



Improving Marketing Performance through Superior Business Capabilities and Entrepreneurial Networks

Murwatiningsih¹ --- Arief Yulianto² --- Nina Oktarina³

^{1,2}Management Department, Economics Faculty, Semarang State University, Gunungpati, Semarang, Indonesia

³Economics Education Department, Economics Faculty, Semarang State University, Gunungpati, Semarang, Indonesia

Abstract

The study is both testing empirically and analyzing the effect of superior business capabilities and entrepreneurial networks to the marketing performance on micro-small and medium-convection enterprises in Central Java. According to the results of the research gap on the influence of entrepreneurial networks toward performances, it has occurred proposition. Superior business capabilities is the ability of a company to give more value than the competitors, which are the products quality development, producing more varieties products, better services, creating consumers loyalty and determining competitive price for the product with the spirit of cooperative which gives both mutual benefit and advantages. Superior business capabilities have potential ability to improve performance. The grand theories used are social capital theory, superiority competitive theory and dynamic capabilities and organizational approaches. Population in the study is the micro-small and medium convection enterprises in Central Java. The study took 180 sample respondents; they are the owners/managers of convection enterprises. The samples were taken based on the company which has characteristics of Central Java Trade and Industry Departments clusters targets. Furthermore, data analysis applied Equation Model (SEM) with AMOS software version 18. The results of the study show entrepreneurial networks influence the marketing performance of micro-small and medium convection enterprises; while superior business capabilities influence the marketing performances of micro-small and medium convection enterprises. Nevertheless, entrepreneurial networks have no impact to superior business capability.

Keywords: Entrepreneurial networks, Superior business capabilities, Marketing performance.

1. Introduction

In the national economy, Micro, Small and Medium Enterprises in the field of convection are considered strategic. In general, they are not yet in a strong condition to take part in the increasingly fierce global competition. A lot of the Micro Small and Medium Enterprises operating in national environment faced new challenges, such as changes in customer demand, the need for flexibility, the rapid development of innovative products, and take advantage in the search for new opportunities (Teece *et al.*, 1997). Therefore, in empowering Micro, Small and Medium Enterprises must be aimed at improving the ability to survive, grow and compete in both national and international markets (Valkokari and Helander, 2007).

Implementation of a competitive advantage based on resources, determined by human capital factors at the distinctiveness of knowledge. This means that the perspective of knowledge and the development of knowledge in the enterprise would be a variable that determines the development of corporate excellence. Perspectives of knowledge in the development of competitive advantage will determine the framework of value creation and business development direction. Knowledge itself is a form of human capital intangibles which consists of skills, procedural skills (creativity and innovation), and cognitive abilities. Meanwhile, the performance of marketing is a concept to measure the achievement of product marketing. Performance marketing is a construct (factor) that is commonly used to measure the outcome of a strategy. The result of the company's strategy was measured by using the nature based activity measurement, which is a measure that can explain the marketing activities that generate in such marketing performance (Ferdinand, 2000). The company's success is manifested through the acquisition of a series of competitive position

that lead to sustainable and superior financial performance (Porter, 1981). Gained competitive advantage is a worthwhile investment for small companies.

The facing research gap of Moghli and Muala (2012) explained that entrepreneurial networks that include social networking, business networking, and inter-organizational networking strategy, have a significant influence on the performance or success of the business. While Roininen *et al.* (2010) stated that entrepreneurial networks do not have a positive effect on performance.

Furthermore, business phenomenon in clusters of Micro, Small and Medium Enterprises (MSMEs) Convection in Central Java has some problems: (1) limited working capital, (2) lack of skilled labor in sewing, (3) the limitations of the new and up to date design, (4) lack of knowledge about the more effective and efficient marketing of products, (5) lack of trained manpower in managing the company's management.

Based on the research gap and business phenomenon mentioned above, this study concerning on; "How to build a model for improving marketing performance through entrepreneurial networking variables, business environment adaptability and superior business capabilities of Micro, Small and Medium Convection in Central Java?"

2. Literature Review and the Development of A Model

2.1. Entrepreneurial Networks

Networks is defined as the associations of individual, group or organization that do communication each other in order to obtain mutual benefits and advantages (Aldrich Howard and Zimmer, 1986). Networks can be in the terms of strategic aliens, joint ventures, license arrangement, subcontracting, cooperative activities of research and development and marketing.

Networks consists of both noose and links. In the term of social context, nose can be a person, group or organization. Whereas, links can be relation, transaction or flow. (Krebs and Holley, 2002) stated that networks used as a tool to develop sustainable community, moreover, they concluded that the improvement of interactions in the complex community system could be reach through establishment, collaboration and monitoring which resulted in cluster, partnership, innovation and economic activities. Thus improvement will enhance knowledge of an organization (as organization learning). Hakansson and Johanson (1993) determined that networks was a way to produce skills and benefits from the existence of a continuous improving networks.

Networks will produce positive external in both production and consumption directly and indirectly. Whereas, welfare which is obtained from the existence of networks is depends on the structure of its networks. Networks structures will determine action on actor which finally have implication in the level of expected obtained welfare, both in short and long term (Goyal and Frank, 2003).

2.2. Superior Business Capability

The model emphasizes the dynamic capability strategy on how companies utilize the capabilities and unique assets that can not be imitated by other companies. Thus it is to achieve a competitive advantage. Company's competitive advantage and managerial aspects related to organizational processes, reinforced by specific asset positions and how to achieve it Teece *et al.* (1997). Thus, to realize a competitive advantage can not be separated from the role of organizational capability.

Organizational capability is defined as the ability, knowledge, and experience of human resources to carry out work that can provide value to organizations. Capabilities include organizational capabilities related to technology and expertise acquired through learning. While Hitt Michael *et al.* (2002) stated that organizational capability is a combination of the ability to perform a particular task or activity. Therefore, companies need to update (renewal) constantly to the sustainability and success of the business in a dynamic environment. Challenges to perform this update even more pronounced in the current business environment and are characterized by changes in customer demand, technology, and fast competition. Based on the description above, it can be formulated the definition of superior business capabilities.

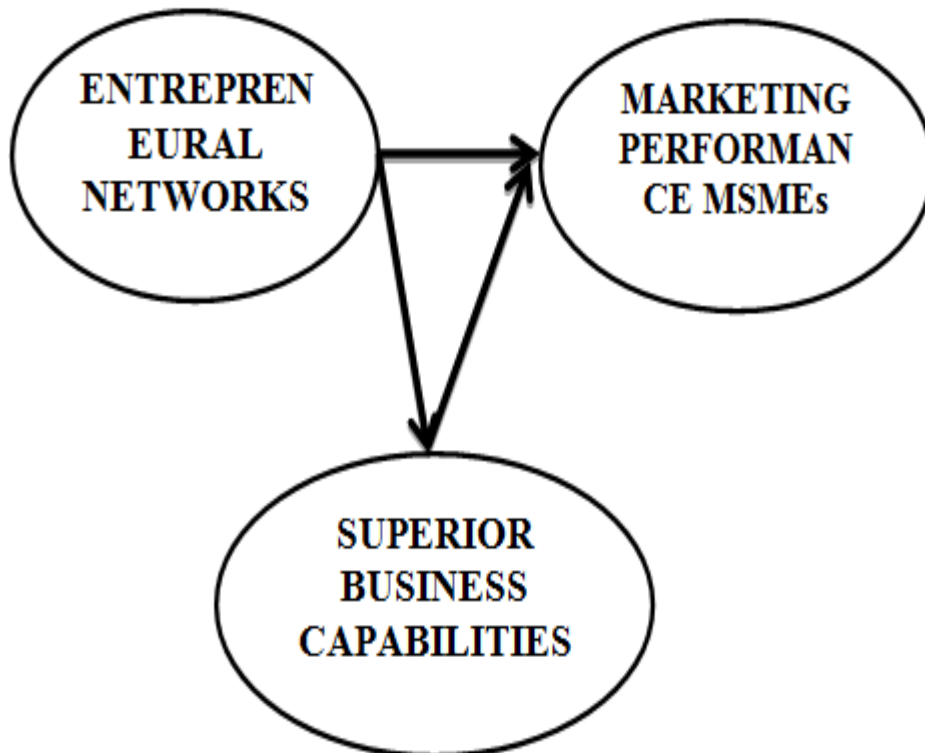
Superior business capabilities is the ability of the company to deliver more value than competitors such as the development of quality products, products that are more varied, better services, create customer loyalty, and determine the selling price competitive products with the spirit of mutual cooperation and provide benefits. Superior business capabilities potentially improve marketing performance.

2.3. Marketing Performance MSMEs

Performance marketing or market performance is the concept of measuring marketing performance of a product (Ferdinand, 2000). Performance marketing is a construct (factor) that is commonly used to measure the outcome of a strategy. Results of the company's strategy was measured using a nature activity based measure, which is a measurement that can explain the marketing activities that generate such marketing performance.

Furthermore, [Ferdinand \(2000\)](#) described a good marketing performance expressed in three main wholesale, there are sales volume, sales growth, and market share, which ultimately led to the company's profits. Good marketing performance showed a high level of sales, and increased growth in the number of sales, both in units of product and monetary units. Meanwhile, [Pelham \(1997\)](#) stated that marketing performance could be measured by the increasing of sales volume, customer growth, and company's profit. Measuring marketing performance include sales turnover, number of buyers, profits, and sales growth.

2.4. Empirical Research Model



Picture-1. Model of Empirical Research

2.5. Hypothesis

Based on the literature review, the hypothesis formulated as follows:

1. Entrepreneurial networks (jejaring kewirausahaan) have positive influence on the marketing performance (kinerja marketing) of MSMEs.
2. Entrepreneurial networks have positive influence on superior business capability
3. Superior business capabilities (keunggulan bersaing) have a positive influence on marketing performance of MSMEs.

3. Research Method

3.1. Population and Sample

The population of the study was small micro and medium convection inside clusters built of Industry and Trade in Central Java as much as 779 units. 180 samples of small micro and medium convection are determined by purposive sampling, the respondents were the owner / manager of the business located in the city of Semarang, Kudus, Pekalongan, Pemalang Demak Regency and Karang Anyar Regency.

3.2. Research Variables

1. Networks is defined as the associations of individual, group or organization that do communication each other in order to obtain mutual benefits and advantages
2. Superior business capabilities is the ability of the company to deliver more value than its competitors in the form of better product quality, more varied products, better services, create customer loyalty, and. Determine the more competitive price than competitor products.
3. Marketing performance is the achievements of what has been done by the owner / manager when running the business. Measurement used in measuring the performance of a business is sales growth, working capital growth, employment growth and earnings growth.

3.3. Method of Data Collection

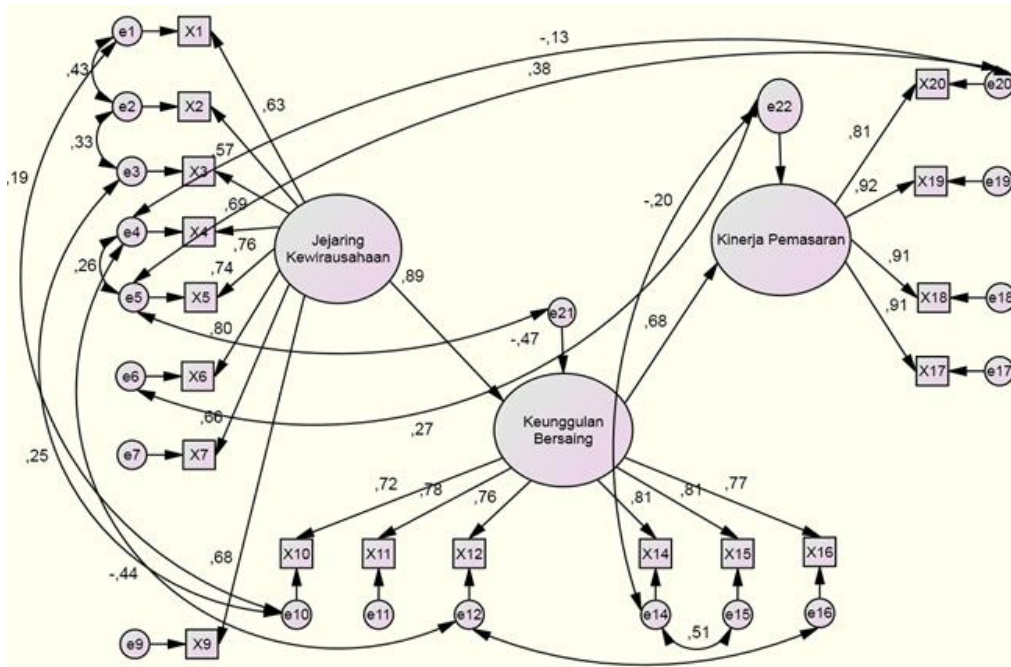
The study applied questionnaires to collect the data.

3.4. Method of Data Analysis

To analyze the data, the study applied Structural Equation Model (SEM) with AMOS software version 18.

4. Data Analysis

Full model of Structural Equation Modeling (SEM) Analysis.



Picture-2. Testing Result of Structural Equation Modeling Full Model Modification

- Number of variables in your model: 41
- Number of observed variables: 18
- Number of unobserved variables: 23
- Number of exogenous variables: 21
- Number of endogenous variables: 20

	Weights	Covariances	Variances	Means	Intercepts	Total
Fixed	23	0	0	0	0	23
Labeled	0	0	0	0	0	0
Unlabeled	17	13	21	0	0	51
Total	40	13	21	0	0	74

- Number of distinct sample moments: 171
- Number of distinct parameters to be estimated: 51
- Degrees of freedom (171 - 51): 120
- Scalar Estimates (Group number 1 - Default model)
- Maximum Likelihood Estimates

Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
Keunggulan_Bersaing	<---	Jejaring_Kewirausahaan	1,289	,189	6,837	***	
KinerjaPemasaran	<---	Keunggulan_Bersaing	,888	,113	7,877	***	
X20	<---	KinerjaPemasaran	1,000				
X19	<---	KinerjaPemasaran	1,044	,069	15,207	***	
X18	<---	KinerjaPemasaran	1,079	,073	14,686	***	
X17	<---	KinerjaPemasaran	1,069	,072	14,760	***	
X16	<---	Keunggulan_Bersaing	1,000				
X15	<---	Keunggulan_Bersaing	,916	,085	10,765	***	
X14	<---	Keunggulan_Bersaing	,923	,086	10,737	***	
X12	<---	Keunggulan_Bersaing	,940	,109	8,604	***	
X11	<---	Keunggulan_Bersaing	,969	,094	10,338	***	
X10	<---	Keunggulan_Bersaing	,826	,087	9,455	***	
X2	<---	Jejaring_Kewirausahaan	1,000				
X1	<---	Jejaring_Kewirausahaan	1,192	,142	8,393	***	
X3	<---	Jejaring_Kewirausahaan	1,235	,150	8,237	***	
X4	<---	Jejaring_Kewirausahaan	1,186	,166	7,159	***	
X5	<---	Jejaring_Kewirausahaan	1,549	,221	7,016	***	
X6	<---	Jejaring_Kewirausahaan	1,790	,241	7,428	***	
X7	<---	Jejaring_Kewirausahaan	1,853	,280	6,609	***	
X9	<---	Jejaring_Kewirausahaan	1,794	,266	6,737	***	

Standardized Regression Weights: (Group number 1 - Default model)

			Estimate
Keunggulan_Bersaing	<---	Jejaring_Kewirausahaan	,894
KinerjaPemasaran	<---	Keunggulan_Bersaing	,683
X20	<---	KinerjaPemasaran	,812
X19	<---	KinerjaPemasaran	,924
X18	<---	KinerjaPemasaran	,905
X17	<---	KinerjaPemasaran	,908
X16	<---	Keunggulan_Bersaing	,770
X15	<---	Keunggulan_Bersaing	,811
X14	<---	Keunggulan_Bersaing	,810
X12	<---	Keunggulan_Bersaing	,759
X11	<---	Keunggulan_Bersaing	,781
X10	<---	Keunggulan_Bersaing	,720
X2	<---	Jejaring_Kewirausahaan	,571
X1	<---	Jejaring_Kewirausahaan	,628
X3	<---	Jejaring_Kewirausahaan	,693
X4	<---	Jejaring_Kewirausahaan	,762
X5	<---	Jejaring_Kewirausahaan	,737
X6	<---	Jejaring_Kewirausahaan	,799
X7	<---	Jejaring_Kewirausahaan	,664
X9	<---	Jejaring_Kewirausahaan	,684

Notes: Entrepreneurial networks (jejaring kewirausahaan); marketing performance (kinerja marketing) ; Superior business capabilities (keunggulan bersaing) of MSMEs..

5. Research Hypotesis Testing

5.1. Hypothesis 1 Testing

H1: The degree of entrepreneurial networks has not positive effect on the marketing performance of MSMEs.

Entrepreneurial networks is built by indicators consist of building social relationships based on kinship, kinship relationships with customers, build family relationships with suppliers, building family relationships with financial institutions, building family relationships with the government, and build provision kinship with the organization. Meanwhile, the performance of SME marketing consists of sales growth, customer growth, increased profitability, and growth in capital working.

Hypothesis 1 in this study is the degree of entrepreneurial networks that has not positive effect on the degree of SME marketing performance, which means that the higher the degree of entrepreneurial networks, the higher the degree of SME marketing performance.

Based on the analysis of the results can be seen from the AMOS nine indicator variables were constructed to describe the entrepreneurial networking are five indicators that can measure the latent variable, because it has the value of loading factor > 0.5. These results indicate that in order to improve business performance it is essential to build entrepreneurial networks.

Based on the description of the respondent's answer to SME marketing performance variables indicated by the 4 indicators have performed quite well. Overall formula for entrepreneurial networks efforts have been made to the convection has built an entrepreneurial network indicators consisting of how to build social relationships based on kinship, build business relationships based on kinship, kinship relationships with suppliers, building family relationships with financial institutions, familial relationships with the government. Furthermore, entrepreneurial networks are created from 7 indicators that will encourage SMEs marketing performance as indicated by the three indicators in accordance with the analytical description of the respondents showed good results.

It shows that performance marketing is quite high, although not as expected. Performance marketing is fairly well demonstrated by the growth in sales, increase profits, and growth in capital working. Although the performance was not fully meet expectations, increasing entrepreneurial networking can be achieved with improved marketing performance of MSMEs.

The results of this study not support previous studies that indicate the importance of external business networks to achieve optimal performance based on the perspective of social capital and sumber power

5.2. Hypothesis 2 Testing

H2: The degree of entrepreneurial networks has positive effect on superior business capabilities

Entrepreneurial networks is built with indicators consist of building social relationships based on kinship, build business relationships based on kinship, kinship relationships with customers, build family relationships with suppliers, building family relationships with financial institutions, building family relationships with the government, and build provision kinship with the organization. Meanwhile, superior business capabilities consist of the development of a better quality product than competitors, product development are more varied than the competition, the development of better service than competitors, creating customer loyalty better than competitors, and has a long durability compared to competitors' products.

Hypothesis 2 in this study is the degree of entrepreneurial networks for superior business capabilities, which means that the higher the entrepreneurial network, the higher the superior business capabilities. Based on the results of data processing in mind that the value of Critical Ratio (CR) on the influence of entrepreneurial networking with superior business capabilities that is equal to 6.837 Probability (P) of 0.000. Both of these values indicate values above 1.96 for Critical Ratio (CR) and below 0.05 for the Probability (P), thus it can be said that the third hypothesis of this study is acceptable. Relationship between entrepreneurial networks with superior business capabilities has a positive and significant relationship. The results above can be concluded that there is an effect on entrepreneurial networks and capabilities superior business.

These results indicate that in order to improve business capabilities superior built by proven entrepreneurial networking. Based on the description of the respondent's answer to the superior business capabilities variables indicated by the 4 indicators have been done well. Overall formulation entrepreneurial networks that exist in business convection has done five indicators show that the value of both the building of social relationships based on kinship, build business relationships based on kinship, kinship relationships with suppliers, building family relationships with financial institutions, building family relationships with the environment government. So, networking capabilities are needed to support superior business capabilities.

Furthermore, entrepreneurial networks are created from seven indicators will drive superior business capabilities are indicated by three indicators, according to the analysis of the description of the respondents showed quite well. This shows that the superior business capabilities quite well, both positive and showed no significant correlation. Demonstrated superior business capabilities well demonstrated by the development of better service than competitors, creating customer loyalty better than competitors, and has a long durability compared to competitors' products. This suggests that the degree of influence on entrepreneurial networking capabilities superior business

The results are consistent with previous research which states that social interaction enables an entrepreneur to gain credibility, gain access to information, promote cooperation from the other party, and it can be a tool to deliver the form of greater confidence from colleagues (Baron *et al.*, 2000).

5.3. Hypothesis 3 Testing

H 3: Superior business capability has positive effect on the marketing performance of MSMEs.

Capabilities built with superior business indicators consist of the development of a better quality product than competitors, product development are more varied than the competition, the development of better service than competitors, creating customer loyalty better than competitors, and has a durable product compared to competitors. Meanwhile, SME marketing performance indicators consist of sales growth, customer growth, profit growth, and growth in working capital,

Hypothesis 5 in this study is the degree of superior business capability affect the marketing performance of SMEs, which means the higher the superior business capabilities, the higher the marketing performance of MSMEs. Based on the results of data processing in mind that the value of Critical Ratio (CR) on the influence of business capabilities with superior marketing performance of MSMEs that is equal to 7.877 Probability (P) of 0.000. Both of these values indicate values above 1.96 for Critical Ratio (CR) and below 0.05 for the Probability (P), thus it can be said that the hypothesis of this study is acceptable 5.

These results indicate that in order to improve the marketing performance of MSMEs built by superior business capabilities. Based on respondents' answers to the variable description *bisnib* superior capabilities as indicated by the three indicators have been done well. Overall business capabilities superior formulation includes the development of a better quality product than competitors, product development are more varied than the competition, the development of better service than competitors, creating customer loyalty better than competitors, and determine the product prices are more competitive than competitors.

Furthermore, superior business capabilities are indicated with 5 indicators according to the analysis of the description of the respondents showed good results. It shows that the business capabilities superior to both, though not as expected. SME marketing performance with three indicators in accordance with the description of the analysis respondents showed good results. Although the performance was not fully meet expectations, SME marketing performance improvement is achieved by increasing superior business capabilities business capabilities so proven positive effect on the performance of SMEs marketing efforts.

The results are consistent and support previous studies of Sutrandskov (2006) which stated that competitive advantage has a positive impact on corporate performance. Although the performance was not fully meet expectations, SME marketing performance improvement can be achieved by an increase in superior business capabilities.

6. Conclusions

These results prove that through superior business capabilities supported by networks of entrepreneurship, can improve marketing performance of MSMEs. The detail presented on the following hypothesis.

Table-2. Summary of Hypothesis

No	Hypothesis	Critical Ratio	Probability	Hypothesis Testing Results
H ₁	The degree of entrepreneurial networks has not positive effect on marketing performance of MSMEs	-	-	Not Accepted
H ₂	The degree of entrepreneurial networks has positive effect on superior business capabilities	6,837	0,000	Accepted
H ₃	The degree of superior business capabilities has positive effect on marketing performance of MSMEs	7,877	0,000	Accepted

References

- Aldrich Howard, E. and C. Zimmer, 1986. *Entrepreneurship through social networks* (1986). Ballinger, Cambridge, MA: University of Illinois at Urbana-Champaign's.
- Baron, R.A., A. Hirska and G.D. Markman, 2000. *Perceptions of female entrepreneurs: Evidence for the beneficial effects of attributional augmenting*. Academy of Management Meeting, Toronto, Canada.
- Ferdinand, A., 2000. *Manajemen pemasaran sebuah pendekatan strategik*. Semarang: Baand Penerbit Universitas Diponegoro.
- Goyal, V. and M.Z. Frank, 2003. Testing the pecking order theory of capital structure. *Journal of Financial Economics*, 67(2): 217-248.
- Hakansson, L. and J. Johanson, 1993. The network as a governance structure. In G. Grabher (Eds). *The embedded firm: The socioeconomics of industrial networks*. London: Routledge. pp: 35-52.
- Hitt Michael, A., R. Duane Ireland, S. Michael Camp and L.S. Donald, 2002. *Strategic entrepreneurship: Creating a new mindset*. Oxford: Blackwell Publishers.
- Krebs, V. and J. Holley, 2002. *Building sustainable communities through network building*. Available from www.supportingadvancement.com.
- Moghli, A. and A. Mualla, 2012. Impact of entrepreneursjip networks in the success of business on-going stage in Jorandian manufacturing companies. *American Academic & Scholarly Research Journal*, 4(2): 76-91.
- Pelham, A., 1997. Market orientation and performance: The moderating effects of product and customer differentiation. *Journal of Business and Industrial Marketing*, 12(5): 276-296.
- Porter, M.E., 1981. The contributions of industrial organization to strategic management. *Academy of Management Review*, 6(4): 609-620.
- Roininen, S., V. Parida, M. Westerberg and H. Ylinenpää, 2010. Network relationships for entrepreneurial orientation and growth: An empirical study of new ventures and small firms (Summary). *Frontiers of entrepreneurship research*. 30, 14. Available from <http://digitalknowledge.babson.edu/fer/vol30/iss14/6>.
- Sutrandskov, J., 2006. Sources of competitive advantages and business performance. *Journal of Business Economics and Management*, 7(3): 119-129.
- Teece, D., G. Pisano and A. Shuen, 1997. Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7): 509-533.
- Valkokari, K. and N. Helander, 2007. Knowledge management in different types of strategic SME networks. *Management Research News*, 30(8): 597-608.

Views and opinions expressed in this article are the views and opinions of the authors, Pak Publishing Group shall not be responsible or answerable for any loss, damage or liability etc. caused in relation to/arising out of the use of the content.