

Effect of Organizational Network, E-Marketing Orientation and Organizational Innovation on Strategic Business Performance through Organizational Flexibility in the Indonesian General Insurance Industry

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ABSTRACT: *The purpose of this study is to examine the effect of organizational networks, e-marketing orientation and organizational innovation on strategic business performance through organizational flexibility in the Indonesian general insurance industry. This research uses a quantitative approach that uses survey methods. This study was included in cross sectional studies. The population of this research is all CEOs, BOD, and BOD-1 general or loss insurance companies, insurance brokers, and insurance agent companies, and insurance industry supporting companies registered at the Financial Services Authority (OJK). The method of data analysis uses the Structural Equation Modeling (SEM) model. The results of this study indicate that organizational network, process innovation, product innovation, and organizational flexibility have a positive effect on strategic business performance. On the other hand, only organizational network and product innovation have an effect on organizational flexibility. As a mediating variable, organizational flexibility is able to act as a mediating variable on the influence of organizational networks and product innovation on strategic business performance.*

Keywords: *Organizational Network, E-Marketing Orientation, Organizational Innovation, Process Innovation, Product Innovation, Strategic Business Perfomance, dan Organizational Flexibility*

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I. INTRODUCTION

The insurance industry has an important role in the economic development of a country (Mkamunduli, 2015). Because the insurance function is to transfer a risk that may be faced by other industry players in carrying out their activities so that by having an insurance, the industry players are better prepared in facing risks that can interfere with financial financial investment, where each investment activity will face a risk (Surminski, 2014). The development of the insurance industry in Indonesia to date shows a positive growth of 4.59% in semester 1 of 2019 (AAUI, 2019).

Based on data from the Financial Services Authority (OJK), insurance literacy index in Indonesia as of 2017 only reached 15.76%, with a new utility level reaching 12.08%, this means that out of 100 Indonesians only 15-16 people know the insurance financial services institutions and only 12 people use insurance services. On the other hand, internet users in Indonesia in 2018 based on data from the Indonesian Internet Service Providers Association reached 171.1 million from 264.16 million people (APJII, 2018). This shows the potential market potential for insurance and it is very easy to enable insurance to educate and literate the public about the benefits of insurance.

To increase penetration growth, in addition to a good organizational network, an optimal business strategy is needed to achieve predetermined business performance and for the survival of the industry amid a dynamic environment that is increasingly using digital information and electronic media as a means of information and promotion, in addition it also requires company innovation and company flexibility in strengthening company performance.

In this decade, considerable research attention has been given to the strategic business performance of large companies (Gelhard *et al.*, 2016). There is some debate among researchers about the key factors that influence strategic business performance and the theoretical arguments that support these factors.

Many research has been done to investigate the factors that influence strategic business performance (SBP), including research conducted by Majidet *al.*, (2019) which states that organizational networks have a positive and significant effect on strategic business performance. In addition, research conducted by Foroudi *et al.*, (2019) states that there is a positive and significant influence between e-marketing orientation and strategic business performance. On the other hand, Atalay (2013) states that organizational innovation has a positive effect on SBP.

Aside from these factors, the most promising factor that has an effect on SBP is the organization's ability to adjust for change, namely organizational flexibility (Verduand Gómez-Gras, 2009), along with proactive consideration of organizational networks (Lanset et al., 2015), and also look at current technological developments, e-marketing orientation (Yousaf et al., 2018), and also see organizational innovation in a company (Atalay, 2013) suspected to be factors that influence business performance.

Until now there has been no research that examines the influence comprehensively related to organizational network, organizational innovation and e-marketing orientation as well as its influence on organizational flexibility in determining strategic business that will be used primarily to deal with increasingly competitive market conditions. From the phenomena and based on existing literature studies, this study tries to look at the influence of organizational networks, organizational innovation and e-marketing orientation and organizational flexibility on strategic business performance.

In addition, what distinguishes this study from previous research as well as being a plus for this research is the sample used in this study CEO, BOD, BOD-1 from companies in the insurance industry in Indonesia. This research is expected to contribute to the development of strategic management and also applicable to the insurance industry in implementing strategies that are relevant to the current condition of the insurance industry, and technological development.

II. LITERATURE REVIEW: THEORETICAL PERSPECTIVE AND HYPOTHESES DEVELOPMENT

Organizational networks help companies to achieve strategic business performance targets that have been set for several reasons (Lans et al., 2015). First, through the organizational network a company can find new ideas and projects that are characteristic of its partners that are enriched with various resources (Dyer and Singh, 1998). New ideas from partners encourage different thinking and creative solutions needed for SBP (Borgatti and Foster, 2003). Second, because of the availability of coordination in networking, companies can focus more on utilizing more opportunities in combining the various skills of other companies (Song et al., 2017). Yousaf and Majid (2018) stated that there is a positive influence between organizational networks on strategic business performance.

The implementation of the marketing function through electronic media has had a positive impact on the long-term performance of the company (Brodie et al., 2007). Through e-marketing, business is conducted using electronic media compared to business physically or directly, thereby saving physical costs and increasing strategic financial performance (Ciunova-Shuleska et al., 2016). E-marketing orientation is one way to target customers in a more personal way, by communicating various customers directly through social media, websites and cellphones (Eid and El-Gohary, 2013).

E-marketing orientation has increased the frequency of exposure related to marketing efforts to obtain a greater number of customers, thereby expanding the market at a low cost. This has the potential to increase the level of sales activity (Coviello et al., 2002). All the long-term benefits of implementing an e-marketing orientation come from encouraging business management to change their marketing practices from traditional ways to more modern ways. Based on this, it can be concluded that e-marketing orientation positively influences strategic performance. This is confirmed by research conducted by Yousaf et al., (2018) which states that e-marketing orientation has a significant positive effect on strategic business performance.

Innovation is considered as an important factor for organizations to create value and sustainable competitive advantage for companies in a dynamic environment like today (Farhang and Abkenari, 2017). Companies that innovate more frequently, in order to respond to a dynamic environment and create developments on new products or services will be more successful thereby allowing the company to achieve better performance. Gunday et al., (2011) explores the impact of product innovation, process innovation, organizational innovation, and marketing innovation on various aspects of strategic business performance, including achievement in production, marketing and finance, through empirical studies covering manufacturing companies in Turkey. The results of this study state that product innovation, organizational innovation, and marketing innovation have a positive effect on strategic business performance in the manufacturing industry in Turkey. Thus, the hypothesis that can be proposed is:

H1: Organizational network has a positive effect on strategic business performance

H2: E-marketing orientation has a positive effect on strategic business performance

H3: Process innovation has a positive effect on strategic business performance

H4: Product innovation has a positive effect on strategic business performance

Organizational networks support the competitiveness of organizations by enabling them to be more flexible through minimizing additional costs, sharing organizational resources and updating knowledge (Walter et al., 2006). Networking acts as a facilitator for organizations to develop and maintain cooperation (Rasmussen et al., 2015). Such cooperation allows companies to move forward in more flexible ways (Yousaf and Majid, 2016).

This study builds the argument that organizational flexibility becomes the ability to proactively prepare and manage an uncertain environment and is highly dependent on the level of organizational networking. This study is in line with research conducted by Yousaf and Majid (2018) which states that organizational networks have a positive effect on organizational flexibility.

E-marketing orientation is one way to target customers in a more personal way, by communicating various customers directly through social media, websites and mobile phones (Eid and El-Gohary, 2013). On the other hand, organizational flexibility is the result of an interaction between organizational reaction abilities (designing organizational tasks) and managerial abilities (managerial tasks). Flexible companies experience fewer restrictions in order to gain support for sustainable practices with network partners and improve networking relationships (Mitchell et al., 2016).

The flexibility of an organization that includes the ability to respond to change is needed when applying marketing concepts mainly through electronic marketing (Combe, 2012). The implementation of e-marketing companies will have a positive impact on organizational flexibility, this is because the rapid development of technology will encourage companies to immediately adapt to the current environment which is the era of digitalization. Thus making the level of flexibility of the company against market demands is increasing. Based on research conducted by Bharadwaj et al., (1999) and Tallon and Kraemer (2003) stated that there is a positive influence between e-marketing orientations on strategic flexibility. Murphy et al., (2007) also states that the use of information technology in business has a positive effect on a company's strategic flexibility.

Based on The Oslo Manual (OECD and Eurostat, 2005), process innovation is the implementation of new production methods and shipments that have been significantly improved. This innovation includes significant changes in terms of engineering, equipment and / or software. In insurance companies, the innovation process can use information technology in marketing insurance products as well as the use of the latest software or hardware technology in the use of its business activities. Whereas product innovation is the introduction of new or significantly improved goods or services in relation to their intended characteristics or usability. This includes significant improvements in technical specifications, components and materials, decent software, easy to use for users or other functional characteristics.

Based on research conducted by Do and Yeh (2016) states that there is a positive influence between organizational innovation that includes process innovation and product innovation on organizational flexibility. The more often companies innovate processes and products in the form of goods or services, it will encourage companies to be more flexible in dealing with the conditions of companies that often innovate. Thus, the hypothesis that can be proposed is:

H5: Organizational network has a positive effect on organizational flexibility

H6: E-marketing orientation has a positive effect on organizational flexibility

H7: Process innovation has a positive effect on organizational flexibility

H8: Product innovation has a positive effect on organizational flexibility

Organizational flexibility is the main thing that allows companies to obtain the changes needed to sharpen skills, advance knowledge and develop behavior to achieve strategic goals (Vecchiato, 2015). Companies that implement flexible mechanisms will achieve the SBP target faster than companies that have rigid operational mechanisms (Verdu and Gómez-Gras, 2009). Organizational flexibility is the main way in which companies increase their ability to change their strategic actions in response to major competitors and this change or flexibility helps companies to determine SBP (Yousaf and Majid, 2017). Flexible organizational mechanisms can control complexity, minimize uncertainty and offer protection for the company's commitment to carry out strategically. Flexible companies can efficiently and effectively manage the overall risks that exist in complex and volatile environments and provide the basis for SBP (Yousaf and Majid, 2017). In the context of current research, it is proposed that flexible companies are more enthusiastic and faster in achieving SBP compared to companies that are not flexible. Therefore, organizational flexibility positively influences SBP. Thus, the hypotheses that can be proposed are:

H9: Organizational flexibility has a positive effect on strategic business performance

The increased level of organizational flexibility is accompanied by repeated coordination with faster contact skills to achieve SBP. Furthermore, organizational networks increase the company's ability to engage in synergistic efforts and ensure organizational flexibility (Kozjek and Ferjan, 2015). It is this organizational flexibility that helps companies to develop competitive knowledge about key opportunities to achieve SBP and overcome confrontation (Vecchiato, 2015).

The role of organizational flexibility as mediation, implies that the development of a strong organizational network provides a key mechanism that underlies the chances of achieving SBP through increasing the level of organizational flexibility. Organizational networks and organizational flexibility are strong enough to make companies more energetic and independent of the hierarchical structure. Mitchell et al. (2016) state that organizational flexibility utilizes opportunities explicitly through networking (for example, with information to share skills, costs and access to markets with each other). Companies must have a specific strategy to strengthen SBP, and networking plays a significant role in providing this strategy with organizational flexibility. Based on the explanation above, organizational network is able to improve the mechanism of coordination of SPB and has an influence on SBP through more flexible companies (Vecchiato, 2015). These relationships help companies to develop in-depth knowledge of new ideas and potential opportunities and encourage an organization's flexibility to achieve SBP targets (Majid and Yasir, 2017).

E-marketing orientation has increased the frequency of exposure related to marketing efforts to obtain a greater number of customers, thereby expanding the market at a low cost. This has the potential to increase the level of sales activity (Coviello et al., 2002). All the long-term benefits of implementing an e-marketing orientation come from encouraging business management to change their marketing practices from traditional ways to more modern ways. Based on this, it can be concluded that e-marketing orientation positively influences strategic performance. Organizational flexibility is a condition to what extent an organization has various actual and potential procedures to improve organizational and environmental control (Palanisamy, 2005). The better the company's flexibility on the environment, it will affect the relationship between e-marketing and strategic business performance. The more flexible a company is, the faster the company will adapt to the environment, which is now an era of technology, so that the implementation of e-marketing will be better and will encourage companies to improve their strategic business performance.

Process innovation refers to innovations related to the way companies run their business operations. Examples include techniques for producing or marketing goods or services, or new practices developed internally (Do and Yeh, 2016). While product innovation is the creation and development of products that are reflected in changes in products and services provided by companies (Prajogo and Ahmed, 2006). The more frequent processes of innovation and product innovation in a company will cause a change in the company. This change will encourage companies to be more flexible in responding to these changes. With the company's flexibility in responding to changes related to process innovation and product innovation, it will have a positive influence on the company's strategic business performance, or in other words, the target of the determined strategic business performance will be achieved. Thus, the hypothesis that can be proposed is:

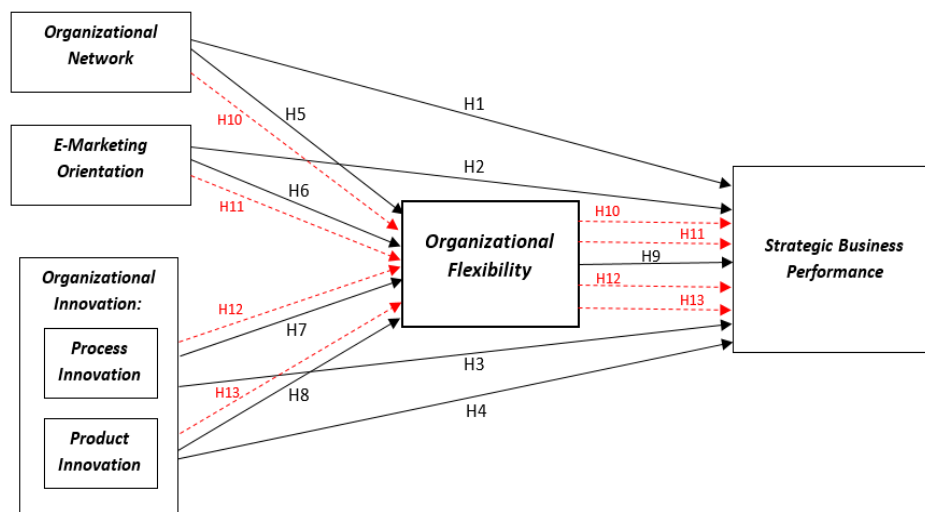
H10 : Organizational flexibility mediates the relationship between organizational networks and strategic business performance

H11 : Organizational flexibility mediates the relationship between e-marketing orientation and strategic business performance

H12 : Organizational flexibility mediates the relationship between process innovation and strategic business performance

H13 : Organizational flexibility mediates the relationship between product innovation and strategic business performance

The conceptual framework of this study is described as follows:



III. METHODOLOGY

The research design used in this study is the Hypothesis Testing. This type of research uses the type of descriptive research with a quantitative approach that uses an explanatory survey method. Overall respondents' answers to the proposed item are measured using a Likert Scale expressed on an interval scale. Likert scale shows how strong the level of agree or disagree with a statement.

The population of respondents from this study were all CEOs, BOD, and BOD-1 general or loss insurance companies, insurance brokers, and insurance agent companies, and insurance industry supporting companies registered with the Financial Services Authority (OJK). The number of general insurance companies or losses used as research samples is 76 companies. The number of insurance brokerage companies that are used as research samples is 166 companies. This study uses a sample of respondents.

Data collection is carried out by surveying distributing questionnaires (hardcopy) and also through online media, namely via e-mail to the CEO, BOD, and BOD-1 different general or loss insurance companies. The type of this research statement is a closed statement that asks the respondent to choose one of the answers provided by crossing / agreeing to the answer options provided in the respondent's research questionnaire answer box. Data analysis method used in this study is quantitative analysis using SEM (Structural Equation Modeling) or structural equation models. Data analysis methods in this study include descriptive translation of statistical data, testing of research instruments that include validity and reliability, and hypothesis testing.

IV. MEASUREMENT

Organizational network is measured using 14 (fourteen) statement items covering four sub-dimensions, namely coordination, relational skills, partner knowledge and internal communication. This statement was adapted from the research of Walter et al (2006). E-marketing orientation is measured by using 4 (four) statement items adapted from Shaltoni and West (2010) research. Organizational innovation is classified into two dimensions of innovation namely process innovation and product innovation in accordance with research conducted by Prajogo and Ahmed (2006). Process innovation is measured using 4 (four) statement items and Product innovation is measured using 3 (three) statement items adapted from Prajogo and Ahmed's research (2006). Organizational flexibility is measured using 8 (eight) statement items adapted from the research of Gutierrez Gutierrez and Perez (2010) and Verdu and Gómez-Gras (2009). Strategic business performance is measured using 17 (seventeen) statement items covering several sub-dimensions. The first to eighth statement indicators are used to measure how the company achieves its strategic objectives such as profitability, market share, and others. These eight statements were adopted from the research of Cavuşgil and Zou (1994). Then, the ninth to thirteenth revelation indicators are used to measure how a company has achieved different marketing strategies such as trade, promotion, distribution, and customers. This statement was adapted from the research of Kim et al (2008). The fourteenth to seventeenth statement indicators are used to measure the company's performance in competition. This statement was adapted from research by Murray et al. (1995).

Statement items related to organizational networking, e-marketing orientation, organizational innovation that includes process and product innovation, and organizational flexibility are measured using 5 (five) points Likert scale from 1 to 5 with category 1 (one) strongly disagree to category 5 (five) totally agree. Similarly, statement items related to strategic business performance measured using 5 (five) points Likert scale from 1 to 5 with category 1 (one) target not achieved at all until category 5 (five) ie all targets are achieved.

V. ANALYSIS AND RESULTS

One of the prerequisites that must be done before testing a theoretical hypothesis is the testing of the instrument of the research variables that will be used by testing the validity and reliability. Validity testing is done by using factor loading. The indicator used is said to be valid if it has a factor loading value ≥ 0.50 (Hair et al, 2014) and vice versa indicators that have a factor loading less than 0.50 are included in the invalid group. Reliability testing is done to see whether the indicators used are reliable or not by referring to the Cronbach's Alpha coefficient (Sekaran and Bougie, 2010). If Cronbach's Alpha ≥ 0.6 , the construct used is reliable. Vice versa, if Cronbach's Alpha < 0.6 then the construct used is not reliable.

Based on the results of data processing, it can be seen that all research instruments (questionnaire items) of each variable have an estimated value (loading factor) above 0.5. So it can be said that all research instruments (questionnaire items) are valid. Beside that, it is known that all variable questionnaire items have Cronbach's Alpha values above 0.60, so it can be said that all research questionnaire items are reliable. Based on descriptive statistics, it can be seen that the average variable answers range on a scale of 3-5. And judging from the standard deviation, it can be concluded that the respondents' answers are quite varied.

Descriptive Statistics Table

Variable	Mean	Standar Deviation
Organizational Network	4,1583	0,43973
E-Marketing Orientation	4,0586	0,56905
Process Innovation	4,0225	0,59691
Product Innovation	3,9339	0,56999
Organizational Flexibility	3,9572	0,50803
Strategic Business Performance	3,9592	0,5104

Based on hypothesis testing, it can be seen that the majority of hypotheses are supported. The details of the results of the hypothesis test (without the role of moderation) are described as follows.

Hypothesis Test Results (Without the Role of Mediation)

Hypothesis	Coefisien	C.R.	P	Result
H1: Organizational network has a positive effect on strategic business performance	0,130	1,407	0,080*	The hypothesis is supported
H2: E-marketing orientation has a positive effect on strategic business performance	-0,059	-0,739	0,230	The hypothesis is not supported
H3: Process innovation has a positive effect on strategic business performance	0,113	1,358	0,0875*	The hypothesis is supported
H4: Product innovation has a positive effect on strategic business performance	0,189	2,415	0,008**	The hypothesis is supported
H5: Organizational network has a positive effect on organizational flexibility	0,714	-	-	The hypothesis is supported
H6: E-marketing orientation has a positive effect on organizational flexibility	-0,065	-,722	0,235	The hypothesis is not supported
H7: Process innovation has a positive effect on organizational flexibility	-0,181	-1,996	0,023	The hypothesis is not supported
H8: Product innovation has a positive effect on organizational flexibility	0,360	4,431	0,000**	The hypothesis is supported
H9: Organizational flexibility has a positive effect on strategic business performance	0,582	7,049	0,000**	The hypothesis is supported

Based on the above table, it can be seen that the hypotheses H1, H3, H4, H5, H8, and H9 are supported or accepted. This is because the p-value ≤ 0.05 so that the hypothesis is supported. So it can be concluded that the organizational network has a positive effect on strategic business performance; Process innovation has a positive effect on strategic business performance; Product innovation has a positive effect on strategic business performance; Organizational network has a positive effect on organizational flexibility; Product innovation has a positive effect on organizational flexibility; and Organizational flexibility has a positive effect on strategic business performance. Whereas H2, H6, and H7 are not supported because they have p-values > 0.05 . So it can be concluded that E-marketing orientation has no significant effect on strategic business performance; E-marketing orientation has no significant effect on organizational flexibility; and Process innovation has no significant effect on organizational flexibility.

Mediation Hypothesis Test Results

Hipotesis	Estimate	C.R.	P	Result
H10: Organizational flexibility mediates the relationship between organizational networks and strategic business performance	0,714*0,582 = 0,415	7,864	0,000**	The hypothesis is supported

Hipotesis	Estimate	C.R.	P	Result
H11: Organizational flexibility mediates the relationship between e-marketing orientation and strategic business performance	-0,065*0,582 = -0,037	-0,667	0,252	The hypothesis is not supported
H12: Organizational flexibility mediates the relationship between process innovation and strategic business performance	-0,181*0,582 = -0,105	-1,870	0,030	The hypothesis is not supported
H13: Organizational flexibility mediates the relationship between product innovation and strategic business performance	0,360*0,582 = 0,209	3,629	0,000**	The hypothesis is supported

Based on the table above, it can be seen that only Hypothesis 10 (H10) is accepted or supported. On the other hand, the hypothesis H11, H12, and H13 are not supported. So it can be concluded that organizational flexibility mediates the positive relationship between organizational networks and strategic business performance. On the other hand E-marketing orientation does not significantly affect strategic business performance, and the effect remains insignificant after mediated by organizational flexibility. Process innovation positively and significantly influences strategic business performance, but the effect is insignificant after mediated by organizational flexibility. In addition, Product innovation positively and significantly influences strategic business performance, and its influence remains significant after being mediated by organizational flexibility.

VI. DISCUSSION AND CONCLUSION

Theoretical Implication

Innovation which includes process innovation and product innovation, as well as organizational flexibility significantly affects strategic business performance directly. Whereas e-marketing orientation does not significantly affect strategic business performance directly. In addition, the results of this study show that organizational network and product innovation significantly influence organizational flexibility. While e-marketing orientation and process innovation do not significantly affect organizational flexibility. And also, the results of this study indicate that organizational flexibility has a role in mediating the influence of organizational networks and product innovation on strategic business performance. Or in other words the results of this study reveal that organizational flexibility as a mediating variable influences organizational network and product innovation on strategic business performance. Theoretically, this study contributes to the strategic management literature in the form of the mediating role of organizational flexibility on the relationship between organizational networks, e-marketing orientation, process innovation and product innovation on strategic business performance.

Practical Implication

In order to increase the company's strategic business performance achievement, each general and loss insurance company must pay attention to the main factors that influence strategic business performance, namely organizational network, process innovation, product innovation, and organizational flexibility. In terms of Organizational Network, companies engaged in general insurance and losses are expected to expand the organization's network and maintain relationships with business partners to always update information related to competitors or competitors and always maintain good and intensive communication between managers and employees in a company. In terms of Process Innovation, the company is expected to be committed to be able to compete with competitors in terms of technology use, adaptation in the use of new technology, and strive to always use the latest technology in running business processes. In terms of Product Innovation, the company is expected to be committed to always using the latest technology in developing insurance products, able to develop products quickly, and strive to develop new insurance products each year. In terms of organizational flexibility, general and loss insurance companies are expected to be committed to always being flexible in facing dynamic changes in carrying out their business processes. Companies must be able to act quickly to respond to market dynamics and be able to make strategic steps to deal with these changes. If this is successful, the level of strategic business performance achievement is expected to be better than the previous year. This will have an impact on the company's better performance if the strategic business performance targets are higher.

Limitation Research

This research is inseparable from a number of limitations, especially limitations in terms of time and cost. In addition this study also has limitations including: This study only uses variable process innovation and product innovation in examining organizational innovation. The Oslo Manual (OECD and Eurostat, 2005) explains that organizational innovation includes product, process, organization, and marketing innovations. The sample of respondents in this study is only CEO, BOD, and BOD-1 in general and loss insurance companies.

Conclusion

The general conclusion or findings of the results of this study are that organizational network, process innovation, product innovation, and organizational flexibility have a positive effect on strategic business performance. On the other hand, only national network and product innovation have an effect on organizational flexibility. As a mediating variable, organizational flexibility is able to act as a mediating variable on the influence of organizational networks and product innovation on strategic business performance.

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