

The Effect of Partner Network Capability towards Business Performance of Batik MSMEs in Banyumas and Purbalingga Regencies

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ABSTRACT

Business performance for MSMEs Batik is the spearhead of income and business operations. Moreover it could be shown from marketing performance. The current relational management aspect for MSMEs, is relatively rarely understood because these aspects must combine aspects of relationship capability with the distribution partner network of the Batik MSME network. This study aims to determine the effect of partner network capabilities to improve the business performance of Batik SMEs in the districts of Banyumas and Purbalingga. This study uses the dependent variable of business performance and the independent variables of partner network capability, entrepreneurial orientation, and customer response speed. This study used 120 MSME respondents in Banyumas and Purbalingga during January until May 2022. Analysis with SEM PLS was used in this study. The results of the study show that the influence of partner network capability, entrepreneurial orientation, and the speed of responding to customers influence business performance.

Keywords: Partner network capability; entrepreneurial orientation; customer response speed; business performance.

1. Introduction

The concept of the creative economy and the concept of entrepreneurial orientation have the same common thread, which includes the concept of creativity, ideas or thoughts, and the concept of innovation. Creativity in business is how to apply creativity in the work being done to produce new products, procedures, and structures to improve the way things work in a better direction (Aryanto, 2015).

Nowadays, not only entrepreneurial orientation that are focused on business, but also partner network capability. Partner network capability is the ability to integrate partners is the ability of the entity efforts in coordinating and managing partners by actively participating through the ability to share information and negotiate for business progress (Eisenhardt and Martin, 2000; Augier and Teece, 2007). That means this factor needs to be stressed on the business.

In the business, customers are the huge part. So that, take care of customers are concerned. Responding speed to customers is the company's speed in responding to customer needs and desires by providing added value in the creation of product quality, service, maneuverability, and responding to changes in customer preferences for product quality, pricing, distribution, and promotion. That shows how important response to the customers are.

Batik is one of the characteristics and cultural expressions that have a symbolic meaning and high aesthetic value for the people of Indonesia which has become a heritage of world civilization. The variety of traditional batik motifs is very large, but the variations are under the philosophy and culture of each region in Indonesia. In addition, batik also plays an important role in the people's economy. The batik industry in various regions in Indonesia has absorbed a very large workforce, from the manufacturing process to marketing. Banyumasan batik has a character that distinguishes it from other batik motifs. That is one of the characteristics is the interior batik which is inspired by many plant and animal motifs. In accordance with the environment in the Banyumas area which is dominated by traditional motives and mountains. In addition, in the process of coloring, Banyumas batik tends to use old colors.

Several previous researchers have shown contradictory results regarding the effect of entrepreneurial orientation on business performance. The results of the study show that there is a significant relationship between entrepreneurial orientation and business performance (Al-Saed et al., 2010; Zhang and Zhang, 2012; Killa, 2014). Meanwhile, the results show that there is no significant relationship between entrepreneurial orientation and business performance (Hughes and Morgan, 2007; Arshad et al., 2014). But in fact, research that examines the causal relationship of entrepreneurial orientation to improving business performance concludes that the higher the entrepreneurial orientation of business actors, the higher the business performance will be.

Based on the research gap described earlier, the problem faced is that there are still controversial research results regarding the effect of entrepreneurial orientation, partner network capability, and responsiveness to business performance.

2. Literature Review

Entrepreneurial orientation is the attitude of a person or business actor who has the creativity to find new ideas in the creation of products or services, can capture opportunities to market needs, and can manage the risks that will be faced. Several opinions regarding the concept of entrepreneurial orientation developed by several previous researchers are more toward improving business performance (Hughes and Morgan, 2007; Arshad et al., 2014).

Partner network capability is the ability to integrate partners is the ability of the entity efforts in coordinating and managing partners by actively participating through the ability to share information and negotiate for business progress (Eisenhardt and Martin, 2000; Augier and Teece, 2007). Responding speed to customers is the company's speed in responding to customer needs and desires by providing added value in the creation of product quality, service, maneuverability, and responding to changes in customer preferences for product quality, pricing, distribution, and promotion Kayank (2014).

In the course of the development of the national creative industry, there are still fundamental deficiencies such as an understanding of the creative industry, appreciation of creativity, coordination of development, weak networks, and creative entrepreneurship. Creativity as a mindset, attitude and action that stimulates innovation, commitment, originality, and transformation to build oneself sustainably in various aspects of life to enjoy an increased and better quality of life. Creativity produces excellence in products including unique and actual designs, can meet consumer tastes, quality is always maintained, on time, and competitive prices.

3. Research Methodology

The research was conducted in the districts of Banyumas and Purbalingga on 120 Batik SMEs. The research method used in this study is a survey method on Batik SMEs in the Banyumas and Purbalingga districts. Data collection is done through interviews, namely by conducting interviews directly with business actors. And Questionnaires, namely by making and compiling a list of questions related to research.

The research approach used is a quantitative approach. This research includes confirmatory research, because it begins with a hypothesis or research question and involves appropriate procedures and specific data sources. Data collection is done through a survey. The number of samples was determined in the study using Structural Equation Modeling (SEM), which in this study will be based on a minimum of respondents: 120 batik SMEs in the districts of Banyumas and Purbalingga.

3.1 Analysis Method

This study uses an analytical technique, namely Regression weight on SEM which is used to examine how big the relationship between the variables is. The model for the research is described by a path diagram.

This study uses a variable consisting of four independent variables, namely entrepreneurial orientation, customer response speed, partner network capability, and Dependent variable, namely business performance. Operational definitions, measurement variables, and indicators of research variables are described below.

Table 1. Research Variables and Measurement

Variable	Operational Definition
Entrepreneurial Orientation	It is the attitude of a person or business actor who has always been a pioneer in terms of always being innovative, the ability to take risks, act proactively, autonomously, and aggressive in competition.

Variable	Operational Definition
Customer Response Speed	Responding speed to customers is the company's speed in responding to customer needs and desires by providing added value in the creation of product quality, service, maneuverability, and responding to changes in customer preferences for product quality, pricing, distribution, and promotion.
Partner Network Capability	The ability to integrate partners is the ability of the actors efforts in coordinating and managing partners by actively participating through the ability to share information and negotiate for business progress.
Business Performance	Business performance is an assessment of the increase in company value. Performance measurement is reflected in customer growth rate, sales growth rate, new product sales rate, profit rate, and market expansion rate.

Source: developed from various literature reviews in this study

A validity test is used to measure the validity of a questionnaire. A questionnaire is said to be valid if the questions on the questionnaire can reveal what is measured by the questionnaire (Ghozali, 2018). A validity test was carried out related to convergent validity and discriminant validity. The indicator used is Average Variance Extracted (AVE) which is a measurement of the distribution of variance between a construct and its indicator or better known as convergent validity. Convergent validity is met if the construct has an AVE with a minimum threshold of 0.5 (Hair et al., 2006).

3.2 Hypothesis Test

Using CMIN/DF which is the minimum sample discrepancy function divided by the degree of freedom. CMIN/DF is a statistic from Chi-square where χ^2 is divided by DF so it is called relative χ^2 . If χ^2 is relatively less than 2.0 or 3.0, it can indicate an acceptable fit between the model and the data (Ferdinand, 2000). TLI Tucker is an index that compares a tested model against a baseline model. Where the recommended value as a reference for the acceptance of a model is > 0.95 and close to 1 (indicating that the model is a very good fit).

4. Results

Research respondents were 120 batik SMEs in batik in the districts of Banyumas and Purbalingga. The study used Structural Equation Modeling (SEM). The results of the study are presented as follows.

Table 2. Gender Profile of Respondents

No	Gender	Total	Percentage
1.	Male	48	40
2.	Female	72	60
	Total	120	100

Table 3. Business Age Profile

No	Business Age	Number of Respondents	Percentage
1.	< 5y	24	20
2.	5-10 y	60	50
3.	>10 y	40	30
	Total	120	100

Based on the respondent's profile, it is known that the condition of batik SMEs in the Banyumas and Purbalingga areas is dominated by women. Where the ability to make batik and batik business is not only about generating income but also part of the craft and is more closely related to women. But rather than that, men also have a batik business to be a business and a source of income.

The business age profile shows that batik still has opportunities. This is shown from the existence of batik businesses that are still young or less than five years old. However, when viewed from the percentage, the condition that is quite dominant is in the business in the range of five to ten years. This shows that in relation to the batik SME business, where the era of the 2000s batik began to be very ogled and liked, it still persists to this day. This is a good indicator where if it is associated with research variables, the presence of a network of partners makes a batik business able to perform well in marketing.

Batik business does require perseverance and also new ideas. This is evidenced by the existence of a batik business that still survives and has been around for a long time. Judging from the age of the business, it really shows that this batik business can still survive. The existence of a business with a business age of more than ten years proves that this business can still be relied on. Of course, it is not easy, and based on the research variables studied, if you already have a good network of partners, this business prospect can last a long time and develop.

This study was analyzed using Structural Equation Modeling (SEM) to test whether there are direct and indirect effects of partner integration capabilities, entrepreneurial orientation and consumer response speed to marketing performance through the power of transformative relational marketing. The results of the study are presented as follows.

Table 4. Inner Model R-Square

	R Square	R Square Adjusted
BUSINESS PERFORMANCE	0,785	0,778

Table 5. Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
PARTNER NETWORK CAPABILITY ->	-0,287	-0,278	0,069	4,149	0

BUSINESS PERFORMANCE					
CUSTOMER RESPONSE SPEED -> BUSINESS PERFORMANCE	0,355	0,355	0,082	4,329	0
ENTREPRENEURIAL ORIENTATION -> BUSINESS PERFORMANCE	0,85	0,844	0,08	10,684	0

The results showed that entrepreneurial orientation, transformative relational marketing power, and partner network capability had a direct effect on business performance.

5. Discussion

The results show that entrepreneurial orientation, partner network capability, and customer response speed have a positive on business performance. It means that those variables are concerned as factors that are affecting the performance. The entrepreneurial orientation have strong effect because the business needs to be settled by the thinking of entrepreneurial. They need to have courage to take risks and get opportunity creation, they also need ability to create creative ideas, being creative and have competing ability. However, the speed to response the customers also are needed.

The results of this study support several previous studies. Research that shows the effect of entrepreneurial orientation is more towards improving marketing performance (Hughes and Morgan, 2007; Arshad et al., 2014). Several studies show that the role of entrepreneurial orientation does not directly improve marketing performance but through several variables, both moderating and mediating.

Thus, it can be seen that the role of factors are quite important where a business with a network of partners will guide to have a lot of opportunities in business. This indicates that an achievement in marketing performance requires adaptive linkages, the ability to collaborate interactively, the willingness to cooperate, the ability to create value and the willingness to share information.

6. Conclusion

The results of the study concluded that research with the variables of partner integration capability, entrepreneurial orientation and consumer response speed to marketing performance through transformative relational marketing forces resulted in a direct influence on partner integration capability and entrepreneurial orientation on marketing performance.

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