

ABSTRACT

The Effect of Production and Marketing Factors on Business Strategy and Performance at Perusahaan Daerah Air Minum in East Kalimantan and South Kalimantan

The objective of the research was to analyze and find out the effect of production and marketing factors on business strategy and performance at PDAM in East Kalimantan and South Kalimantan. The data collected were analyzed by SEM (*Structural Equation Modeling*) technique with AMOS 4.10 program.

The results showed the following:

The first hypothesis saying that the production capacity brought about a significant impact on business strategy was accepted, as indicated by the path coefficient of *Direct Effect*, suggesting *standardize* (-0.038) and *P-value* (*Fixed*).

Second hypothesis saying that the marketing factor produced a significant effect on the business strategy was accepted, as seen from the path coefficient of *Direct Effect*, suggesting *standardize* (-0.596) and *P-value* (*Fixed*).

Third hypothesis saying that the production factor provoked a significant effect on business performance was rejected, as seen from the path coefficient of *Direct Effect*, suggesting *standardize* (-0.243) and *P-value* (0.231).

Fourth hypothesis declaring that the marketing factor was significantly related to the business performance was also accepted, as seen from the path coefficient of *Direct Effect*, suggesting *standardize* (0.089) and *P-value* (*Fixed*).

Fifth hypothesis saying that the business strategy generated a significant effect on business performance was accepted on the basis of path coefficient of *Direct Effect*, suggesting *standardize* (0.089) and *P-value* (*Fixed*).

In general, each production and marketing factors has great influence in designing business strategy, production and marketing factors as well as having influence on business performance. Furthermore, the business strategy have significant influences on the business performance at PDAM in East Kalimantan and South Kalimantan.

Finally, this research was expected to provide useful information for the board of directors of PDAM in operating and running the company with a single aim of raising its performance.

Key words: Production factor capacity, marketing factor, business strategy and business performance.