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Welcome Message From Chairman of AIMI

Assalamu alaiyum wr. wb.

Welcome to the fourth International Conference AIMI 2015

As I have stated before that this international conference is the fourth International Conference organized by AIMI. The first was held in Denpasar Bali in 2010, and continued to the second which was conducted in Pekanbaru in 2011, and the third was held in Makassar in 2013. Time goes by and it has been for almost six years AIMI has been established and give beneficial to its members as well as Indonesian society. In line with the mission of AIMI which intends to bridge between academic field, especially faculty of economics and business, and the real business world, in terms of decision making process in a business organization and public as well as government institutions.

AIMI has considered, synchronized, and harmonized between the development and rapid progress in the management practice that is a decision making process including planning, doing, and evaluation in the business and public organization, and the development of higher education, as an institution to transfer knowledge and its development to students as well as to develop and create knowledge and technology. Whereas, the current condition remains showing that the role of higher education is still one step back than the management practice in terms of the effort to elevate public and private/business organizational performance.

As we commonly known that business organization cannot be separated from Industrialization as a process to fulfill the need of society and country. Industrialization is also an interaction of natural, human, financial, institutional, and technology resources. The interaction among them will influence the surrounding environment quality. The Industrialization can be a driving of the production factor which moves the goods or raw material from the origin place of the production to the manufacturing process. Meanwhile, the finished goods as the result of manufacturing are also driven from the factory to the consumers who need the goods. By connecting the production factor and finished good movement to Indonesia as an archipelago state, it will bring it as one of the topics being discussed in this conference.

Moreover, referring to the contribution of AIMI as stated above, it is undoubtable that AIMI has a high role that is to strengthen Indonesian product and service competitiveness. Through four prominent programs for the next three years (AIMI Committee of 2014-2017) which are organizational, information, cooperation, and expertise programs, it is hoped that AIMI can elevate Indonesian product and service competitiveness.

Global market gives huge opportunities to companies which have product and service competitiveness. Therefore, this precious moment will become a great opportunity for business practitioners and academics to share. As for business practitioners, they can share their current activities, and for academics they can deliver relevant theories which are suitable with the current condition.
And finally, I would like to express my great gratitude to AIMI members, especially AIMI Bengkulu and all universities in Bengkulu who actively participate in this international conference. My gratitude is also expressed to all the business practitioners who have share their time and give us material and immaterial support. And the last, I would like to thank you to all the sponsors and our distinguished guests, the participants of the fourth AIMI International Conference.

Hope this International Conference will be beneficial for all of us and Indonesian Society.

Thank you.

Prof. Armanu Thoyib, Ph.D
Chairman of AIMI
Welcome Message From Conference Chairman

Welcome to International Conference Indonesian Management Scientists Association (AIMI) 2015.

This International Conference is a manifestation of an attempt to synergize the participation of practitioners and academics in building Indonesia, particularly in the field of economics and business.

AIMI IC 2015 hosted by Indonesian Management Scientists Association working with University Brawijaya, University Bengkulu and Dehasen University. Indonesian Management Scientists Association supporting role in promoting Bengkulu as an international city.

IC AIMI has successfully organized annual conferences in cooperation with the higher education institutions. Support of academics, researchers and business practitioners are clearly visible from a paper accepted by the organizers of this year. This year a total of 6 abstracts and 49 full papers were received and most of them will be presented.

I would like to thank and congratulate the chairmain Indonesian Management Scientists Association, Rector of University Brawijaya, Dean of Faculty of Economics and Business, University of Brawijaya, Rector of University Bengkulu, Dean of Faculty of Economics and Business University Bengkulu, the Coordinator of the Doctoral Program in Management Science University Bengkulu, University Rector of Dehasen Bengkulu, Dean of Faculty of Economics University Dehasen Bengkulu for their support, the Ministry of Public Works and Housing Bengkulu Provincial People financial support of PT. Bank Bengkulu, PT. Rodateknindo Purajaya, PT. Rico South Son and other sponsors, PT. Pelabuhan Indonesia II Branch Bengkulu, Cipta Mandiri Planner, RSJKO Province of Bengkulu, Bengkulu Muhammadiyah University, University Professor Dr. Hazairin Bengkulu, STIKES Bakti Husada, PT. Foundation work Megah PT. Samumi Jaya Sakiti, CV. Modecom, for their financial support. I want to thank you for all the participants and organizing for their support.

Ir. M. Nashsyah, MM., MT.
Conference Chair
Welcome Message From Program Chairman

As the conference manager of 4th ICAIMI 2015 Conference, it is my pleasure and privilege in welcome friends, colleagues, and participants from all over the world attending this conference.

The 4th International Conference AIMI (ICAIMI) 2015 is designed to encourage management and business research, education, and more importantly the knowledge dissemination that are relevant to management studies. The conference provides a platform for all academia who are interested in management and business development issues relevant to the growth of global economy that enable the participants to share their knowledge and their experience and more specifically to develop mutual research interest collaboration.

Many countries in the world are projected to be leading economic countries in the next five years. Over 30 papers from 4 countries echoing the conference theme “Transforming Business in Emerging Markets” reflect that management, business research and business practices are evolved through the globalization.

We hope this conference to be successful and become an important and valuable resources under your contribution and participation. Finally, on behalf the organizing committee members, I hope and I am sure you will have fruitful discussion and successful meeting. Wish you all have a pleasant and enjoyable day in Bengkulu and looking forward to seeing you in person.

Ananda Sabil Hussein, PhD.

2015 Program Chairman
2015 Program Acknowledgements

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PUBLIC SERVICE INNOVATION DEVELOPMENT STRATEGY
Service Orientation, Customer Orientation, Service Innovation, and Organizational Performance Relationship Modeling

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Abstract
The aims of the study are to develop strategies for service innovation, improvement in the public sector services company. Identification of development strategy is done by tracking the causes and effects that can create service innovation within organizations. Observed variable relationship modeling is developed using Structural Equation Model using Amos software 16.0 versions. The study was conducted through self-administered survey. 162 questionnaires are collected from 200 respondents of public service employees who serve the public directly in the service counter.

The results showed that only one out of the five hypotheses proposed that significant proved. The hypothesis proved significant is the relationship between customer orientation towards service innovation. The results showed that service innovation is created from the results of customer orientation. This study contributed new finding regarding the development strategy for improving service innovation in the public sector services company. In addition, this study also contributes to the development of structural model between variable service orientation, customer orientation, service innovation, and organizational performance.

Keywords: service orientation, customer orientation, service innovation, organizational performance, public sector

Introduction
Service innovation is relatively new research topic in Indonesia. However, service innovation is popular, attractive, and dynamic marketing research topics for researchers in developed countries around the world. Service innovation becomes part of the research study in service management (Wang, 2015). Service innovation was first discussed by Vandermerwe and Rada (1989) which defines service innovation as a process of value creation by adding a particular service as a value-added in the product offerings. Along with the development of research investigations that have been conducted by researchers in the developed countries, research on service innovation has been the foundation for issues in service industries, including consumer engagement (Bendapudi dan Leone, 2003), transformation of knowledge (Muller and Zenker, 2001), team-work (Mention, 2011), patterns of innovation (Chang, Chang, Chi, Chen and Deng, 2012), and measurement of specific services (Hipp dan Grupp, 2005). Although many
studies in developed countries are trying to answer a variety of issues regarding the novelty of the concept of service innovation in various service industries, few specific studies are conducted in developing countries such as Indonesia. Specially, research on service innovation in the public service sector is still very rare to find. The concept of service innovation is often associated with hi-tech services (Wang, 2015; Chen, Tsou, and Ching, 2011) manufactured (Gebeuer, Edwardsson, and Bjurko, 2010; Gebauer, Fleish and Friedli, 2005) and small-and-medium enterprises (Amara, Landry, and Traore, 2008).

Public service industries in Indonesia are still facing problems in terms of service performances. The performances of public services in Indonesia perceived poor, slow, inefficient, rigid bureaucracy, complicated and overlapped (Anggarawati and Saputra, 2015). Poor service from government agencies in Indonesia is believed to be the main cause of poor Indonesian economy's competitive position compared to many countries in the world (Anggarawati and Saputra, 2015). Anggarawati and Saputra (2015) find that there is a linear relationship between service cultures toward service innovation. The culture of public services is low and not oriented to the public that result in low service innovation in the public sector. The lower level of public sector services has an impact on the low level of the performance of services in the public sector (Anggarawati and Saputra, 2015).

Public service innovation becomes an interesting topic, important, popular in answering the issue of problems regarding the performance of public services in Indonesia. State Minister for the Empowerment of State Apparatus continues to drive innovation in public services by government agencies from the central to the region. The seriousness of the State Minister for the Empowerment of State Apparatus is realized through a circular letter, number 09 Year 2014 concerning Public Service Innovation Competition 2015 in the Ministry Environment or the Central and Local Government.

Although the central government is is seriously accelerating innovation across the government agencies, but not many studies have tried to identify the factors driving the creation of public service innovation. The results of a literature review of research that adopts from studies conducted in developed countries show that the service innovation organizations directly affected by customer orientation and service orientation. The view that innovation is born as a result of the company orientation towards the customer is largely the result of the study in the business sector (Narver and Slater, 1990; Kohli and Jaworski, 1990; Wang, 2015). Narver and Slater (1990) suggested that the customer-oriented view can increase the profitability of the business.

Links of service innovation with various other variables theoretically is still being debated by some researchers. Relationship modeling synthesized also relatively diverse, depend on the purposes, objects and subjects of the research. None of service innovation researches that are capable to generalize cross-country or a variety of different research objects. Although debates emerge regarding the relationships, modeling with other variables of service innovation, but there is general agreement among researchers that the performance of services is directly or indirectly affected by the organizational service innovation (Kohli and Jaworski, 1990; Wang, 2015; Mc Dermot and Prajogo, 2012). Furthermore, the results of research conducted by Kohli and Jaworski (1990) found that customer orientation has a significant effect on the organizational performance. Wang (2015) in his study adds a moderating variable in a study conducted by Kohli and Jaworski (1990) that investigated the influence of the
relationship between customer orientations towards service performance with the mediated service innovation. On the other hand, a study conducted by Homburg, Hoyer, and Fassnacht (2002) and Lytle and Timmerman (2006) found that service orientation significantly influence the performance of the company.

Although the results of their research largely carried on the business sector, but the development of innovative research model services in the public sector it is important to be done. Based on the synthesis of the results of previous research, this study aimed to investigate the influence of the relationship between customer orientation and service orientation toward organizational performance with mediated by service innovation variable. Through modeling this relationship is expected to contribute ideas for policy makers to not only suppress innovation in public services on all entities in the organization, but also to build and develop a variety of factors that can encourage the creation of innovative services to all entities within the company. For researchers who are interested about service innovation, can use the results of this study as a reference for the development of the concept of innovation. Furthermore, the researchers also expected to conduct validity test of the proposed model in a variety of other research objects. For people who use services, the results of this study are expected to impact directly or indirectly in improving quality of society life as a result of better performance of public services in the future.

Literature Review

Service Orientation
Research on service climate in the organization is increasingly gaining interest among academics lately. Interest of researchers is stimulated by the results of research studies conducted by Lyte, Horn and Mokwa (1998) and Shneider, White, and Paul (1998). Their researches are based on the strategic philosophy to achieve competitive advantage through value creation for customers. The emphasis on value creation obtained through the presentation of excellent service to customers. Lytle and Timmerman (2006) suggest the presentation of excellent service is not enough simply to prioritize presenting superior service to external customers but also to provide better service to internal customers. Service-oriented organization adheres to the idea that excellent service is a strategic priority and the service was very influence the superior value creation, competitive advantage, growth, and profitability (Lytle and Timmerman, 2006).

Lytle, Horn, and Mokwa (1998) define service orientation as:

"Belief of organization pertaining to procedures, practices, and organizational policies that sustain aimed to support and reward the behavior of the provision of services to create and present an excellent service."

Definitions are almost as well expressed by Shneider, White, and Paul (1998). They conducted a study to learn about the organizational climate in terms of consumer perception of the quality of service. Shneider, White, and Paul (1998) mentions that the services climate is:

"Employee perceptions about practices, procedures, and organizational policies that sustain aimed to support and reward the behavior of the provision of services to create and present an excellent service".

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The similarities of the definition put forward by two groups of researchers create polemic that climate service is deemed equal to the service orientation of the organization. Lytle, Home and Mokwa (1998) states that service orientation is a dimension of overall organizational climate. Therefore, practices, procedures, and policy organizations that provide support for the presentation of excellent service to customers will provide direct implications for climate services. Kelley (1992) adding that the service climate is one of the characteristics of service delivery and service quality that distinguishes an organization with other organizations. Kelley (1992) also mentioned that the results of services climate include individual behavior in organizations. Kelley opinion implies that the organization has a positive service climate engage in practices, procedures, and certain policies that encourage behavior of employee in presenting excellent service. Thus service climate is deemed equal to the service orientation of the organization.

Customer Orientation

Narver and Slater (1990) define market orientation as an organizational culture that is most effective in behavior creation that essential for the creation of superior value for buyers as well as the performance of the business. Uncles (2005) define market orientation as one of the processes and activities related to the creation and customer satisfaction by constantly assess the needs and desires of customers. Implementation of market orientation brings performance improvement for the company. Narver and Slater (1990) state that market orientation consists of three components: customer, competitor orientation and interfunctional coordination. Customer and competitor orientation are include all activities involved in obtaining information about buyers and their competitors on the target market and spread through the business, while the interfunctional coordination based on customer information as well as competitors and consists of a coordinated business. It can be understood that the implementation of market orientation requires a company's ability to find a variety of market information that can be used as the basis for the company to carry out the next steps or strategies. The concept of customer orientation can also be interpreted as an adequate understanding of the customer in order to create superior value for customers continuously. It includes an understanding of customer needs, both in the present and at the time of its development in the future. Therefore, this effort can be achieved through the process of finding information about customers. The company will understand who its potential customers, both now and in the future and what they plan for this period and the future.

Service Innovation

Innovation is the development or renewal of the product or service (John and Storey, 1998). De Brentani (2001) distinguished between innovations that are not continuing with the innovation of new additional services, depending on the novelty of the innovation to the market and technological novelty. Studies conducted by Greymyr et al (2010) review some of the traditional view about innovation that high technology to the market signifies innovation does not continue, does not apply to service innovation in manufacturing. In contrast to the technology in the marketing of products, technologies associated with the service is not new or innovative; The new thing is the way in which the services rendered are able to create value for customers. Through the above reasoning, Michel et al. (2008) argues that innovation is interrupted if such innovations significantly change the way in which customers act as co-create in creating value for the company and the innovation significantly affect the price, size,
revenue, or market share of the company. Gremler et al. (2010) in his study identifies the service innovation is not limited to the uniqueness or novelty of the service, but they also examine the novelty of the service innovation from other dimensions, such as service delivery systems, face-to-face client, the nature of the relationship between the buyer - seller (De Jong and Vermeulen, 2003). Verma et al (2008) found the service innovation can refer novelty in terms of benefits, the service concept, business model, operations, technology, employee behavior, or consumer experience.

Afreen and Khan (2009) explain that the word of innovation has meant that introduced something new. Without the ability to innovate, it is not possible at this time we can enjoy the sophistication of computers, mobile phones, flat-screen television, and wireless internet, and many more examples of other products as a result of the ability to innovate. Innovation has existed along with the times and the history of human civilization and innovation has been believed to be one way of improving the lives of mankind.

In the private sector, innovation is believed to play an important role for the organization to survive and make a profit. Innovation has been implemented well and is believed to be an important force for the company to survive and thrive. In contrast, public sector innovation becomes' rarely performed. The limited study investigating innovation in the public sector became one of the causes. It is also due to the lack of recognition of the importance of innovation in the public sector that is inversely proportional to the private sector.

In the public sector, innovation is only seen as a supplement for activities and important roles in government. However, it is difficult to find individuals who are creative and innovative in the public sector organizations, which is inversely proportional to the private sector. In the public sector, capabilities and innovative practices of the individual are not always considered as the main motivating factor for the government in improving the internal service organization and also for society and business.

Because many studies investigating only focus on private sector innovation, Afreen and Khan (2009) in his study tried to review the innovation in the public sector. The aim of their study was to analyze the innovation process, generally in the ICT public discourse. Many scholars and consultants who have provided studies and a comprehensive view or even a model of how to create innovation in the public sector. The ability of Innovation in the private sector and the success stories they have prompted studies on the public sector to appreciate and practice innovation more seriously.

When investigating innovation in the public sector, many previous studies that found quite simply transferring methods and models that have been established in the public sector to the private sector to examine. However, transferring the same theory that has been available in the private sector may not necessarily be a good solution because of differences in culture, processes, and procedures. In other words, only transfer good practice and behavior, the same success can be achieved in the private sector the public sector. In the context of the business sector, the performance of innovation will be difficult to achieve if the innovation that made it easy to be imitated or copied by competitors (Laursen and Salter, 2006; Tsai, 2009). Unlike the business sector, public sector service performance measured from the point of view of users of the service. The
performance of public services is considered successful if it is able to satisfy the users of the service

Organizational Performance
Assessment of the performance is an important thing to be able to know the extent to which organizational goals successfully realized in a period of time or a certain period. Performance is a work achievement, the implementation of the work, or the work performance achievement, job performance (Munir, 1993). Performance is work that can be achieved by a person or a group of people within an organization in accordance with the authority and responsibilities of each in an effort to achieve the goals of the organization concerned legally, do not violate the law and in accordance with the norms and ethics (Prawirosentono, 1999). Performance is also a management process or an organization as a whole where the results of such work can be shown proof in concrete and measurable (Sudarmayanti, 2010).

According Mahsun (2006) performance is an overview of the level of achievement of the implementation of an activity / program / policies in realizing the goals, objectives, mission, vision of the organization as stated in the strategic planning of an organization. In line with the concept of performance by Rue and Byars, (1981 in Keban, 1995, p.1) can be defined as the degree of accomplishment. In other words, the performance is the level of attainment of organizational goals. Thus the performance of a degree to which the process was the result of the activities of the organization to achieve goals. In principle, any public service must constantly be improved in its performance in accordance with the wishes of the client or the service user. In fact, to make improvements to the performance of public services is not an easy task. Many types of public services to a variety of causes of problems vary from one to another, so it is necessary to find a method that is able to answer the question earlier, in order to determine the priority of government (Hary, 1980).

Assessment of the performance is a measure of the success of a public organization in achieving its mission. For public service organizations, information on the performance certainly useful to assess how far the services provided meets the expectations and satisfies service users. Performance measurement is a management tool to improve the quality of decision making and accountability. Performance measurement service activities of an organization or government can reflect whether or not the management of the organization or government concerned. Management organization/government needs to know whether the service is provided in accordance with the amount, quality, and price has been set. Public bureaucracy has no clear indicators to address these problems.

In the context of the implementation of government development paradigm towards good governance and the creation of an efficient administration and effective open government awareness always responsive to the demands of the environment by striving to provide the best service. According Dwiyanto (2002), assessment of the performance of public services is not enough simply done by using indicators attached to the bureaucracy such as efficiency and effectiveness, also seen from the indicators attached to the service user satisfactions. There are several indicators used to measure the performance of the public bureaucracy, namely: productivity, performance of service, responsiveness, responsibility, accountability. In addition, Salim and Woodward
(1992) look at performance based on economic considerations efficient, effective and service equation. According to Wong (2015), there are five indicators that can be used to measure the performance of the service organization, namely: 1) the company significantly improves service by adapting to the needs of customers, 2) the company introduced new services to customers, 3) the company developed the product attributes of new services, 4) the company improves the automation level of service to customers, 5) the company managed to change customer behavior with the new service provided.

**Research Framework**

From the various problems mentioned earlier, it can be synthesized modeling of the relationship between the variables as follows:

![Diagram showing the relationship between service, customer, and organizational performance]

Source: Modified from studies Narver and Slater (1990); Lytle and Timerman (2006); Wong (2015)

Based on the model above research, the research hypothesis in this study are as follows:

**Hypothesis 1:** Does customer orientation affect public service innovation?

**Hypothesis 2:** Does service orientation affect public service innovation?

**Hypothesis 3:** Does customer orientation affect public service performance?

**Hypothesis 4:** Does service orientation affect public service performance?

**Hypothesis 5:** Does service innovation affect public service performance?

**Research Method**

**Research Design**

This type of research used in this study is causal, which aims to investigate the possibility of a causal relationship that explains the research problems (Cooper and Schindler, 2008; Sekaran and Bougie, 2010). In addition, this research is quantitative research, which aims to explain and examine the effect of service orientation and customer orientation on service performance. The role of service innovation in mediating the relationship between service orientation and customer orientation on service performance is also becomes investigation in this study.

This study will only be done at a particular time that would indicate a phenomenon to answer research questions that will be examined, so this research using cross sectional research design (Neuman, 2006, p.36; Cooper and Schindler, 2011, p. 142). The method
used in this study were interviews with leaders of the organization and survey using a questionnaire as a basis to analyze and study questions about self belief or behavior (Neuman, 2006, p. 273).

Sample Size and Sampling Technique
The unit sample in this study was employees of public sector services in the city of Bengkulu. Researchers do not limit the types of public organizations will be selected as the research object in this study. As stated by McDermott and Prajogo (2012) using various types of organizations such as the data sample used in this study can improve the generalization of the results. Opinions by McDermott and Prajogo (2012) well-founded on the assumption that the data obtained will be varied if using diverse samples.

Lack of information regarding the number of public service employees in the city of Bengkulu cause probability sampling technique is not appropriate for use. The sampling method used in this study is non-probability sampling. Sekaran and Bougie (2010, p.268); Cooper and Schindler (2008, p.384) argued that the non-probability sampling technique appropriate to use when elements of the population is unknown. In this study non probability technique used was accidental sampling. This means that the researcher has the right to freely determine who will be chosen as a target sample. The number of samples is planned in this study as many as 200 respondents, but the data collected and deserves to be analyzed are as many as 162 copies of questionnaires. Furthermore, the researchers will also conduct interviews with the leaders in each public company. It aims to identify obstacles and constraints, as well as possible strategies for the development of public service innovation. To answer the purpose of the study, researchers used Analysis of Moment Structure (Amos) as a tool of analysis in this study.

The data in this study were obtained from sources of primary data and secondary data. Sources of primary data obtained directly by researchers on various variables that are the focus of research for the specific purpose of the study will be conducted (Sekaran and Bougie, 2010, p. 180). Secondary data in this study were obtained through the results of a literature review, textbooks, publications and reports from various departments and agencies. The primary data source comes from the perception of public service employees in the city of Bengkulu. The primary data source is also obtained from the results of interviews conducted by the leadership of the company as well as expert opinion. Data were obtained from them by asking directly willingness to be a participant in this study. Questionnaires will be done using the enumerator that previously given instructions and directives by researchers.

Method of Data Analysis
Data analysis tool was conducted by using Structural Equation Modeling (SEM). SEM is a multivariate statistical technique that allows the testing of a series of causal relationships between variables simultaneously and synchronously so as to provide statistical efficiency. Each exogenous and endogenous variable can be either latent or unobservable construct variables that can be measured directly in the research process (Hair, et al., 2010). Data analysis will be conducted using structural equation modeling (SEM) with the help of software AMOS. SEM is a multivariate technique that combines aspects of factor analysis and multiple regression that allows researchers to test simultaneously (simultaneously) a series of interrelated dependence relationships.
between variables and latent constructs measured and also among some latent constructs (Hair et al., 2006).

SEM is used for this study to test a model that has a lot of relationships among latent constructs simultaneously. In addition, SEM can explain the measurement error in the estimation process (Cooper, and Schindler, 2008, p. 556; Hair et al., 2006, p. 711) that cannot be explained by the regression. Latent constructs used instead of direct measurements because it will be able to improve the statistical estimation, is better in representing the theoretical concepts, and directly explain the measurement error (Hair et al., 2006, p. 712).

The end result of SEM is always the assessment set of relationship between variables in the model and the assessment can be achieved through many ways (Hair et al., 2006, p. 732). There are three stages modelling strategy in the application of SEM. First confirmatory modelling strategy, second competing model strategy, and the last model development strategy (Hair et al., 2006, p. 732). This study has only a single model that consists of multiple relationships among latent constructs are built based on the theory in the existing literature and the purpose of this study was to test the (proven) theory or the relationship between variables in the model. SEM in this case is used to assess how well the proposed model fit with the reality represented by the data collected (Hair et al., 2006, p. 732). Through this process the theory or the relationship between latent variables is tested. Therefore the modeling strategy chosen in this study is a confirmatory modeling strategy aimed at testing (proving) theory or the relationship between variables in the model proposed.

Estimation techniques that will be used is the maximum likelihood estimation (MLE). This technique is used because it is efficient and not biased when the normality assumption is met. In addition, this technique is the technique most widely used in most programs SEM (Hair et al., 2006, p.743). Other values this technique is that this technique can provide valid results even if only by 50 samples, but the recommended minimum sample to ensure the stability of the MLE solution is 100 to 150 samples (Hair et al., 2006, p.741). AMOS program used is because it is easy to use and available in addition to SPSS. AMOS also is the first SEM program that simplifies the display so that researchers can perform analyzes without having to write computer code (Hair et al., 2006).

**Structural Equation Modeling**

There are two steps that need to be done in testing, structural equation models, namely 1) the development of the measurement model, and 2) testing structural equation models.

**Measurement Model**

Measurement model used to test how a set of items represents a large number of constructs (Hair et al., 2010, p. 695). SEM applications in order to assess the contribution of each indicator variable to represent the underlying constructs and measures how well the combination of a set of indicators that represent the construct (reliability and validity). From the test results of the measurement model, reliability, construct using Cronbach's alpha can be concluded that all the variables in the model meets the required reliability criteria.
Reliability testing is also performed using a construct reliability that is considered better in measuring the level of reliability of each variable in the model. Reliability testing results using a construct reliability consistent with the results of testing using Cronbach's alpha were found that every variable in the model proved to be statistically reliable. Measurement model testing is also performed using the value of the average variance extracted (AVE). AVE value serves to assess construct validity of the model. AVE value ≥ 5 shows that the indicators used to represent well the underlying latent constructs. Results of analysis showed that all latent constructs have value AVE ≥ 5 which proves that the proposed latent variables proved to be statistically valid.

Table 1. Construct Reliability, Cronbach alpha, and AVE

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Construct Reliability</th>
<th>Cronbach alpha</th>
<th>AVE</th>
<th>VAVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Orientation</td>
<td>0.932487</td>
<td>0.936</td>
<td>0.582142</td>
<td>0.762982</td>
</tr>
<tr>
<td>Customer Orientation</td>
<td>0.835591</td>
<td>0.845</td>
<td>0.563472</td>
<td>0.750648</td>
</tr>
<tr>
<td>Service Innovation</td>
<td>0.847935</td>
<td>0.841</td>
<td>0.528425</td>
<td>0.726928</td>
</tr>
<tr>
<td>Organizational Performance</td>
<td>0.780342</td>
<td>0.933</td>
<td>0.415920</td>
<td>0.544918</td>
</tr>
</tbody>
</table>

Source: data analysis

Structural Model
Testing structural model is intended to test the suitability of the model-based hypothesis to theory-based empirical research data. Illustration testing, structural models in the form of goodness of fit and the path diagram. Testing of structural models of research can be described as follows.

![Diagram](image)

Picture 1. Structural Equation Modelling using AMOS 16.0

Modeling structural relationship aims to examine the relationship between variables in the model proposed. The test results of the structural model to measure the extent to which the proposed model is able to represent real phenomena observed. In statistical language model testing, structural termed the Goodness of Fit index. There are several
criteria used to test the suitability index models with reality. Goodness of fit index results from the proposed model is as follows.

<table>
<thead>
<tr>
<th>Goodness of fit index</th>
<th>Expected value</th>
<th>Index</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Absolute fit</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>χ² (Chi square)</td>
<td>Kecil</td>
<td>482.790</td>
<td>good</td>
</tr>
<tr>
<td>RMSE of approximation</td>
<td>&lt; 0.08</td>
<td>0.077</td>
<td>good</td>
</tr>
<tr>
<td>Goodness of fit index</td>
<td>&gt; 0.90</td>
<td>0.808</td>
<td>acceptable</td>
</tr>
<tr>
<td><strong>Incremental fit</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted Goodness of fit</td>
<td>&gt; 0.90</td>
<td>0.765</td>
<td>acceptable</td>
</tr>
<tr>
<td>Comparative Fit Index</td>
<td>&gt; 0.95</td>
<td>0.887</td>
<td>acceptable</td>
</tr>
<tr>
<td>Tucker Lewis Index</td>
<td>&gt; 0.95</td>
<td>0.873</td>
<td>acceptable</td>
</tr>
<tr>
<td><strong>Parsimonious fit</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CMIN/DF</td>
<td>≤ 5.00</td>
<td>1.963</td>
<td>very good</td>
</tr>
</tbody>
</table>

*Source: data analysis*

The test result of the proposed structural model shows that not all the criteria of suitability models obtaining good results. Goodness of Fit Index (GFI) gives an acceptable result which means that the proposed model can still statistically acceptable because the value fit model is not far adrift of the record. RMSEA values and parsimonious fit index (CMIN/DF) showed that the model produces a good fit the criteria, so the statistical structural model has been able to interpret. Summary correlations between variables in the structural model are summarized in the following table.

<table>
<thead>
<tr>
<th>Covariances</th>
<th>Estimate</th>
<th>S.E</th>
<th>C.R</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service orientation → Service innovation</td>
<td>-0.022</td>
<td>0.052</td>
<td>-0.419</td>
<td>0.675</td>
</tr>
<tr>
<td>Customer orientation → Service innovation</td>
<td>0.664</td>
<td>0.090</td>
<td>7.345</td>
<td>0.000</td>
</tr>
<tr>
<td>Service orientation → Organizational performance</td>
<td>-0.019</td>
<td>0.054</td>
<td>-0.349</td>
<td>0.727</td>
</tr>
<tr>
<td>Customer orientation → Organizational performance</td>
<td>0.276</td>
<td>0.159</td>
<td>1.733</td>
<td>0.083</td>
</tr>
<tr>
<td>Service Innovation → Organizational Performance</td>
<td>-0.150</td>
<td>0.204</td>
<td>-0.736</td>
<td>0.462</td>
</tr>
</tbody>
</table>

*Source: data analysis*

Summary of results of testing the correlation between variables in the model revealed that only one of the five hypotheses proposed that proved significant, while four other hypotheses is not proved significant. The hypothesis proved to be significant in this study is the relationship between customer orientations towards service innovation. The significance of this relationship suggests that customer-oriented of the public organization will tend to seek to enhance customer satisfaction by continuing to assess the needs and desires of customers. The higher the customer orientation of the organization, the higher the organization's ability to innovate in terms of services.

The influence of the relationship between service orientations towards service innovation has not been proven by this study. This shows that people who use the service are already quite saturated with the method of presentation of the services performed by public organizations. Although the organization is committed to improving
the ability of employees to provide the best service for the people who use the service, but the image of public institutions in the eyes of the public remains low. This is because the people at the present time no longer require the promises of service, do not want to know about the training and empowerment of employees, regardless of technology services, or even communication reference service, but desired by the service users is how the organization understands their needs and desires and realized in the form of real action. This is why the significance of the relationship between service orientations towards service innovation becomes insignificant.

The influence of the relationship between service orientation and customer orientation to organizational performance is also not proved in this study. The performance of public organizations is more difficult to measure when compared with the performance of the business institution. Public performance that most realistic is the ability to improve services according to customer needs, able to introduce new products to the market, improve the automation level of service to customers, and the ability to change the behavior of customers with new services provided. By simply identifying the needs and desires of the community is not enough to enable the organization to improve its performance optimally. Furthermore, the organization’s commitment to the practices, policies, and behaviors that encourage the creation of excellent service also believed not necessarily directly affect the organization’s performance. There is a missing link conceptually in describing the linearity of the relationship between the three, namely the role of organizational service innovation. Conceptually, customer orientation and service orientation do not directly affect the organization’s performance, but first encourage the creation of innovative climate in the organization, which in turn is able to push performance.

The last, service innovation is also no proven effect on the performance of public organizations. Restate previous statement that the public agency performance differs significantly from business. Indicator of good performance of public agencies is the public image of the public agency concerned. If the public perceives the government agencies with a positive image, then the performance of public agencies is also considered positive. Conversely, negative images of the public against government agencies indicate that the performance of government agencies is considered low.

Conclusion and Limitation

This study aims to develop a model that describes the structural relationship of the antecedents and consequences of public service innovation. Antecedents of service innovation include customer orientation and service orientation, while the consequence of service innovation is the organizational performance. Modeling structural relations needed to be able to conceptualize a real phenomenon of observations into the conceptualization of the structural equation model. Modelling the relationship between four variables proposed in this study is also based on the findings and conceptualization of previous studies. Based on the results of hypothesis testing is known that only one of the five hypotheses proposed that proved significant, while four other hypothesis is not proved significant. The hypothesis proved to be significant in this study is the relationship between customer orientations towards service innovation. The significance of this relationship shows that the customer-oriented public organizations tend to innovate in terms of services.
As an empirical study, the results of this research could yield useful findings for policy makers in an effort to encourage the creation of service innovations in public organizations. From the findings of this research note that an important factor affecting the public service innovation is the customer orientation. If organizations want to enable employees to be innovative it is an important factor to consider is to encourage employees to be sensitive to the needs and desires of the customer. Identification of customer needs and desires is not enough if the organization does not happen in the form of real action. This is popular in terms of service innovation, which is the embodiment of real applications of the organization in developing the attributes of new services to meet the needs and wishes of the service users.

Besides useful for policy makers, this study is also expected to provide benefits to the researchers next. The results of this study still need to be verified reliability when applied to objects other research. Researchers can then replicate, modify, or develop the conceptual framework of this research on advanced research that tries to observe the same focus of the research study. For further research the results of this study can also be used as a reference and comparison with other similar studies. The study provides theoretical implications in expanding and adding new directions in research investigating the development strategy model of public service innovation in Indonesia. The results research also adds new repertoire for the research that has been there before.

Finally, managerial recommendations are also given to public organizations who want to improve service innovation within the organization are expected to develop good customer orientation within the organization. Customer orientation will enable employees (internal marketing) perform a variety of innovative services in accordance with customer needs and wants. Good service innovation can boost the performance of the organization in the eyes of customers (community/public).

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