

# Analysis of Motivation, Situational Interaction and Inter-Functional Integration and the Effect on Marketing Strategy Creativity and Marketing Performance of Bottled Drinking Water Company in East Java

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## Abstract

The public need for drinking water is very high. This condition is inversely proportional to availability of drinkable water in terms of quality and health guarantee. Bottled water demand in big cities continues to increase. This condition become feasible to be studied continuously, combined with effectiveness of a marketing program that depends on actions of three parties; companies, competitors and customers, Ohmahe referred it as strategic triangle or strategic three Cs. This is explorative research (confirmatory research). The populations are all 20 companies bottled drinking water companies under ASPADIN East Java for year 2013. The samples are selected by census techniques. This research purpose is to know the effects of motivation, situational interaction and inter-functional integration on creativity strategy and marketing performance of bottled drinking water companies in East Java Province. The research results show that motivation, situational interaction and inter-functional integration have a direct, positive and significant effect on creativity strategy. Inter-functional integration has no significant effect on marketing performance. Marketing strategy creativity has direct, positive and significant effect on marketing performance of bottled drinking water companies.

**Keywords:** Motivation, Situational interaction, inter-functional integration, marketing strategy creativity and marketing performance

## I. INTRODUCTION

Bottled drinking water industry is one strategic industry in Indonesia which grows rapidly. This is because bottled drinking water industry directly touches human basic needs. Bottled drinking water industry must concern to quality requirements of drinking water, including drinking water refill depot regulated in Minister of Health Regulation No. 907 / Menkes / SK / VII / 2002, while Bottled Drinking Water Requirements is regulated consistent with Indonesian National Standard (SNI) Number: SNI-01-3553-1996. Both types of drinking water must meet the physical and chemical requirements, and also must meet the microbiological requirements, which must be free of pathogenic bacteria.

Decision of Minister of Industry and Trade number: 167/1997 defines bottled drinking water as processed and packaged water and safe to drink, whereas according to National Standardization Agency (NSA), bottled drinking water was processed and packaged raw water and safe to drink including mineral water and demineralized water. Raw water must meet the requirements of water quality consistent with applicable regulations. Mineral water is water in containers containing minerals in certain amounts without adding minerals. Demineralized water is bottled drinking water obtained through purification processes such as distillation, deionization, reverse osmosis, and equivalent processes.

The public need for drinking water is very high. The availability of drinking water in terms of quality and guaranteed health is increasingly difficult to obtain. People, especially in big cities, cannot be separated from bottled drinking water. The bottled drinking water market is expected to increase continuously in straightforward demand for healthy and hygiene drinking water consumption (Marpaung and Marono, 2013; Dwiwinarnoet al., 2011).

The main concerns of marketing management, including bottled drinking water industry, are competitors and consumers. Ohme (in Ferdinand, 2000) states that a successful company look at its management orientation as an equilateral triangle of a company, a competitor and a customer. The same opinion is expressed by Moorman and Miner (1997) and Inner and Larcker (1997) that a company will be more successful if they can become a controller or a pioneer in product and market development to show its core competencies.

If the company can become a controller and a market pioneer, it will be easier to control the market. As a consequence, the company is required to always create high quality product innovation to provide customers satisfaction through a competitive basis (Noori, 1990). The high competition market place promotes the company to develop new products and services based on consumers needs and right time (Olson et al., 1995). The high marketplace competition will also affect the change of tastes and consumers needs quickly. Consumers will always get new information about products and services.

Business functions have shifted to value creation and prosperity. The value term is used because the usefulness of products and services attached to it increases. The attention of practitioners and academics to

literature and scientific writing suggests that market orientation is central to modern management and application of marketing strategies. There is no valid calculation to assess the effect of market orientation on marketing performance (Narver and Slater, 1990). Market orientation is conceptualized by Kohli and Jaworski (1990), Narver and Slater (1990), and market orientation is conceptualized by Deshpande and Webster (1993) to serve as a theoretical foundation to effects the company performance. Nagle and Holden in Menon et al. (1999) found that a product innovation positively related to company's profit performance. Other research suggests that creativity will affect market performance, because creativity provides a differentiation mechanism (Andrews and Smith 1996), and creativity is an important route to market performance (Bharadwaj et al., 1993).

Andrews and Smith (1996) follow up the research result of Amabile (1988) about the factors affect the marketing strategy creativity, namely motivational factor, situational factor and problem solving input. The results showed that all three factors have a positive effect on marketing strategy creativity. Spiro and Weitz (1990) found that someone who does a job with positive feelings and feels a challenge from an interest in given task, then that person has intrinsic motivation. The same opinion about motivation suggests that intrinsic motivation as well as marketing initiatives usually come from marketing planning process (Andrews and Smith, 1996, Spiro and Weitz, 1990). The intrinsic motivation that arises from within a person can be reflected in a feeling of joy towards the task at hand, interest, challenge that comes from attachment of task and its willingness to outcome uncertainty risk of its business. Furthermore, Fillis (2000) explains that creative individuals will not be afraid to take risks, being able to control the situation, not afraid of failure, and have perseverance.

Research gap shown in study is effect of situation analysis of corporate strategy creativity. The analysis includes acquisition and management of information to explicitly evaluate the company's internal capabilities and integrate them with external opportunities and threats. It offers new learning potential to lead organizations to achieve organizational goals that responsive to environmental change (Alba and Hutchinson 1987). Situational analysis will also encourage the formation of strategic creativity because situational analysis will identify and highlight the opportunities that can be exploited and the threats (Barney 1997; Grant 1995). Situational analysis refers to rational and systematic consideration of company's strengths, weaknesses; opportunities and threats (SWOT) in devising a marketing strategy (Bourgeois and Eisenhardt, in Menon et al., 1999). The situational analysis is undertaken by manager to increase creativity to formulate the marketing strategy. Situational analysis of company tends to focus on one particular side, whether the internal side (strengths and weaknesses) or only the external side (threats and opportunities). Therefore, this study refers to opinion of Bourgeois and Eisenhardt, in Menon et al. (1999) that Situation analysis is built from four indicators namely: threats, opportunities, corporate strengths and weakness. The same opinion is said by Amabile in Menon et al. (1999) that high-level situation analysis helps companies to build knowledge databases to facilitate creativity.

This study used situational interaction variables to analyze the internal and external factors of company. Situational interaction variables are built and based on four indicators: strengths, weaknesses, threats, and opportunities. It means processes to analyze the company strengths; corporate weakness and corporate opportunities are used situational interactions variables.

Narsa (2000) explains that world and business environment have undergone rapid and radical changes. Mulyadi (2007) explains that changing business environment demands a new approach to build building the organization. Cross-functional approach is a new approach to build cross-functional organization structures that allow cross-functional teams to meet the demands global business environment. Effective personnel work in cross-functional teams should have a mindset that fits into a cross-cutting approach. Similarly, in developing a strategy, a combination of plans within a company requires top-down or bottom-up interaction between several organizational levels. The main challenge to implement a successful strategy is the coordination and activities integration of individual and functional participation (Cravens, 1998).

Other marketing research indicates that success of new products is very high when the required skills, perspectives and knowledge are integrated cross-functionally within product development strategy team (Ayers et al., 1997). The results are consistent with results Olson et al. (1995) that if various functions and skills are represented in strategy team, critical errors will be detected faster at source, and quicker corrected than hierarchical bureaucratic organizations. The previous theory of integration among functions also states that people from different functional backgrounds tend to view issues differently, and therefore, by integrating people from various functions within a strategy team will certainly be able to produce more creative solutions. Cross-functional integration also facilitates creativity in MSM as integration to minimize the probability of single-dimensional perspective in organizations to enable the organization to use radical and distinctive decision-making approaches (Andrews and Smith 1996).

Furthermore, Menon et al. (1999) develops the MSM component into seven variables: Situation analysis, comprehensiveness, emphasis on asset and marketing capabilities, inter-functional integration, communication quality, resource commitment, and consensus commitment to test their effect on creativity of marketing strategies, organizational learning and marketing performance as a consequence. The effect of seven components of MSM on outcomes varies. Components of comprehensiveness, cross-functional integration and communications have been

shown to have an effect on enhancement of creativity of marketing strategies, while the emphasis on assets, marketing capabilities hampers creativity. The relationship between situation analysis and creativity is not proven. Similarly, cross-functional integration relationships with marketing performance are not proven.

Another important finding is creativity component have a mediating role for the effect of MSM on marketing performance and organizational learning. Some previous results show the cross-functional integration and communication quality have a direct effect on performance and learning, but the results of this study indicate that effect is influential through creativity mediation, as well as the creativity of strategies in study, proved to be positively and significantly related to market performance.

Based on these studies findings, it can be concluded that some variables that effect creativity to formulate marketing strategies are motivation (Andrews and Smith, 1996; Spiro and Weitz, 1990), Situational analysis (Andrews and Smith, 1996; Barney 1997; Menon et al., 1999), and inter-functional integration (Menon et al., 1999; Andrews and Smith, 1996). In other words, creativity to formulate marketing strategy is a construct to measure the effect of motivation, situational analysis and inter-functional integration.

Marketing performance can be formulated from dimensions of sales volume, sales growth rate, and customer growth rate (Voss and Voss, 2000), while marketing strategy is the factor used to measure the effect of situation analysis, and inter-functional integration to formulate marketing strategies, and characteristics that support them.

Based on above description, the problem formulations are follows: 1) Does the motivation have a significant effect on marketing strategy creativity? 2) Does situational interaction have a significant effect on marketing strategy creativity? 3) Does inter-functional integration significantly affect the creativity of marketing strategies? 4) Does inter-functional integration significantly affect on marketing performance? And 5) Does the marketing strategy creativity have a significant effect on marketing performance of bottled drinking water company in East Java Province?

## II. CONCEPTUAL FRAMEWORK

Based on background, problem formulation and literature review, this study aim is to prove and analyze the effect of motivation, situational interaction, and inter-functional integration variables on creativity strategy and marketing performance. It will be determined the effect of each variable. Based on effect direction, it is arranged hypothesis.

Ohmahe's opinion in Ferdinand (2000) suggests that effectiveness of a marketing program depends on action of a three-party reaction. In other words, a successful company views its management orientation architecture as an equilateral triangle, in which each corner is a company, a competitor and customer. Ohmahe calls it the strategic triangle or strategic three Cs.

Companies and competitors together compete to generate and providing value for customers, consistent with value expected by customers. Therefore all the power and effort is directed to produce the expected value. Mastering customers and winning the competition for company is not an easy job, but is required to create and grow creativity in order to produce a good and brilliant marketing strategy. High creativity strategy will be able to improve marketing performance.

Various research on causes and consequences of marketing creativity strategies associated and marketing performance have been undertaken. Menon et al. (1999) said that innovative culture is a fundamental antecedent of effective MSM (Marketing Strategy Making). The components of MSM (situational interaction, comprehensiveness, asset emphasis, and marketing skills, cross-functional integration, communication quality, commitment to consensus, and commitment to resources) have different effects on measured results, strategic creativity, organizational learning, and market performance.

Andrews and Smith (1996) also explained that creativity of marketing programs is a function of individual and situational factors. The factors affecting the marketing creativity strategies are motivational, situational, and problem solving input. The results showed that all three factors have a positive effect on creativity. Creativity is positively related to managerial knowledge and macro-level environment, but generally unrelated to operational environmental knowledge. The diversity of experience in general does not affect the marketing program's creativity, but the diversity of education has a negative effect. Furthermore, intrinsic motivation for planning and courage to take risks has a positive effect on creativity of marketing programs.

Kohli and Jaworski's (1990) opinion also explains the marketing strategy creativity. The purpose of all marketing strategies is to allocate and coordinate resources effectively and efficiently in order to achieve strategic objectives, such as high marketing performance. Many marketing experts say the need of more research on issues of marketing strategy-making (Kohli and Jaworski, 1990; Menon et al., 1996). Various articles in various print media also argued that understanding of how the process of making effective strategies is still very less (Fortune in Menon et al., 1999).

Based on several studies of these theories, it appears that strategic creativity plays a strategic role for companies, as bottled drinking water companies in East Java Province in order to create and increase sales volume, sales volume growth, and customer growth. Similarly, it is necessary to examine the components affecting the creativity of marketing strategies.

The overall conceptual framework describes the effect of motivation (X1), situational interactions (X2) and inter-functional integration (X3) variables on creativity strategy (Y1) and marketing performance (Y2). It can be explained that motivation, situational interaction, and inter-functional integration become the first, second, and third constructs in this study. Motivation indicators include willingness to assume risks, challenges, and feelings for task. Situational interaction indicators include strengths, weaknesses, threats and opportunities. Indicators of inter-functional integration consist of inter-functional responsibilities, interaction and communication continuity, inter-functional coordination. These three constructs are measured using dimensions developed by Andrews and Smith (1996), Menon et al. (1999), and Spiro and Weitz (1990).

### III. RESEARCH METHODS

This is survey research and explorative research (confirmatory research). The population is all 20 bottled drinking water company incorporated in ASPADIN East Java until 2013 and all are selected to become samples (census technique). Data on motivation, situational interaction, inter-functional integration, marketing strategy creativity and marketing performance of bottled water companies are obtained based on the views, responses, perceptions or judgments of Chief Executive Officer, CEO, hereinafter referred to as research respondent or as primary data source.

The main instrument is a questionnaire directed to leadership or managers in handling products produced and marketed bottled drinking water. The validity is tested for each item (indicator), where an item (indicator) is valid if the value of outer loading > 0.5 or test the hypothesis against outer loading is significant (p-value < 0.05). Test results show that all instruments are valid so it is worth continuing use analysis of PLS (Partial Least Square) through SmartPLS package computer program, on grounds that:

1. The tiered analysis model and structural equation model meet the recursive model.
2. There are latent variables
3. Sample size is small (n = 20)

### IV. RESULTS AND DISCUSSION

#### Linearity Test

Linearity assumption is tested by Curve Fit method. The model specifications is used as the basis to test the linear, quadratic, cubic, inverse, logarithmic, power, compound, growth and exponential models. The linearity test result the relationship between variables is presented briefly in table 1 below.

**Table 1. Linearity Test Result**

<i>Independent Variables</i>	<i>Dependent Variables</i>	<b>Test Result (<math>\alpha = 0,05</math>)</b>	<i>Description</i>
Motivation	Marketing strategy creatifity	Model linier significat	Linear
Situational Interaction	Marketing strategy creatifity	All model is not significant	Linear
Inter-functional integration	Marketing strategy creatifity	Model linier significat	Linear
Inter-functional integration	Marketing performance	All model is not significant	Linear
Marketing strategy creatifity	Marketing performance	All model is not significant	Linear

Table 1 above shows that all relationships between variables in structural model are linear. The linearity assumption in PLS analysis is fulfilled.

#### Goodness of Fit Model

Goodness of fit analysis is used to know whether the model of analysis can explain phenomenon being studied. Result of analysis of goodness of fit model below with Smart PLS software is used to get value of Q-Square predictive relevance:

$$\begin{aligned}
 Q^2 &= 1 - (1 - R_1^2)(1 - R_2^2) \\
 &= 1 - (1 - 0.557)(1 - 0.259) \\
 &= 0.6717
 \end{aligned}$$

This indicates that model is good; the variables within the model can explain marketing performance of 67.17%. The remaining 32.83% is another factor outside the model, including error. Therefore, the model can be used to verify the hypothesis.

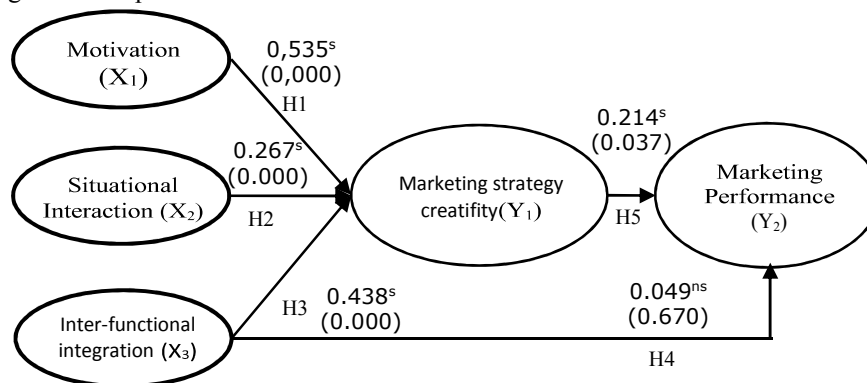
#### Hypothesis Testing

The path coefficient test is carried out by t test on PLS analysis and calculated using Smart PLS software. The complete results are presented in table 2 and Figure 1 below.

**Table 2. Hypothesis Testing Results**

<i>Variables Relationship</i>	<i>Path Coefficients</i>	<i>p-value</i>	<i>Decision</i>
Motivation → Marketing strategy creatifity	0.535	0.000*	Significant
Situational Interaction → Marketing strategy creatifity	0.267	0.000*	Significant
Inter-functional integration → Marketing strategy creatifity	0.438	0.000*	Significant
Inter-functional integration →Marketing performance	0.049	0.670	Insignificant
Marketing strategy creatifity→Marketing performance	0.214	0.037*	Significant

Description: \* significant at p-value <0.05



s = significant, ns = insignificant

**Figure 1. Line Chart of Hypothesis Testing Results**

Table 2 shows that motivation affects on marketing strategycreativity and situational interaction affects on marketing strategycreativity with p value = 0.000. Marketing strategycreativity affect on marketing performance (Kin Marketing), with p value = 0.037, while the effect of inter-functional integration on marketing performance is not significant.

The indirect effect test is done by looking at all paths. If all paths are significant the indirect effect is also significant, and if there is at least one path is insignificant, the indirect effect is insignificant. The coefficient of indirect effects is presented in table 3 below.

**Table 3.Path Coefficient of Indirect Effect**

<b>Indirect Effect</b>	<b>Coefficient</b>	<b>Decisión</b>
Inter-functional integration →Marketing performance	0,438	Significant
Marketing strategy creatifity →Marketing performance	0,214	Significant
Inter-functional integration → Marketing strategy creatifity→Marketing performance	0,0937 *	

Description \* = 0.438 x 0.214

## V. DISCUSSION

This section will discuss the study results. The analysis results show that effect of motivation, situational interaction and Inter-functional integration on marketing strategy creativity and marketing performance of bottled drinking water company in East Java Province have various result. The detail is described below.

### The Effect of Motivation (X<sub>1</sub>) on Marketing Strategy Creativity (Y<sub>1</sub>)

Robbins (2001) explains the motivation as a willingness to expend high efforts for organizational goals, conditioned by effort to meet an individual's needs. A person with intrinsic motivation will demonstrate a positive attitude on job performance, feelings of pleasure, and challenges to task received.

Table 2 shows that direct effect of motivation on marketing strategy creativity has a path coefficient of 0.535 with a significance level of 0.000 < 0.05. This shows the first hypothesis that motivation has significant effect on marketing strategy creativity of bottled drinking water company in East Java Province is accepted. This implies higher motivation will increase the strategy creativity of company. The this study results support the results of previous studies of Spiro and Weitz (1990) that someone with high intrinsic motivation does a job with positive feelings, has an interest in task, feels there is a challenge comes from interest task, and willingness to take uncertainty risk of his efforts. Intrinsic motivation and marketing initiatives usually arise from marketing planning process. In addition, the findings are also relevant to Fillis et al. (2000) in his article Modeling and Measuring Creativity at Inter-functional, to explains that creative individuals will not be afraid to take risks, being able to control the situation, not afraid of failure, and have high perseverance.



Creative ideas are created through an analytic process. Someone examines more deeply with his knowledge to absorb everything useful. The analytic process requires hard efforts, and a person must be motivated to do these efforts. This study is also relevant to Amabile statement in Andrews and Smith (1996) that compared to weak intrinsic motivation of managers, an intrinsic motivated manager will be able to follow the unique aspects of his environment and still be able to gather new information, that when combined with emergence of problem-solving inputs, it can spur the effects of creativity. Hogarth's opinion in Andrews and Smith (1996) suggests that with regard to efforts to spur a creative solution, a number of distinctive ideas must be generated, whereas in order to spur new ideas these ideas require effort, time and capability to focus on issues at hand.

This study results are also consistent to Alba and Hutchinson (1987) that to spur creative ideas, it requires an analytical process, where people will try to explore the depth of their knowledge to access something useful. The analytic process takes a lot of effort and one has to be strongly motivated to work on it. The greater the intrinsic motivation of a manager to plan, more he integrates in analytic process. This is a process to actualize the potential of knowledge talent to enhance the effect of creativity. In supporting Spiro and Weitz (1990), Fillis et al. (2000), Amabile in Andrews and Smith (1996), Hogarth in Andrews and Smith (1996), Alba and Hutchinson (1987), this study also supports Amabile et al. (1976) that although intuitively interesting, intrinsic motivation does not occur suddenly and directly. When an intrinsic motivated person has to work under time pressure, he will be frustrated and unable to focus on his ideas. The effect of time pressures will undermine creativity.

This study results are also consistent to Andrews and Smith (1996) which states that effects of knowledge on operational environment, macro environmental knowledge, and diversity of experience, and diversity of education on creativity will be greater when the intrinsic motivation for planning is high. Furthermore, intrinsic motivation to plan and courage to take risks has a positive effect on creativity of marketing program.

The contribution of this study to previous theories is to show a direct and positive effect of motivation on marketing strategy creativity. It is not stated explicitly in previous study of Andrews and Smith (1996), Spiro and Weitz (1990), and Fillis et al. (2000), Amabile in Andrews and Smith (1996), Hogarth in Andrews and Smith (1996), Alba and Hutchinson (1987).

This study also shows that motivation given by bottled water company in form of rewards for employee achievement or work unit contribution, outside the salary, affect on strategy creativity. One strategy of a bottled drinking water company is on time products distribution, because the late product supply makes the customer or distributor will switch to another product / company.

### **Effect of Situational Interaction (X2) on Marketing Strategy Creativity (Y1)**

Another focus of this study is situational interaction. Table 2 shows that direct effect of situational interaction on strategic creativity has a path coefficient of 0.267, with a significance level of  $0.000 < 0.05$ . These results indicate that Hypothesis 2 which states the situational interaction has a significant effect on marketing creativity strategy of bottled drinking water company in East Java Province is accepted. This supports Amabile in Andrews and Smith (1996) those situational factors have a big role on planning process creativity.

This study results also support Andrews and Smith (1996) that creativity of marketing programs is a function of individual and situational factors. It positively relates to managerial knowledge at macro-level environment, but generally unrelated to environmental operational knowledge. Furthermore, intrinsic motivation to plan and courage to take risks has a positive effect on creativity of marketing programs. The situational factors have relation with other parties and work under a planning process with good atmosphere of creativity, while working under a high time pressure will have a negative effect on creativity.

According to Hunger and Wheelen (2003), Situational Interaction is the beginning of strategy formulation process. In addition, Situational Interaction also requires strategic managers to find strategic suitability between external opportunities and internal forces, in addition to paying attention to external threats and internal weaknesses.

Furthermore, this study results are also consistent with Bourgeois and Eisenhardt in Eisenhardt (1989) which found that centralization is always associated with high political activity within organization, and less emphasis on Situational Interaction and Comprehensiveness. Therefore, companies planning process without Situational Interaction cause low performance.

Other researchers relevant to results of this study are Grant (1995) who stated that Situational Interaction should not only facilitate the understanding and identification of supportive and inhibiting environments, but also help companies to find the right environment for strategy implementation. Barney (1997) states that Situational Interactions encourages the learning and the formation of strategic creativity, since Situational Interaction will identify and underline the opportunities that can be exploited and threats that must be faced.

In addition to support for previous research from Amabile in Andrews and Smith (1996), Andrews and Smith (1996), Bourgeois and Eisenhardt in Eisenhardt (1989), Grant (1995), Barney (1997), this study results are also consistent with Alba and Hutchinson (1987), which states that Situational Interactions consist of acquisition and management of information to explicitly evaluate the company's internal capabilities and adapt to external

opportunities and threats. It offers new learning potential in organizational behavior that leads to achievement of organizational goals that are responsive to changes in environmental conditions.

This study results indicate that new products development, pricing strategies, and various attractive offers such as; prizes, sweepstakes and bonuses applied by bottled water companies affect on situational interaction processes undertaken by company, to produce creative strategy solutions.

The contribution of results of this study to previous theories is to shows a direct and positive effect between situational interaction and marketing strategies creativity. It is not explained explicitly in previous study of Amabile in Andrews and Smith (1996), Andrews and Smith (1996), Bourgeois and Eisenhardt in Eisenhardt (1989) Grant (1995), Barney (1997) and Alba and Hutchinson (1987).

### **Effect of Inter-Functional Integration (X3) on Marketing Strategy Creativity (Y1)**

Inter-functional integration is the ability of marketing strategy making (MSM) team to reflect the organization, involving representatives of each related function in a representative manner, and well organized and coordinated. Approaches for future management emphasize on integration approach between functions. This becomes important to create realistic and mutual agreed plans to achieve organizational goals.

Table 2 shows that direct effect of inter-functional integration on strategic creativity has a path coefficient of 0.438 at a significance level  $0.000 < 0.05$ . These results indicate that Hypotheses 3 that inter-functional integration has a significant effect on marketing creativity strategy of bottled drinking water company in East Java Province is accepted.

The study results support Ayers et al. (1993) that success of new products will be very high if the required skills, perspectives and knowledge are integrated cross-functionally within product development strategy team. These study findings are also relevant to Menon et al. (1999) that integration between function and quality of communication affects the improvement of creativity. Managers claim that communication quality is the most difficult component to implement because they lack the mastery of communication skills. On other hand, there is also a manager who states that cross-functional team often not really as expected, but not more than a group of work. It indicates that a strategy is likely to succeed if the company uses approaches and interdisciplinary working groups. Another study that supports this study is Olson et al. (1995) that when various functions and skills are represented in a strategy team, critical errors will be detected faster at source and more quickly corrected than a bureaucratic and hierarchical organization.

In addition to support for previous research results from Ayers et al. (1993), Menon et al. (1999), Olson et al. (1995), this study results are also relevant to Cicourel's (1990) statement, which states that because cross-functional integration brings together people of different functions, it facilitates learning through intellectual activity among members. The findings also support Stasch and Lanktree (1980) that interacting with many people outside of product management (e.g. personnel, sales, research & development, operations) will contribute to creativity in describing the unique perspectives of other region functional areas. In conclusion, more people interact with product managers during the process of developing a marketing program will enlarge and more diverse the ideas gained for product development. The findings also support March and Olsen (1975) that organizational learning is a social process affected by interaction conditions among team strategy members. Communication becomes an integral part of inter-functional integration. Therefore, important information related to planning will indicate the quality of communication as the development of formal and informal communication during the strategic planning process.

The study results also support Morman and Miner (1989) and Day (1994) that when strategy team members communicate extensively and openly during strategy implementation, they can make adaptive, rapid, and comprehensive coordination changes. High contact and communication among team strategy members can eliminate narrow ways of thinking, reduce the limitations of knowledge, and increase the curiosity and open-mindedness.

This study results are also relevant to Nonaka (1994) that interaction between individuals and groups within an organization is absolutely necessary and very fundamental for learning. Similarly, frequency of high communications informality closely related to innovative behavior and typical solutions in process of decision making. The findings are also consistent with opinion of Andrews and Smith (1996) that in short run, more intensive a manager interacts when developing a marketing program, wider and diverse forms of ideas will be made so that inter-functional has a positive effect on creativity to formulate a marketing strategy.

The contribution of this study results is to use indicators of creativity measurement to reflect the element of novelty and value. This is relevant to Ford and Gioia's (2000) statement, which suggests that creativity researchers take into account the comprehensive design of theoretical creativity within organization's domain, and use creativity measurement indicators to reflect the element of novelty and value.

The contribution of this study to previous theories is that there is a direct positive and significant effect of inter-functional on creativity of marketing strategies. It is not mentioned explicitly by Ayers et al. (1993), Olson et al. (1995), Cicourel (1990) March and Olson (1975), Tyre and Hippel (1997), Morman and Miner (1989), Day (1994), Nonaka (1994).

This study results indicate that coordination and communication between elements of drinking water companies can affect smooth and successful implementation of strategy. For example, LAPINDO mud disaster that occurred in Porong Sidoarjo causes inhibition of Porong road transport due to hot mudflow that began in 2006. It creates many difficulties and transportation clog, but the inter-functional integration by doing the distribution of products not only from factories in Pandaan, but using existing factories in Mojokerto and Klaten can reduce barriers and difficulties and the product can be distributed to marketing areas on time.

### **The Effect of Inter-Functional Integration (X3) on Marketing Performance (Y2)**

Table 2 shows that the direct effect of inter-functional integration on marketing performance has a path coefficient of 0.049, with a significance level of  $0.670 > 0.05$ . These results indicate that inter-functional integration has no significant effect on marketing performance. Nevertheless, the path coefficient of indirect effect of inter-functional integration on marketing performance through the marketing strategy creativity is positive and significant, as presented in table 3. Therefore, Hypothesis 4 that inter-functional integration significantly affects on marketing performance of bottled drinking water company in East Java Province is rejected. This study results indicate that inter-functional integration has no significant effect on marketing performance of bottled drinking water companies.

Despite earlier research results from Kohli and Jaworski (1990), Narver and Slater (1990), Olson et al. (1995), and Maltz and Kohli (1996), which suggest that inter-functional integration has a significant effect on direct marketing performance, this study can also show the effect is significant through the mediation of marketing creativity strategy. In other words, without the strategy creativity, the significant effect of inter-functional integration on marketing performance does not arise.

The insignificant effect between inter-functional integration and marketing performance of this study contradicts with the theory. Although inter-functional integration is important in process to improve marketing performance (Kohli and Jaworski (1990), Narver and Slater (1990), Olson et al. (1995); and Maltz and Kohli (1996), but in bottled drinking water companies East Java Province, the role of inter-functional integration is not proved, but it will arise through the marketing strategy creativity. Expansion among the functions undertaken by company proved has role as a coordination tools and communication to create consensus of organization in order to improve the success of strategy implementation, but marketing performance improvement is more dominant by creativity strategy.

The role of marketing strategy creativity is to implement a sustainable marketing strategy and having advantage and strategic role to create and improve the marketing performance. These are manifested in the condition below.

1. Total service and more competitive price. Smooth supply at high season in. The late supply will makes the agent or consumer will leave the product. The agent can also sell more than three kinds of products. If certain products cannot meet the demand, then the agent will quickly switch to other products.
2. Maintain availability of water resources. This is a challenge for business actors in Indonesia. To maintain industrial continuity of bottled drinking water industry, entrepreneurs not only prioritize the production for consumers, but also sustainable conservation of water resources.
3. Second brand. Companies have more than one brand to catch wider market share. For example, Danone produces Aqua and Vit drinking water. The Vit as second brand is affordable or cheap products. Second brand is a common phenomenon in business. Some consumers prioritize the quality others concerned with price.

This study results do not support Kohli and Jaworski (1990), and Narver and Slater (1990) that communication quality of a strategy team is positively related to market performance. Similarly Maltz and Kohli (1996) suggest that inter-departments or collaborations are more important in order to boost performance than inter-departmental interactions. The results of this study are consistent with Menon et al. (1999) that integration between function and communication quality has no significant effect on marketing performance.

### **Effect of Marketing Strategy Creativity (Y1) on Marketing Performance (Y2)**

Voss and Voss (2000) explain that marketing performance is an effort to measure the level of performance strategy generated by company's sales volume, sales growth rate, and customer growth rate. The marketing performance is the ability of organization or company to transform themselves to face challenges to create corporate advantage.

Table 2 shows that direct effect of strategic creativity on marketing performance has a path coefficient of 0.214, with a significance level of  $0.037 < 0.05$ . These results indicate that hypothesis that marketing strategy creativity significantly affects on marketing performance of bottled drinking water company in East Java Province is accepted. This study results support Menon et al. (1999) that creativity has a significant and positive effect on marketing performance because creativity provides a differentiation mechanism (Andrews and Smith, 1996) as an important route to marketing performance (Bharadwaj et al., 1993).

In addition to support Menon et al. (1999), this study also supports Manu and Sriram (1996), who conducted research and tested the effect of innovation-orientation type as one of marketing strategy creativity on marketing performance. Their results shown that in a company-oriented position as a follower or imitator has a better effect on marketing performance,



The contribution of results of this study is to use marketing performance measurement indicators from strategy literature, because it is considered as an activity based measurement indicator (Ferdinand, 2000: 6) which is valid enough to measure marketing performance. This approach will create a framework to guide bottled drinking water companies to improve marketing performance. The this study results indicate that marketing strategy creativity at last year can be implemented by bottled drinking water companies to increase sales volume, sales growth and customer growth. This is marked by tendency to increase sales volume, sales growth rate and growth rate of customers in bottled drinking water company in East Java Province. Another contribution of this study to previous theories is to show a direct and positive effect of marketing creativity strategies on marketing performance. It is not mentioned explicitly by Bharadwaj et al. (1993), Andrews and Smith (1996), and Manu and Sriram (1996).

## VI. CONCLUSION

Based on analysis results and discussions, the study conclusions can be stated below.

1. Motivation has a direct, positive and significant effect on marketing strategy creativity of bottled drinking water company.
2. Situational interaction has a direct, positive and significant effect on marketing strategy creativity of bottled drinking water company.
3. Inter-functional integration has a direct, positive and significant effect on marketing strategy creativity of bottled drinking water company.
4. Inter-functional integration does not have significant effect on marketing performance.
5. Marketing strategy creativity positively and significantly affect on marketing performance of bottled drinking water company.

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