KINERJA PEMASARAN UKM: PERAN ORIENTASI KEWIRAUSAHAAN DAN KEMAMPUAN JARINGAN

SMEs’ MARKETING PERFORMANCE: THE ROLE OF ENTREPRENEURIAL ORIENTATION AND NETWORKING CAPABILITY

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Abstrak

Kata Kunci: Marketing performance; Entrepreneurial orientation; Networking capability; SMEs

Abstract
Marketing performance have attracted many practitioners and academics in the last few years, specifically for SMEs. This research aims to investigate relationships among entrepreneurial orientation, networking capabilities, and marketing performance. This is a descriptive research design using online survey. Data were collected employing Google online survey application through social media to SMEs in Indonesia Structural Equation Modeling using Partial Least Square (PLS) has been utilized to examine proposed hypotheses. The results show that entrepreneurial orientation positively influences marketing performance. Further, entrepreneurial orientation performs a positive and significant effect on networking capabilities. Correspondingly, networking capability has a positive and significant effect on marketing performance. The findings of this study contribute to the body of knowledge in marketing literature by enlarging the linkage between entrepreneurships and social interactions in building relationships.

Keywords: Marketing performance; Entrepreneurial orientation; Networking capability; SMEs

Detail Artikel:
Diterima: 31 Maret 2023
Disetujui: 11 April 2023

INTRODUCTION

The importance and strategic role of small and medium sized-enterprises (SMEs) in enhancing national and regional economy has been well documented in the literature (Ali and Li,
It is apparent that SMEs make important contributions to job creation which lead to reduce unemployment rate. Therefore, various efforts need to be achieved to increase empowerment of SMEs. One of strategies to empower SMEs is by enhancing its marketing performance. SMEs which perform best marketing performance might be able to survive and develop into large scale business.

Studies of marketing performance have attracted many practitioners and academics in the last few years (Gao, 2010; Hacioglu and Gök, 2013). This is due to companies who perform best marketing strategies will be able to survive and put them ahead of their competitors. Further, for companies with small and medium scale business or known as SMEs are likely to grow into large scale business as long as they perform strong marketing performance.

Previous research has investigated numerous antecedents that contribute to improve marketing performance. Wiklund and Shepherd (2005) argue that the combination of entrepreneurial orientation and the ability to anticipate environment dynamics and access to capital resource are antecedents of marketing performance. Further, Wang (2008) found that entrepreneurial orientation and transformational leadership are two antecedents of marketing performance. In addition, Tajeddini et al (2020) suggest that entrepreneurial orientation and network ties play key roles in enhancing hospitality business performance. These previous studies have investigated marketing and business performance in the context of largescale companies. In other words, topic on marketing performance of SMEs has received little attention to date. Therefore, there is a need to study further how to improve marketing performance for SMEs.

The relationship among entrepreneurial orientation, networking capabilities, and marketing performance have been examined by previous studies (Liu and Huang, 2020; Covin and Wales, 2012; Walter et al, 2006; Wales et al, 2019). However, they found contradictory results on this relationship. For example. Meanwhile the study of Kurniawan et al (2020) reveal that the effect of networking capability on firm performance is mediated by market orientation and process agility. Based on these studies it can be noticed that there is no consensus on the relationship between networking capability and firm performance, whether it is a direct or indirect effect. Hence, there is a call to investigate the relationships among these three constructs in more depth.
Based on the above arguments, the proposed question raised in this study is how do the effect of entrepreneurial orientation and networking capabilities on marketing performance, specifically in the context of SME’s. Hence, the purposes of this study are to investigate the effect of: (1) entrepreneurial orientation on marketing performance, (2) entrepreneurial orientation on networking capabilities, and (3) networking capabilities on marketing performance.

LITERATURE REVIEW

Entrepreneurial Orientation and Marketing Performance

Entrepreneurial orientation (EO) has become a central focus in management field since it plays a key role in driving company performance (Liu and Huang, 2020; Covin and Wales, 2012; Tajeddini et al, 2020). By implementing EO, a company can not only identify new market entry but also perceive advantage from pursuing wealth creation through new ventures (Fadda and Sørensen, 2017). Hence, the company which understand dan implement EO professionally will benefit and improve organizational performance, including marketing performance.

Various definitions of EO found in the literature have been proposed by previous scholars. Among others, Lumpkin and Dess (1996) defined entrepreneurial orientation as the processes, practices and decision-making styles of firms that act entrepreneurially. Further, they identify five entrepreneurial behaviors, namely innovativeness, pro-activeness, risk-taking, competitive aggressiveness and autonomy. In line with this definition, Avlonitis and Salavou (2007) argue that EO constitutes an organizational phenomenon that reflects a managerial capability by which firms embark on proactive and aggressive initiatives to alter the competitive scene to their advantage. Having reviewed the literature, this study employs definition of EO put forward by Pearce et al, (2010) who defined EO as a set of distinct but related behaviors that have the qualities of autonomy, innovativeness, proactiveness, risk taking, and competitive aggressiveness.

Marketing performance is the key strategic factor for survival of a company. Therefore, among academics and practitioners, marketing performance has become a very crucial topic to discuss. Within the academic community, interest in marketing performance has continued from the 1960s until the present day (Rezvani and Fathollahzadeh, 2020; O’Sullivan and Abela, 2007). Current academic interest in marketing performance is reflected in the fact that it has been included in the Marketing Science Institute’s, American Marketing Association’s, and Indonesian...
Marketing Association’s top research priorities. In addition, practitioners are attracted in understanding marketing performance since it is argued that marketing performance can enhance company’s marketing productivity (Rust et al, 2004). Since marketing performance include financial accountability, therefore undeniably, it has become an important issue for practitioners in marketing field (Webster et al, 2003). Hence, it can be argued that marketing performance has been proposed as a very crucial topic in marketing management to enhance the survival of a company.

Measurement of marketing performance has been widely discussed in previous research. A study of Li (2000) has pointed out that marketing performance is measured by company’s sales volume, level of profit, market share, and return on investment. Numerous studies have emphasized that entrepreneurial orientation influences company performance (Santra, 2018). According to Wang (2008) a high level of marketing performance can be achieved by implementing transformational leadership and entrepreneurial orientation. In line with this argument, Wiklund and Shepherd (2005) state that the combination of entrepreneurial orientation and the ability to adapt to the environment and access to capital resource substantially impact on small business performance, including marketing performance. Further, Awang et al, (2010) determine that entrepreneurial orientation perform a positive effect on company performance. Correspondingly, the study of Eggers et al, (2013) and Grande et al, (2011) reveal that entrepreneurial orientation has a positive effect on marketing performance. Based on these studies, therefore it is proposed that:

**H1: Entrepreneurial orientation positively influences marketing performance**

**Entrepreneurial Orientation and Networking Capability**

Entrepreneurship is determined as an important component of economic progress and it plays a key role in contributing to business success in various ways such as by identifying and assessing opportunities, renewing the existing ones or creating new firms, steering the economy’s forward by means of innovations, new competencies, job creations and thereby improving the overall welfare of the society (Cuervo et al., 2007). Further, Al Mamun et al, (2017) defined entrepreneurship as a “new entry” (i.e., what entrepreneurship consists of), which could be achieved either by entering a new market or by venturing into previously established markets by
means of existing or new products, while the term entrepreneurial orientation (EO) could be defined as processing, practicing, and decision-making actions that lead to such new entries.

Entrepreneurial orientation has been characterized as an attribute of management style that favors change and supports activities related to exploiting different forms of innovation, new product/service development and the creation of superior customer value (Tajeddini and Trueman, 2016; Wales et al, 2019). In carrying out these various activities, a company needs support from other parties and partners, such as suppliers, distributors, customers, and so forth. Hence, the company that perform good entrepreneurial orientation will be able to develop their capabilities in building and maintaining networks. This is an agreement with the study of Ajayi (2016) who suggests that entrepreneurial orientation has a positive impact on networking capabilities on the export performance of SMEs. In addition, a study of Karami and Tang (2019) reveal that entrepreneurial orientation positively influences networking capability. Accordingly, it is proposed that:

**H2: Entrepreneurial orientation positively influences networking capability**

**Networking Capability and Marketing Performance**

Networking capability is considered as a key strategic factor to successful companies. They need to understand the various efforts to improve capability in developing network. According to Westerberg and Wincent (2008), several components that determine the success of networking are coordination, relationship skill, partner knowledge, and internal communication. Therefore, building relationship to develop network with valuable business partners is very important, especially for new companies (Ozcan and Eisenhardt, 2009).

A company who has an extensive relationships and networks tends to perform ability to create numerous opportunities for improving business performance, including marketing performance. Wiklund and Shepherd (2005) argue that a company who has strong network capability will perceive an enormous opportunity to enhance marketing performance. Professional network and relationships with supplier, distributors, government, and community will result in attracting new customers and maintain existing customers, therefore it will improve business performance. Hence, company’s ability to establish and build networks lead the company to achieve better performance, including marketing performance. In agreement with this view, study of
Mokhtarzadeh et al, (2020) and Ibeabuchi et al, (2020) reveal that networking capability performs a positive effect on company performance. Based on these studies, it is proposed that:

**H3: Networking capability positively influences marketing performance**

Based on literature review and how the hypotheses are developed, the proposed model of study can be seen in Figure 1. There are three main constructs in this study consisting of entrepreneurial orientation, networking capability, and marketing performance. From the relationships among the construct, there are three proposed hypotheses within the model.

![Figure 1. Proposed model of study](image)

**METHODS**

**Data collection and analysis**

This is a descriptive research design using online survey. Data were collected using Google online survey application through social media such as WhatsApp, Facebook page to SMEs in Indonesia during new normal period from June to September 2020. In total, 132 responded to the survey; nevertheless, only 125 met the research criteria, hence those were retained for analysis.

Having collected quantitative data from the online survey, various analytical techniques were used to examine the measurements and hypotheses testing. Descriptive statistic was used to provide an overview of the respondents’ characteristics. Multivariate techniques were employed to assess the reliability and validity of the constructs. Structural Equation Modeling using Partial Least Square (PLS) has employed to examine proposed hypotheses, that is to test the relationships among entrepreneurial orientation, networking capability, and marketing performance.
Measures

The measurement items for entrepreneurial orientation were adopted from Zhang et al (2014) with some minor refinements adjusted to the context of this study. The measures consist of five components namely autonomy, innovativeness, proactiveness, risk-taking, and competitive aggressiveness. To measure networking capability, this study utilized measurement put forward by Westerberg and Wincent (2008). This scale consisting of coordination, relationship skill, partner knowledge, and internal communication. In addition, marketing performance measurement was adapted from Chang et al, (2012) which comprise of sales volume of the SMEs’ products, the SMEs’ revenue growth rate, and the SMEs’ cash flow.

Nominal and ordinal scales were applied for questions related to respondents’ demographics aspects. Metrics scale using 1-7 Likert scale (ranged from ‘strongly disagree’ to ‘strongly agree’) was employed for questions related to the main variables of entrepreneurial orientation, networking capability, and marketing performance. Respondents were asked the extent to which they agree or disagree with each of the statements.

Validity and reliability

Validity and reliability tests have been carried out in this research. The results of validity test show that all items have met a correlation coefficient > 0.30, hence, all of the items considered satisfactory (depicted in Table 1).

Table 1. Validity Test

<table>
<thead>
<tr>
<th></th>
<th>Entrepreneurial Orientation (EO)</th>
<th>Networking Capability (NC)</th>
<th>Marketing Performance (MP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1-Autonomy</td>
<td>0.552</td>
<td>0.193</td>
<td>0.207</td>
</tr>
<tr>
<td>X2-Innovativeness</td>
<td>0.753</td>
<td>-0.259</td>
<td>0.019</td>
</tr>
<tr>
<td>X3-Proactiveness</td>
<td>0.769</td>
<td>0.462</td>
<td>-0.045</td>
</tr>
<tr>
<td>X4-Risk-taking</td>
<td>0.452</td>
<td>-0.233</td>
<td>-0.004</td>
</tr>
<tr>
<td>X5-Competitive aggressiveness</td>
<td>0.766</td>
<td>-0.211</td>
<td>-0.121</td>
</tr>
<tr>
<td>Y1-Coordination</td>
<td>0.077</td>
<td>0.852</td>
<td>-0.065</td>
</tr>
<tr>
<td>Y2-Relationship skill</td>
<td>0.117</td>
<td>0.876</td>
<td>-0.031</td>
</tr>
<tr>
<td>Y3-Partner knowledge</td>
<td>-0.051</td>
<td>0.910</td>
<td>-0.013</td>
</tr>
<tr>
<td>Y4-Internal communication</td>
<td>-0.153</td>
<td>0.798</td>
<td>0.119</td>
</tr>
<tr>
<td>Z1-Sales</td>
<td>-0.041</td>
<td>0.038</td>
<td>0.962</td>
</tr>
<tr>
<td>Z2-Revenue growth</td>
<td>0.039</td>
<td>-0.038</td>
<td>0.965</td>
</tr>
<tr>
<td>Z3-Cash flow</td>
<td>0.002</td>
<td>0.001</td>
<td>0.921</td>
</tr>
</tbody>
</table>
An indicator is determined as a valid indicator if it has the highest loading factor for the intended construct compared to the loading factor to other constructs. As has been shown in Table 1, loading factors for EO (X1 to X5) indicate the loading factor for EO are higher than the other constructs. This also applies to networking capability (Y1 to Y4) and marketing performance (Z1 to Z3). In addition, based on the results of reliability test shows that Cronbach Alpha of each construct is 0.682, 0.881, and 0.945 for entrepreneurial orientation, networking capability, and marketing performance respectively.

**RESULTS AND DISCUSSION**

**Respondent Characteristics**

There are several sectors of SMEs investigated in this research including services and manufactures. Majority of SMEs’ sectors are trade (51.61%), followed by processing industry (29.03%) and services (16.13%). Marketing area of these SMEs 53.2% are in the level of district and regency (local market). Further, 20% of SMEs have produce goods and services continuously, 33% based on order from customers, and 47% of SMEs have employed mixed method i.e. produce products regularly and based on customers’ order. Number of employees working for these SMEs can be identified as follows: less than 5 employees (61%), 5-10 employees (18%), >10-15 employees (6%), and more than 15 employees (15%).

**Structural model to test proposed hypotheses**

The hypotheses testing results is presented in Table 2 and Figure 2. The results indicate that entrepreneurial orientation was found to have a significant impact on marketing performance ($\beta=0.329$, $p<0.001$). Similarly, entrepreneurial orientation was found to perform a significant impact on networking capability with a higher effect ($\beta=0.752$, $p<0.001$). In addition, the effect of networking capability on marketing performance also found to be positive and significant ($\beta=0.303$, $p<0.001$). Hence, it can be summarized that all hypotheses proposed in this study are accepted.
Table 2. Relationships among the constructs

<table>
<thead>
<tr>
<th>Path</th>
<th>Path Coefficients</th>
<th>R-Square</th>
<th>Standard Errors</th>
<th>P value</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO→MP</td>
<td>0.329</td>
<td>0.36</td>
<td>0.083</td>
<td>&lt; 0.001</td>
</tr>
<tr>
<td>EO→NC</td>
<td>0.752</td>
<td>0.57</td>
<td>0.075</td>
<td>&lt; 0.001</td>
</tr>
<tr>
<td>NC→MP</td>
<td>0.303</td>
<td>0.36</td>
<td>0.083</td>
<td>&lt; 0.001</td>
</tr>
</tbody>
</table>

**Goodness of fit**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Cut of value</th>
<th>Result</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average block VIF (AVIF)</td>
<td>≤ 5</td>
<td>2.709</td>
<td>Good</td>
</tr>
<tr>
<td>Average full collinearity VIF (AFVIF)</td>
<td>≤ 5</td>
<td>2.069</td>
<td>Good</td>
</tr>
<tr>
<td>Tenenhaus GoF (GoF)</td>
<td>small &gt;= 0.1, medium &gt;= 0.25, large &gt;= 0.36</td>
<td>0.568</td>
<td>Good</td>
</tr>
<tr>
<td>Symson's paradox ratio (SPR)</td>
<td>&gt;= 0.7</td>
<td>1.00</td>
<td>Good</td>
</tr>
<tr>
<td>R-squared contribution ratio (RSCR)</td>
<td>&gt;= 0.9</td>
<td>1.00</td>
<td>Good</td>
</tr>
<tr>
<td>Statistical suppression ratio (SSR)</td>
<td>&gt;= 0.7</td>
<td>1.00</td>
<td>Good</td>
</tr>
<tr>
<td>Nonlinear bivariate causality direction ratio (NLBCDR)</td>
<td>&gt;= 0.7</td>
<td>1.00</td>
<td>Good</td>
</tr>
</tbody>
</table>

The finding of this empirical research has shown that entrepreneurial orientation positively influences marketing performance (depicted in Figure 2). This result confirms previous studies (Engelen et al, 2018; Martin and Javalgi, 2016) who suggest that to enhance marketing performance, companies to improve their entrepreneurial orientation. The higher the entrepreneurial orientation, the higher the level of marketing performance. It means that there have been an increase of sales volume, growth of revenue, and better cash flow received by SMEs. EO which is reflected in an attitude of being innovative, proactive and the courage to take risks will be able to improve SMEs performance including, marketing performance. This was
confirmed by Rezaei and Ortt (2018) who argue that entrepreneurial orientation can achieve better business performance.

![Diagram showing relationships between entrepreneurial orientation, networking capability, and marketing performance]

Notes: *** = p < 0.001

Figure 2. Result of relationships among entrepreneurial orientation, networking capability, and marketing performance

Further, this study suggests that entrepreneurial orientation also perform positive and significant effect on networking capability. This is in line with the study of Ajayi (2016) and Karami and Tang (2019) who point out that networking capability is influenced by entrepreneurial orientation. SMEs that exhibit high level of autonomy, being innovative, more proactive, courageous to take risks, and competitive will have higher chance to improve their network capability. Further, these SMEs will be able to enlarge coordination and better knowledge to their partners, enhance relationship skills, and more effective internal communication. SMEs who do not maintain an entrepreneur's proficiency will not be able to merely survive in this tight competition. Lastly, networking capability has been found to have positive and significant effect on marketing performance. This result corresponds Tajeddini et al's study (2020) who maintain that in an uncertain, dynamic environment a higher level of risk and entrepreneurial orientation benefit business performance especially when coupled with strong business and social networks. As suggested by Ganjeh et al (2021) networking is one of the solutions that has been porposed to overcome marketing limitations, because networking is considered as a factor in restructuring the global business architecture.

**MANAGERIAL IMPLICATIONS**

Practical implications for managers, owners, and entrepreneurs of SMEs are acknowledged. First, they are suggested to increase their capability to be more innovative, proactive, and
aggressive in running their business. Innovative managers will be able to renew and modify their products to fulfill the needs, wants and expectations of consumers. In addition, if they are innovative and aggressive, company will be able to attract many new customers and retaining existing customers.

Besides, managers must improve their networking capability skills by setting more effective coordination, broadening knowledge about their partners, and managing internal communication with employees. Networking capabilities will help managers in solving problems that mostly faced by SMEs such as difficulties in accessing global market access, financial accessibility, and so forth.

CONCLUSION

This study has empirically tested the relationships among entrepreneurial orientation, networking capability, and marketing performance. There is a direct and indirect effect of entrepreneurial orientation on marketing performance. The indirect effect of entrepreneurial orientation on marketing performance is mediated by networking capability. Thus, entrepreneurial orientation will increase SMEs’ ability to build, establish, and maintain their networks. Subsequently, SMEs who have strong networking skills will be able to enhance their marketing performance. The findings of this study contribute to the body of knowledge in marketing literature by enlarging the linkage between entrepreneurships and social interactions in building relationships.

There are several limitations identified in this research which might be utilized as opportunities for future researchers. First, a quantitative approach was applied in this study using online survey. Although the questionnaire was designed in Indonesian language, there is a possibility that the interpretations of the questionnaire could be different across the respondents. To provide a thorough results, future research future researchers are suggested to conduct in-depth qualitative study, and offline method to ensure the least bias in the response. This study employs cross-sectional data, therefore future research might replicate and enlarge the model of study to be implemented in cross-cultural context using longitudinal approach. In addition, entrepreneurial orientation and networking capability are examined in this study as the antecedents of marketing performance. Hence, future research is recommended to include other constructs as the antecedents of marketing performance, for instance market orientation,
innovation, social value driver, and marketing literacy to provide a more comprehensive model in enhancing marketing performance.

REFERENCES


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