**THE ROLE OF ENTREPRENEURIAL MARKETING ON MARKETING PERFORMANCE THROUGH MARKETING CAPABILITIES OF SMES**

Saat ini keterampilan kewirausahaan memiliki peran penting bagi UKM untuk meningkatkan kinerja pemasaran dan digunakan sebagai keunggulan kompetitif untuk meningkatkan persaingan bisnis. Penelitian ini bertujuan untuk menganalisis lebih dalam pengaruh pemasaran kewirausahaan terhadap kinerja pemasaran melalui peran kapabilitas pemasaran UKM. Penelitian deskriptif kuantitatif yang peneliti gunakan untuk mengetahui hubungan antara masingmasing variabel didukung oleh penjelasan deskriptif. Sebanyak 120 pelaku UKM dijadikan sampel dengan teknik penarikan menggunakan rumus Yamane dan Isaac. Setelah data terkumpul, selanjutnya dianalisis menggunakan analisis jalur dengan bantuan software SmartPLS. Hasil penelitian menunjukkan bahwa entrepreneurial marketing dan kapabilitas pemasaran berpengaruh signifikan terhadap kinerja pemasaran, serta kapabilitas pemasaran secara tidak langsung memediasi hubungan yang signifikan antara entrepreneurial marketing terhadap kinerja pemasaran. Hasil dan implikasi terlampir

**Kata Kunci:** **Pemasaran Kewirausahaan, Kapabilitas Pemasaran, Kinerja Pemasaran**

***ABSTRACT***

Today entrepreneurial skill have a vital role for SMEs to improve marketing performance and used as a competitive advantage to enhance the business competition. This study aims to analyze more deeply the influence of entrepreneurial marketing on marketing performance through the role of marketing capabilities of SMEs. The quantitativedescriptive research that the researcher uses to determine the relationship between each variable was supported by a descriptive explanation. A total of 80 SMEs actors were sampled with a withdrawal technique using the Yamane and Isaac formula. After the data was collected, then analyzed using path analysis with the help of software SmartPLS. The results show that entrepreneurial marketing and marketing capabilities significant effect on marketing performance, as well as marketing capabilities indirectly mediate a significant relationship between entrepreneurial marketing on marketing performance. The results and implications are attached.

***Keywords:*** ***Entrepreneurial marketing, marketing capabilities, Marketing Performance***

**INTRODUCTION**

Small and Medium Sized Enterprises (SMEs) are one of the business fields that are the pillars of the Indonesian economy, this is due to the absorption capacity of SMEs for largest workforce and is close to small communities (Jauhari, 2010). In line with the growing competition in the world of SMEs, SMES owners are required to be able to compete in order to stay in the best position among other SMEs that are increasingly emerging with the aim of maintaining the existence of SMEs. Many strategies are implemented by SMEs in order to improve and maintain their performance, one area that is an important concern for SMEs is the process of procuring raw materials (Prasanti, 2017). All over the country, Micro, Small and Medium Enterprises (SMEs) are pillars of the people's economy that absorb formal and informal workers and contribute to a country's Gross Domestic Product. In Indonesia, from 2010 to 2018, SMEs absorbed an average of 95 million workers annually. Even in 2015, SMEs were able to absorb a workforce of 123.2 million. Contribution of SMEs to Gross Domestic Product from 2010 to 2019 is 56% (Nadyan et al, 2021). But different thing from current conditions, when the covid19 pandemic attacks the whole world, it is SMEs who first experience and feel the negative effects in terms of business performance, so that its contribution to Gross Domestic Product experienced a very large decline, which is estimated at around 37%. Marketing strategy plays an important role for any company, both SMES scale and large scale to stay in a competitive market environment and become superior. Therefore, it is necessary to play an important role entrepreneurial marketing for enhance entrepreneurial marketing applied to describe the marketing process of companies pursuing opportunities in uncertain marketing circumstances and often in conditions of limited resources (Rashad, 2018). Entrepreneurial marketing is a combination of the entrepreneurial spirit which is synonymous with passion, risk-taking, procative seeing opportunities with marketing that is identical to efforts to market and introduce a product and service to the community of marketing performance. This study aims to analyze more deeply the influence ofentrepreneurial marketing to marketing performance SMEs through the role marketing capabilities.

**LITERATURE REVIEW**

**2.1 *Entrepreneurial Marketing***

Currently the traditional marketing concept has shifted to a modern marketing concept called entrepreneurial marketing.  Entrepreneurial marketing is a development of the concepts of entrepreneurship and marketing (Collinson & Shaw, 2001; Miles et al.,2014). Jones (2013) entrepreneurial marketing (EM) acknowledges the interface between entrepreneurship, marketing, and innovation and, pursuance of customer value. Draft entrepreneurial marketing always associated with the SMEs business to increase competitive advantage and marketing performance (Miles & Darroch, 2006)  In  the  entrepreneurial marketing  has  three  approaches,  namely  focus  on  change,  good  at  reading  opportunities,  and  innovation  management  approach  (Collinson  &  Shaw,  2001).  In the  implementation  process,  entrepreneurial  marketing  has  six  dimensions  consisting of  proactiveness, innovativeness, calculated  risk‑taking, value  creation,  resource leveraging, and driven opportunity (Morris et al., 2002). Entrepreneurial marketing very useful in increasing competitive advantage as well as marketing performance (Adel et al., 2020; Ng & Kee, 2017;  Whalen  et  al.,  2016).  So  that  with  the  application  of  entrepreneurial  marketi-ng effectively, it is hoped that the SMEs business can survive and develop continuously. Based on this description, this research focuses  on how  to  implement entrepreneurial marketingon the SMEs business in Palu City.

**2.2 Marketing Capablities**

Referring to theory and empirical work in strategic management, researchers generally looking at capabilities is a complex set of skills and knowledge embedded in organizational processes by which available enterprise resources are converted into valuable outputs (Day, 2011). Marketing capabilities depend on the strategic orientation of the company and the availability of resources to implement its R&D and market diffusion (Davcik et al., 2021).  Potential  relationship  marketing  capabilities  with  marketing per-formance is important, but it is also necessary to explain the mechanisms that lead to creation and management marketing capabilities. It seems that the company needs a certain mix of abilities to create marketing capabilities, namely the capability to create other capabilities (Merrilees et al., 2011). Marketing capabilities very important role for improvement of company performance (Luis & Jose, 2014; Merrilees et al., 2011; Santos-Vijande et al., 2012).

**2.3 Marketing Performance**

Marketing performanceis an important part of Micro and Small Enterprises, with marketing  performance  optimally, the  company  will  be  able  to  survive  in  the compe-tition. Marketing performance is a construct that is often used to measure the impact of the strategies and orientations applied by the company in terms of marketing. To measure marketing performance used indicators consists of three dimensions, namely:sales growth, market share,and customer satisfacton (Rajapathirana & Hui, 2018).

*Marketing capabilities*

*Marketing performance*

*Entrepreneurial marketing*

**Figure 1. *Research framewrok***

Hypothesis:

1. Entrepreneurial marketing positevly and significant impact on marketing performance
2. Entrepreneurial marketing positevly and significant impact on marketing capability
3. Marketing capabilities indirectly impact between entrepreneurial marketing on marketing performance

**METHOD**

**3.1  *Data collection and sample***

This study explains the hypothetical relationship in the context of SMEs consisting of 120 business actors spread across Palu City. Data collection techniques were carried out using questionnaires, interviews, and observations. Each item statement that is distributed is given a scale (1-5). The sampling technique was carried out using the Yamane and Isaac technique. Data analysis techniques using path analysis with approach Structural Equation Modeling (SEM). This research took two months starting from November to December 2021.

Table 1.

***Descriptive Statistics.***

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Category** | **Frequency** | **Percentage (%)** |
| Gender | Male | 35 | 35 |
| Female | 65 | 65 |
| Education | SD | 6 | 6 |
| SMP | 14 | 14 |
| SMA/SMK | 44 | 44 |
| S1 | 36 | 36 |
| S2 | 0 | 0 |
| S3 | 0 | 0 |
| Age | <20 Tahun | 7 | 7 |
| 21 – 30 Tahun | 31 | 31 |
| 31 – 40 Tahun | 25 | 25 |
| 41 – 50 Tahun | 31 | 31 |
| 51 – 60 Tahun | 3 | 3 |
| >60 Tahun | 3 | 3 |
| Subdistricts | Palu Barat | 37 | 37 |
| Mantikulore | 20 | 20 |
| Palu Utara | 11 | 11 |
| Palu Selatan | 7 | 7 |
| Tawaeli | 7 | 7 |
| Palu Timur | 17 | 17 |
| Tatanga | 1 | 1 |
| Ulujadi | 0 | 0 |
| Position | Pemilik | 53 | 53 |
| Pengelola | 18 | 18 |
| Pemilik dan pengelola | 29 | 29 |
| Total Employee | 310 Orang | 92 | 92 |
| 1120 Orang | 6 | 6 |
| >20 Orang | 2 | 2 |
| Monthly Gross Turnover | 1 – 15 Juta | 59 | 59 |
| 16 – 30 Juta | 22 | 22 |
| 31 – 45 Juta | 7 | 7 |
| >46 Juta | 12 | 12 |

Source: Primary Data (2022)

Table. 1 above shows that on average, SMEs in Palu City are dominated by small businesses with  a  percentage  of  the workforce of 92% and an average gross turnover of 1 to 15 million. From the data it is also seen that the number of 53% with the position as the owner, 18% as managers, and 29% with positions as owners and managers. West Palu Subdistrict is one of the subdistricts with the most potential for SMEs development among several other subdistricts in Palu City at 76.4% (see Table. 2).

***3.2  Measure***

*Independent variable*: entrepreneurial marketing used in this research to determine the entrepreneurial skills possessed by SMEs actors in managing the business. Entrepreneurial marketing has six dimensions consists of (proactiveness, innovativeness, calculated risk-taking, value creation, opportunity driven, and resource leveraging) dimension adopted by (Morris et al., 2002) with the number of items taken as many as 20 statements using a likert scale measurement of 1 to 5 from "strongly agree" to "strongly disagree".

*Dependent Variable*: to determine the business performance of SMEs, the variable is used marketing performance which in this study was adopted from (Rajapathirana & Hui, 2018) consists of three dimensions (sales growth, market share,and customer satisfacton). The total number of items in the variable marketing performance measured from three items using a scale of 1 to 5, from “strongly agree” to “strongly agree”.

*Mediating Variable*: the mediating variables in this study using marketing capabillites. Then variable marketing capabilities used to determine the level of excellence possessed by SMEs. Variable marketing capabilities has five dimensions consists of (product management pricing, distribution management, personal-selling, and marketing implementation) adopted by (Morgan et al., 2009).

**RESULT AND DISCUSSION**

**4.1 Result**

Table. 2

**Description on SMEs in Palu City**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Subdistrict | Culinary | Non-Culinary | Total | Culinary (%) | Non-Culinary (%) |
| Mantikulore | 1.137 | 3.183 | 4.275 | 26.6% | 73.4% |
| Palu Barat | 1.059 | 3.426 | 4.485 | 23.6% | 76.4% |
| Palu Selatan | 732 | 2.083 | 2.818 | 26.0% | 74.0% |
| Palu Timur | 803 | 1.870 | 2.673 | 30.0% | 70.0% |
| Palu Utara | 367 | 1.200 | 1.567 | 23.4% | 76.6% |
| Tatanga | 952 | 1.792 | 2.748 | 34.6% | 65.4% |
| Tawaeli | 196 | 623 | 819 | 23.9% | 76.1% |
| Ulujadi | 584 | 2000 | 2.584 | 22.6% | 77.4.% |

Source: Department of Labor Cooperatives and SMEs in Palu City (2020)

In Table 2. the data recapitulation of Palu City SMEs in 2020 shows that there are 5,830 businesses in the culinary sector or 26.5%, then in non-culinary businesses there are 16,177 of the total SMEs spread across all subdistricts in Palu City, Central Sulawesi Province. that SMEs in Palu City are mostly donated from the culinary sector. While the rest comes from sectors (retail, manufacturing, fishing industry, and others).

Table 3.

**Validity and Reliability**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***Construct*** | ***Items*** | ***Loading*2** | ***α*** | ***CR*** | ***AVE*** |
| *Entrepreneurial marketing* | EM1 | 0.792 | 0.951 | 0.956 | 0.525 |
|  | EM2 | 0.725 |  |  |  |
|  | EM3 | 0.813 |  |  |  |
|  | EM4 | 0.774 |  |  |  |
|  | EM5 | 0.555 |  |  |  |
|  | EM6 | 0.768 |  |  |  |
|  | EM7 | 0.768 |  |  |  |
|  | EM8 | 0.679 |  |  |  |
|  | EM9 | 0.859 |  |  |  |
|  | EM10 | 0.791 |  |  |  |
|  | EM11 | 0.734 |  |  |  |
|  | EM12 | 0.620 |  |  |  |
|  | EM13 | 0.796 |  |  |  |
|  | EM14 | 0.638 |  |  |  |
|  | EM15 | 0.652 |  |  |  |
|  | EM16 | 0.695 |  |  |  |
|  | EM17 | 0.754 |  |  |  |
|  | EM18 | 0.704 |  |  |  |
|  | EM19 | 0.744 |  |  |  |
|  | EM20 | 0.576 |  |  |  |
| *Marketing capabilities* | MC1 | 0.803 | 0.896 | 0.913 | 0.500 |
|  | MC2 | 0.703 |  |  |  |
|  | MC3 | 0.666 |  |  |  |
|  | MC4 | 0.548 |  |  |  |
|  | MC5 | 0.704 |  |  |  |
|  | MC6 | 0.645 |  |  |  |
|  | MC7 | 0.800 |  |  |  |
|  | MC8 | 0.661 |  |  |  |
|  | MC9 | 0.640 |  |  |  |
|  | MC10 | 0.724 |  |  |  |
|  | MC11 | 0.770 |  |  |  |
| *Marketing performance* | MP1 | 0.786 | 0.913 | 0/929 | 0.595 |
|  | MP2 | 0.809 |  |  |  |
|  | MP3 | 0.600 |  |  |  |
|  | MP4 | 0.862 |  |  |  |
|  | MP5 | 0.743 |  |  |  |
|  | MP6 | 0.883 |  |  |  |
|  | MP7 | 0.683 |  |  |  |
|  | MP8 | 0.791 |  |  |  |
|  | MP9 | 0.744 |  |  |  |
| Source: PLS Algorithm Test (data processed, 2022) | | |  |  |  |

Based on Table 3. It can be seen that each indicator of the variable (entrepreneurial marketing, marketing capabilities and marketing performance) has value loading factor above 0.5, so it can be concluded that indicator validity test. Then in Table 3, it is also seen that the value of croanbach alpha each variable has a value above 0.7 so that it can be concluded that all reliability tests can be accepted.

Table 4.

***Direct Effect***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Hypothesis** | **STDEV (σ)** | **Tstatistic** | **Sig.** | **Supproted (?)** |
| EM > MP | 0.073 | 5.931 | 0.000 | Supported |
| EM > MC | 0.075 | 4.327 | 0.000 | Supported |

Source: Result Bootsrapping Test(2022)

Based on the results of hypothesis testing, it is obtained entrepreneurial marketing has positively and significantly impact on marketing performance. Based on this result, hypothesis 1 are accepted. The second result indicate that entrepreneurial marketing has positively and significantly impact on marketing capabilities where the P-Value was 0.000, so that the second hypothesis was accepted.

Tabel 5.

***Indirect Effect***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Hipotesis** | **STDEV (σ)** | **TStatistic** | **Sig.** | **Supproted (?)** |
| EM > MC> MP | 0.048 | 4.161 | 0.000 | Supported |

Source: Result Bootsrapping Test(2022)’

Based on the results of indirect effect, the P-Value of each variable is obtained of 0.000 or <0.05 so it can be concluded that all hypothesis tests are accepted.

**4.2 Discussion**

1. ***Entrepreneurial marketing positevly and significantly impact on marketing performance***

Based on the results that have been carried out, it is known that entrepreneurial marketing influence significant to marketing performance. This result is in line with that expressed by Sadiku-Dushi et al. (2019), Miles et al. (2014), Adel et al. (2020) which stated that the component of entrepreneurial marketing consists of (proactiveness, innovativeness, calculated risk-taking, resource leveraging, value creation, and opportunity focus) simultaneously have a significant effect on marketing performance of SMEs. These results indicate that SMEs always strive to develop innovative products, seek information related to market trends (analysis), focus on finding opportunities, empowering effective and efficient resources, so that they can out perform competitors and improve their performance.

1. ***Entrepreneurial  marketing positevly and  signifcantly impact on marketing capabilities***

Based  on  the  results  that  have  been  carried   out, it  is known  that  entrepreneurial  marketing  influence significant to  marketing capabilities. This result is in accordance with that expressed by Lekmat *et al*. (2018) states that entrepreneurial orientation has a positive and significant effect on improving the performance of the retail sector SMEs in Thailand. These results also provide an indication for SMES actors to always pay attention to the skills needed to build entrepreneurial marketing such as being oriented to the creation of new products, being  responsive to developments in  information, and  utilizing  resources opt-mally so that superior SMES capabilities can be created both in terms of price, innovation, resources, and marketrelated information.

1. ***Marketing capabilities indirectly impact between entrepreneurial marketing on marketing performance***

Based on the results that have been obtained that marketing capabilities can mediate a significant relationship between entrepreneurial marketing on marketing performance. This result is in accordance with that expressed by Qureshi et al. (2017) which states that marketing capabilities can mediate a significant relationship between entrepreneurial orientation and firm performance. Even though, entrepreneurial marketing directly can have an effect significant to marketing performance, but the variable marketing capabilities can be a complement in improving marketing performance so that SMEs become strong and can compete with their competitors. This means that SMEs actors need to pay attention to the role of marketing capabilities in order to enhance marketing performance by maximum. This orientation must be driven with ability entrepreneurial marketing good things from SMEs actors so that the create a greatest influence.

**CONCLUSION**

Based on the results and discussion, the researcher concludes that SMEs need to be oriented towards improving skills entrepreneurial marketing as a basis for improving marketing performance of SMEs. If SMEs implement entrepreneurial marketing properly and disciplined, it will have an impact on the sales growth of a company, increase market share, achieve customer satisfaction, and the company is able to achieve its competitive advantage in the midst of today's business competition is tight. Entrepreneurial marketing must be supported by skills in managing existing resources that is aspect marketing capabilities, so that SMEs actors have a distinctive competitiveness compared to their competitors.

**REFERENCES**

Adel, H. M., Mahrous, A. A., & Hammad, R. (2020). Entrepreneurial marketing strategy, institutional environment, and business performance of SMEs in Egypt. *Journal of Entrepreneurship in Emerging Economies*, *12*(5), 727–746. https://doi.org/10.1108/JEEE-11-2019-0171

Collinson, E., & Shaw, E. (2001). Entrepreneurial marketing – a historical perspective on development and practice. *Management Decision*, *39*(9), 761–766. https://doi.org/10.1108/EUM0000000006221

Davcik, N. S., Cardinali, S., Sharma, P., & Cedrola, E. (2021). Exploring the role of international R&D activities in the impact of technological and marketing capabilities on SMEs’ performance. *Journal of Business Research*, *128*(April 2019), 650–660. https://doi.org/10.1016/j.jbusres.2020.04.042

Day, G. S. (2011). *Closing the Marketing Capabilities*. *75*(July), 183–195.

Jauhari, J. (2010). Upaya Pengembangan Usaha Kecil Menengah (UKM) Dengan Memanfaatkan E-Commerce. *Jurnal Sistem Informasi*, *2*(1), 159–168.

Jones, R., Suoranta, M., & Rowley, J. (2013). Entrepreneurial marketing : a comparative study. *The Service Industries Journal*, *33*(7–8), 705–719. https://doi.org/10.1080/02642069.2013.740470

Lekmat, L., Selvarajah, C., & Hewege, C. (2018). Relationship between market orientation, entrepreneurial orientation, and firm performance in Thai SMEs: the mediating role of marketing capabilities. *International Journal of Business and Economics*, *17*(3), 213–237. Retrieved from http://www.ijbe.org/table of content/pdf/vol17-3/02.pdf

Luis, J., & Jose, S. (2014). Digital tecnology and marketing management capability: achieving growth in SMEs. *Qualitative Market Research: An Internation Journal*, *22*(2), 112–122.

Merrilees, B., Rundle-Thiele, S., & Lye, A. (2011). Marketing capabilities: Antecedents and implications for B2B SME performance. *Industrial Marketing Management*, *40*(3), 368–375. https://doi.org/10.1016/j.indmarman.2010.08.005

Miles, M., Gilmore, A., Harrigan, P., & Lewis, G. (2014). *Exploring entrepreneurial marketing*. (September), 37–41. https://doi.org/10.1080/0965254X.2014.914069

Miles, M. P., & Darroch, J. (2006). Large firms, entrepreneurial marketing processes, and the cycle of competitive advantage. *European Journal of Marketing*, *40*(5–6), 485–501. https://doi.org/10.1108/03090560610657804

Morgan, N. A., Vorhies, D. W., & Mason, C. H. (2009). The Effect of Firm Compensation Structures on the Mobility and Entrepreneurship of Extreme Performers. *Strategic Management Journal*, *30*(October), 909–920. https://doi.org/10.1002/smj

Morris, M. H., Schindehutte, M., & LaForge, R. W. (2002). Entrepreneurial Marketing: A Construct for Integrating Emerging Entrepreneurship and Marketing Perspectives. *Journal of Marketing Theory and Practice*, *10*(4), 1–19. https://doi.org/10.1080/10696679.2002.11501922

Nadyan, A. F., Selvia, E., & Fauzan, S. (2021). The Survival Strategies of Micro, Small and Medium Enterprises in The New Normal Era. *Dinamika Ekonomi*, *XII*(2), 142–149.

Ng, H. S., & Kee, D. M. H. (2017). *Entrepreneurial SMEs Surviving in the era of Globalization: Critical Success Factors*.

Prasanti, W. (2017). *Pengelompokan Pemilik UMKM Keripik Tempe Sanan Berdasarkan Strategi Produk Dengan Metode K-Means Clustering* (Teknologi Industri Pertanian). Teknologi Industri Pertanian. Retrieved from http://repository.ub.ac.id/id/eprint/1196/

Qureshi, M. S., Aziz, N., & Mian, S. A. (2017). How marketing capabilities shape entrepreneurial firm’s performance? Evidence from new technology based firms in turkey. *Journal of Global Entrepreneurship Research*, *7*(1). https://doi.org/10.1186/s40497-017-0071-5

Rajapathirana, R. P. J., & Hui, Y. (2018). Relationship between innovation capability, innovation type, and firm performance. *Journal of Innovation and Knowledge*, *3*(1), 44–55. https://doi.org/10.1016/j.jik.2017.06.002

Rashad, N. M. (2018). *The Impact of Entreprenurial Marketing Dimensions On The Organizational Performance Within Saudi SMEs*. *6*(3), 61–71. https://doi.org/10.15604/ejbm.2018.06.03.007

Sadiku-Dushi, N., Dana, L.-P., & Ramadani, V. (2019). Entrepreneurial marketing dimensions and SMEs performance. *Journal of Business Research*, *100*, 86–99.

Santos-Vijande, L., Sanzo-Pérez, M. J., Trespalacios Gutiérrez, J. A., & García Rodríguez, N. (2012). Marketing Capabilities Development in Small and Medium Enterprises: Implications for Performance. *Journal of CENTRUM Cathedra: The Business and Economics Research Journal*, *5*(1), 24–42. https://doi.org/10.7835/jcc-berj-2012-0065

Whalen, P., Uslay, C., Pascal, V. J., Omura, G., McAuley, A., Kasouf, C. J., … Deacon, J. (2016). Anatomy of competitive advantage: towards a contingency theory of entrepreneurial marketing. *Journal of Strategic Marketing*, *24*(1), 5–19. https://doi.org/10.1080/0965254X.2015.1035036