

THE ROLE OF INNOVATION IN MEDIATING MARKET ORIENTATION TO COMPANY PERFORMANCE

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Abstract

The purpose of this study was to determine the effect of market orientation towards innovation, the effect of market orientation on performance, the effect of innovation on the performance and innovation mediating role of market orientation on corporate performance convection in Denpasar. This study took a sample of 123 respondents who market their products in the city of Denpasar. The analysis technique used in this study is the path analysis. Results of market orientation hypothesis testing showed positive and significant impact on innovation, market orientation and significant positive effect on company performance, innovation and significant positive effect on company performance. Innovation is able to mediate the relationship of market orientation on business performance significantly. Employers convection in Denpasar should develop a culture of orientation on the market so as to boost innovation by adapting new ideas oriented market changes in order to achieve improved performance of the company.

PERAN INOVASI MEMEDIASI ORIENTASI PASAR TERHADAP KINERJA PERUSAHAAN

Abstrak

Tujuan penelitian ini adalah untuk mengetahui pengaruh orientasi pasar terhadap inovasi, pengaruh orientasi pasar terhadap kinerja, pengaruh inovasi terhadap kinerja serta peran inovasi memediasi orientasi pasar terhadap kinerja perusahaan konveksi di Kota Denpasar. Penelitian ini mengambil sampel sebanyak 123 responden yang memasarkan produknya di Kota Denpasar. Teknik analisis yang digunakan dalam penelitian ini adalah analisis jalur (path analysis). Hasil pengujian hipotesis menunjukkan orientasi pasar berpengaruh positif dan signifikan terhadap inovasi, orientasi pasar berpengaruh positif dan signifikan terhadap kinerja perusahaan, inovasi berpengaruh positif dan signifikan terhadap kinerja perusahaan. Inovasi mampu memediasi hubungan orientasi pasar terhadap kinerja perusahaan secara signifikan. Pihak pengusaha konveksi di Kota Denpasar sebaiknya mengembangkan budaya orientasi pada pasar sehingga mampu meningkatkan inovasi dengan mengadaptasi ide-ide baru yang berorientasi pada perubahan pasar demi mencapai peningkatan kinerja perusahaan.

JEL Classification: G3, G32

INTRODUCTION

In the present era, the company is required to move more dynamically, innovatively, and able to take advantage of all the existing opportunities as the competition in the world of business is increasingly competitive. The large population of Indonesia is very potential as an important market for the investors and free trade doers in ASEAN region. AFTA will be the opportunities as well as threats for Indonesian business doers.

Some studies suggest that market orientation positively affects performance Lin et al. (2008), Jyoti and Sharma (2012), Sorensen and Madsen (2012), Ahimbisiwe, (2013). All believe that market orientation is the key to successful business performance. However, Johnson et al. (2009) in their findings did not find any direct and significant relationship between market orientation and company performance. Pinho (2008) previously have incorporated innovation as a mediating variable in relationship between market orientation and company performance, and the results of research showed that the role of innovation as a mediator has no effect to the relationship between market orientation and company performance.

Hartini (2012) stated that innovation carried out by a company did not affect the performance of the company. In addition, there are also some researchers stating that innovation carried out by a company has less effect to the performance of the company. This is due to that competitors can replicate rapidly innovation carried by the company (Lattuch et al., 2013).

This study attempts to examine the role of innovation in mediating market orientation to garment company performance in Denpasar. Market orientation may affect innovation and a promising way to achieve the company performance (Chang et al., 2014). The development by launching new products is an effective means to improve the performance and growth of the company (Sorescu et al., 2008). The reason for choosing convention SMEs in Denpasar City is that Denpasar is the center of clothing trend of

Bali Province, where both men and women in Denpasar city largely follow the trend of fashion at the moment. The increasing competition in garment SME industries in Denpasar is characterized by the mushrooming of local competitors and number of foreign brands in the market producing similar products.

In the long term, the ability to compete of most companies depends on the ability of the companies to innovate, to provide supply continuously to customers both new goods and services (Permana, 2013). Atalaya et al. (2013) mentions that marketing innovation is the implementation of a new marketing method involving a new change in communication to consumers and taking advantage of new ways of marketing a product, such as, utilizing the Internet media.

The company performance is defined as the ratio of the value created by the company in expectation to have more values for the company (Herath & Mahmood, 2013). Kanyabi and Devi (2012) and Widodo (2013) stated that performance is a measurement of a company financial capability, such as, profit level, level of investment in both sales and profit growth.

Mandy (2009) and Handayani (2011) viewed the performance as a result of adaptation process of its effective management. Kwon (2010) stated that a company performance is related to the marketing performance in term of sales growth, customer growth and sales volume as a performance measurement device of a company marketing. Olusola (2011) described the concept of performance as the ability to assess the degree of success of a business organization both small or large.

Hyphothesis Development

The Effect of Market Orientation towards Innovation

Ahimbisiwe et al. (2013) stated that market orientation has positive effect to innovation in their research on fruit export in Uganda. Bigliardi et al. (2011) revealed in a study of innovative SME. It was stated that the companies investigating market emphasized more on product enrichment and had effects on the bet-

ter system of operational and technology than less innovative companies. Hoq and Horbani (2009) found a positive relationship between market orientation and innovation.

Innovation is seen as one of the value creating core capabilities driving the behavior of market orientation. In a high-tech enterprise, market orientation is considered to have a positive influence to market orientation innovation because it possesses superior market sensing and has the ability connect customers, and this ability is considered to affect higher innovation performance (Baker & Sinkula, 2007). Market-oriented strategy is positively related to innovation within a company (Mahmoud et al., 2016).

H1: Market orientation has positive and significant effect to Innovation

The Effect of Innovation to Company Performance

Ahimbisiwe (2013) found a positive effect between a company innovation and company performance in fruit export companies in Uganda. Salim and Sulaiman (2011) found a positive effect of innovation to the performance of small and medium enterprises in Malaysia. Innovation is considered to be able to assist companies in developing competitive strategies. Johnson et. al. (2009) stated that there is a relationship between innovation and performance of agribusiness company. Innovation may lead to an increase of market share, greater production, higher productivity growth and increase revenue (Crema et al., 2014).

Previously, Hao et al. (2012) have developed a framework for studying relationship between learning orientation, company innovation and company performance of manufacturing and service industries in Austria and China. Their study shows that company innovation has positive effect to company performance.

H2: Innovation has positive and significant effect to company performance

The Effect of Market Orientation to Company Performance

The findings of Jyoti and Sharma (2012) in their study revealed a positive effect of market

orientation to business performance. Ahimbisiwe et al. (2013) found a positive effect between market orientation and performance in fruit export companies in Uganda. It was noted that innovative companies tended to have better business than companies that were not innovative because through innovation, companies respond to changes more quickly in marketing environment.

Lages and Lages (2011) stated that market orientation positively affects performance of a company due to market-oriented company is actively involved in the development of new knowledge and always learning, facilitating product innovation effectively to increase sales, market segment, and other aspects of performance of a company. Lin et al. (2008) examined the effects of market orientation to business performance and found a positive relationship. Sorensen and Madsen (2012) mentioned that a market-oriented company having market information can predict market needs and changes accurately and quickly, enabling them to respond quickly and precisely thus increasing competitive advantage and company performance

H3: Market orientation has positive and significant effect to company performance.

The Role of Innovation in Mediating between Market Orientation and Company Performance

Johnson et al. (2009) suggested that innovation is able to mediate the effect of market orientation to performance. Theoharakis and Hooley (2008) stated that the effect of market orientation leading to innovation, is an important component in marketing, and if connected to a company performance, this innovative component is clearly a mediating component. Innovation is a mediating variable between market orientation and performance of a company (Olavarrieta & Friedmann, 2008). Likewise, the finding stating that innovation is a mediating variable between market orientation to a company operational performance (Carbonell & Escudero, 2010).

H4: Innovation is able to mediate market orientation to company performance significantly.

Based on hypothesis, the research model can be showed in Figure 1

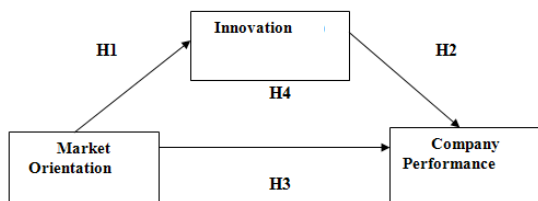


Figure 1. Reseach Model

METHOD

The method of this research is associative applying one independent variable, one dependent variable and one intervening variable. This research aims at determining the role of innovation in mediating market orientation to company performance, a case study of garment companies in Denpasar. The number of samples taken were 123 (one hundred and twenty three) persons. Th sampling technique applied in this research is purposive sampling. Sugiyono (2014) described that a purposive sampling is a sampling technique with a certain considerations.

Purposive in this case is determined by certain criteria, namely: 1) Respondents know the development of the companies performance; 2) Minimum age of 17 years or graduated at least from high school education; 3) Respondents market their products in Denpasar; 4) Operating businesses at least for 3 years, so the number of samples used are 123 of the 130 eligible to be samples.

There are three variables studied in this research: Exogenous Variables, namely, Market Orientation (X); Mediating Variable: Innovation (Y1); and Variable Endogenous: Company Performance (Y2). Each variable or research indicators are defined as follows.

Market Orientation (Exogenous Variable)

Exogenous variable in this study is a Market Orientation (X) which is measured in three dimensions namely competitor orientation, customer orientation and coordinati-

on between functions whose dimensions are adapted from Liu et al. (2013) and Afshargaseni et al. (2013). Indicators and dimensions to measure market orientation in this study are as follows.

Items of competitor orientation are as follows: 1) Responsive to threatening actions of competitors, 2) Discussion and sharing information about competitors' actions, 3) Discussion on the strengths and competitors' strategies. Items of Customer orientation are as follows: 1) Attention to after-sales service, 2) Commitment and customer-oriented, 3) Focus on customer satisfaction as the company goal, 4) Systematic customer satisfaction measurement.

Items of coordination among functions are as follows: 1) Everyone in the company contributes to create customer value, 2) The integration of all business functions serves as market target, 3) Culture of all departments within a company is responsive in serving the needs and demands of customers.

Innovation (Mediating Variable)

Mediating Variable in this study is the company innovation measured in 4 dimensions: product innovation, process innovation, marketing innovation and organizational innovation. Indicators in measuring the company innovation are adapted from Atalaya et al. (2013). Indicators and dimensions in measuring innovation are as follows.

Items of product innovation are as follows: 1) The creation of attractive designs, 2) The addition of new products, 3) Quality control, 4) Standard quality, 5) Quality product development. Items of innovation process are as follows: 1) The use of the latest manufacturing installation in production process, 2) Computer software as a tool in product development.

Item of marketing innovation is as follows product marketing in new market place (internet and social media). Item of organizational innovations is as follows: incompatibility of resources within an organization will be changed according to each ability to promote the company.

Company Performance (Endogenous Variable)

Endogenous variable in this study is the performance of a company by applying three indicators in assessing the company performance adapted from Keskin (2006). Indicators to measure the company performance are as follows: 1) Productivity in the company, 2) Market Target (Market Share), 3) Revenue growth, 4) Profitability, 5) Shareholders Satisfaction.

Data analysis technique used by the researcher in this study is Path Analysis. Path analysis is an extension of multiple linear regression analysis to estimate stratified causal relationships among variables based on the theory (Utama, 2009). Path analysis also seeks the level of effects of exogenous variables on the endogenous variables simultaneously or partially, tests model suitability based on the data and theory of research, outlines the correlation between va-

riables to see direct effect, indirect effect, total effect and the influence of other factors.

RESULT AND DISCUSSION**Respondent Characteristics**

Based on Table 1, grouping the respondents by sex showed that the number of male respondents are 53.7 percents and female respondents are 46.3 percents. The next grouping based on the type of education showed that the majority of respondents are having high school education with a percentage of 57.7 percents, followed by S1 education level with a percentage of 19.5 percents, D3 education level with a percentage of 8.9 percents, D2 education level with a percentage of 8.1 percents, D1 education level with a percentage of 3.2 percents and the last education level of D4 with a percentage of 2.4 percents.

Table 1. Respondent Characteristics

No	Characteristics	Classification	Amount of Respondent	Respondent Percentage
1	Sex	Male	66	53.7
		Female	57	46.3
Amount			123	100%
2	Education level	SMA	71	57.7
		S1	24	19.5
		D1	4	3.2
		D2	10	8.1
		D3	11	8.9
		D4	3	2.4
Amount			123	100%

Table 2. Test of Validity

No	Variabels	Statement Item	Total Item Correlation	Remarks
1	Market Orientation (X1)	X _{1.a1}	0.458	Valid
		X _{1.a2}	0.529	Valid
		X _{1.a3}	0.420	Valid
		X _{1.b1}	0.608	Valid
		X _{1.b2}	0.582	Valid
		X _{1.b3}	0.643	Valid
		X _{1.b4}	0.614	Valid
		X _{1.c1}	0.567	Valid
		X _{1.c2}	0.498	Valid
		X _{1.c3}	0.634	Valid

Table 2. Continuou

No	Variabels	Statement Item	Total Item Correlation	Remarks
2	Innovation (Y1)	Y _{1.a1}	0.674	Valid
		Y _{1.a2}	0.668	Valid
		Y _{1.a3}	0.627	Valid
		Y _{1.a4}	0.667	Valid
		Y _{1.a5}	0.742	Valid
		Y _{1.b1}	0.672	Valid
		Y _{1.b2}	0.548	Valid
		Y _{1.c1}	0.618	Valid
		Y _{1.d1}	0.534	Valid
		3	Performance (Y2)	Y _{2.1}
Y _{2.2}	0.525			Valid
Y _{2.3}	0.520			Valid
Y _{2.4}	0.675			Valid
Y _{2.5}	0.612			Valid

Test of Instrument Validity

The result of validity test in Table 2, shows that all variables have correlation coefficient value with total score all statement items more than 0.30. It shows that all statement in the research instrument is valid.

Test of Reliability Instrument

The result of the reliability test in Table 3, shows that the three research instruments have cronbach's alpha coefficient more than 0.60. It can be stated that all instruments all reliable and can be applied to do reasearch.

Table 3. Test of Reliability

No.	Variable	Cronbach's Alpha	Remarks
1	Market Orientation (X1)	0.732	Reliabel
2	Innovation (Y1)	0.757	Reliabel
3	Performance (Y2)	0.719	Reliabel

Test of Normality

Table 4 shows that the value of *Kolmogorov Sminarnov* (K-S) is 0.982, and the value of *Asymp. Sig. (2-tailed)* is 0.290. The result indica-

tes that the regression equation model is normal distributed because the value of *Asymp. Sig. (2-tailed)* 0.290 is more than the value of *alpha* 0.05.

Table 4. Test of Normality Substructure 1

	Unstandardized Residual
N	123
<i>Kolmogorov-Smirnov Z</i>	0.982
<i>Asymp.Sig.(2-tailed)</i>	0.290

Table 5. Test of Normality Substructure 2

	Unstandardized Residual
N	123
<i>Kolmogorov-Smirnov Z</i>	0.949
<i>Asymp.Sig.(2-tailed)</i>	0.328

Based on Table 5 it is stated that the value of *Kolmogorov Sminarnov* (K-S) is 0.949, and the value of *Asymp. Sig. (2-tailed)* is 0.328. It is indicated that the regression equation model is normal distributed because the value of *Asymp. Sig. (2-tailed)* 0.328 is more than the value of *alpha* 0.05.

Test of Multikolinearity

Table 6 shows the value of *tolerance* and *VIF* from variable of market orientation and innovation. The value shows that the value of *to-*

lerance for every variable is more than 10% and the value of VIF is smaller than 10. it means that regression equation model is free from multikolinearity.

Table 6. Test of Multikolinearity Substructure 2

Variables	Tolerance	VIF
Market Orientation (X1)	0.730	1,370
Innovation (Y1)	0.730	1,370

Test of Uji Heterokedasticity

The result of SPSS output in Table 7 shows that the value of sig. of market orientation variable is 0.402 is more than 0.05, it means that there is no effect on independent variables toward *absolute residual*.

The result of SPSS output in Table 8 shows that the value of sig from variable of market orientation and innovation is 0.688 and 0.660. The value is more than 0.05, it means that there is no effect between independent variable toward *absolute residual*. The model has no heteroskedasticity symptom.

Path Analysis

Based on the path analysis substructure 1 as presented in Table 9, the structural equation as follows:

$$Y1 = aX + \beta1 \dots \dots \dots (1)$$

$$Y1 = 0.519X + \beta1 \dots \dots \dots (2)$$

Table 7. Test of Heterokedasticity Substructure 1

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	.721	1.908		.378	.706
Market orientation	.038	.045	.076	.841	.402

Tabl 8. Test of Heterokedasticity Substructure 2

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	.987	1.162		.850	.397
Market Orientation	-.012	.030	-.043	-.402	.688
Innovation	.012	.028	.047	.440	.660

Based on the result of Path Analysis Substructure 2 as presented in the Table 10 , and its structural equation as follows:

$$Y2 = cX + bY1 + \beta2 \dots \dots \dots (3)$$

$$Y2 = 0.206X + 0.274Y1 + \beta2 \dots \dots \dots (4)$$

Based on the Substructure Model 1 and 2, Final Path Diagram Model can be arranged but the value of error deviation must be calculated first as follows:

$$Pe_i = \sqrt{1 - R_1^2}$$

$$Pe_1 = \sqrt{1 - R_1^2} = \sqrt{1 - 0,270} = 0,854$$

$$Pe_2 = \sqrt{1 - R_2^2} = \sqrt{1 - 0,176} = 0,907$$

Based on the calculation of Error Effect (Pei), the result (Pe1) is 0.615 and (Pe2) is 0.518. The result of total determination coefficient as follows:

$$\begin{aligned} R^2_m &= 1 - (Pe_1)^2 - (Pe_2)^2 \\ &= 1 - (0.854)^2 - (0.907)^2 \\ &= 1 - (0.729) - (0.822) \\ &= 1 - 0.599 = 0.401 \end{aligned}$$

The value of Total Determination is 0.401, it means that 40.1% performance variation is affected by the variation of market orientation and innovation, and the rest 59.9% is explained by other factor that not included into the model.

Table 9. Path Analysis 1

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	14.515	3.579		4.055	.000
Market Orientation	.567	.085	.519	6.687	.000
R ₁ Square	0.270				
F Statistic	44,715				
Signifikancy	0.000				

Table 10. Path Analysis 2

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	11.845	1.756		6.747	.000
Market Orientation	.097	.046	.206	2.126	.036
Innovation	.118	.042	.274	2.821	.006
R ₂ Square	0.176				
F Statistic	12,810				
Significancy	0.000				

Examination criteria to explain the effect interpretation for each variable as follows:

if Sig. t < 0.05 then H0 is rejected and H1 is accepted.

if Sig. t > 0.05 then H0 is accepted and H1 is rejected.

H0: No effect on market orientation to innovation.

H1: Market Orientation has positive and significant effect toward innovation

Hypothesis Testing

Based on the results of the analysis of the effect of market orientation to innovation, it was obtained Sig. t value of 0.000 with beta coefficient value of 0.519. Sig. t value of 0.000 < 0.05 indicates that H0 is rejected and H1 is accepted. This result means that the market orientation has positive and significant effect to innovation. H0: No effect of Innovation to Company Performance.

H1: Innovation has positive and significant effect to Company Performance.

Based on the results of the analysis of the effect of innovation to company performance it was obtained Sig. t value of 0.006 with beta coefficient of 0.274. Sig. t value of 0.006 < 0.05 indicates that H0 is rejected and H1 is accepted. This result means that innovation has positive and significant effect to the company performance.

H0: No effect of market orientation to business performance.

H1: Market Orientation has positive and significant effect to Company performance.

Based on the analysis of the effect of market orientation to company performance, it was acquired Sig. t value of 0.000 with beta coefficient value of 0.434. Sig. t value of 0.036 < 0.050 indicates that H0 and H1 are accepted. This result means that the market orientation has positive and significant effect to company performance.

Table 11 shows the effect of variable X1 → Y1, it is market to innovation has direct effect of 51.9 percents therefore it results in a total effect

Table 11. Direct and Indirect Effect As Well as Total Effect of Market Orientation (X1), Innovation (Y1), and Company Performance (Y2)

Variable Effect	Direct Effect	Indirect Effect through Innovation (Y1) ($\beta_1 \times \beta_3$)	Total Effect
$X_1 \rightarrow Y_1$	0.519	-	0.519
$X_1 \rightarrow Y_2$	0.206	0.142	0.348
$Y_1 \rightarrow Y_2$	0.274	-	0.274

of 51.9 percents. The effect of $X_1 \rightarrow Y_2$, namely market orientation to company performance where direct effect of market orientation is 20.6 percents and through indirect effect, namely, innovation of 14.2 percents therefore it resulted in a total effect of 34.8 percents. Then, the last one is the effect of $Y_1 \rightarrow Y_2$, namely, innovation to company performance where the direct effect is 27.4 percents, therefore it resulted in a total effect of 27.4 percents.

Table 12. Test of Sobel

Nilai Z	Sig
4,448	0.000

Based on the result of Sobel in Table 12, it shows that the result of tabulation $Z = 4.448 > 1.96$ with significantcy level of $0.000 < 0.05$, it means that mediator variable, it is innovation is calculated significantly mediate the effect on market orientation to company performance.

Effect of Market Orientation towards Innovation

The hypothesis testing on the effects of market orientation to innovation showed that market orientation has significantly positive effect to the innovation. It means that the better a company understands the market through an approach of orientation to customers, competitors and inter-functional, the more increase the innovation of garment companies in Denpasar City will be. The result of this research supports the findings of Baker and Sinkula (2007), Bigliardi and Domino (2009), Hoq and Horbani (2009), Bigliardi et al. (2011), and Mahmoud et al. (2016) stating that market orientation has positive and significant effect to innovation.

The Effect of Market Orientation to Company Performance

The hypothesis testing on the effect of market orientation to company performance showed that market orientation significantly has positive effect to the company performance. It means that the better a company understands the market through an approach of orientation to customers, competitors and inter-functional the better the performance of a garment company in Denpasar City.

The result of this research supports the findings of Jhonson et al. (2009), Salim and Sulaiman (2011), and Sorensen and Madsen (2012), Ahimbisiwe (2013) explaining that market orientation has positive and significant effect to company performance.

The Effect of Innovation to Company Performance

The hypothesis testing on the effect of innovation to company performance attributed that innoation significantly has positive effect to the company performance. It means that the better and the more frequent a company carrying out innovation both to create new products, innovation in terms of production processes, innovation in product marketing and innovation in company organizations, the more increase the performance of a garment company in Denpasar City.

The result of this research supports the findings of Lin et al. (2008), Littunen and Varis (2010), Lages and Lages (2011), Jyoti and Sharma (2012), Sorensen and Madsen (2012) and Ahimbisiwe et al. (2013) describing that innovation has positive and significant effect to the company performance.

The Role of Innovation in Mediating Market Orientation to Company Performance

The hypothesis testing on the role of innovation in mediating market orientation to the company performance in a garment company in Denpasar resulted in that innovation is able to mediate market orientation to the company performance of Garment Company in Denpasar. Based on the result of Sobel Test in Table 12, it shows that the tabulation $Z = 4.448 > 1.96$ with a significance level of $0.000 < 0.05$, meaning that the mediating variable, namely, innovation is significantly assessed to mediate the effects of market orientation on company performance.

The result of this study supports the findings of Johnson et al. (2009) Theoharakis and Hooley (2008), Olavarrieta and Friedmann (2008) stating that the relationship between market orientation applied in conjunction with the innovation to company performance showed a positive and significant results.

Implications and Limitations of Research

This study provides practical implications for the Garment Company in Denpasar City to implement market orientation culture well by indicating information about the needs of customers and data of competitors that are coordinated into the entire functions in the company to create quality products in accordance with market demands and able to make a good strategy to outperform competitors.

Further implication, in Innovation variable, the result obtained was that Garment Companies in Denpasar City applied the concept of innovation well where Garment Companies in Denpasar City always carry out creative reforms in adapting new ideas with market-oriented development in order to obtain better company performance. Where in product innovation, a company has been able to develop different types of goods to complete the shortcomings of previous products and emphasize quality. Process innovation in which the Garment Companies in Denpasar City have made changes in new production techniques using software so that effectiveness and the efficiency are obtained in term of time and cost in the production process.

Theoretical implication derived from this research is that market orientation and innovation have positive and significant effect to company performance. Innovation is able to mediate the effects of market orientation to Company Performance significantly and Innovation is a partial mediating variable. This shows that market orientation and innovation are all factors affecting the company performance.

Several limitations of research can be drawn from this study are as follows: 1) the scope of this research is only limited to the Garment Company in Denpasar City, so the results of this study cannot be generalized to Garment Company Garment outside Denpasar City; 2) this study was conducted only at a certain time that is at one time where the existing environment will continue to experience a dynamic change.

CONCLUSION AND RECOMMENDATION

Based on the results of the discussion, a number of conclusions can be taken as follows: 1) Market orientation has positive and significant effect to innovation. The results of this research indicated that garment companies in Denpasar have good market orientation and were able to increase innovation. Good innovation of products, processes, marketing and organization owned by garment companies in Denpasar City; 2) Market orientation has positive and significant effect to company performance.

The results of this study showed that if garment companies in Denpasar City have good market orientation, they are able to improve company performance. The improvement of garment company performance in Denpasar City can be seen from the current productivity of the companies, target market is right on target, revenue and profit growth and shareholders' or owners' satisfaction; 3) Company innovation has positive and significant effect to company performance.

The results of this research indicated that garment companies in Denpasar City have carried innovation well and can improve the

company performance; 4) Innovation is able to mediate market orientation to company performance. The results of this study indicated that if garment companies in Denpasar carried out market orientation properly as the result the company is able to respond to competitive action of competitors quickly, committed to customers' satisfaction and all departments within the company can work together in customers' satisfaction, then the orientation attitudes of the company is able to increase innovation and able to achieve improvement of performance within the company.

Based on the discussion and conclusions, the suggestions that can be provided to the relevant parties are as follows: 1) for researcher, this research is expected to be additional resources to strengthen the results of studies related to the market-oriented variable on garment companies with innovation as a mediating variable on garment companies in Denpasar City; 2) for garment companies, all departments of the company are expected to be fast and responsive in serving the needs and demands of customers in order to achieve customers' satisfaction; 3) the company should control the quality of the products more frequently so that the company can correct errors in the production process; 4) the company should apply market orientation culture and higher innovation in order to compete and the products are well accepted by customers so demands will increase and automatically the products can improve revenue growth and profitability.

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