The Effect of Entrepreneurial Marketing on Business Performance: Small Garment Industry in Bandung City, Indonesia

Sambudi Hamali
Student of Doctoral of Management Science, Faculty of Economic & Business, University of Padjadjaran, Indonesia
*Email: sambudihamali@gmail.com

The research is financed by self

Abstract
This study aims to investigate the effect of entrepreneurial marketing dimensions, namely: proactiveness; calculated risk-taking; innovativeness; opportunity focus; resource leveraging; customer intensity; value creation and legitimacy, on business performance in garment small industry in Bandung City Indonesia. Ninety small industries are used as samples in this survey. Data analysis used in this study is multiple linear regression. This multiple regression analysis indicates that proactiveness, resources leveraging, value creation and customer intensity dimensions of entrepreneurial marketing has significant and positive effects on business performance. Keywords: Entrepreneurial Marketing, Dimensions of Entrepreneurial Marketing, Business Performance, Multiple Regression.

1. Introduction
In 2015, Indonesia will face the challenge of transition toward ASEAN Economic Community (AEC) which implies expectations, opportunities and challenges for small and medium enterprises (SMEs). The garment industry, as part of fashion industry, is the leading industry in West Java as stated by Regulation of Ministry of Industry No. 139 / M-IND / PER / 12/2011. Bandung is considered as one of the fashion cities in Indonesia. Bandung has a lot of Factory Outlets (FO) which sell apparel at very competitive prices. Fashion related industry is characterized by continuous changing design and textile pattern trends. This makes forecasting, planning and marketing in fashion industry a risky and complex process (Hines & Bruce, 2007:169-170). Development of small clothing industries potential capacity in Bandung in 2010-2012 can be seen in the following table.

<table>
<thead>
<tr>
<th>No.</th>
<th>Years</th>
<th>Business Unit</th>
<th>Labor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2010</td>
<td>1.771</td>
<td>6.608</td>
</tr>
<tr>
<td>2.</td>
<td>2011</td>
<td>719</td>
<td>2.143</td>
</tr>
<tr>
<td>3.</td>
<td>2012</td>
<td>1.844</td>
<td>9.668</td>
</tr>
</tbody>
</table>

Source: Kota Bandung dalam Angka Tahun 2011, 2012 dan 2013 (data diolah)

Table 1 shows that, in 2010-2012 the clothing industry potential capacity in Bandung fluctuated both in the business units and in terms of labor. Based on previous survey, constraints in garment industry in Bandung consist of capital, marketing and high costs in production (Hamali, 2013:4).

Marketing process in small and medium enterprises is characterized by haphazard, informal, loose, unstructured, spontaneous, reactive (Gilmore et al., 2001:6), more creative, alternative, instinctive actions (O’Dwyer et al (2009) in Resnick et al., 2011:38). Challenges encountered by marketing in new and small business may be overcome by entrepreneurial approach to marketing (Kraus et al, 2009: 3). According to Morris et al (2002: 5) “entrepreneurial marketing (EM) is proposed as an integrative construct for conceptualizing marketing in an era of change, complexity, chaos, contradiction, and diminishing resources”. EM is more suitable in the smaller firm (Chaston, 1997 in Becherer et al., 2012:7).

EM is a concept that was developed nearly thirty years ago, but unfortunately there is no unifying theory. There is no generally accepted definition for EM (IONITĂ, 2012:132) and no generally accepted quantitative measurement (dimension), e.g. Bjerke and Hultman (2002:186) four of dimension, Morris et al. (2002:5) seven of dimension, Jones and Rowley (2009:9) fifteen of dimension, Schmid (2012:3) seven of dimension and Mort et al. (2012:558) four of dimension. From this, there are still gaps for further studies of EM, in accordance with the recommendations given by Uslay & Teach (2008:73) about the priority of the research on EM research priority at the primary level associated with the development of the general theory (defining and capture key constructs of EM).

Dimensions of Morris, et al. (2002) is supported by researchers, including Miles & Darroch (2006:490),
because of an awareness of the importance of entrepreneurship and innovation to marketing, and marketing for forward-looking perspective involving introducing new products or services ahead of the competition and acting pursuit of marketplace opportunities based innovative products; resource enhancement; and legitimacy. Overall, they find that building legitimacy is a by effectual logic and used in highly uncertain business environments.” (IONITĂ, 2012:147).

Entrepreneurial marketing (EM) is merging the two disciplines, marketing and entrepreneurship, this case arises because of an awareness of the importance of entrepreneurship and innovation to marketing, and for successful entrepreneurship. The emphasis is adapting form of marketing that are suitable for small and medium enterprises (SMEs) and recognizing the important role of entrepreneurs in any marketing activities (Stokes, 2000:47).

There are four different approaches to defining the EM (IONITĂ, 2012:146), first focused on the commonalities between “marketing and entrepreneurship”, is “EM is proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation.” (Morris et al., 2002:5). The second approach is “entrepreneurship in marketing”, “EM is distinguished by a set of strategies for opportunity creation, customer intimacy based innovative products, adaptive resource enhancement and legitimacy for the emerging firm and its products.” (Mort et al., 2012:558) and definition of Bjørke dan Hultman (2002:15) is “EM is marketing of small firms growing through entrepreneurship.” The third approach is “marketing in entrepreneurship”, “EM is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders, and that is characterized by innovativeness, risk-taking, proactiveness, and may be performed without resources currently controlled.” (Kraus et al., 2010:28)

and the fourth approach is the combination of marketing and entrepreneurship creates something distinctive, something new, is “EM as a set of processes of creating, communicating and delivering value, guided by effectual logic and used in highly uncertain business environments.” (IONITĂ, 2012:147).


Mort et al., (2012:558) identify the four key strategies of EM: opportunity creation; customer intimacy based innovative products; resource enhancement; and legitimacy. Overall, they find that building legitimacy is a fundamental strategy and as a critical dimension of EM bringing through enhanced performance outcomes. Legitimacy is gaining acceptance and trust.

Based on the discussion above, in this study, the dimensions of EM are seven dimensions of Morris et al: proactiveness, calculated risk-taking, innovativeness, opportunity focus, resource leveraging, costumer intensity, and value creation and one dimension of Mort et al, that is legitimacy. Each of these eight dimensions is discussed below.

Proactiveness
According Baker & Sinkula (2009:447) “Proactiveness refers to the ability of firms to seize the initiative in the pursuit of marketplace opportunities.” Lumpkin and Dess (2001:431) Proactiveness as “an opportunity-seeking, forward-looking perspective involving introducing new products or services ahead of the competition and acting in anticipation of future demand to create change and shape the environment.” Proactive orientation as the marketer tries to redefine external conditions to reduce uncertainty and lessen dependency and vulnerability (Morris, et.al., 2002: 6).

Calculated Risk-Taking
According Lumpkin and Dess (2001:431) risk taking means “a tendency to take bold actions such as venturing into unknown new markets, committing a large portion of resources to ventures with uncertain outcomes, and/or borrowing heavily.” It is the ability to mitigate the risk inherent in opportunity pursuit by used calculated actions (Becherer et al., 2012:8). It means overt efforts to identity risk factors, and then to mitigate or share those factors (Morris et al., 2002:7).

Innovativeness
Innovativeness is different from innovation success. Innovativeness refers to a firm’s openness to new ideas, it is is
cultural and innovation success is a behavioral construct, a firm performance measure (Baker & Sinkula, 2009:447-448). Innovativeness reflects “a basic willingness to diverge from the status quo and embrace new ideas.” (Baker & Sinkula, 2009:447). Innovativeness refers to “a willingness to support creativity and experimentation in introducing new products/services, and novelty, technological leadership and R&D in developing new processes.” (Lumpkin and Dess, 2001:431)

Opportunity Focus
Opportunities are sources of sustainable profit potential. It tends to correlate with rates of environmental change, therefore managers are actively involved in both the search and discovery, as well as learning and ongoing adaptation by marketers before, during and after the actual implementation of innovative concept (Morris et al., 2002:6). In the SME, the recognition and pursuit of opportunity are more closely aligned with the entrepreneur’s individual perceptions (Becherer et al., 2012:8).

Resource Leveraging
The ability to use internal and external resources to achieve the goal of marketers. According Morris et al. (2002:8) entrepreneurial marketers develop a creative capacity for resource leveraging,

Costumer Intensity
EM incorporates the need for creative approaches to customer acquisition, retention, and development. EM focuses on innovative approaches to creating new relationships or using existing relationships to create new markets (Morris et al., 2002:7).

Value Creation
The focal point of EM is innovative value creation, on the assumption that value creation is a prerequisite for transactions and relationships. The task of the marketer is to discover untapped sources of customer value and to create unique combinations of resources to produce value (Morris et al., 2002:8).

Legitimacy
Small entrepreneurial born global firms face barriers beyond the usually acknowledge resource constraints. They often must compete with well established, trusted firms with international reputations and established brand names which are repositories of trust and market acceptance. They are establishing innovative products from an unknown firm in geographically distributed niche markets. Thus these born global firms use EM techniques directed to legitimacy; to gain acceptance and trust (Mort et al., 2012:557).

2.2. Business Performance
The concept of business performance (Venkatraman & Ramanujam, 1986: 803-804) is narrowly centered on the use of simple outcome based on financial indicators that are assumed to reflect the fulfillment of the economic goals of the firm, this concept refers to the financial performance such as market growth, profitability, earnings per share. While the broad concept of business performance, in addition to financial performance indicators also include performance indicators of operational (i.e., nonfinancial).

Best (2009: 66) classifies performance into two groups: internal performance (financial) and external performance (marketing).

2.3. Linking Entrepreneurial Marketing Dimensions and Business Performance

2.4. Hypothesis
Based on the description above, the dimensions of EM linkages with business performance, then the hypothesis can be stated as follows:

H1: Proactiveness have a positive effect on business performance.
H2: Calculated risk taking have a positive effect on business performance.
H3: Innovativeness have a positive effect on business performance.
H4: Opportunity focus have a positive effect on business performance.
H5: Resource leveraging have a positive effect on business performance.
H6: Customer intensity have a positive effect on business performance.
H7: Value creation have a positive effect on business performance.
H8: Legitimacy have a positive effect on business performance.

3. Methodology
3.1. Sampel and Data Collection
Sample of this study is 90 small garment industries in Bandung City, Indonesia. Sample size is determined according to minimum sample iterative formula (Sitepu, 1994: 109) which consists of following steps:

First Iteration:
This scale consists of eight dimensions, namely Proactiveness (3 items), Opportunity Focus (2 items), Calculated in this study was 90 small garment industries.

Analyses And Results

If the minimum sample size in the first iteration and the second is equal to the unit number, calculation of the iteration is stopped. Whereas if the value is not the same, then the iterative calculation is continued again with the second iteration using the formula until the sample size is defined as the value of the units. By estimating the smallest coefficient ($\rho = 0.4$ with $\alpha = 0.05$ and $\beta = 0.05$), then we obtain a minimum sample size in this study was 90 small garment industries.

3.2. Measures
All constructs are measured using five-point Likert scales ranging from 1=strongly disagree to 5=strongly agree. Items for measuring Entrepreneurial Marketing are adopted from Morris et al. (2002) and Mort et al. (2012). This scale consists of eight dimensions, namely Proactiveness (3 items), Opportunity Focus (2 items), Calculated Risk Taking (2 items), Innovativeness (2 items), Customer Intensity (2 items), Resource Leveraging (2 items), Value Creation (2 items) and Legitimacy (2 items). To measure a business performance adopted from Best (2009), namely Sales volume Growth, Customer Retention, Return on Assets were measured using a five-point Likert scale ranging from 1= much worse to 5= much better.

In this study, a questionnaire for performance appraisal using a subjective scale, that is the perception of the manager / owner of the garment small industry for its performance.

3.3. Analyses And Results
The results of the instrument’s validity and reliability test of all the variables shows that it is valid and reliable. Mean values, standard deviations (SD), and correlations are presented in Table 2.

Table 2.

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Koreslasi</th>
</tr>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>1</td>
<td>Proactiveness</td>
<td>90</td>
<td>10,4556</td>
<td>2,36149</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Calculated Risk-taking</td>
<td>90</td>
<td>6,6778</td>
<td>1,79154</td>
<td>.712**</td>
</tr>
<tr>
<td>3</td>
<td>Innovativeness</td>
<td>90</td>
<td>6,9000</td>
<td>1,64248</td>
<td>.661**</td>
</tr>
<tr>
<td>4</td>
<td>Opportunity Focus</td>
<td>90</td>
<td>6,6556</td>
<td>1,71681</td>
<td>.552**</td>
</tr>
<tr>
<td>5</td>
<td>Resource leveraging</td>
<td>90</td>
<td>6,8667</td>
<td>1,86752</td>
<td>.274**</td>
</tr>
<tr>
<td>6</td>
<td>Customer intensity</td>
<td>90</td>
<td>6,8556</td>
<td>1,71943</td>
<td>.692**</td>
</tr>
<tr>
<td>7</td>
<td>Value creation</td>
<td>90</td>
<td>6,9111</td>
<td>2,03146</td>
<td>.690”</td>
</tr>
<tr>
<td>8</td>
<td>Legitimacy</td>
<td>90</td>
<td>6,2778</td>
<td>1,71594</td>
<td>.656”</td>
</tr>
<tr>
<td>9</td>
<td>Performance</td>
<td>90</td>
<td>9,6000</td>
<td>2,59999</td>
<td>.819”</td>
</tr>
</tbody>
</table>

**, Correlation is significant at the 0.01 level (2-tailed).
*, Correlation is significant at the 0.05 level (2-tailed).

Source: The results of processing the data, 2014.

From the table, the highest mean score is proactiveness, and the lowest is the legitimacy. It shows that small garment industry is wary of legitimacy, but gives more attention to proactiveness, value creation, innovativeness, leveraging resources and customer intensity. All dimension of EM are positively correlated with each other, except resources leveraging to value creation and customer intensity. All dimension of EM are positively correlated with business performance.

This study uses regression analysis to determine the effect of the dimensions of EM (proactiveness; calculated risk-taking; innovativeness; opportunity focus; resource leveraging; customer intensity; value creation and legitimacy) on business performance.
Table 3.

Regression analysis results for entrepreneurial marketing and business performance

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Standardized Coefficients Beta</th>
<th>t</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proactiveness</td>
<td>0.277</td>
<td>3.417</td>
<td>0.001</td>
</tr>
<tr>
<td>Calculated Risk-taking</td>
<td>0.109</td>
<td>1.517</td>
<td>0.133</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>0.041</td>
<td>0.536</td>
<td>0.593</td>
</tr>
<tr>
<td>Opportunity Focus</td>
<td>0.000</td>
<td>0.006</td>
<td>0.995</td>
</tr>
<tr>
<td>Resource leveraging</td>
<td>0.121</td>
<td>2.300</td>
<td>0.024</td>
</tr>
<tr>
<td>Customer intensity</td>
<td>0.252</td>
<td>3.140</td>
<td>0.002</td>
</tr>
<tr>
<td>Value creation</td>
<td>0.300</td>
<td>3.903</td>
<td>0.000</td>
</tr>
<tr>
<td>Legitimacy</td>
<td>0.035</td>
<td>0.549</td>
<td>0.584</td>
</tr>
</tbody>
</table>

Adjusted $R^2 = 0.830 \quad F = 55.317 \quad p = 0.000$

As seen in the Table 3, the adjusted $R^2$ is 0.830 and entrepreneurial marketing explains the 83.0 percent of the variance of the business performance. Multiple linear regression test shows that dimensions of EM give simultaneous influence to business performance ($F = 55.317; p = 0.000$). Partial test of the result indicates that four dimensions of the entrepreneurial marketing have significant effect on business performance: proactiveness ($0.277; p = 0.001$), resource leveraging ($0.121; p = 0.024$), value creation ($0.300; p = 0.000$) and customer intensity ($0.252; p = 0.002$. Regression analysis results support H1, H5, H6 and H7 hypotheses.

4. Conclusion and Limitations

This study aims to investigate the effect of dimensions of entrepreneurial marketing (proactiveness; calculated risk-taking; innovativeness; opportunity focus; resource leveraging; customer intensity; value creation and legitimacy) on business performance in garment small industry in Bandung City Indonesia. The results of test show that Proactiveness, resource leveraging, value creation and customer intensity have significant relationship to business performance, in other words, business performance can be achieved from increased proactiveness, resource leveraging, value creation and customer intensity in small garment industry in Bandung. All dimensions of EM are positively correlated with each other, except resources leveraging to value creation and customer intensity. Value creation has a greater proportion in explaining the business performance of 30.0%, followed by proactiveness (27.7%), customer intensity (25.5%), and last resource leveraging (18.4%). Nevertheless, this study has several limitations such as, the sample size of the study in relation to the actual population. These limitations may have a direct impact on the possibility of generalizing the results of the study, and therefore, future research is suggested to use larger sample size.

References


Peraturan Menteri Perindustrian No. 139/M-IND/PER/12/2011 tentang Peta Panduan (Road Map) Pengembangan Industri Unggulan Provinsi Jawa Barat.


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