
Shariah Value Logic to Enhance NPD Performance

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Abstract

To analyze shariah value logic as the role mediating in the relationship between NPD Innovation and NPD Performance. We purposed shariah value logic as mediating role in this study. The questionnaires will be given to only the managers of LKMS (the board of shariah micro finance) in Pekalongan, Indonesia with total 246 responden from 24 LKMS (Baitul Maal wa Tamwil, Baitul Tamwil, Kospin Jasa Syariah, and KSPP Syariah). Shariah Value Logic significantly affect to Customer Brand Trust. Research limited in muamalah, future research can exploring in ebadat. LKMS adapted shariah value logic to get customer brand trust. Shariah value logic as the new variable and theory concept. Indirect, NPD Innovation positive significantly affect to NPD Performance with shariah value logic and customer brand trust are as mediating role.

Keywords:

service dominant logic; Islamic religiosity; shariah value logic; Islamic marketing.

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1. Introduction

Studies have provided various perspectives on the performance effect of product innovativeness, and several scholars have argued that product innovativeness positively affects new product performance (Mishra, Kim, & Lee, 1996; Atuahene-Gima, 1996; Hultink & Robben, 1995; Fang, 2008, Warren, 2017). Conversely, several studies have indicated that product innovativeness is negatively associated with new product performance. Buyers may be averse to new products with a high degree of innovativeness because of a heightened potential of social, performance, or financial risks that accompany the purchase of such products (Calantone et al., 2006; Sethi, 2000). Several studies have also observed that product innovativeness does not influence new product performance (Calantone et al., 2006), unidentified (Santos, et al., 2013), whereas other evidence supports the hypothesis that a negative effect occurs (Cooper, 1979; Fu & Jones, 2008).

Extant meta-analytic reviews, Huang & Tsai (2014) reported the significant and positive association of product innovativeness with new product performance (Henard & Szymanski, 2001; Szymanski et al., 2007). According to Rogers's (2003) innovation diffusion theory, buyers within a population may have distinct preferences regarding innovativeness. Thus, the product innovativeness–performance relationship may be ambiguous. Conversely, we observed that the performance association of product innovativeness vanishes when considering the shariah value logic and customer brand trust as intermediary variables. New product innovativeness, and new product performance by constructing a mediated moderation or moderated mediation as research gap in this study.

NPD Performance

NP performance has been measured in different ways (Gotteland and Boule, 2006). Driva *et al.* (2001) reported that all the performance measures in product development can be grouped into three main categories. The first category is the time which comprises average time to market, on-time delivery and schedule adherence. NPD performance (Lee, 2008) is often referred to as the extent to which the new product has achieved its expected performance, including profit margin, return on assets and return on investment. The second category is the cost which includes total project cost against budget, profitability analysis (performance against objectives), product cost, actual to predicted profit on products, product development cost as percentage of turnover and margin analysis. The third category was stated as the number and nature of engineering change requests per project, adherence to original product specification and field trials which were described as quality and customer. O'Dwyer and Ledwith (2009) grouped NP performance measures under five categories, (1) market-level measures; (2) financial measures; (3) customer measures; (4) product level measures; and (5) timing measures. Nevertheless, amongst the five categories, customer and financial measures were termed "core success/failure measures" (Griffin and Page, 1993; Im et al., 2003).

Godener and Soderquist (2004) identified seven areas of measurement that were related to NPD which are financial performance measurements, customer satisfaction measurements, process management measurements, innovation measurements, strategic measurements, technology management measurements and knowledge management measurements. Sherman *et al.* (2005) utilized six performance variables in their investigation. Of these six variables, product prototype development proficiency, product launch proficiency and design change frequency were process-oriented performance variables. While variables like market forecast accuracy and technological core competency fit were grouped as performance competencies, the only standalone variable was product development cycle time. Ledwith and O'Dwyer (2009) reported that new product performance is measured in terms of market-level measures, financial measures, customer acceptance measures, product-level measures and timing measures. Liu *et al.* (2005) identified

three performance measures are as follows, (1) new product life cycle; (2) new product sales and profits; and (3) time to market for new product. We adapt the NPD performance measures proposed by Akroush (2012) in the present study, two NPD performance measures are as follows financial performances, and customer performance.

NPD Innovation

Innovation is vital to the survival of modern corporations (Ko, To, Zhang, Ngai, & Chan, 2011). Rogers (1983) defined an innovation as an idea, practice, or object that is perceived as new by an individual or other unit of adoption. A product, service, or process can be the subject of innovation (Bhoovaraghavan and Vasudevan 1996). Schumpeter (1934) classifies innovations in two types: (1) radical and (2) incremental. Radical innovations are those originating from the process of creative destruction, a term coined to explain technological or market paradigm breakthroughs, shifting to something completely new and that can be represented by a product or a process. Product innovativeness refers to the level of perceived newness, originality, and uniqueness of a product (Garcia & Calatone, 2002). For any organization, NPD innovation is crucial in achieving the success. Vinayak & Kodali (2014) proposed six elements NPD innovation, (1) product innovation; (2) process innovation; (3) market innovation; (4) service innovation; (5) behavioral innovation; and (6) managerial innovation.

Product innovation is often referred to as the novelty and meaningfulness of new products introduced to the market in a timely fashion (Wang and Ahmed, 2004). Product innovation is critical to product success which in turn is highly related to sustainable business success, providing great opportunities for businesses in terms of growth and expansion into new areas (Cooper, 2000; Henard and Szymanski, 2001). Process innovation refers to the introduction of new production methods and new technology that can be used to improve production processes (Wang and Ahmed, 2004). Maravelakis *et al.* (2006) emphasized that process innovation may result in product innovation and likewise product innovation may force process innovation, an inference that product innovation and process innovation are strongly correlated. In our study, process innovation constructs have been taken as those related to product development process issues concerning production methods and the distribution cycle.

Market innovation is the newness of approaches that organization adopts to enter and exploit the targeted market, i.e. innovation related to market research, advertising and promotion as well as identification of new market opportunities and entry into new markets (Wang and Ahmed, 2004). Market innovation is central to product innovation and likewise, product innovation maintains a central focus for product newness. Here, we refer to market innovation in the context of novelty of market-oriented approaches. Similarly, service innovation refers to the differences and novelties that can be built into the dimensions of intangible service offerings (Zolfagharian and Paswan, 2008). In service innovation, activities are undertaken to deliver core services so as to attract more consumers (Oke, 2007), which in turn tend to create a new revenue streams. Behavioral innovation in the organization is directly related to the people and their practices. Here, innovation is brought in to the social system of an organization like focusing on the innovative practices, culture, the overall internal receptivity to new ideas and innovation adapted by individuals and teams in the organization. Managerial innovation practices focuses more on leadership/senior management's role in building the organizational structure, administrative processes and enabling the human resources toward an innovative culture. In the present study, management strategy on innovation, administration or leadership innovation, focus on feasibility studies or risk-taking attitude of management, support for knowledge management, organization's characteristics and motivation of people to innovate were taken as constructs of managerial innovation.

Customer Brand Trust

Trust is the belief that an exchange partner is honest, reliable, and is interested in the welfare of the other party (Doney and Cannon 1997; Morgan and Hunt 1994). Brand is not only a symbol but also an entity (something that has unique and distinct existence) which can be easily recognized and promise certain values (Nicolino, 2004). Brand is actually a reflection of promises about the product promoted by producer to the consumer about the product's quality. Hence, there needs to be a trust in the brand. In branding, trust is the willingness or the want of consumers in facing the risk associated with the notion that the purchased brand will provide a positive or favorable results (Lau and Lee, 1999).

According to Keller (2003), brand lowers the risk in using the product. Consumers often interact with brands as if the brand is human, thus the similarities between the consumer self-concept to the brand can build trust towards the brand. Trust involves the willingness of a person to behave particularly because of the belief that its partner will deliver what he/she expected, and an expectation that is generally owned by someone that the word, promise or statement of other people can be trusted. It is the emerging force of customer retention, because the trust can create a relationship exchange with great value to both parties. Herbiniak (in Morgan and Hunt, 1994) stated that relationship, which is characterized by trust, is highly valued on parties with a desire to commit or bind themselves to a particular relationship. Commitment is prone to change without involving trust aspects. Therefore, trust in the brand became the basis of ongoing relationship in maintaining valuable and important relationships created by the existence of the trust. Trust in the brand is the customer's trust behavior toward the shariah product.

Trust creates exchange relationships that are highly valued (Morgan and Hunt 1994). Definition of trust provided by Moorman, Zaltman, and Deshpande (1992, p. 315) and Morgan and Hunt (1994: 23). Chaudhori & Holbrook (2001) define brand trust as the willingness of the average consumer to rely on the ability of the brand to perform its stated function. Brand trust was measured as a four-item index based on five-point ratings of agreement (1 = very strongly disagree, 5 = very strongly agree) with the following four statements: "I trust this brand," "I rely on this brand," "This is an honest brand," and "This brand is safe."

Shariah Value Logic

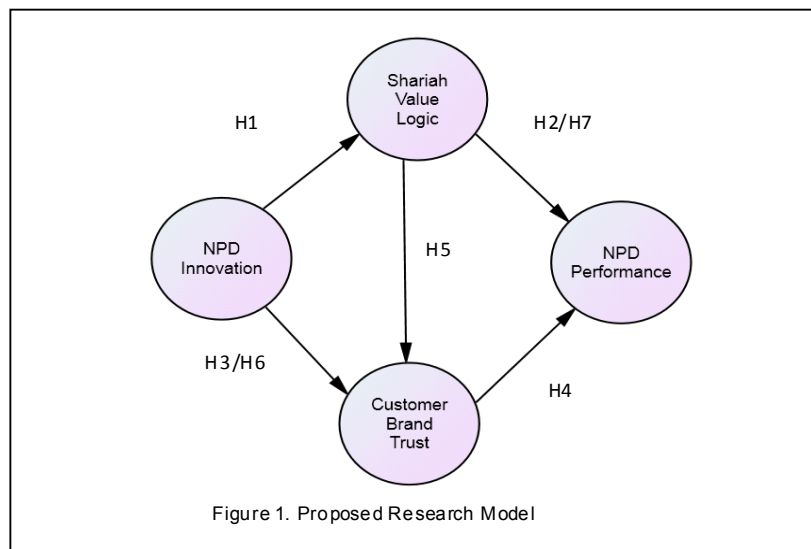
Service science is the study of service systems and of the co-creation of value within complex constellations of integrated resources (Spohrer et al., 2007, 2008). Service is the application of competences (knowledge and skills) by one entity for the benefit of another (Vargo and Lusch, 2004, 2006). This definition provides a fresh perspective for understanding economic phenomena, by implying that value is created collaboratively in interactive configurations of mutual exchange. It centers on the participants, processes, and resources that interact to create value in service systems. So value and value creation are at the heart of service and are critical to understanding the dynamics of service systems and to furthering service science. But value is an elusive term.

Marketing basics highlight the importance of understanding different consumer segments and relating to their needs (Kotler and Armstrong, 2006). Mirroring the holistic view of Islamic legislation through its prime underpinning objectives (maqasid ash-shari'ah) and seeing Islam not only as a culture but as creed ('aqidah), worship ('ebadat), interactions (mu'amalaat), and morality (akhlaq), El-Bassiouny (2014) attempted to set a humble precedent aimed at presenting a macro-marketing view (see p. 46) of the potential implications of Islamic marketing according to the macro-level and integrated approach of the spirit and heart of Islam, namely the sources and goals of Islamic shari'ah. Overall depiction of the transcendental values integration model discussed in El-Bassiouny (2014).

The “maqasid ash-shari’ah” of preservation of self, intellect, posterity, wealth, and faith represent the soul of Islamic legislation that permeate its inherent value system, and offer a broad framework for actions and deeds consistent with its morals, priorities, and ideals (El-Bassiouny, 2015). Based service dominant logic (Vargo & Lusch, 2006) and Islamic religiosity (El-Bassiouny, 2015), we proposed measure in the present study as shariah value logic with the following five statements, (1) create values religiosity to stakeholders; (2) use a spiritual brand character; (3) prioritization of values religiosity; (4) co-creation business based shariah values; and (5) create values religiosity system, preservation of self, intellect, posterity, wealth, and faith.

Proposed Model and Hypotheses

Figure 1 introduces the paper’s proposed model and its related hypotheses.



According to the model, we proposed seven hypotheses, (1) NPD Innovation is positively associated with shariah value logic; (2) Shariah value logic is positively associated with NPD Performance; (3) NPD Innovation is positively associated with customer brand trust; (4) Customer brand trust is positively associated with NPD Performance; (5) Shariah value logic is positively associated with customer brand trust; (6) NPD Innovation is positively associated with shariah value logic and customer brand trust through shariah value logic; (7) Shariah value logic is positively associated with customer brand trust and NPD Performance through customer brand trust.

2. Research Methods

Purposive Sampling is applied to this study. The questionnaires will be given to only the customers of LKMS (shariah micro finance board) in Pekalongan, Indonesia with total 199 customer from 13 LKMS (Baitul Maal wa Tamwil, Baitul Tamwil, Kospin Jasa Syariah, and KSPP Syariah). Step analysis consist of confirmatory factor analysis, analysis exogen construct confirmatory, analysis inter endogen construct confirmatory, estimate structural full model, and examine discriminant validity. The constructs include, NPD Performance, NPD Innovation, Shariah Value Logic, and customer brand trust. All questionnaire items were measured using a 5-point Likert scale ranging from “strongly disagree” to “strong agree”.

Table 1. Construct, Indicator Construct, and Code Research

Construct	Indicator construct	Code
NPD Performance	Increasing our company's revenues from new Customers	X ₁
	Increasing our current customers account share	X ₂
	Increasing our company's market share	X ₃
	Increasing our company's sales volume	X ₄
	Increasing our company's net profits	X ₅
	Increasing our company's cash revenues	X ₆
	Overall, our customers are more satisfied with our NP/s	X ₇
	NP fits target customers better	X ₈
	Increasing our customers' loyalty	X ₉
	Attracting more new customers due to our NP/s	X ₁₀
	Our NPs are more successful the marketplace than before	X ₁₁
	Our customers encourage other people to buy our NPs	X ₁₂
NPD Innovation	Newness/novelty/originality/uniqueness	X ₁₃
	New production methods	X ₁₄
	Customer focus/customer relationship management	X ₁₅
	After-sales support services	X ₁₆
	Employees individual innovativeness	X ₁₇
	Administration/leadership innovation	X ₁₈
Shariah ValueLogic	Create values religiosity to stakeholders	X ₁₉
	Use a spiritual brand character	X ₂₀
	Prioritization of values religiosity	X ₂₁
	Co-creation business based shariah values	X ₂₂
	Create values religiosity system, preservation of self, intellect, posterity, wealth, and faith	X ₂₃
Customer Brand Trust	I trust this brand	X ₂₄
	This is an honest brand	X ₂₅
	This brand is safe	X ₂₆
	We trust that this LKMS keeps our best interests in mind	X ₂₇
	Immediate supervisors at times must make decisions which seem to be against the interest of the customer	X ₂₈
	We had a trust-based relationship with our subcontractor	X ₂₉

3. Result

With regard to construct validity, as recommended by Hair et al. (1998), exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) were used to assess constructs validity. All the research items were subjected to EFA. An index of Kaiser's measure of sampling adequacy (overall MSA = 0,846) and Bartlett's test of sphericity Sig. 0,000 suggested that factor analysis is appropriate for analyzing the data. Based on eigenvalue greater than 1, the results of EFA indicate that the research items loaded on five factors, four relective and one formative (NPD Innovation). To validate the findings that emerged from using EFA, the four factor model was evaluated by CFA using smartPLS 3.0 software as shown in Table 3, consist of outer loading, composite reliability (cronbach alpha), and average variance extracted (rho alpha).

Table 2. VIF values dan Outer Weights NPD Innovation

NPD Innovation	VIF	Outer Weights
Newness/novelty/originality/uniqueness	1,096	0,022
Administration/leadership innovation	1,119	0,924**
Customer focus/customer relationship management	1,115	0,085
After-sales support services	1,185	0,075
Employees individual innovativeness	1,199	0,120*
New transaction methods	1,102	0,003

** p < 0,01

* p < 0,05

Evaluate outer model for NPD Innovation shown in Table 2. VIF values is not between 5 – 10, administration/leadership innovation was significant ($p < 0,001$), and employees individual innovativeness was significant ($p < 0,005$).

Table 3. R² Values

	R Square	Standard Deviation	T Statistics	P Values
Customer Brand Trust	0,059	0,041	1,441	0,075
NPD Performance	0,076	0,036	2,105	0,018
Shariah Value Logic	0,784	0,023	34,396	0,000

To evaluate inner model using R², we calculate Q², and Goodness of Fit (GoF). Value of Q² = 0,812 and GoF = 0,492. Accordingly, research model is fit and robust to examine hypotheses (Tenenhaus, 2010).

Table 4. Examine Hypotheses

Relationship	Coefisien	p values
H1: NPD Innovation à Customer Brand Trust	0,052	0,367 (0,340)
H2: NPD Innovation à Shariah Value Logic	0,885	0,000** (68,923)
H3: Shariah Value Logic à Customer Brand Trust	0,196	0,090 (1,345)
H4: Customer Brand Trust à NPD Performance	0,172	0,027* (1,925)
H5: Shariah Value Logic à NPD Performance	0,178	0,019* (2,008)
H6: NPD Innovation à Shariah Value Logic à Customer Brand Trust	0,174	0,090 (1,340)
H7: Shariah Value Logic à Customer Brand Trust à NPD Performance	0,034	0,156 (1,011)
HTMT		
NPD Performance à Customer Brand Trust	0,244	0,000** (3,320)
Shariah Value Logic à Customer Brand Trust	0,283	0,000** (3,452)
Shariah Value Logic à NPD Performance	0,243	0,000** (3,720)
SRMR	0,065	
d_ ULS	0,971	
d_ G	0,356	
Chi-Square	242,319	
NFI	0,871	
rms Theta	0,157	
* p < 0,05		
** p < 0,01		

Direct, Indirect, and Total Effect

NPD Innovation significantly affect toward Shariah Value Logic, and Shariah Value Logic significantly affect toward NPD Performance. NPD Innovation significantly affect toward Customer Brand Trust, and Customer Brand Trust significantly affect toward NPD Performance. Table 6 shown direct, indirect, and total effect between research constructs.

Table 5. Direct, Indirect, and Total Effect

Relationship	Direct	Indirect	Total	T Statistics	P Values
NPDI → CBT	0,052	0,174	0,226**	0,340(1,340)2,670	0,367(0,090)0,004
SVL → NPDI	0,178*	0,034	0,211**	2,088(1,011)2,745	0,019(0,156)0,003
NPDI → NPDI	-	0,196**	0,196*	3,035	0,001
CBT → NPDI	0,172*	-	0,172*	1,925	0,027
NPDI → VL	0,885**	-	0,885**	68,923	0,000
SVL → CBT	0,196	-	0,196	1,345	0,090

** $p < 0,01$

* $p < 0,05$

NPDI = NPD Innovation

SVL = Shariah Value Logic

CBT = Customer Brand Trust

Discussion

The NPD Innovation that formed from six dimensions as a whole, positively affects toward Customer Brand Trust, but only managerial innovation and behavioral innovation are significantly. This indicates that indirectly NPD Innovation affect toward NPD Performance. There is a positive and significant effect of NPD Innovation toward Shariah Value Logic. Shariah values are referred to the theory Islamic Religiosity, developed by El-Bassiouny (2015) in the concept of transcendental values integration, states that the process of developing shariah value, especially in the service of a company based on shariah involves value co-creation activities that have a positive impact on Marketing activities (in this case supporting research results). Vargo (2006) argues that, there is a value creation process in instilling trust in customers when marketing or selling new products resulting from innovation and product development. With regard to mediation variable, as recommended by Baron and Kenny (1986), in the first order shown that Shariah Value Logic and Customer Brand Trust mediated between NPD Innovation and NPD Performance.

Conclusion

The conclusions of the research are the creation of Shariah Value Logic values and the Customer Brand Trust mediating the relationship between NPD Innovation and NPD Performance in The Board of Sharia Micro Finance, it must be corroborated by the trust of customers in the name of products that have a spiritual character.

The absolute affect of NPD Performance is shown in the relationship between NPD Performance and NPD dimension of Customer Performance. In general, the relationship between constructs is not significant, but the relationship between construct and construct construct dimension is significant, as shown in the relationship between NPD Innovation with Product,

Process, Market, Behavior and Managerial Innovation dimensions, also between NPD Performance and NPD Financial dimensions and Customer Performance.

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