ENTREPRENEURIAL INNOVATIVENESS, RELATIONAL CAPABILITIES, AND VALUE CO-CREATION TO ENHANCE MARKETING PERFORMANCE

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Abstract

Purpose of Study: This paper aims to assess three selected marketing parameters that can influence marketing performance.

Methodology: An empirical study analysis was conducted to see the effect of Entrepreneurial Innovativeness Oriented, Relational Capabilities and Value co-creation to enhance the marketing performance of SME (Small and Medium Enterprise) apparel fashion industries in Central Java, Indonesia. Data sampling was obtained using purposive sampling technique involving 150 respondents. The data was collected by using a questionnaire given directly to the respondents. The data analysis employed Structural Equation Modelling (SEM) with AMOS program assistance.

Result: The result showed that relational capabilities have a significant effect on value co-creation.

Implications/Applications: The value co-creation can be the mediator for improving relational capabilities which have a significant contribution to marketing performance.

Keywords: Entrepreneurial Innovativeness, Relational Capabilities, Value Co-creation, Marketing Performance

INTRODUCTION

The presence of alliance networks as competitive units and the need to develop a function of company networks is important to improve the marketing resources. Companies had to create new identities and effective positions within the business networks, reinforcing the development of capabilities to match mutual activities through exchanges and interactions.

Mbizi et al. (2013) identified an important issue facing SMEs (Small and Medium Enterprise) worldwide. These are continuous improvement markets that have high requirements from customers, and their fast-changing needs to drive the enterprise to continuously improve the way they run the business. SMEs need to consider a continuous supplier and customer relationship.

The relational capabilities provide an overview of the conceptualizations that have been discussed in many different cases. However, the capability parameters of the enterprise to change have not been well defined and still many researchers are trying to investigate it. It is understood that SMEs require business relation development to enhance a sustainable market. According to Smirnova et al. (2011) from their previous studies, there is evidence that business network and customer orientation increases business performance.

This current research is based on Sreckovic (2015) research hypothesis that coordinative capabilities, consisting of managerial and relational capabilities, have a positive influence on the strategic performance of companies. On the other hand, Chakraborty, Bhattacharya, and Dobrzykowski (2014) considered that the impact of supply chain collaboration on value co-creation and firm performance is of importance. The impact was debatable in regards to relational capabilities and business performance. Nuryakin, Aryanto, and Budi (2018) said that relational capabilities are not significant to business performance. There is no proof of concept towards relational capabilities on the firm performance of SME companies, i.e. Kermanshah Industrial City has shown insufficient empirical evidence that is not significant. (Zohdi, Shafeai, and Hashemi 2013, Borisova, U. S., & Parnikova, G. M. 2016)

Antecedent relational capabilities are an entrepreneurial innovativeness orientation which should make practicing managers and entrepreneurs consider that strategic networks can provide firms with tangible and intangible resources needed to compete. Specifically, the research from Martin and Javalgi (2016), Capaldo, and Petruzzelli (2011), and Lumpkin and Dess (1996) considers that entrepreneurial innovativeness reflects the tendency of firms to implement and support new ideas, novelty, experimentation, and creative processes that produce the products, services, or processes of
new technologies. The perception of an entrepreneur as an innovator is based on the paradigm which puts the entrepreneur as a person involved in the identification of opportunities and employs innovation tools for developing successful new businesses (El-Annan 2013, Tabatabaei et al., 2014, Suleri, J., and Cavagnaro, E. 2016).

However, although this is a very topical subject, there has been insufficient research in the field of industrial marketing on procedures and methods for establishing effective processes of co-creation to encourage entrepreneurial innovativeness in the development of solutions. This article aims to contribute by analyzing how the co-creation of value can influence companies' marketing performance and how relational capabilities affect value co-creation. In particular, we aim to answer the following questions. How is it possible to create entrepreneurial innovativeness orientation and relational capabilities through co-creation to enhance marketing performance?

**THEORETICAL FRAMEWORK AND HYPOTHESIS**

Customers may seek and find it beneficial to exercise their influence in various parts of the business system to co-create their own unique personalized purchase and consumption experiences (Prahalad, and Ramaswamy 2004, Bernasconi, Andrés, and Emilio Rodríguez-Ponce. 2018.). Value is not added to the offering by the firm in isolation, but can also be mutually co-created by firms and customers working together.

Differences in performance can be attributed to the possession of a set of unique resources that are strategically valuable (Barney 1991). It includes the role taken by customers and other stakeholders (suppliers, distributors, border agents) when drawing up solutions, called co-creation. With the above aim, we present qualitative research carried out in a different count RBV.

Vargo (2007), Gronroos (2011), and Payne, Storbacka, and Frow (2008) co-creation include active involvement between at least two actors, integration of resources that create mutually beneficial value, willingness to interact and a spectrum of the potential form of collaboration. This is supported by the theory by Social Exchange Theory (SET) which grew out of the resource-based view (RBV), as well as the marketing approach called Service Dominant-Logic (SD-L). The S-D logic argues that value applied resources such as competences and skills are always co-created, jointly and reciprocally, in interactions among actors through the exchange of services to seek mutual benefit. (Lusch, and Vargo 2006; Vargo and Lusch 2004, Zare, H., & Rajaeepur, S. 2013)

Based on the inconsistencies effect of relational capabilities and marketing performance in previous studies, this study analyses the role of value co-creation in mediating the relationship between relational capabilities and marketing performance.

**CONCEPT DEVELOPMENT AND HYPOTHESIS**

**Entrepreneurial Innovativeness and Relational Capabilities**

Organizational ability to interact with other companies (relational capability) accelerates the lead firm's knowledge access and transfer with relevant effects on company growth and innovativeness. Utilizing the conceptual model of entrepreneurial orientation (EO) and performance relationship, Ngoze, Bwisa, and Sakwa (2014) explored the effect of the innovativeness dimension of entrepreneurship of Kenya’s manufacturing firms.

Faltin (2001) and Killa (2014) stated that researchers consider entrepreneurial innovativeness in three aspects: first, technology-related aspects - that define innovativeness as the tendency of firms to adopt of new technology that represents the ability to adjust to the opportunities in different environments. The second aspect is behavior-related, which indicates a change in behaviour referring to the degree to which an individual or organization adopts new ideas, so innovativeness is considered as the ability to generate new ideas and combinations of existing elements to create a new source of value. The third aspect is product related to innovativeness as a reflection that defines the firm’s capacity to develop new products or services. To conclude, the higher the level of entrepreneurial innovativeness, the greater the firm’s relational capabilities (Hypothesis 1).

**RELATIONAL CAPABILITIES AND VALUE CO-CREATION**

Vargo, Maglio, and Akaka (2008) state that value creation is a core purpose and central process of economic exchange. Value is co-created by this reciprocal and mutually beneficial relationship, the paper studied the effect of relational capabilities in the process of value co-creation within the context of SME’s. Additionally, the paper aims to determine a set of organizational and relational tools used by firms to effectively co-create value.
In most cases, the literature unequivocally supports increasing opportunities for relationship building and co-creation between the firm and its customers as a means to achieve a relational advantage (Prahalad, and Ramaswamy 2004).

According to Wagner and Hoegl (2006), the relational touch is getting very important in terms of co-creation in marketing relationships. The role of external actors has a lot of influence on how to create capabilities and the capabilities of a firm may be influenced by interaction in relationships (Capaldo, and Petruzzelli 2011; Kamp 2016). From this point, it shows that the higher the level of relational capability, the greater the value of co-creation (Hypothesis 2).

VALUE CO-CREATION AND MARKETING PERFORMANCE

Saarijärvi, Kannan, and Kuusela (2013) explain that value co-creation always has two sides, which are value creation based on the perspective of corporate and customers. Both parties then provide resources in order to process value creation by integrating the resources of each party through the mechanism of co-design, co-development, or co-distribution.

Value co-creation is a coalition of different economic actors for the reconfiguration and integration competence to generate shared value. The results of the study from Nuryakin, Aryanto, and Budi (2018), Aspara, and Tikkanen (2012), and Sullivan, Peterson, and Krishnan (2012) showed a positive and significant effect of the emphasis on value creation strategy on firm performance. It can be simplified, the higher the level of value co-creation, the greater the firm’s performance (Hypothesis 3).

RELATIONAL CAPABILITIES AND MARKETING PERFORMANCE

Similarly, Czakon (2009) shows that a relational advantage is created through the development of relational capabilities to define a purposefully created combination of management and governance structures. This allows the carrying out of value creation and learning processes by two or more parties under conditions of joint resources and capabilities exploitation to achieve a partners’ objectives process perspective. Previous research points out three roles of organizational processes: coordination, learning, and reconfiguration.

From Smirnova et al. (2011)’s argument in the literature, we hypothesize that those firms which have created relational capabilities in the organization aimed at a better customer integration and coordination of interfirm relationships will also have superior business results which are positive and significant. To summarize, the higher the relational capabilities, the higher the level of marketing performance (Hypothesis 4).

RESEARCH METHOD

Sample and Data Collection

The role of value co-creation is done in fashion apparel industries in Central Java, Indonesia with collaboration from producers, suppliers, and customers. They are regional, from Klaten, Pekalongan, Tegal, Kudus as population (Data BPS Central Java, 2015). The sampling technique is done by using a purposive sampling technique, where firms have been operating for a long time as a requirement for sampling. Data is done by providing a direct questionnaire. Distributed to 200 respondent business owners and 150 data after done the Mahalanobis. The data were analyzed using structural equation modeling with AMOS program assistance.

DATA ANALYSIS

Validation of the data collected is done with the data from the 150 questionnaire responses, this data can be used for further testing. Thus, the analysis of hypothesis testing can be done. The results of hypotheses testing based on hypotheses that have been formulated can be seen in the following Table 1. indicator entrepreneurial innovativeness level to adopt new ideas, generate new ideas to new source value, develop business opportunities, develop new products, creative used new technology (Faltin 2001; Killa 2014). Indicator relational capabilities level personal ties, information about the product quality, facilitating interaction and accountability, ability to combine and coordinate the technical dimension, ability to absorb competencies from another (Lorenzoni and Lipparini 1999), and (Nuryakin, Aryanto, and Budi 2018). Indicator value co-creation integrative learning, mutual exchange interactions, willingness to interact and a spectrum of the potential form of collaboration (Payne, Storbacka, and Frow 2008). Marketing Performance is sales volume, sales growth, sales value, new customer level (Avlonitis, and Salavou 2007; Voss, and Voss 2000).
RESEARCH FINDING

The estimation of Coefficient Cronbach's Alpha (α), Composite Score Reliability (CR), Average Variance Extracted (AVE) and discriminant validity was used to construct a reliability assessment. Statistical results for all databases with a value of alpha and the value of the composite reliability (CR) must be above 0.7 (see Table 2). Value of Average Variance Extracted (AVE) is recommended to be above 0.5. Discriminant Validity must be above 0.7. Table 2 shows the measurement scales, confirmatory factor analysis, and reliability.

<table>
<thead>
<tr>
<th>Table 1: Scale &amp; Measurement – Construct Validity</th>
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<tbody>
<tr>
<td>Indicator</td>
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<tr>
<td>-----------------------------------------------</td>
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<tr>
<td>Entrepreneurial Innovativeness :</td>
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<tr>
<td>Adopt new ideas</td>
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<tr>
<td>Generate new ideas to new source value</td>
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<tr>
<td>Develop a business opportunity</td>
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<td>Develop new product</td>
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<td>Creative used new technology</td>
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<td></td>
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<tr>
<td>Relational capabilities :</td>
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<tr>
<td>Exploring personal ties</td>
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<tr>
<td>Maintaining information product quality</td>
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<tr>
<td>Facilitating interaction and accountability</td>
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<tr>
<td>Ability to combine and coordinate the technical dimension</td>
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<td>Ability to absorb competencies from other</td>
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<tr>
<td>Value Co-creation :</td>
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<tr>
<td>Joint integrative learning</td>
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<tr>
<td>Mutual exchange interaction</td>
</tr>
<tr>
<td>Sharing information and knowledge</td>
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<tr>
<td>A spectrum of the potential form of collaboration</td>
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<tr>
<td>Willingness to reciprocal interact</td>
</tr>
<tr>
<td>Marketing Performance:</td>
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<tr>
<td>Sales volume</td>
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<tr>
<td>Sales growth</td>
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<tr>
<td>Sales Value</td>
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<td>New customer level</td>
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<td>New area level for sales</td>
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</tbody>
</table>

Source: Herning 2018

The statistical results show that entrepreneurial innovativeness has a positive and significant impact on relational capabilities. Additionally, relational capabilities have a positive and significant impact on value co-creation and marketing performance. Statistical results are presented in Table 2 below:

<table>
<thead>
<tr>
<th>Table 2: Regression Weight</th>
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<tbody>
<tr>
<td>Relational Capabilities &lt;-</td>
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<tr>
<td>Value CoCreation &lt;-</td>
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<tr>
<td>Marketing Performance &lt;-</td>
</tr>
<tr>
<td>Marketing Performance &lt;-</td>
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</table>

Source: Herning 2018
MEASUREMENT VALIDATION

The measurement model was performed AMOS 20 by applying the maximum likelihood (ML) procedural. The statistical results with a model fits Chi-square = 571.206, CMIN / DF = 3.441, TLI = 0.915, CFI = 0.926, RMSEA = 0.128.

Multi-items were analyzed by estimated factor loading, Cronbach alphas, Composite Realities (CR) and Average Variances Extracted (AVE). All results are positive and significant factor loading (≥ 0.05) Cronbach's alphas of 0.87 to 0.96, Composite Reliabilities (CR) range of 0.90 all values above 0.7. Lastly, the AVE of all cases was above 0.5. All the indicators and construct reliability on the results support of this study. Results of the Sobel test = 2.714 and two-tailed value 0.086 of < 0.05. It means that the value of the Sobel test between relational capabilities and marketing performance is capable of being mediated by value co-creation.

Structural Model

The final results of the study show that the structural models of the relationship between the dependent and independent variables have a satisfactory value or goodness-of-fit. Model Chi-square = 571.206, CMIN / DF = 3.441, TLI = 0.915, CFI = 0.926, RMSEA = 0.128. The illustration of the model is shown in Figure 1.

![Figure 1: Full Structural Model](source: Herning 2018)

The model indicates a strong correlation for all the hypotheses that have been tested, output regression coefficients are already shown in Table 2. Hypothesis test produces a positive and significant correlation between the influence of entrepreneurial innovativeness to relational capabilities (H1 supported), the relational capability has a positive and significant relationship on the advantage of value co-creation (H2 supported). Value co-creation has a positive and significant impact on firm performance (H3 supported). The relational capability has a significant positive effect on firm performance (H4 supported).

RESULTS AND DISCUSSION

The role of entrepreneurship orientation to increase relational capabilities makes firms' entrepreneur strategic networks tend to of firms support new ideas, generate new ideas to new source value, develop business opportunities, develop a new product, creative used new technology. The results show further entrepreneurial innovativeness have significant positive effect relational capabilities, meaning that higher the firms of apparel fashion industries. The results of this study confirm the argument that relational capabilities are a consequence of the pursuit of performance and prove that relational capabilities are indicated by the level of personal ties. Information about the product quality, facilitating interaction and accountability, ability to combine and coordinate the technical dimension, ability to absorb competencies from other (Lorenzoni and Lipparini 1999; Nuryakin, Aryanto, and Budi 2018), could improve marketing performance.

Further relational capabilities also have a significant positive effect on value co-creation. This means that the higher profile of the firms in apparel fashion industries the higher capacity to increase their relational capabilities and the value of co-creation. Thus, these results support the view that value co-creation can be obtained through relational capabilities (Wagner and Hoegl 2006; Capaldo, and Petruzelli 2011).
According to Kamp (2016), relational touch is becoming very important in terms of co-creation in marketing relationships. The role of external actors has a lot of influence to create capabilities and the capabilities of a firm in relationships interactions.

This current research specifies the key components of relationship building value and co-creation value (relationship advantage) that a firm and its managers must strategically develop and adopt to carry out its primary pursuit (value creation). The components of the value offering that we offer are valid conceptualization and measures specifying where a firm is headed in its efforts to strategically develop and manage its value creation for customers, considering Lusch, and Vargo (2006), and Vargo and Lusch (2004) in Service-Dominant (S-D) logic. The theory argues that value is always co-created, jointly and reciprocally, in interactions among actors through the exchange of service, managing relations to seek mutual benefit.

The analysis indicates a positive and significant effect of value co-creation on marketing performance, which means that a higher the level of value co-creation in the apparel fashion industries increases marketing performance. These results confirm the argument of Aspara and Tikkanen (2012), Payne, Storbacka, and Frow (2008), and Parthasarathy, Huang, and Aris (2011) that value creation in the network impacts on enterprise performance improvement. This finding provides strong support for the importance of relational capabilities and value co-creation in improving marketing performance, which evidenced a significant positive effect on relational capabilities and a significant positive effect of relational capabilities on marketing performance.

On the other hand, the results of this study confirm the importance of value co-creation as an important aspect of relationship relational capabilities and marketing performance, which proved the positive effect of relational capabilities on value co-creation, and the positive effect of value co-creation to marketing performance.

CONCLUSION
This paper has the end goal of describing the effect of relational capabilities that prosper in the process of value co-creation within the context of SME’s. The research contributes and delivers new evidence to the literature concerning co-creation and marketing relationships. The importance of finding and selecting the right key partners and developing partnerships for the longer term has been proven in this research within the context of SME’s. This study increases the understanding of which relational tools can be used to facilitate the process of value co-creation.

The results of this research indicate the important role of value co-creation in bridging the gap between relational capabilities and marketing performance. Even the researchers’ results claimed that there is a contradiction between relational capabilities and marketing performance by Smirnova et al. (2011), and Zohdi, Shafei, and Hashemi (2013) the results of this contradiction are concluded with a clear statement that value co-creation is able to mediate the gap between relational capabilities and marketing performance. SME’s apparel industries also required networking through strategic partnership to create mutual value.

To win the global business competition in apparel fashion SMEs industries must be able to innovate in order to improve marketing performance. Apparel fashion SMEs should be able to continue value co-creation to survive. Finally, this research gives focus to the apparel SME industries in Indonesia, to develop new strategies of Indonesian SMEs apparel fashion marketing in the future. Hopefully, the next research about the advantage of value co-creation will be applied to other industries such as the apparel industries to perfect patterns against other products.

REFERENCES


