

## MARKETING PERFORMANCE OF SMALL MEDIUM ENTERPRISE (SME) CENTERS FOOTWEAR

Prasetyo Hadi

Universitas Pembangunan Nasional “Veteran” Jakarta,  
INDONESIA.

prasetyohadiupn@gmail.com

### ABSTRACT

*The large number of footwear Small Medium Enterprise (SME) centers in East Java can be ensured that the level of competition between the footwear industries is increasing. Therefore efforts of excellence and competitiveness enhancement of SMEs are becoming increasingly important. Based on the observations that have been made by researchers to the development of SMEs, there is a need to get the high attention, both from the government and society in order to be more competitively developed. Therefore, this study was conducted to determine the effect between variables determined among other entrepreneurial orientation, market orientation, and innovation has an influence on the performance of marketing in SME centers footwear in Mojokerto District. This study uses primary data. The analysis technique used is Partial Least Square [PLS] to determine the causality between the variables analyzed. Based on the results of data processing, it can be concluded that; (1) the factor of entrepreneurial orientation has no positive effect on marketing performance. (2). entrepreneurship orientation has a significant positive effect towards innovation, (3) market orientation has a significant positive effect towards marketing performance, and (4) market orientation has a significant positive effect towards innovation.*

**Keywords:** Entrepreneurship orientation, market orientation, innovation, marketing performance

### INTRODUCTION

In the face of the free trade era will arise increasingly sharp competition, in order to compete and even win the competition, a company or business would need to make various efforts. As one indicator of the success of a company or business in a competition is that a company or business must have a sustainable competitive advantage. Competitive advantage of a company is influenced by both internal and external factors. Of course, in order for every company to have the advantage of a free market, then the company should be able to carry out improvement in producing and also marketing products with good quality and a competitive price. Therefore, the ability of internal resources is really needed to support the good performance of a company (Muafi, 2017). The increasing business performance of each industry will have contributed to economic growth and will ultimately affect employment opportunities, due to the creation of new jobs both naturally adding the need of workforce with the increase in production volume, as well as adding the workforce that are doing diversification efforts, so that the unemployment rate could decline and other than that, to have a sustainable competitive advantage, efforts should be made to make improvements on

an ongoing basis. One sector of the industry developed and got priority over from the Department of Industry and Trade of East Java, is the footwear industry. The number of footwear SME centers in East Java, according to the Department of Trade and Industry (Industry and Trade) are as many as 1,840 business units (Badan Pusat Statistik RI, 2014). The high number of footwear SMEs in East Java is certain that the level of competition between the footwear enterprises is increasing. In addition, competitors are not only coming from other domestic footwear enterprises, but can also come from the footwear industry in foreign countries such as China, India and Vietnam. Therefore, efforts to increase the excellence and competitiveness of SMEs are becoming increasingly important and urgent today (Ayandibu and Houghton, 2017; Muafi, 2016b; Muafi et al., 2016). There has been a lot of research and ways to enhance the excellence and competitiveness of SMEs.

## LITERATURE REVIEW

Innovation as an important and vital aspect and is one of the guarantees for companies or organizations in increasing their competitiveness has been recognized by several studies and research (Muafi, 2015, 2016a; Damanpour, 1991; Damanpour, 1996). Aberijo et al.(2009) said that innovation has a strong association with the company's success in sustaining the performance and growth of its business. Several empirical studies on some of the small and medium enterprises in various countries show a strong correlation between *innovative behaviors* with the achievement of the performance of a company.

According to Day and Wensley (1988) "the results of business performance may be viewed from consumer satisfaction, customer loyalty, market share and profitability". Therefore, in an effort to improve the performance of the company or industrial business, it is necessary to do a lot of changes to be integrated more deeply theoretically and empirically, among others through different theory and research results in the entrepreneurial field (Morgan, 2012). The theory states that entrepreneurial marketing strategy is important, because it can cause practical application helping companies succeed (Knight, 2000). Situational factors promote entrepreneurial marketing practices in a small company and the attitude of entrepreneurial marketing mentioned dominated by the characteristics of the entrepreneur and the limitations of small enterprises (Hills *et al.*, 2008). According to Rezvani and Khazaei (2013; Morris et al., 2002) the importance of entrepreneur and entrepreneurship is recognized widely. Entrepreneurs have be a hero in recession and ability to operate, and often too grow, business in a challenging business environment that is important for community.

Lately, the notion of entrepreneurial marketing has emerged to describe marketing activities and new businesses (Kraus *et al.*, 2010; Knight, 2000). Entrepreneurial marketing is an exploration of the ways in which attitudes and entrepreneurial behavior can be applied to the development of marketing strategies and tactics (Kurgunet *al.*, 2011). According to Mwangi and Bwisa (2013) there is a relationship between entrepreneurial marketing practices with the growth of the business or businesses, most of whom use entrepreneurial marketing business to grow or increase their business. The growth of companies or businesses related to the industry is always oriented towards the needs of the market, so the aspect of market orientation is needed in an organization or company. Some experts also explained and specifically defined marketing entrepreneurship for small to medium enterprises (SMEs) and according to Bechereret *al.* (2006) entrepreneurial marketing is defined "as an act of efficacious or adaptation of marketing theory to the specific needs of a small business".

While some authors have argued that it can be described as marketing activities with an entrepreneurial mindset, regardless of the size or the age of the company (Kraus *et al.*, 2010),

it is widely believed that this concept is accepted, especially within the context of small businesses (Jones and Rowley, 2011; Grinstein, 2008; Gilmore and Carson, 1991). According to Bjerke and Hultman (2002), entrepreneurial marketing is "marketing small companies grow through entrepreneurship".

SMEs face some limitations such as having several large customers, limited resources in the business and marketing; entrepreneur influence, the lack of formal organizational structure or formal communication system (Jones and Rowley 2011; Kolabiet *al.*, 2011), "entrepreneurial marketing is more appropriate for small and medium size enterprises (SMEs)". Kraus *et al.* (2010) identified two perspectives in the definition of entrepreneurial marketing namely: (1) defining entrepreneurial marketing as marketing for new or small businesses stressing quantitative aspects of the company, and (2) defining entrepreneurial marketing as marketing with an entrepreneurial spirit by highlighting the qualitative aspect of entrepreneurial marketing". Then Kraus *et al.* (2010) argues that "both efforts to define marketing entrepreneurship may be two sides of the same coin, as the qualitative characteristics (limitations and novelty) appears to be a context that is very important in marketing activities that are encouraged by the presence of: (1) innovative idea, (2) the spirit oriented towards risk and (3) proactive mind". This explanation is very fundamental to potential market orientation because market orientation is very valuable as it will focus the organization's efforts on gathering information continuously about the consumer's need and competitor capacity. In the end the information that has been gathered will be used as consideration in creating added value for its customers.

Market-oriented companies will be able to anticipate and be responsive to what customers need today and in the future. According to Narver and Slater (1990); Voss and Voss (2000), market orientation is a broader concept, not only does it include customer orientation but also to competitors and activities that involve coordination between functions within the company. In essence, a market oriented company formally will undertake activities that yield (1) market intelligence as well as (2) disseminate intelligence to all departments and (3) response to follow up on what customers need and expect (Kohli and Jaworski, 1990; Baker and Sinkula, 1999).

Research that has been done by Narver and Slater (1990) shows that the market orientation, specific characteristics of business factors, and environmental factors affect the business performance. Research that has been done by Jaworski and Kohli (1993) and Horng and Chen (1998) also showed that the market orientation effect on business performance. In addition to market orientation, entrepreneurial orientation also plays an important role in improving the performance of the company or industry business. Miller and Friesen (1982) explain that entrepreneurial orientation became a meaning that is acceptable to describe the performance of a company or industry business. In the opinion of Gosselin (2005), there is a significant relationship between entrepreneurial orientation determined by the performance of the company or industry business.

In essence, entrepreneurial orientation refers to the processes, practices, and decision-making that lead to new input and has three entrepreneurship orientation indicators, namely (1) innovative to the market, (2) to act proactively and (3) dared to take the risk (Lumpkin and Dess, 1996). The meaning of innovative refers to an attitude of entrepreneurs to engage creatively in the process of experiment on new ideas that enable new products or services, and especially market at the present time as well as new and unique market. On the other hand proactive reflects the willingness of entrepreneurs to dominate competitors through a combination of aggressive and proactive movements, namely in terms of introducing

production or new services to anticipate future market demand. The entrepreneurial orientation as reflected in the attitude of innovation, proactive and risk-taking, which in turn can improve the performance of marketing. The increasing entrepreneurial orientation affect on the increase in the company's ability to market its products to also impact on a better performance of the company or industry business.

**HYPOTHESIS**

- H1. Entrepreneurship orientation has a significant positive effect towards marketing performance
- H2. Entrepreneurship orientation has a significant positive effect towards innovation
- H3. Market orientation has a significant positive effect towards marketing performance
- H4. Market orientation has a significant positive effect towards innovation

**RESEARCH METHODOLOGY**

A research may be a population study or a sample study. A population study research means that all subjects in the study area are to be subjects for the research, while in a sample study research only a portion of the research subjects are selected and considered to represent the whole. Consideration taken for not using all subjects may be due to limited research funds, effort and time, or it probably was not necessary as taking a portion of the population has been able to reflect the nature of the population (Hair et al., 2005). The population in this study are all companies or medium-scale footwear enterprises in Mojokerto as many as 63. The sampling technique the researchers used in collecting the data is saturated sampling technique, which all populations is used as the sample. So the sample size in this study is footwear companies in Mojokerto Centre as many as 63 companies. PLS as the data analysis technique was analyzed with SmartPLS version 2.0.M3.

**RESULT**

The use of *Partial Least Square* (PLS) to analyze the validity and causality between the constraints of the model in this research was done by using Smart PLS software. The analysis result can be seen on Table 1.

**Table 1. Inner Model Test Result**

Path		Path Coefficient	t-Statistic	Sig.	Decision
Entrepreneurship orientation -> marketing performance	->	0.015423	0.054352	Non Sign	<b>Rejected H1</b>
Entrepreneurship orientation -> innovation	->	0.418366	2.139894	Sign	Accepted H1
Market orientation -> marketing performance	->	0.546680	2.693996	Sign	Accepted H3
Market orientation -> innovation	->	0.274842	1.865569	Sign	Accepted H4

## **DISCUSSION**

The result of the hypothesis test that has been done shows that entrepreneurship orientation is not significant to the marketing performance. The hypothesis that the higher the entrepreneurship orientation the more positive influence to the marketing performance of footwear SMEs is not proven. That means, the higher the Entrepreneurship orientation, the higher the marketing performance value, and vice versa lower entrepreneurship orientation will get low marketing Performance does not apply in this study. It also means there is growing evidence of the absence of proactive business owners. This is reflected in the absence of a proactive attitude in marketing their products. Less proactive attitude in running their businesses would make footwear SMEs experience delays in developing products or market share.

Results of this research indicate that the higher the entrepreneurship orientation has a significant positive effect towards innovation. The results of the study which entrepreneurship orientation has no effect on marketing performance through innovation can be explained that the orientation of entrepreneurship on footwear SME owners in Mojokerto do not reflect having proactive attitude. In addition to the not influencing entrepreneurship orientation to marketing performance through innovation explained through administrative which do not yet have a clear organizational structure, well clear tasks and positions in the footwear SMEs studied.

The result of hypothesis testing that has been done indicates that market orientation has significant positive effect on marketing performance. That is, the higher the market orientation the higher the marketing performance, and vice versa the lower the market orientation the lower the marketing performance also applies in this study. The results of research show that market orientation affect marketing performance can be explained by the competitor indicator, by knowing the competitor-oriented information will facilitate footwear SME owners to still exist and win the market competition. Market orientation on competitor's indicator is strengthened by an understanding of the consumer which the owner knows what the wishes or interests of consumers are. Market orientation has positive effect on Marketing Performance can be understood for their coordination between the marketing function with other functions in market orientation can unite the same understanding of customer needs. The results of the study in which market orientation has a significant positive effect towards innovation can be explained that the market orientation on coordination between functions for superior value consumer has not been done by the footwear SME owners in Mojokerto showed by lack of inter-functional coordination.

## **CONCLUSIONS AND RECOMMENDATIONS**

Based on the results of hypothesis testing and discussion, some conclusions are formulated as the following:

1. Entrepreneurship orientation does not contribute to the marketing performance. In this case the SME owners Entrepreneurship Orientation will not support the growth of businesses owned or Entrepreneurship Orientation is not a variable that accounted for increasing marketing performance.
2. Entrepreneurship orientation contribute to innovation. In this case consumers did not assess innovation by SME owners, in other words innovation committed by SME owners have yet to be possessed enough nor maximized to contribute to the improvement of marketing performance.

3. Market orientation contributed to marketing performance. In this case the market orientation is the only variable that contributed to the improvement of Marketing Performance directly.
4. Market orientation contributed to marketing performance, so it is encouraging small business owners to conduct updated products according to market demands aimed at gaining competitiveness against their competitors in order to improve marketing performance.

## RECOMMENDATIONS

1. Innovation needs to be done for the products they sell. Innovation that focuses on the products they have should subsequently be developed and not simply copying existing products in the market.
2. Maintain market orientation that provides improved marketing performance through products and markets.
3. For further study it is suggested for conducting research with other variables such as human resources, motivation, and technology that contributes in improving marketing performance.

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