



ENHANCING MARKETING PERFORMANCE IN MSMEs: EMPIRICAL RESEARCH FROM SEMARANG, CENTRAL JAVA, INDONESIA

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Micro, Small, and Medium Enterprises (MSMEs) are one of the most developed creative industries in Indonesia and are able to make significant contribution to Indonesia's GDP (Gross Domestic Product), but the high growth of MSMEs has not been able to create sustainable MSMEs performance. Factors that influence each other include network capability, marketing performance, knowledge creation, and product innovation. This study aims to enhancing marketing performance in MSMEs: empirical research from Semarang, Central Java, Indonesia. The sample in this study were 109 respondents of MSME owners in Semarang City. The data collection method used questionnaire distributed to MSMEs owners through Google Forms. Data analysis used descriptive statistics and structural equation modelling with the Smart PLS program. The results showed that network capability has positive and significant effect on product innovation, product innovation has positive and significant effect on marketing performance, and network capability has positive and significant effect on marketing performance.

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INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are one of the driving wheels of the economy in various cities in Indonesia. Van Stella & Storey (2004) argue that MSMEs have an important role, including providing jobs, providing income that is evenly distributed in society and being able to drive the economy comprehensively.

MSMEs make a significant contribution to the national economy in Indonesia and can make a significant contribution to Indonesia's GDP (Gross Domestic Product) (Muliadi, Darma, & Kasuma, 2020; P. E. Prasetyo, 2020; P. Prasetyo & Kistanti, 2020), but in its development, it is still

faced with various obstacles in terms of business management, financial management, human resource management and entrepreneurship (Hernita, Surya, Perwira, Abubakar, & Idris, 2021; Mayr, Mitter, Kücher, & Duller, 2021; Salamzadeh & Dana, 2021; Sarvari, Chan,

Alaeos, Olawumi, & Abdalridah Aldaud, 2021). Human resource competencies, skills, and knowledge are still weak compared to large enterprises (Hernita et al., 2021; Purnamawati, Jie, Hong, & Yuniarta, 2022; Surya et al., 2021). The human resource practices of many MSMEs are often not conducive to knowledge creation and exchange. Generally, MSMEs also engage in fewer management development activities than large firms (Alhusen & Bennat, 2020; Demirkan, Srinivasan, & Nand, 2022; Heenkenda, Xu, Kulathunga, & Senevirathne, 2022; Madrid-Guijarro, Martin, & García-Pérez-de-Lema, 2021).

According to data from the Central Statistics Agency (BPS) and the Ministry of Cooperatives, UMKM, one of the business groups as the main support and has an impact on the number of workers, simultaneously and in the entire business sector it is shown that small-scale businesses in Indonesia occupy a portion of 99%. That way, almost all small-scale businesses control all businesses in Indonesia, and only 1%

are medium and large-scale businesses (Wahyudin, 2013).

Semarang City in Central Java is a tourist destination, agribusiness and manufacturing centre. In addition, it is also the centre of various business activities, shopping centres, and culinary and transit areas between West Java and East Java. These various things can attract domestic and foreign tourists to visit Semarang City, Central Java. The increase in MSMEs is inseparable from the increase in home industries in Semarang City, Central Java. The number of MSMEs in Semarang City, Central Java, in 2022 increased by 40% compared to 2017 (Dinas Koperasi Usaha Kecil & Menengah Kota Semarang, 2022; Dinas Koperasi Usaha Kecil & Menengah Provinsi Jawa Tengah, 2022). The growth of MSMEs in Semarang City, Central Java, is greater than that of consumers. This has led to competition for customers for these MSMEs. The increase in MSMEs has led to an increasingly competitive MSME industry in Semarang City, Central Java. This competition is a challenge for the MSME industry to continue to improve its performance and compete in providing superior services to its customers.

Several studies have examined the relationship between knowledge management and performance but have focused on established manufacturing firms (Patalas-Maliszewska & Kłos, 2017; Robert, Giuliani, & Gurau, 2022; Singh, Gupta, Busso, & Kamboj, 2021; Viet & Kravets, 2022). However, there are still several problems and obstacles in the development of MSMEs, such as management, entrepreneurship, finance, human resources, and performance (Hernita et al., 2021; Menne et al., 2022; Salamzadeh & Dana, 2021; Zutshi, Mendy, Sharma, Thomas, & Sarker, 2021).

Network Capability (NC) is the ability of companies to develop and utilise inter-organisational relationships to gain access to various resources owned by other actors (Walter et al., 2006). Network Capability is integrated by various dimensions that represent different capabilities to manage relationships with other organisations and partners. Similarly, network capability contributes to the success of small and medium-sized export firms by helping to identify new market opportunities and contributing to knowledge building (Coviello & Joseph, 2012). From the perspective of Dynamic Ability Theory, Network Capability is determining factor in accelerating the internationalisation of MSMEs (Sulistyo, 2020).

To increase product innovation so that it can be marketed optimally, good network capabilities are needed. Weak product innovation also affects product marketing coverage (Dhameria, Ghozali, Hidayat, & Aryanto, 2021). Marketing performance of

MSMEs is highly dependent on the level of company innovation (Wiwoho, Suroso, & Wulandari, 2020). Higher product innovation will affect marketing performance (Meutia, 2015).

The lack of studies on network capability, product innovation, and marketing performance in MSMEs is gap in this research that needs to be identified and tested further. Based on the results of the above studies, there is still research gap in research on the importance of network capability, product innovation, and marketing performance. This study aims to empirically prove the enhancing marketing performance in MSMEs: empirical research from Semarang, Central Java, Indonesia. This study also contributes to closing the research gap and discusses the effect of network capability on product innovation, and the effect of product innovation on marketing performance.

LITERATURE REVIEW

Network Capability and Product Innovation

Companies try to build relationships with other companies in a network to access the needed assets (Farida & Nuryakin, 2021). The support can be tools, capabilities, resources etc. Merging these assets is likely to affect the creativity of the company. Creativity can influence the improvement of innovation within the company. Building a network means having better access to information and, thus, being in a stronger position to influence and benefit from network activities (Chiu, 2009), where one of the benefits is generating creative ideas. Building links or networks with surrounding partners allows companies to get more information from the environment, which is essential for innovation success. The results of research by Farida & Nuryakin (2021) state that network capability has positive and significant effect on product innovation. Thus, the proposed hypothesis is as follows:

H1: Network capability has positive effect on product innovation

Product Innovation and Marketing Performance

Product line extensions are products that are relatively new to the market, but not new to the organisation. me-too product is product that is relatively new to the company, but already known in the market. New products are products that are relatively new to both the market and the company (Meutia, 2015). New product development and effective strategies are important elements that determine the success and survival of company, but this is not an easy thing to do. New product development requires

effort, time, and capability, including the risk and cost of failure. These advantages cannot be separated from the development of product innovation so that it can win market competition (Sugiyarti & Ardyan, 2017).

Product innovation plays major role in improving marketing performance (Hurley & Hult, 1998). According to Atalay et al. (2013) that product innovation is the introduction and development of new types of goods or services that are different from before and complement the shortcomings of previous findings by prioritising quality. Ismail (2015) states that marketing performance is influenced by environmental factors, product innovation, and market orientation that have positive impact on marketing performance. The results of research by Meutia (2015), Sugiyarti & Ardyan (2017), Nuryakin (2018), Wiwoho et al. (2020), and Khamaludin et al. (2022) state that product innovation has positive and significant effect on marketing performance. Thus, the proposed hypothesis is as follows:

H2: Product innovation has positive effect on marketing performance

Network Capability and Marketing Performance

Marketing performance is one of the indications in building overall company performance (El-Mallah, Aref, & Sherif, 2019; Hendar & Sugiyarti, 2018). Marketing performance is used to measure achievements in the company's marketing activities and is an application of the company's strategy (Gao, 2010). Sugiyarti & Ardyan (2017) explain that what is called Marketing performance is company strategy that is directed to produce company performance. The three indicators of marketing performance are sales value, sales growth, and market share. Sales growth depends on the number of customers or product units sold. high sales value indicates that more and more products are sold. Market share is the amount of product contribution to dominate the market for similar products compared to competitors (Sugiyarti & Mardiyono, 2022).

Marketing performance is related to the results achieved by the company as result of the company's strategy. Marketing performance can be achieved through network business capabilities. Network business capabilities themselves are form of cooperation between individuals, groups or organisations in achieving certain goals (Sasono, Giningroem, & Ferdinand, 2018). Network capabilities provide resource advantages that are not owned by other companies, which result in increased company capabilities such as technology utilisation, business processes, marketing capabilities, and

others that provide company marketing performance. In addition to access to resources, network capabilities also provide new insights and knowledge for companies (Naudé, Zaefarian, Najafi Tavani, Neghabi, & Zaefarian, 2014). This of course provides benefits for the company and is able to improve its business.

Building new networks is important to develop orientation to be innovative to build higher performance (Asemokha, Musona, Torkkeli, & Saarenketo, 2019). Network capability not only seeks and manages the company's external network but also talks about network relationships within the company itself. The network capability component consists of finding partners and managing relationships to develop MSMEs. The network capability component consists of the company's ability to organise partners who collaborate with them, the company's interpersonal relationship ability to influence partners, having information or knowledge about the company's partners and competitors and having communication skills to build new relationships. This component can be referred to as coordination, ability to establish relationships, knowledge of partners, and communication. This component is needed to improve the marketing performance of MSMEs. MSMEs will more easily identify their markets and distribution channels through the marketing networks that MSMEs have built (Sadiku-Dushi et al., 2019). That way, MSMEs can easily utilise the network they have in product innovation to develop product marketing performance. Network capability must be developed for sustainable marketing performance of MSMEs (Dhameria et al., 2021).

Wang et al. (2013) found that there is close relationship between network capability and marketing performance. Research conducted by Ferdinand & Killa (2014) found link between network advantages, especially the network of companies that have distribution network with marketing performance. Based on the results of research by Sasono et al. (2018), Heng & Afifah (2020), and Dhameria et al. (2021) that network capability has positive effect on marketing performance. Based on the information presented above, the third hypothesis to be tested in this study is:

H3: Network capability has positive effect on marketing performance

METHOD

The investigation was based on quantitative descriptive research, which operates on the premise that the main purpose of the most basic type of investigation is to observe (collect data about) specific occurrence, often at single moment in time in cross-sectional survey (Esitti

& Kasap, 2019). It is this assumption that allows descriptive research techniques to operate on the premise that the main purpose of the most basic type of investigation is to observe (collect data about) specific event. This research employs descriptive research strategy and uses survey measures to capture the objective and social reality of the hotel business to answer the research hypothesis. This allows the research to answer the questions posed by the research. The first thing that needs to be done as part of this technique is to research the relevant literature review to identify the topics mentioned earlier. framework of enquiry is designed after considering previous work that has been done in the sector. Thereafter, Structural Equation Modelling (SEM) was used in conjunction with the survey to develop the anticipated links and verify them.

Our sample consisted of 109 owners of various types of MSMEs in Semarang City. The time period from January to Mei 2023 was the data collection period. The number of questionnaires distributed was 500, but for the purposes of subsequent analysis, only responses from respondents indicated that the respondents used at least one variant of the form and provided answers to the questionnaire statements to the respondents. The number of valid questionnaires submitted was 109. The researcher used Google Forms for the questionnaire creation and data collection process. Then the data from Google Forms was stored in Google Drive. Data collection used Google Forms because face-to-face contact was not possible in the context in which the researcher conducted the study. The identity of the respondents was kept confidential as each questionnaire and invitation to take part in the research, was sent without including any identifying information.

The use of cross-sectional data served the purpose of verifying the validity of the theoretical

model presented. Data was collected through the use of methods based on survey of the target population. The indicators have been evaluated with Likert scale consisting of five points in each category. The anchors on the scale vary from Strongly Disagree (STS) mark of 1 to Strongly Agree (SS) mark of 5, with 1 representing Strongly Disagree and 5 representing Strongly Agree. Since this method requires less time and effort, as well as because by utilising this scale, respondents get the opportunity to remain neutral by voting for the "neither agree nor disagree" option, this study used 5-point Likert scale. Additionally, five-point Likert scale was utilised in this study as previous studies have shown the benefits of utilising this method (Chatterjee, Chaudhuri, González, Kumar, & Singh, 2022; Dubey et al., 2019; Gupta, Justy, Kamboj, Kumar, & Kristoffersen, 2021).

The researcher used Smart PLS software to present the research results on network capability, knowledge creation, product innovation, and marketing performance of MSMEs. After determining the measurement parameters and structural model in the first stage, the researcher then developed suitable bootstrap estimation. This study was conducted with the intention of evaluating the influence of the construction of network capability, knowledge creation, product innovation, and marketing performance of MSMEs to better understand the influence between these variables.

RESULT AND DISCUSSION

The demographic details of sample including gender, age, education, leng of business, and type of products sold are shown in Table 1. The majority of respondents in the sample are women (61.5%), 21-30 years (38.6%), bachelor (45.9%), 1-5 years leng of business (39.4%), and processed food (23.9%).

Tabel 1. Sample characteristics

	Sample characteristics	N	Sample percentage
	Gender		
1	Man	42	38.5
2	Woman	67	61.5
	Age		
1	21-30 years	42	38.5
2	31-40 years	28	25.7
3	41-50 years	24	22.0
4	>51 years	15	13.8
	Education		
1	Elementary School/Equivalent	2	1.8

2	Junior High School/Equivalent	6	5.5
3	Senior High School/Equivalent	38	34.9
4	Diploma III (D3)	12	11.0
5	Bachelor (S1)/(D4)	50	45.9
6	Master (S2)	1	0.9
	Leng of Business		
1	<1 years	14	12.8
2	1-5 years	43	39.4
3	6-10 years	25	22.9
4	>10 years	27	24.8
	Type of Products Sold		
1	Processed Food	26	23.9
2	Beverages	18	16.5
3	Herbs	6	5.5
4	Handycraft	14	12.8
5	Heritage	9	8.3
6	Bags	8	7.3
7	Batik	5	4.6
8	Metal	9	8.3
9	Others	14	12.8

Table 2, indicator reliability, and construct reliability and validity. The reliability test results are shown in Table 2 which are achieved by calculating Cronbach's Alpha, Composite Reliability, and Average Variance Extracted. The reliability test results are presented in Table 2. The researcher found that the numbers ranged from 0.862 (Marketing Performance), 0.807 (Network Capability), and 0.854 (Product Innovation), which were the highest reported values. Cronbach's Alpha was used to analyse the data collected, and this is the conclusion it yields according to the suggestions given by some researchers (Bjekić, Strugar Jelača, Berber, & Aleksić, 2021; Taber, 2018).

The construct composite dependency values vary from 0.901 for MP to 0.830 for NC for desire to move to 0.896 for PI, which is the highest value recorded for composite dependency. number of researchers argue that an adequate Critical Composite (CR) threshold should be set at no less than 0.7, and this should

be considered acceptable. As result of the results shown in the Table found above, researchers can conclude that the CR criterion has been met. This allows us to draw the conclusion that the CR criterion is met. Composite reliability can be used as an alternative to Cronbach Alpha because the CR value is somewhat higher than the Cronbach Alpha value, but the difference between the two is not very significant (Peterson & Kim, 2013).

Evaluation of validity convergence is done by testing the average variance obtained (AVE). The AVE values are shown in Table 2 below. The results are 0.647 for MP, 0.561 for NC, and 0.633 for PI which are the highest numbers ever recorded. The absolute minimum value of AVE that may be considered satisfactory is 0.5 (Rouf & Akhtaruddin, 2018). It has been determined that the acceptability threshold has been reached and consequently that convergent validity has been met across all four dimensions.

Table 2. Indicators reliability and construct reliability and validity

	Alfa Cronbach	rho_A	CR	AVE
Marketing Performance (MP)	0.862	0.863	0.901	0.647
Network Capability (NC)	0.807	0.830	0.864	0.561
Product Innovation (PI)	0.854	0.872	0.896	0.633

Based on the information presented in Table 3, the researcher can draw the following conclusions: There is positive and significant influence between NC and MP ($\beta = 0.671$; $T = 15.809$; $p = 0,000$); there is positive and significant influence between NC and PI ($\beta =$

0.748 ; $T = 18.347$; $p = 0.000$); and there is positive and significant influence between PI and MP ($\beta = 0.320$; $T = 3.102$; $p = 0,002$). The correlation between these variables is shown graphically in Figure 1.

Table 3. Mean, deviation standar, T- statistic, dan p value

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	p Values	Results
NC -> MP	0.671	0.679	0.042	15.809	0.000	Accepted
NC -> PI	0.748	0.757	0.041	18.347	0.000	Accepted
PI -> MP	0.320	0.320	0.103	3.102	0.002	Accepted

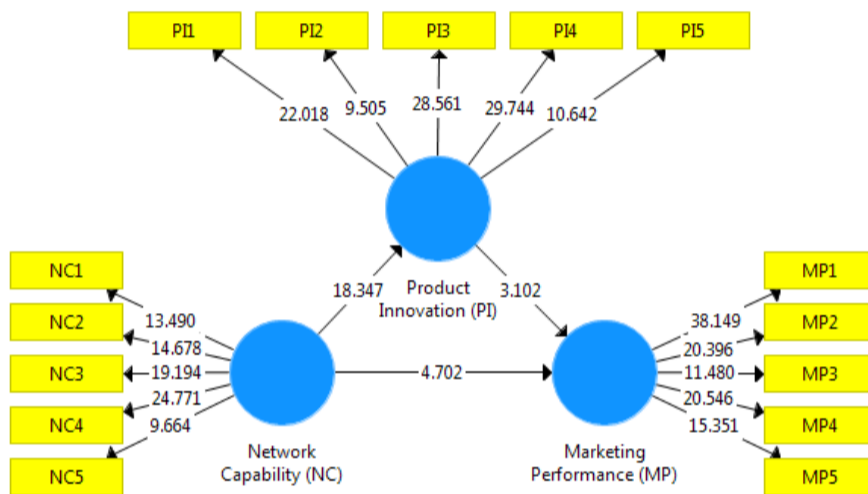


Figure 1. Path model with bootstrap results

The effect of network capability on product innovation

The results of the first study show that network capability has positive and significant effect on product innovation so that the first hypothesis is accepted. Companies try to build relationships with other companies in a network to access the needed assets (Farida & Nuryakin, 2021). The support can be tools, capabilities, resources etc. Merging these assets is likely to affect the creativity of the company. Creativity can influence the improvement of innovation within the company. Building a network means having better access to information and, thus, being in a stronger position to influence and benefit from network activities (Chiu, 2009), where one of the benefits is generating creative ideas. Building links or networks with surrounding partners allows companies to get more information from the environment, which is essential for innovation success. The results of research by Farida & Nuryakin (2021) state that network capability has positive and significant effect on product innovation.

The effect of product innovation on marketing performance

The results of the second study show that product innovation has positive and significant effect on marketing performance so that the second hypothesis is accepted. Product line extensions are products that are relatively new to the market, but not new to the organisation. me-too product is product that is relatively new to the company, but already known in the market. New products are products that are relatively new to both the market and the company (Meutia, 2015). New product development and effective strategies are important elements that determine the success and survival of company, but this is not an easy thing to do. New product development requires effort, time, and capability, including the risk and cost of failure. These advantages cannot be separated from the development of product innovation so that it can win market competition (Sugiyarti & Ardyan, 2017).

Product innovation plays major role in improving marketing performance (Hurley & Hult, 1998). According to Atalay et al. (2013) that product innovation is the introduction and development of new types of goods or services that are different from before and complement the shortcomings of previous findings by prioritising quality. Ismail (2015) states that

marketing performance is influenced by environmental factors, product innovation, and market orientation that have positive impact on marketing performance. The results of research by Meutia (2015), Sugiyarti & Ardyan (2017), Nuryakin (2018), Wiwoho et al. (2020), and Khamaludin et al. (2022) state that product innovation has positive and significant effect on marketing performance.

The effect of network capability on marketing performance

The results of the third study show that network capability has positive and significant effect on marketing performance so that the third hypothesis is accepted. Marketing performance is one of the indications in building overall company performance (El-Mallah et al., 2019; Hendar & Sugiyarti, 2018). Marketing performance is used to measure achievements in the company's marketing activities and is an application of the company's strategy (Gao, 2010). Sugiyarti & Ardyan (2017) explain that what is called Marketing performance is company strategy that is directed to produce company performance. The three indicators of marketing performance are sales value, sales growth, and market share. Sales growth depends on the number of customers or product units sold. High sales value indicates that more and more products are sold. Market share is the amount of product contribution to dominate the market for similar products compared to competitors (Sugiyarti & Mardiyono, 2022).

Marketing performance is related to the results achieved by the company as result of the company's strategy. Marketing performance can be achieved through network business capabilities. Network business capabilities themselves are form of cooperation between individuals, groups or organisations in achieving certain goals (Sasono et al., 2018). Network capabilities provide resource advantages that are not owned by other companies, which result in increased company capabilities such as technology utilisation, business processes, marketing capabilities, and others that provide company marketing performance. In addition to access to resources, network capabilities also provide new insights and knowledge for companies (Naudé et al., 2014). This of course provides benefits for the company and is able to improve its business.

Building new networks is important to develop orientation to be innovative to build higher performance (Asemokha et al., 2019). Network capability not only seeks and manages the company's external network but also talks about network relationships within the company itself. The network capability component consists of finding partners and managing relationships to

develop MSMEs. The network capability component consists of the company's ability to organise partners who collaborate with them, the company's interpersonal relationship ability to influence partners, having information or knowledge about the company's partners and competitors and having communication skills to build new relationships. This component can be referred to as coordination, ability to establish relationships, knowledge of partners, and communication. This component is needed to improve the marketing performance of MSMEs. MSMEs will more easily identify their markets and distribution channels through the marketing networks that MSMEs have built (Sadiku-Dushi et al., 2019). That way, MSMEs can easily utilise the network they have in product innovation to develop product marketing performance. Network capability must be developed for sustainable marketing performance of MSMEs (Dhameria et al., 2021).

Wang et al. (2013) found that there is close relationship between network capability and marketing performance. Research conducted by Ferdinand & Killa (2014) found link between network advantages, especially the network of companies that have distribution network with marketing performance. Based on the results of research by Sasono et al. (2018), Heng & Afifah (2020), and Dhameria et al. (2021) that network capability has positive effect on marketing performance.

CONCLUSION AND RECOMMENDATION

Based on the research results, the Network Capability variable has positive and significant effect on Product Innovation, Product Innovation has positive and significant effect on Marketing Performance, and Network Capability variable has positive and significant effect on Marketing Performance. This study demonstrates and contributes to the closure of the research gap. Based on this research, empirical research also explains that network capability, and product innovation significantly directly and indirectly improve marketing performance.

The recommendation of this research is that MSME product innovation can observe opportunities in the market, create marketing capabilities to respond to market opportunities, and organizational capabilities to seize market opportunities quickly. MSME process innovation must-identifying changes, develop visions, understand the process, and implement new process design prototypes. Creativity that SMEscan organize in new and more effective ways. This research also has theoretical implications because it can provide theoretical contributions related to the correlation of product innovation, process innovation, and creativity with operational performance.

There are several limitations in this study: (1) the number of samples used is small, (2) does not consider cultural aspects in the MSMEs industry, and (3) does not consider data normality. Therefore, future research should (1) increase the sample size, (2) consider cultural aspects in its influence on MSMEs, and (3) use covariance-based SEM to find data normality assumptions.

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