



Paper Code : M3 – 11

BUILDING MARKETING PERFORMANCE THROUGH THE NETWORK CAPABILITY

Eko Sasono

*Ph.D Student at Faculty of Economic and Business, Diponegoro University
and Lecturer at STIE SEMARANG, Indonesia*

Dewi Sri Woelandari P.G

*Ph.D Student at Faculty of Economic and Business, Diponegoro University
and Lecturer at Universitas Bhayangkara Jakarta Raya, Indonesia*

Augusty Ferdinand

*Lecturer at Faculty of Economics and Business, Diponegoro University
Semarang, Indonesia*

ABSTRACT

This study examines the network capability role to fill the gap between entrepreneurial marketing and marketing performance. The research was conducted at SMEs OVOP Central Java Indonesia by using a sample of 150 entrepreneurs of SMEs OVOP. The results indicated positive effect to entrepreneurial marketing on the network capability. It will be given a positive effect to the marketing performance.

Keywords : entrepreneurial marketing, network capability, marketing performance

INTRODUCTION

The entrepreneurship marketing approach is an appropriate conceptual approach in terms of resource constraints and problems that exist in SMEs (Stokes, 2000). Small entrepreneurship marketing approach can create a more focused business condition related to the effort of achieving the determined goal. An important aspect of marketing is researched in the context of entrepreneurial efforts to see how marketing theory fits into entrepreneurial practice. It is based on the opinion of Kotler and Keller (2012) that the concept of marketing run by entrepreneurs show the difference from the concept put forward in conventional marketing. The existence of different behavioral assumptions underlying the theoretical concepts of marketing and entrepreneurship may not be a problem. Conventional marketing is considered an organized and planned process. The concept of conventional marketing assumes that to identify consumer needs through formal market research. The market results analysis will be used as the basis for the development of new products or services in response to consumer needs. Entrepreneurial behavior on the other hand can be said to be a behavior that represents a more informal and unplanned activity that relies on the intuition and energy of individuals to realize business activities (Day, Reynolds, & Lancaster, 2006). This statement explains that managers - owners of small and medium-sized businesses need to combine conventional marketing with entrepreneurship. Managers-owners of small and medium-sized businesses have been assuming that the concept of marketing as something that big companies do (Stokes, 2000). The marketing concept that has been applied in large corporations and with the many textbooks that come from the concepts and case studies, it is time to learn the marketing process in the context of small companies to generate an understanding of "marketing entrepreneurial" tailored to all its limitations.



Research on the relationship between entrepreneurial marketing and marketing performance has been done by Arfanly and Syamsun (2017), Becherer, Helms, and McDonald (2012), Kocak and Abimbola (2009) where the study proves that there is an influence between entrepreneurial marketing and marketing performance. The entrepreneurial marketing result has an effect on the performance is done alot, but that study do not included others performance variable. This gap will be discussed in this research.

CONCEPTUAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

Entrepreneurial Marketing and Network Capability

To generate an understanding of "marketing entrepreneurial" tailored to all its limitations. (Hills, Hultman, & Miles, 2008) states that entrepreneurship interpretation in marketing includes: (1) Consumer orientation versus "innovation orientation". Managers and business owners argue that change is more often triggered by the excitement of new ideas or competitive pressures, not consumer needs that can be known with certainty. Initial business is not through market analysis but through intuitive feelings about something that needs to be needed. Creativity and innovation in product or service development is a successful marketing activity from entrepreneurs and not through careful research activities about consumer needs. The most widely used scale of entrepreneurial activity, proposed by Carson, Cromie, and McGowan (1995) is based on behavioral dimensions such as risk taking, innovation and proactive responses. The entrepreneurial innovation includes adjustments in the market approach. Activities undertaken include: approaching new market segments with specific services, or improving services to existing consumers - in other words, additional and innovative adjustments that create competitive advantage. Word-of-mouth communication among entrepreneurs and small business owners is the main source of innovative ideas. Word-of-mouth marketing is crucial in an innovative process because it plays an important role in the use of new products and services from consumers. Informal personal communication is an aspect of entrepreneurial marketing.

Small businesses survive in a changing environment not only with successful marketing to those who buy their products or services but also develop important relationships with other individuals and organizations including suppliers, bank managers, investors, advisers, trade associations, local government and important public authorities for consumers as well as small business success. Marketing entrepreneurship (marketing entrepreneurial) is a marketing aspect that focuses on the need to create and develop a network capable of supporting the company. (Bjerke, 2005) suggests that entrepreneurial marketing in small businesses targets organizations or individuals that have a positive or negative effect on products, prices, promotions and distribution channels versus interactive marketing and word of mouth. Marketing strategy is implemented through marketing activities that are better known as marketing mix, which is a tool used by marketers. Entrepreneurial marketing activities in the process of direct exchange and the establishment of personal relationships, entrepreneurs prefer interactive marketing. Managers as a small business owners are those who have the ability to interact with the target market because they have a strong preference in personal contact with consumers and not through impersonal marketing but through mass promotions. Conversation relationship as a way of hearing and responding to the voice of the consumer and not doing formal market research to understand the market. Thus the hypothesis is prepared

as follows:

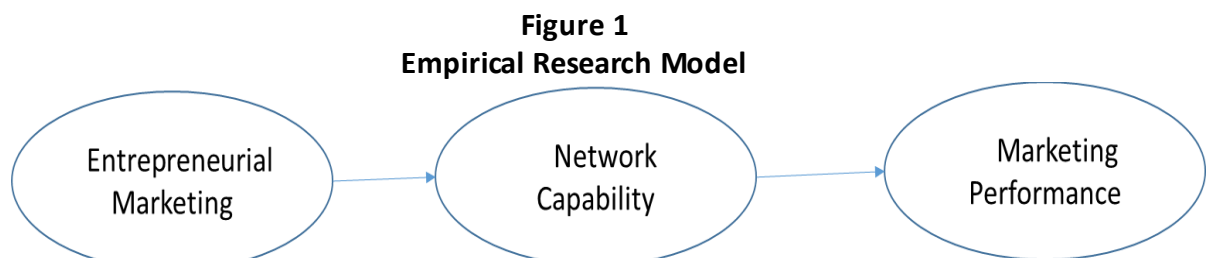
H1: Entrepreneurial Marketing has a positive and significant influence on Network Capability

Network Capability and Marketing Performance

Marketing performance is related to the results achieved by the company as a result of company strategy. Marketing performance can be achieved one of them through network business capabilities. Business network itself is a form of partnership between individual, group or organization in achieving certain goals. Research conducted by (Lukiastuti, 2013) revealed that the performance of entrepreneurial enterprises can be influenced by network capability factor in managing the business. A network, implied as an action in contact with another person or organization, can also be grouped as human resources and networking is an alternative to using internal resources. Networking is a variable that is considered important for all types of companies, especially with regard to the fact that the economic environment is becoming increasingly competitive. Networking becomes increasingly important as it allows companies to access information, resources, markets and technology (Gulati, Nohria, & Zaheer, 2000). Furthermore, the research (Lukiastuti, 2013) also reveals the factors that determine the success of young entrepreneurs, the innovation factor. Innovation deals with the ability to apply creativity in order to solve problems and opportunities to enhance and enrich life. Innovation is also one of three dimensions in entrepreneurial orientation. Interestingly, studies of networks have shown that people with high levels of innovative behavior are more likely to seek advice or advice (Brancheau, 1987) than people with lower levels of innovative behavior. Furthermore, there is empirical evidence that if they read more literature, they will be more likely to become members of some professional organization and they will get a larger external network than people who do not. Thus the hypothesis is prepared as follows:

H2: Network Capability has a positive and significant effect on Marketing Performance

As the explanation has been described, the interaction of the various constructs of this study can be seen in the following figure:



RESEARCH METHODS

The research object in this research is Small and Medium Enterprise (SMEs) or UMKM OVOP Central Java, with the result that the business managers or owner is created as an individual respondents in this research.

The population in this study is the business owner, business manager or owner who is also manager of SMEs OVOP business Central Java Province. This research disseminates 150 questionnaires. Sampling technique used is purposive sampling with criterion, (1) respondent has minimum 3 years experience because it has been considered to have

business experience and know the development of company performance, (2) have annual sales result at most Rp. 50.000.000.000, (3) does not have employees above 100 people, and (4) is willing to provide information.

Table 1
Variables and indicator variables

No	Variables	Indicator Variables
1.	Entrepreneurial Marketing	- Innovation focused - Proactiveness - Customer intensity
2.	Network Capability	- Coordination - Relationship skill - Partner knowledge
3.	Marketing Performance	- Growth in sales - Market share - Profitability

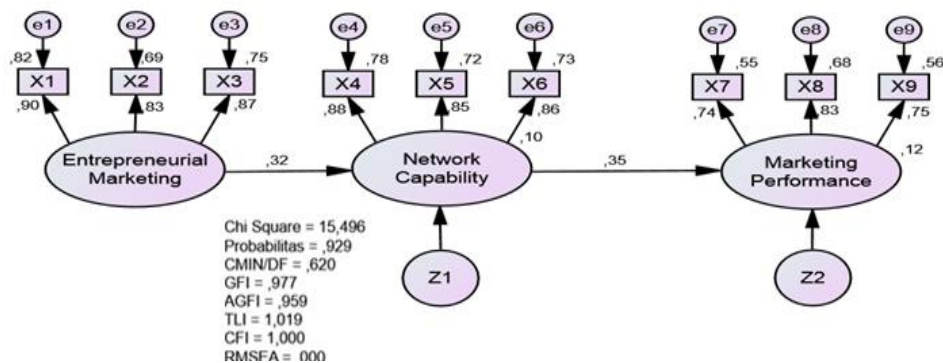
The analysis technique used in this research is the analysis of Structural Equation Modeling (SEM) with AMOS 21 software.

RESEARCH RESULT

Testing Research Model

After evaluating the SEM assumptions, the suitability of the model evaluation proposed in this study with various goodness-of-fit criteria has been suggested in the previous section. From the model proposed and associated with the data will be known how the causal relationship between entrepreneurial marketing, network capability, marketing performance. The results of the treatment of the proposed model are described below.

Figure 2
Result of Testing Research Model



Source: Primary data that is processed, 2017

To know the accuracy of model with research data, goodness-of-fit. The test result index is compared with the critical value to determine whether or not the model, which is summarized in the following table.

Table 2
Goodness of Fit Research model

Goodness of Fit Indeks	Cut off Value	Result	Model Evaluation
Chi-Square (df = 25)	Kecil (< 37,652)	15,496	Good
Probability	≥ 0,05	0,929	Good



GFI	≥ 0,90	0,977	Good
AGFI	≥ 0,90	0,959	Good
CMIN/DF	≤ 2,00	0,620	Good
TLI	≥ 0,95	1,019	Good
CFI	≥ 0,95	1,000	Good
RMSEA	≤ 0,08	0,000	Good

Source: Primary data that is processed, 2017

Based on the results of the model feasibility testing presented in Table 2 above shows that the overall test criteria are either in category or meet the required assessment criteria. In Chi-Square test, a model will be considered good if the result shows Chi-Square value count smaller than Chi Square table value. The smaller of Count Chi Square than Chi Square table indicates that the model is better means there is no difference between the estimated population and the sample being tested. The model of this study shows that the value of Chi Square count is 15.496, while the critical value / table of Chi Square with df = 25 is 37.652. This means that the model of this study is not different from the estimated population / model is considered good (accepted) because Chi-Square in this study is smaller than the critical value / table.

After done fit model test hence then done hypothesis test of causality relationship of research variable. The result of hypothesis test of relation between variables is shown from Regression Weight value on CR column (identical with t-count) compared with its critical value (identical with t-table). The critical value for the 0.05 (5%) significance level is 1.998 (see on t-table), while the critical value for the significance level of 0.1 (10%) is 1.66 (see on t-table). If CR value is > critical value, then the research hypothesis will be accepted, otherwise if CR value < critical value, then research is rejected. The value of regression weight relationship between variables is shown in table 3.

Table 3
Regression Weight

	Std Estimate	Estimate	S.E.	C.R.	P
Network_Capability <-- Entrepreneurial_Marketing	,317	,338	,095	3,553	***
Marketing_Performance <--- Network_Capability	,350	,287	,078	3,673	***

Source: Primary data that is processed, 2017

Based on the data in table 3 then it can be presented test results against the research hypotheses.

Hypothesis Testing 1

The estimation parameter for testing the influence of entrepreneurial marketing on network capability shows CR value of 3.553 with probability of 0.000. Because the CR value generated from the calculation is greater than the critical value at the 0.05 (5%) significance level of 1.998 and the resulting probability value (0.000) is <0.05 it can be concluded that the entrepreneurial marketing variable is statistically proven to have a positive effect and significant to network capability.



Hypothesis Testing 2

The estimation parameter for testing the effect of network capability on marketing performance shows CR value of 3.673 with probability of 0.000. Because the CR value generated from the calculation is greater than the critical value at the 0.05 (5%) significance level of 1.998 and the resulting probability value (0,000) is <0.05 it can be concluded that the network capability variable is statistically proven to have a positive effect and significant to marketing performance.

CONCLUSION

This research was conducted to test the model developed to fill the research gap between entrepreneurial marketing and marketing performance. The study was conducted at SMEs OVOP Central Java Indonesia with a sample of 150 respondents. The results showed that entrepreneurial marketing has an effect on network capability. Network Capability affects marketing performance.

Bibliography

- Ansoff, H. Igor.(2002). *Corporate Strategy*. Middlesex, England, Penguin Books
- Arfanly, B., & Syamsun, M. (2017). *Peran Entrepreneurial Marketing dalam Peningkatan Kinerja Pemasaran pada Industri Rumahan Kabupaten Kendal, Jawa Tengah. MANAJEMEN IKM: Jurnal Manajemen Pengembangan Industri Kecil Menengah*, 11(2), 141-150.
- Becherer, R. C., Helms, M. M., & McDonald, J. P. (2012). The effect of entrepreneurial marketing on outcome goals in SMEs. *New England Journal of Entrepreneurship*, 15(1/2), 7.
- Bjerke, B. (2005). *Managing Entrepreneurship on Whose Terms. Research at the Marketing/Entrepreneurship Interface*.
- Brancheau, J. (1987). *The diffusion of information technology. Upublisert doktoravhandling*. Universitetet i Minnesota, Minneapolis.
- Carson, D., Cromie, S. M., & McGowan, P. P. and Hill, J.(1995) *Marketing and Entrepreneurship in SMEs: An Innovative Approach*: Prentice-Hall, UK.
- Day, J., Reynolds, P., & Lancaster, G. (2006). *Entrepreneurship and the small to medium-sized enterprise: A divergent/convergent paradox in thinking patterns between advisers and SME owner-managers*. *Management Decision*, 44(5), 581-597.
- Gulati, R., Nohria, N., & Zaheer, A. (2000). *Strategic networks. Strategic Management Journal*, 203-215.
- Hills, G. E., Hultman, C. M., & Miles, M. P. (2008). The evolution and development of entrepreneurial marketing. *Journal of Small Business Management*, 46(1), 99-112.
- Kocak, A., & Abimbola, T. (2009). The effects of entrepreneurial marketing on born global performance. *International Marketing Review*, 26(4/5), 439-452.
- Kotler, P., & Keller, K. (2012). *Marketing Management* (14th Edition).
- Lukiastuti, F. (2013). Pengaruh orientasi wirausaha dan kapabilitas jejaring usaha terhadap peningkatan kinerja ukm dengan komitmen perilaku sebagai variabel intervening (Studi empiris pada sentra UKM batik di Sragen, Jawa Tengah). *Jurnal Organisasi dan Manajemen*, 8(2), 155-175.
- Stokes, D. (2000). Putting entrepreneurship into marketing: the processes of entrepreneurial marketing. *Journal of Research in Marketing and Entrepreneurship*, 2(1), 1-16.

