Determinants Of Business Performance And Partner Satisfaction Inpt Pertamina (Persero) In The Region Vi East Kalimantan And North Kalimantan Areas

Rendy JUANDA¹, Syarifah HUDAYAH², Doddy ADHIMURSANDI³, Sugeng HARİYADI⁴

¹,²,³Faculty of Economics and Business, Mulawarman University of Samarinda, Indonesia
⁴State Polytechnic Samarinda, Indonesia
Email: doddy.adhimursandi@feb.unmul.ac.id
*Corresponding Author

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Abstract

This research aimed to analyze the effect of market orientation, customer relationship management, service quality, and organizational justice on partner satisfaction. It also sought to examine the influence of market orientation, customer relationship management, service quality, organizational justice, and satisfaction on business performance. The data collected through surveys by administering questionnaires to 78 respondents were processed through statistical methods and analyzed using Warp PLS and SEM-FLS software. The findings revealed that customer relationship management and service quality exert significant and positive effects on customer satisfaction, while market orientation and organizational justice had insignificant impacts. In addition, market orientation, customer relationship management, and service quality insignificantly affected business performance, while organizational justice and customer satisfaction had significant influences.

Keywords: Market Orientation, Customer Relationship Management, Service Quality, Organizational Justice, Satisfaction, Business Performance

Introduction

The current era of globalization promotes constant competition among businesses in exploiting and developing their market share and coverage. This urges corporations to quickly, accurately, effectively, and efficiently devise the right strategies from a variety of approaches. An important factor in winning their competition is the ability to foster strong relationships with customers (Kotler & Keller, 2016).

Generally, strong customer relationships are achieved through satisfaction with the products and services offered by companies. Customer satisfaction is an expression of contentment or disappointment following the comparison of the perceived performance of a product or service with the expectations of consumers (Kotler & Keller, 2016). Satisfied customers will be more loyal to a product, make repeat purchases in even greater numbers, ignore the offerings of competitors, are less price sensitive, and are more likely to recommend the company and its products to others. Increased competition has led to major changes in human resource management and transaction handling among companies and consumers. Some efforts to improve these processes are to formulate, refine, and determine the effectiveness of the employed strategy. These activities also enable performance measurement, which is very important in evaluating progress and planning future goals. However, most companies use the traditional method, which only focuses on the financial sector.

This causes businesses to concentrate solely on short-term profits, thereby ignoring their long-term survival. Such finance-focused methods are unable to measure the performance of intangible assets and intellectual property, such as human resources. As a result, companies are oriented toward achieving short-term profits and inept at evaluating and navigating competitive environments (Sabakula, 2014).

Achieving satisfaction and business performance is dependent on the quality of services provided. All sectors and industries that are hinged on customers must provide personalized services to attain market success. This signifies that improved quality of service is an important factor that enhances performance. Service quality is the presentation of products, services, and activities that are similar to the wants of consumers. A service is defined as a provision that incorporates convenience, speed, accuracy, relationship, ability, and friendliness to enhance customer satisfaction. It is a strategy used by businesses to obtain market advantages and gain the trust of consumers. Service quality is the main strategic variable to achieve customer satisfaction and build long-term relationships that can attract new customers.

The provision of goods and services that are highly valued over the competition’s offerings is necessary for companies to grow or survive in business environments. This greater value is determined by offering lower prices as well as quality, service, and support, according to the basic principles of customer-oriented marketing. The goal is to maintain sustainable performance. The basis of long-term success is providing a sustainable competitive advantage by consistently delivering superior value to its customers. Therefore, an important concept for all types of organizations, including service, manufacturing, profit, and non-profit companies, is marketing. It is considered the best philosophy for conducting business and is key to a
successful organizational culture (Morgan & Shelby, 1994; Ferdinand, 2003).

Meanwhile, a long-term focus on understanding the market needs gradually improves competitiveness and performance in companies. Market needs or orientation is a measure of the behavior and activities that indicate the application of the marketing concept (Miller, 2000). It may result in enhanced performance and provides psychological and social advantages typified by pride, increased organizational commitment, and a greater sense of belonging. These benefits are achieved because market orientation fosters competition. Three environmental factors moderate the relationship between market orientation and performance. These are the level of orientation, market changes, and the rate of technological change. The correlation between orientation and performance is directly proportional to market turbulence. Market focus is related to satisfaction and success in companies. A rapid increase in technological change or turbulence weakens the correlation between market orientation and performance. This indicates the significance of market orientation in determining the performance of companies. It is particularly crucial during volatile and highly competitive market conditions, with relatively stable or well-established technology levels (Miller, 2000).

Company are unable to provide the same level of service to all clients because their revenue generation is different. Consequently, the use of customer relationship management (CRM) can enhance the sustainability of the relationships with stakeholders and shareholders. Numerous businesses employ customer relationship management software to cultivate strong connections with their clientele. This enables familiarization with the consumers’ anticipations and requirements, enhancing an emotional connection that fosters open and closed professional relationships as well as a two-way communication process. The reciprocity may help preserve loyalty and impede customers from switching to rival products or brands.

Kotler & Armstrong (2012) defined customer relationship management as the process of building and maintaining profitable relationships by delivering superior value and satisfaction. This can be accomplished by attracting new customers, retaining existing ones, and expanding the clients.

Marketing may involve business-to-customer or business-to-business promotion. This research focused on business-to-business marketing, which involves the sale of goods and services from one entity to another. Marketing pays attention to maintaining good relationships with customers. Business-to-business and business-to-customer marketing have fundamental differences, including the number of clients dominating sales. The latter has a relatively limited number of customers, meaning their needs and demands are more critical. Such customers have greater control over their suppliers, and the products traded are more complex and generalized. The sellers must know and provide complete information about the product, including advantages over competitors. Conversely, business-to-customer purchases are made using simple criteria.

PT Pertamina (Persero) operates retail and corporate markets, which exhibit different characteristics. Their products are marketed by two primary units, known as Retail Marketing and Corporate Marketing. This research aimed to investigate the internal issues by exploring the challenges experienced. Although PT Pertamina plays an important part in expanding the national economy, the business encounters various obstacles, including a lack of capital and funding, restricted access to markets and information, and difficulties marketing products and services.

**Literature Review**

**Market Orientation**

Market orientation is a measure of behavior and activity that reflects the implementation of the marketing concept. According to Kohli and Jaworski (1990), it is not the responsibility of the marketing division alone but requires the participation of all departments in the collection, dissemination, and follow-up of market intelligence. Therefore, this measure encompasses customers and the factors or forces that influence their patronage.

It is also considered a philosophy and behavioral process of business management, which describes the value and belief patterns that enable individuals to understand organizational functions based on certain norms (Deshpande & Webster, 1993). Therefore, business philosophy refers to a series of values and beliefs, attitudes, and corporate culture. It contributes to the operational order of activities and behaviors inherent in business management and market orientation.

**Customer Relationship Management**

Goetsch & Davis (2002) described consumer relationship management as the process of obtaining, retaining, and developing profitable customers. It requires a focus on distinct service attributes that can generate value and produce good business quality. Customer relationship management is a cooperative relationship between providers and consumers to ensure both parties attain mutual benefits and ultimately realize increased value.

Furthermore, Ziethal & Bitner (2003) defined this strategy as a process of gathering information to improve the understanding and management of organizational relationships with consumers. It employs information technology that provides businesses with comprehensive, reliable, and consumer-oriented processes and interactions to maintain and extend beneficial relationships with customers.

**Service Quality**

Total Quality Service (TQS) is a derivative of TQM (Total Quality Management) in service industries, which believes companies must involve commitment and awareness at all levels to improve the quality of service, thereby achieving increased sales and wider market shares. Kotler & Keller (2016) defined TQS as an integrative strategic management system that incorporates all managers and employees and uses qualitative and quantitative methods to enhance ongoing organizational processes to satisfy and exceed the needs, wants, and expectations of customers. Service quality is a strategy to meet the needs of all consumers. The services provided are targeted at winning the hearts of customers and piquing their interest in purchasing the products offered (Jeong & Oh, 2017).

**Organizational Justice**

Organizational justice describes an individual's perception and behavioral reactions to the treatment received from an organization. It is the research of equality at work or the fairness and ethical behavior experienced in an organization. This measure can also be defined as a personal feeling of fair wages.
and benefits and emphasizes decisions, perceived equality, effects of justice, and relationships between individuals with their work environment. In addition, Greenberg & Baron (2007) expressed organizational justice as an individual’s perception of fairness in the manufacturing decision-making process and the distribution of outcomes. Employees perceive justice when the results accepted at work are believed to be fair. An important element is an individual perception, as justice is subjective. According to Robbins & Coulter (2010), the theory of justice states that individual comparisons of work inputs and outcomes determine their response to eliminating injustice.

Customer Satisfaction

Consumer satisfaction after purchase depends on the contrast between the service performance and the user's expectations. A lower service compared to the expectation will cause disappointment and dissatisfaction. Conversely, the provision of a service that is tantamount to the expected performance will foster satisfaction and increase the likelihood of repurchasing. Service companies strive to fulfill the wishes and expectations of their consumers.

Lovelock (2001) defined consumer satisfaction as a response to the evaluation of a perceived discrepancy or disconfirmation between previous expectations and actual product performance after use. Meanwhile, Tse & Wilton (2008) described customer dissatisfaction as a response to the perceived disconfirmation between the expectations and the actual performance of the product. Engel et al. (1994) stated that customer satisfaction is an after-purchase evaluation, where the selected alternative gives at least the same results or exceeds the expectations of customers, while dissatisfaction arises when the product performance fails to meet expectations.

Business Performance

Performance appraisal or measurement is an essential tool in companies and may be defined as the assessment of work progress contrary to the goals and objectives of resource management personnel. It is crucial in producing goods and services and requires efficient information dissemination and effective actions in achieving organizational goals. Abernethy et al. (2013) interpreted performance measurement as the process of determining the efficacy of business activities in attaining strategic goals, eliminating waste, and providing timely information to implement continuous growth. The Balanced Scorecard is one of the performance measurement systems that can achieve these aims because it is capable of translating the vision and mission of organizations into strategic, interrelated goals and objectives (Ahrens and Chapman, 2002) This system functions by motivating personnel to realize these visions and missions.

Hypotheses Development

Relationship between Market Orientation and Customer Satisfaction

This research aligned with the theory postulated by Kotler & Armstrong (2012) and Kotler & Kevin (2016) that Market Orientation affects Customer Satisfaction. It is supported by several findings, namely Jyoti & Sharma (2012), Mahmoud et al. (2019), Mandung et al. (2018), Pattanayak et al. (2017), and Novixoyo et al. (2018). Conversely, Tournois (2013) reported an insignificant influence.

H1: Market orientation significantly relates to customer satisfaction.

Relationship between Customer Relationship Management and Customer satisfaction

This research was consistent with Cruz-Ros et al. (2010) and Kotler & Armstrong (2012) that Customer Relationship Management influences Customer Satisfaction. The findings were also in line with Abdulateef et al. (2014), Velnampy & Sivesan (2012), Dewi & Abriyanti (2015), and Setiawan (2014). In contrast, Mappatomo et al. (2011) and (Nashwan & Hassan (2017) conveyed conflicting results.

H2: Customer relationship management significantly relates to customer satisfaction

Relationship between Service Quality and Customer Satisfaction

This research supported the theory presented by Kotler and Armstrong (2012) and Kotler and Kevin (2016) that Service Quality influences Customer Satisfaction. Similar findings were also reported by Lee & You (2016), Wantara (2013), and Surapranata et al. (2013). Meanwhile, the findings of Keshavarz & Jamshidi (2018) and Sharma (2017) revealed an insignificant relationship.

H3: Service quality significantly relates to customer satisfaction

Relationship between Organizational Justice and Customer Satisfaction

The theory postulated by Armstrong & Kotler (2011) that Organizational Justice influences Customer Satisfaction was corroborated by this research. Other congruent findings were provided by Umar et al. (2016), Campbell & Finch (2004), Angelica (2012), and Mobina & Mahdi (2017). Elyawati et al. (2013) and Pourezzar & Someh (2009) obtained divergent results.

H4: Organizational justice significantly relates to customer satisfaction

Relationship between Market Orientation and Business Performance

Similar to Hines and Samuel (1999) and Kotler et al. (2013), this research hypothesized that found that Market Orientation influences Business Performance, which was similar to the results of this research. Other supporting findings included Protcoko and Dornberger (2014), Al-Idrus et al. (2018), Salehzadeh et al. (2017), and Ali & Li (2021). However, Lekmat et al. (2018) gave conflicting results.

H5: Market orientation significantly relates to business performance
Relationship between Customer Relationship Management and Business Performance

This theory proposed by Kotler and Armstrong (2012), Hines and Samuel (1999), and Kotter et al. (2013) that Customer Relationship Management influences Business Performance was substantiated in this research. It was also supported by Kim & Kim (2008), Indah & Devie (2013), Faroghian & Mazhab (2015), and Othman et al. (2013). However, Wall et al. (2016) and Reimann et al. (2008) disproved this theory.

H6: Customer relationship management significantly relates to business performance

Relationship between Service Quality and Business Performance

In line with the finding by Kotler and Kevin (2016), this research theorized that Service Quality influences Business Performance. This was strengthened by Lee & You (2016), Leonnard (2018), Nair (2016), and Akroush & Khatib (2009). Conversely, Quddus and Hudrasyah (2014) and Wijetunge (2016) opposed this theory.

H7: Service quality significantly relates to business performance

Relationship between Organizational Justice and Business Performance

This research supported the postulation of Kotler and Kevin (2016) that Organizational Justice influences Business Performance. Advocates of this relationship included Hehanussa (2014), Emran et al. (2014), Esfahani et al. (2013), and Umar et al. (2016). Meanwhile, Lee et al. (2011) and Wang & Li (2016) obtained discordant findings.

H8: Organizational justice significantly relates to business performance

Table 1: Research examining Market Orientation, Customer Relationship Management, Service Quality, Organizational Justice, Customer Satisfaction, Business Performance

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer</td>
<td>Market Intelligence dissemination</td>
<td></td>
</tr>
<tr>
<td>Relationship Management</td>
<td>Market Intelligence generation</td>
<td></td>
</tr>
<tr>
<td>Service Quality</td>
<td>Social Exchange</td>
<td>(Jeong &amp; Oh, 2017)</td>
</tr>
<tr>
<td></td>
<td>Product/Service Exchange</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cooperation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial Exchange</td>
<td></td>
</tr>
<tr>
<td>Organizational Justice</td>
<td>Procedural Justice</td>
<td>(Khan et al., 2017)</td>
</tr>
<tr>
<td></td>
<td>Interational Justice</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Distributive Justice</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Status Within Buying Group</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Information Control</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stakeholder</td>
<td></td>
</tr>
<tr>
<td>Business Performance</td>
<td>Financial Performance</td>
<td>(Kaplan &amp; Norton, 2001)</td>
</tr>
</tbody>
</table>

PT Pertamina has diversified its products and market. Although the government has strived to increase the use of these products, the customers are still below the target. One of the problems faced by the business is an imbalanced relationship between partner satisfaction and the service offered. This is due to the disproportionate distribution of physical facilities and staff capabilities, resulting in fluctuating levels of partner satisfaction in each unit. Therefore, this research aimed to determine the service quality and satisfaction of business partners of PT Pertamina in Region VI of East and North Kalimantan.
Methodology

This research employed quantitative methods through a survey or census of 78 PT Pertamina distributors in East and North Kalimantan. The questionnaires were distributed through Google Forms sent using Email or Whatsapp, and the ensuing statistical data were processed with WarpPLS software.

The dependability and validity of the research model were determined using appropriate standard value measurements. The constructs met the criteria of composite reliability and Cronbach's alpha values by producing scores >0.7 and >0.6, respectively. These criteria are the basis for developing a measurement scale of outer consistency. Table 1 shows that all the constructs satisfied the criteria for discriminant validity.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Internal Consistency/Reliability</th>
<th>Convergent Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cronbach's alpha (&gt;0.6)</td>
<td>Composite reliability (&gt;0.7)</td>
</tr>
<tr>
<td>Market Orientation</td>
<td>0.773</td>
<td>0.943</td>
</tr>
<tr>
<td>Customer Relationship</td>
<td>0.772</td>
<td>0.901</td>
</tr>
<tr>
<td>Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Quality</td>
<td>0.705</td>
<td>0.893</td>
</tr>
<tr>
<td>Organizational Justice</td>
<td>0.725</td>
<td>0.857</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>0.733</td>
<td>0.940</td>
</tr>
<tr>
<td>Business Performance</td>
<td>0.796</td>
<td>0.916</td>
</tr>
</tbody>
</table>

Table 2: Convergent Validity and Reliability Results

As shown in Table 3, the p-value estimated using WarpPLS 6.0 indicated that the model was feasible for hypothesis testing.
The results of the path coefficients depict the relationship between the latent constructs. The level of significance of the p-value was <0.05, and the model was developed based on the test results.

This research employed the bootstrapping technique with re-sampling on 500 observations (n = 500) using an initial sample size of 78 respondents. The estimation results indicated that the original weights were significant because the values were within the confidence interval of 95%. Therefore, the estimates provided by the model were credible.

**Result**

Table 4 shows that Market Orientation had no significant positive effect on Customer Satisfaction, as indicated by the P-value > 0.05 (0.207 > 0.05). Conflicting results were obtained by Customer Relationship Marketing and Service Quality, which exerted significant and positive effects at P-Values of 0.001 each. Organizational Justice also had an insignificant negative effect on Customer Satisfaction, as shown by a P-Value of 0.406 > 0.05. In addition, Market Orientation, Customer Relationship Marketing, and Service Quality had positive, insignificant effects on Business Performance, as denoted by P-Values of 0.125, 0.159, and 0.051, respectively, which were > 0.05. In contrast, Organizational Justice and Customer Satisfaction had significant and positive influences on Business Performance, as shown by P-Values of 0.028 and 0.001, respectively.

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<table>
<thead>
<tr>
<th>No.</th>
<th>Model Fit and Quality Indicates</th>
<th>Fit Criteria</th>
<th>Analysis Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Average path coefficient (APC)</td>
<td>p &lt; 0.05</td>
<td>0.235, P=0.007</td>
</tr>
<tr>
<td>2</td>
<td>Average R-squared (ARS)</td>
<td>p &lt; 0.05</td>
<td>=0.851, P&lt;0.001</td>
</tr>
<tr>
<td>3</td>
<td>Average adjusted R-squared (AARS)</td>
<td>p &lt; 0.05</td>
<td>0.842, P&lt;0.001</td>
</tr>
<tr>
<td>4</td>
<td>Average block VIF (AVIF)</td>
<td>p &lt; 0.05</td>
<td>4.838</td>
</tr>
<tr>
<td>5</td>
<td>Average full collinearity VIF (AFVIF)</td>
<td>p &lt; 0.05</td>
<td>5.366</td>
</tr>
<tr>
<td>6</td>
<td>Tenenhaus GoF (GoF)</td>
<td>Small &gt;= 0.1, medium &gt;= 0.25, large &gt;= 0.36</td>
<td>0.805</td>
</tr>
<tr>
<td>7</td>
<td>Sympon's paradox ratio (SPR)</td>
<td>Acceptable if &gt;= 0.7, ideally = 1</td>
<td>0.889</td>
</tr>
<tr>
<td>8</td>
<td>R-squared contribution ratio (RSCPR)</td>
<td>Acceptable if &gt;= 0.9, ideally = 1</td>
<td>0.988</td>
</tr>
<tr>
<td>9</td>
<td>Statistical suppression ratio (SSR)</td>
<td>Acceptable if &gt;= 0.7</td>
<td>1.000</td>
</tr>
<tr>
<td>10</td>
<td>Nonlinear bivariate causality direction ratio (NLBCDR)</td>
<td>Acceptable if &gt;= 0.7</td>
<td>1.000</td>
</tr>
</tbody>
</table>

**Table 3: Model Fit and Quality Indicates**

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![Figure 2: The PLS-SEM Model Results](image-url)
Conclusions

PT Pertamina (Persero) in Region VI East and North Kalimantan should develop strategies to increase satisfaction and business performance expected by their partners. This can be realized by enhancing market orientation through the identification of potential partners. The collection and dissemination of appropriate information to all divisions would ensure the implementation of activities and provision of products are consistent with the market orientation.

These aspects can further be improved by strengthening the customer relationship marketing process. This involves providing individual marketing programs to meet all the needs of clients as well as maintaining a cooperative attitude to ascertain that the problems faced by partners, including product risk, are optimally accommodated. It should establish an interactional relationship with its partners by facilitating a good two-way communication process. This will determine the future of the cooperation between the two parties and enable the satisfaction of the needs of both parties. PT Pertamina should also provide comprehensive and rapidly disseminated information to enhance product innovation and marketing strategies that can promote the development of all partners. In addition, the company must maintain the perception of fairness towards decision-making procedures to ensure the involvement of all business parties in its sustainability strategies. It should be able to build regular communication to stay abreast of the needs of work partners and be adaptive to policy changes for the advancement of good relations. The company should develop market-oriented strategies as well as create a global business image that can boast of responsiveness to the needs and desires of the market.

Consequently, the current business performance of PT Pertamina can be enhanced through good operational performance. This can be maintained and improved by the provision of financial performance reports that depict constant progress to ensure the business and its partners can establish a sustainable and mutually beneficial cooperative relationship.

Table 4: Results for Inner Weights

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Original Sample</th>
<th>P-Value</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1. Market Orientation → Customer Satisfaction</td>
<td>0.091</td>
<td>0.207</td>
<td>Positive, insignificant</td>
</tr>
<tr>
<td>H2. Customer Relationship Management → Customer Satisfaction</td>
<td>0.455</td>
<td>0.001</td>
<td>Significant positive</td>
</tr>
<tr>
<td>H3. Service Quality → Customer Satisfaction</td>
<td>0.354</td>
<td>0.001</td>
<td>Significant positive</td>
</tr>
<tr>
<td>H4. Organizational Justice → Customer Satisfaction</td>
<td>-0.027</td>
<td>0.406</td>
<td>Negative, insignificant</td>
</tr>
<tr>
<td>H5. Market Orientation → Business Performance</td>
<td>0.126</td>
<td>0.125</td>
<td>Positive, insignificant</td>
</tr>
<tr>
<td>H6. Customer Relationship Management → Business Performance</td>
<td>0.110</td>
<td>0.159</td>
<td>Positive, insignificant</td>
</tr>
<tr>
<td>H7. Service Quality → Business Performance</td>
<td>0.178</td>
<td>0.051</td>
<td>Positive, insignificant</td>
</tr>
<tr>
<td>H8. Organizational Justice → Business Performance</td>
<td>0.206</td>
<td>0.028</td>
<td>Significant positive</td>
</tr>
<tr>
<td>H9. Customer Satisfaction → Business Performance</td>
<td>0.566</td>
<td>0.001</td>
<td>Significant positive</td>
</tr>
</tbody>
</table>

References


Neupane, R. (2014). Relationship between Customer Satisfaction and Business Performance: A Case Study of


