the target market in order to enter new markets, increase sales or maintain market share, face the maneuver of competitor which occur or hinder new competitors to enter the market; and an appropriate means to build a sustainable competitive advantage (Carbonell and Rodriguez, 2006; Iyer *et. al.*, 2006; Gunday *et. al.*, 2011; Alpay *et. al.*, 2012). Lumpkin and Dess (1996), explained that *innovativeness* is a willingness to support creativity and experimentation in introducing new products or services, novelty, technological leadership and R & D in developing new processes. Other researchers describe innovation as a preview of the company's capacity to introduce new processes, new products, new ideas within organizations or new marketing strategies, and the company's tendency to engage and support new ideas, experimentations and creative processes that can produce new products, services, methods or technologies (Avlonitis and Salavou 2007; Jiménez-Jiménez and Sanz-Valle, 2011; Dibrell *et. al.*, 2013). Therefore, Innovativeness is the result of the creation of knowledge and organizational trust (Sankowska, 2013), organizational culture, values and beliefs to implement innovations (Wong, 2012).

Therefore, the concept of sharia marketing innovativeness is defined as the willingness of the company to support the creative process that can produce new products, services, methods or technology that can improve customer value and benefit for the stakeholders in the process in accordance with the contract and the principles of *muamalah* (business) in Islam. An Islamic microfinance institution is said to have sharia marketing innovativeness if it has a tendency to (1) support new ideas in accordance with the norms of sharia, (2) try new ways of supporting the implementation of the sharia norms in the product and services, (3) generate new products and services in accordance with the norms of sharia, (4) improve the company's products and services in accordance with the norms of sharia, (5) take advantage of new technologies in the process of development of the company in accordance with the sharia norms, and (6) utilize research and development units to develop a new process that is in accordance with the norms of sharia. *Conceptual mapping of sharia marketing innovativeness* is summarized in Figure 1.

Orientation on Islamic Market

Market orientation reflecting the tendency of a company to constantly create and improve superior value for customers plays an important role in the management and strategy of the organization (Li and Zhou, 2010). It guides the company in the business of creating superior value efficiently and effectively and is regarded as a unique resource in the *resource-based view* (Hsieh *et. al.*, 2008; Li and Zhou, 2010). Narver and Slater (1990) define market orientation as an organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for customers and, thus, superior business performance can be sustained. The market orientation was identified as customer, competitor orientation and

inter-functional coordination. Customer orientation relates to a sufficiently detailed understanding of enterprise by customers to create sustainable superior value for them. The competitor orientation concerns with the ability to understand the strategy of competitors or potential competitors both in short and long-term strategies. While the inter-functional coordination focuses on the utilization of company resources into a coordinated cross-functional activity of superior value creation for targeted customers (Narver and Slater, 1990; Shergill and Nargundkar 2005).

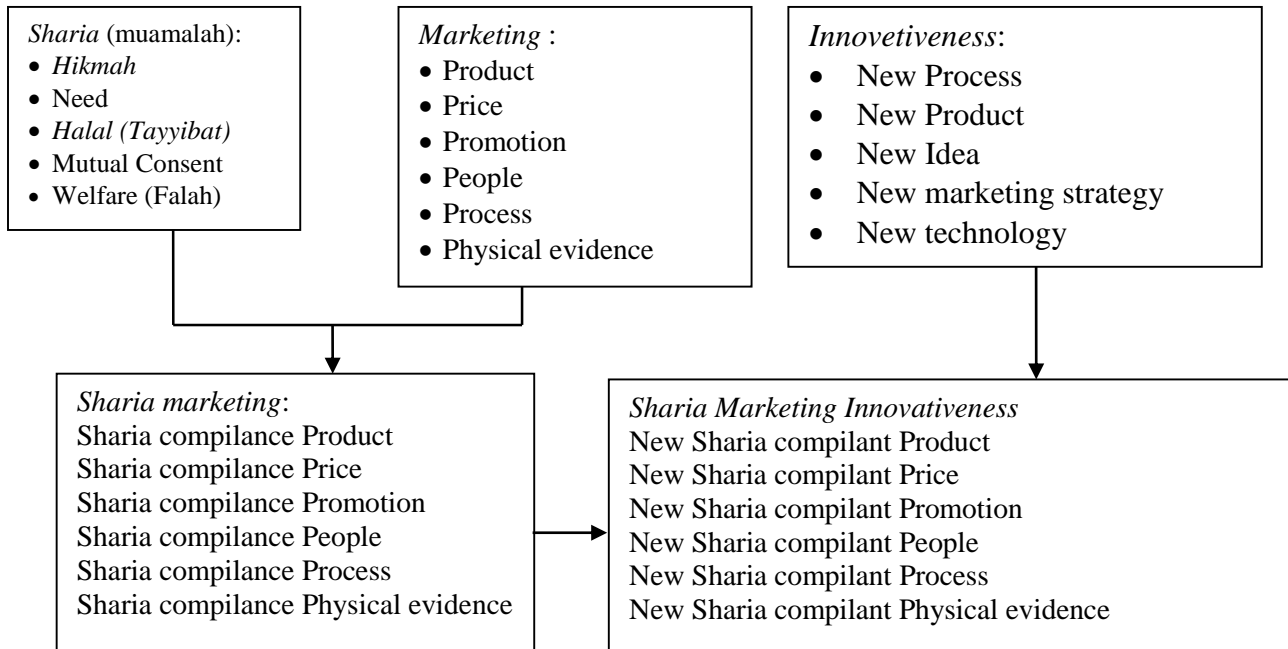


Figure 1. Conceptual mapping of *Sharia Marketing Innovativeness*

Jaworski and Kohli (1993) offered another alternative by identifying three components of market orientation, namely *market intelligence generation*, *dissemination* and *responsiveness*. *Market intelligence generation* refers to the collection and assessment of information needs/preferences of customers and the environmental forces that influence the development and refinement of these needs. *Market intelligence dissemination* is a process of market information exchange within an organization, both formal and informal information. Meanwhile, *market intelligence responsiveness* is related to actions taken in response to intelligence that is generated and disseminated (Jaworski and Kohli, 1993; Carbonell and Escudero 2010).

Based on these studies, the Islamic market orientation is explained through orientation on Islamic customers, competitors, inter-functional coordination; and intelligence generation, dissemination and responsiveness. Those six dimensions are a unity that is expected to influence sharia marketing innovativeness and marketing performance.

Orientation on Islamic customers

Customer orientated emphasizes sufficient understanding on customers in targeted market segments that the company continues to create superior value for them (Zhou *et. al.*, 2009). As customer needs change rapidly, customer orientation requires a clear understanding of current and future expenditure dynamics and customer revenues, both in the current and future. Customer orientation on Islam is identified as the tendency of companies to collect customer information that is required to conduct business (Ahmed Zebal and M. Saber, 2014). Capabilities required to respond to customer needs and demands include the ability to maintain customer commitment, to create value for customers, to meet and satisfy customer needs and

to handle after sales service. The main purpose of Islamic institutions is to engage with marketing activities which are designed to serve Islamic customers who believe in the sharing of profits and losses rather than getting fixed interest. Islamic ethical guidelines guarantee the respect, and freedom of the individual, both bankers and customers. Islamic ethics dictates that under no circumstances marketers are not permitted to exploit their customers by committing dishonesty, deceit or lies.

Orientation on Competitors

If a customer's orientation considerably emphasizes on someone understanding on the target buyer, the competitor orientation focuses on understanding the strengths and weaknesses as well as competitors' strategies in short and long-term (Narver and Slater, 1990). For example, a competitor's orientation on Islamic banks is identified as the tendency of companies to pay attention to the movement of other Islamic banks and conventional banks competitor (Ahmed Zebal and M. Saber, 2014). To achieve long-term success, Islamic banks must have short-term and long-term capability in competing with different types of competitors. Each Islamic bank must analyze the competitor's resources, policy, strategy, technology capability, and competitive advantages arising from the development of culture (Ahmed Zebal and M. Saber, 2014). The capability needed to respond competitor's strategies include the ability of the sales force to share information about competitors, to react to the actions of competitors, to target opportunities in competitive advantage and routines of top management to discuss the strategy and the actions of competitors (Narver and Slater, 1990).

Orientation on Inter-Functional Coordination

This orientation is identified as the tendency of company to share information among the functional units in decision making (Narver and Slater, 1990). Everything done in the banking system is done in a coordinated way. Sharing of information collected among all departments is done for better decision making.

Market orientation as a corporate culture in improving market performance (Narver and Slater, 1990; Jaworski and Kohli, 1993) has provided outstanding contributions to the development of the science of marketing management. However, more specific studies of market orientation in the religious-based market segment still need to be explained further. Zebal and M. Ahmed Saber (2014) conducted a research in the form of in-depth study of the five elements of market orientation based on Islam, namely orientation on Islamic customer, information, integration, competition, and response. Therefore, it is necessary to establish Islamic market orientation as comparison to the conventional ones.

Orientation on Intelligence Generation

When building a framework for the relationship between corporate characteristics and the use of marketing information, marketing intelligence plays an important role in determining the market orientation of a company. Market intelligence has been recognized as a strategic asset of the company (Day, 1994). In the literature of new products, *market intelligence* and organizational competence are regarded as strategic assets of an organization (Moorman, 1995). *Market Intelligence generation* refers to the extent to which a company collects primary and secondary information from the organization's stakeholders and market forces (Carbonell and Escudero 2010). *Market intelligence* enables companies to collect information from internal and external market environment so that marketing decisions which are made to face the market and the environment change will be more accurate, precise and fast (Cacciolatti and Fearn, 2013). Market intelligence is a set of integrated actions aimed at improving the welfare and long-term corporate advantage relative to its competitors. Its strength lies in a structure which

is sustainable and interacted with people, equipment, and procedures to gather, sort, analyze and distribute relevant information; timely and accurate for use in marketing decision makers (Tan and Ahmed, 1999). According to Cacciolatti and Fearn (2013), the business owner must adopt skilled systematic way of collecting analyzing and monitoring a certain amount of quality market information to minimize risks when planning marketing activities. The market information can help to achieve increased efficiency in the supply of products or services, increase customer value and serve as a source of competitive advantage (Weiber and Kollmann, 1998).

Orientation to *market intelligence* is identified as orientation to the collection of information needed to conduct business (Ahmed Zebal and M. Saber, 2014). To support the existence of the business, Islamic financial institutions need to collect a lot of information about market issues on a regular basis, including competitors' strategies both Islamic banks and conventional banks, legislation by Bank Indonesia, changes in government regulation of banking, customer needs, technological advances, and current market trends.

Orientation on Intelligence Dissemination

Market intelligence dissemination related to the extent to which market information is distributed, shared and discussed among the relevant users within an organization, both formally and informally (Moorman, 1995; Carbonell and Escudero 2010). The dissemination of customer knowledge among organizational units is becoming increasingly important in customer management and top management is playing the dominant factor in the dissemination of customer knowledge. Customer knowledge becomes an increasingly important strategic asset for the company. However, customer knowledge is often difficult to manage in practice. Perhaps this is because too much knowledge is available that it is difficult to recognize what is relevant, or on the other hand it may be difficult to share knowledge throughout the organization for reasons such as lack of time, tacit knowledge and clear managerial guidance (Salojärvi et. al., 2013).

Orientation on market intelligence responsiveness

Orientation to market intelligence responsiveness is identified as response to changes in customer needs and demands. Responsiveness is the ability of companies to respond timely to the needs and desires of customers (Chen and Paulraj, 2004), or the ability of the manufacturing system or organization to respond to customer demand (Holweg 2005), *external focus* (Daugherty et. al., 1995), and company's acceleration to seek external opportunities and mitigate the impact of the threat (Das and Elango, 1995). Responsiveness becomes organizational competencies that enable organizations to react quickly to changing market demands (Garrett et. al., 2009).

Market responsiveness is the application of important marketing concepts to explain the organization's ability to react to the changing customers with products and services that better than its competitors quickly and accurately (Lee et. al., 2013). Companies with strong market response capabilities will be seen from the characteristics of (1) taking immediate action when customers are not satisfied with the quality of services and products offered, (2) all components of the company are involved in modifying the product or service when the customer wants it, (3) quickly responding to changing customer needs, and (4) timely entry into new markets. Once there is a change needs and demands of customers, Islamic financial institutions need to make a quick and appropriate action. Nonetheless, in response to all types of customer needs, it should not be taken into account if it is not in accordance with the norms of sharia (Ahmed Zebal and M. Saber, 2014).

Marketing Performance

According to Morgan *et. al.* (2002) and Gao (2010), marketing is a very dynamic process, so that marketing performance becomes a multidimensional process that involves adaptability, effectiveness and efficiency. Dimensions of adaptability are related to the organization's ability to respond to environmental changes. Dimensions of effectiveness are related to the extent to which organizational goals and objectives can be achieved. The dimensions of efficiency are related to the ratio of performance results to the inputs required to achieve them. Therefore, normatively, marketing performance measurement involves an assessment of the marketing resources (e.g., financial, physical, legal, organizational, reputation, relational) and capabilities (e.g., individual ability, specificity, functional and organizational) as a source of excellence; achievement of positional advantages (e.g., product excellence, service, price, cost, image and delivery); market performance (e.g., perceptions and behaviors of customers post-purchase (customer perspective) and unit sales, market share, and so on (the enterprise perspective); and financial performance (such as earnings, cash flow, and profits) (Gao, 2010) ,

Other researchers defined marketing performance as achievements of the company in achieving its objectives on market share, sales growth, increase in new customers and retaining existing customers (Merrilees *et. Al.*, 2011; Prasertsang and Ussahawanitchakit 2011). Soliman (2011) defined marketing performance as the company's ability to preserve its current customers, attract new customers, increase market share, improve customer satisfaction, increase sales growth standards, and adds standard net income to sales.

Based on the above description, this study ultimately conceptualizes marketing performance as a combination of the results of marketing activities perceived by the owner or manager of the company on the achievement of growth in sales revenue, increased sales volumes, the achievement of sales targets, customer growth, expansion of the marketing area and profit growth.

The correlation of Islamic market Orientation, Sharia marketing innovativeness, and marketing performance

The positive correlation of market orientation, company's innovativeness and performance is clearly illustrated from the past few empirical studies (Narver and Slater, 1990; Jaworski and Kohli, 1993; Scholastica E and Maurice I, 2013). Market orientation is a source of new ideas and innovation to respond to the environment and improve business performance. This means that companies with a strong market orientation has more opportunity both in enhancing the capacity of innovation and business performance. It is very likely because market orientation will help the company to collect information about customers and competitors, and disseminate information in the functional units or employees to innovate in customer value creation and to beat competitors (Scholastica E and Maurice I, 2013). The relation is likely also true for small and medium enterprises in Indonesia, including the Islamic microfinance institutions. Sulyanto and Rahab (2012) described market orientation of the market has a positive effect on the SME and innovativeness is a source of increased business performance of SMEs. In this context, the improving performance of *Islamic microfinance* is only obtainable if it works hard to constantly improve the level of market orientation by collecting information of Muslim customer, competitor and continue to do the coordination between functions to support sharia based new innovations.

Learning from empirical findings by Vázquez *et. al.* (2001), Zhang and Duan (2010) and Cheng and Krumwiede (2012) about the positive relationship between market orientation, innovativeness and performance of the company, it is believed that the relationship may be happening in the Islamic microfinance industry in Indonesia. Vázquez *et. al.* (2001) showed

that the market-oriented company are not only willing to adopt new innovations but also to develop and commercialize the results of such innovations to produce a better performance of the company. Activities of market intelligence generation as a source of ideas for new products and services will impact positively on the level of innovation and new product innovativeness, and for the next, those two become a source of performance drivers (Vázquez *et. al.* , 2001). Zhang and Duan (2010) showed that market orientation will facilitate the discovery of new ideas from customers and competitors, and share it through effective inter-functional coordination. The effective application of these three components of market orientation will produce a better rate on the orientation of innovation and new product performance. Cheng and Krumwiede (2012) showed a positive correlation between market orientation with service innovation and new services performance; and positive correlation of services innovation and performance of companies in Taiwan.

According Narver and Slater (1990), the market-oriented companies tend to be more innovative, resulting in improved financial performance. Armed with a focus on the collection, analysis, and dissemination of customer information, customer-oriented company can anticipate changes in customer needs and respond to them through continuous innovation (Han *et. al.*, 1998) . In addition, when a company clearly recognizes the gap between customer needs and market supply, companies can redirect resources to fill the gap through successful innovation. Customer-centric culture resulting from market-oriented innovation can create opportunities through customer ideas on the needs expressed. Meanwhile, inter-functional coordination allows ideas to flow throughout the organization, strengthen its ability to bring new products and services concepts (Johnson *et. al.*, 2009). Therefore, it is not surprising that the market orientation is claimed to be the antecedent for company innovativeness (Narver and Slater, 1990; Jaworski and Kohli, 1993; Han *et. al.*, 1998).

Jaworski and Kohli (1993) explains that market orientation in the dimension of *market intelligence generation, dissemination and responsiveness* becomes an important driver of company performance. Therefore, in this study, all three dimensions are expected to have a positive correlation with marketing performance. This is because, *first*, information of customers and competitors obtained from the market environment will be a source of new ideas in the company's innovation activities. Companies with strong *intelligence* generation have a better opportunity in enhancing the innovation capacity (Scholastica E and Maurice I, 2013). Acquisition of information will also enable managers to take better decisions in identifying marketing opportunities and threats, achieve a better position in the market, and improve company performance (Moorman, 1995). Cooper and Kleinschmidt (2000) found that a successful new product developer has a deep understanding of user needs and desires, conducts a thorough market and competitive analysis, and has frequently and in-depth interaction with customer. *Second*, market information distributed among the functional units of the organization is a source of new ideas to generate new products and services that are benefit to the customer. Market orientation will help the company to collect information about customers and competitors and disseminate such information in the functional units or employees to innovate in customer value creation and to beat competitors (Scholastica E and Maurice I, 2013). Market information dissemination tends to increase when the members of the organization share the vision on the design and implementation of marketing strategies (Baker and Sinkula, 1999), and have a clear vision which brings positive impact on the success of new products (Lynn *et. al.* , 2003) . *Third*, the use of market information will enhance the effectiveness of decision making strategic and its implementation and for further will produce greater company performance (Moorman, 1995). Therefore, some propositions found are as follows:

P1: In the Islamic based market segments, sharia marketing innovativeness is highly dependent on the orientation of Islamic marketing of owners or managers of the company.

- a. P1a: The owner or manager of a company oriented to Muslim customer will be easier to improve sharia marketing innovativeness.
- b. P1b: The owner or manager of a company oriented to the competitors will have a better ability to improve sharia marketing innovativeness.
- c. P1c: The owner or manager of a company that constantly conduct inter-functional coordination will be easier to improve sharia marketing innovativeness.
- d. P1d: The owner or manager of a company that constantly seek market information in accordance with the norms of sharia will be easier to improve sharia marketing innovativeness.
- e. P1e: The owner or manager of the company that is constantly sharing market information in accordance with the norms of sharia will be easier to improve sharia marketing innovativeness.
- f. P1f: The owner or manager of the company that has the ability to respond to Muslim customer needs will be easier to improve sharia marketing innovativeness.

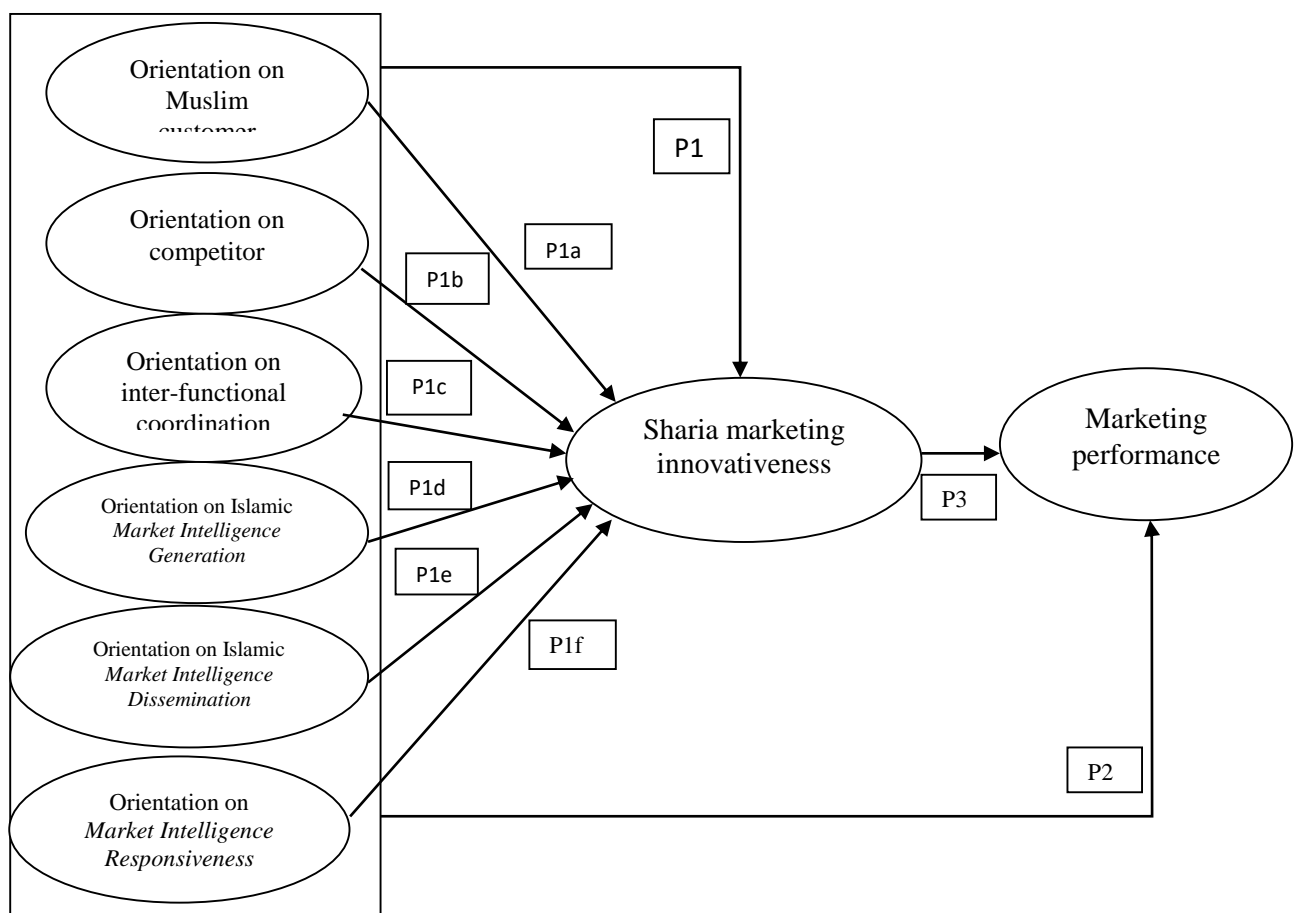


Figure 1. Model of sharia marketing innovativeness in improving marketing performance

The Correlation of Sharia Marketing Innovativeness and Marketing Performance

Innovativeness is one way of the company to gain or maintain a competitive advantage and superior performance of the company. Several empirical studies have shown that innovations affect the performance of the company. Alpay *et. al.* (2012) showed that the more creative a company manage its products, operating processes, market and creative in designing the business strategy, the higher the performance of the company will be. Al-Zyadaat *et. al.* (2012) showed marketing innovativeness in the form of corporate creativity in finding products, pricing strategy, and promotion of the new attributable becomes a strong incentive to improve marketing performance.

Related to product Innovativeness, Dibrell *et. al.* (2013) described that companies that have a tendency to get involved in finding ideas and support the discovery of new special products will have more possibilities to improve the company's performance. Meanwhile, Ar and Baki (2011) focused on the analysis of the type of innovation and found that the product and process innovation have positive effect on the marketing performance. According to Avlonitis and Salavou (2007) , a new product has a unique feature, if the product, (1) offers more possibilities for customers, (2) offers unique features innovative to customers, (3) includes many customer needs to be met, (4) has a greater variety of uses, (5) high quality, and (6) superior in technology. The uniqueness of these products is very influential on the performance of the product. In view of Wong (2012), product uniqueness should be the organization's culture, values and beliefs to carry out a successful product innovation. In this way, product innovativeness not only plays a major role in achieving positional advantages of the product, but also a role in enhancing the success of new products. Thus, the second proposition is as follows:

P2: The owner or manager of a company that continuously improve sharia marketing innovativeness will have a better chance to improve their marketing performance.

Conclusion

Review of the literature and empirical findings have put the market orientation as important predictors of sharia marketing innovativeness and company performance on Islamic microfinance institutions. The Islamic microfinance which has manager with orientation on Muslim customer, competitors and inter-functional coordination will have better opportunities to improve sharia marketing innovativeness and the company's performance. In addition, managers of microfinance institutions who are constantly looking for market information in accordance with the norms of sharia, glad to share information to interested parties, and responsive to the changing needs of customers will have a better potential in improving the sharia marketing innovativeness and company performance. The owner or manager of a company that continuously improve sharia marketing innovativeness will have a better chance to improve their marketing performance. Empirical studies to examine the relationship among variables described in the previous section is a requirement that must be met in order to improve our understanding on the important role of marketing orientation and sharia marketing innovativeness to improve marketing performance. These empirical findings are clearly forms of contribution to the development of Islamic Marketing in the future.

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