

Product Innovation as a Marketing Performance Catalyst: Relational and Entrepreneurial Perspectives of MSMEs in Indonesia

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ABSTRACT

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Introduction: MSMEs play an important role in the country's economy because they are the driving force of the economy, provide employment, and contribute greatly to GDP (Gross Domestic Product) and economic stability. The rapid development of business today has an impact on the increasingly intense competition between MSMEs. Every MSME is required to be able to continue to develop to face opportunities, challenges, and competition between MSMEs.

Objectives: This study aims to investigate the impact of entrepreneurial marketing and relational capital on marketing performance with product innovation variables as intervening variables in Troso Weaving MSMEs in Jepara Regency, Central Java, Indonesia.

Methods: The method in this study uses a quantitative survey approach by distributing questionnaires to 100 owners of Troso Weaving MSMEs. The data collected were analysed using Structural Equation Modelling (SEM) techniques with the help of SMART PLS 4.0 statistical tools.

Results: The results of this study found that entrepreneurial marketing has a positive and significant effect on product innovation but a negative and insignificant effect on marketing performance, relational capital has a positive and significant influence on product innovation and marketing performance. Product innovation has a positive and significant effect on Marketing performance and can mediate the effect of entrepreneurial marketing on Marketing performance and mediate the effect of Relational capital on marketing performance.

Conclusions: Marketing performance in MSMEs can be improved in various ways, one of which is by increasing entrepreneurial marketing, relational capital and product innovation. Efforts that can be made include being oriented towards market opportunities, focusing on creativity and innovation, increasing competitiveness through differentiation, building strong relationships with customers, suppliers and partners related to the business, creating relevant, attractive and innovative product updates that can increase trust and maintain customer loyalty.

Keywords: entrepreneurial marketing, relational capital, product innovation, marketing performance, msme

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are one of the important elements in the Indonesian economy. MSMEs support the national economy and contribute a large portion of Indonesia's National Gross Domestic Product (GDP) of up to 60.51% equivalent to IDR 9,580 trillion and absorb around 117 million workers (97%) of the total workforce in Indonesia. The creative economy sector is one of the major contributors to the Gross Domestic Product (GDP). Data from the Ministry of Industry in 2023 noted that the creative economy sector contributed around 7.8% equivalent to Rp 1,300 trillion to the Gross Domestic Product. The industry that contributes with the biggest gain is

fashion. The fashion industry contributes 17.6% of the total value added of the creative economy to the Indonesian economy, which is Rp 225 trillion. The number of jobs created by the fashion industry has reached 17% of the total contributed from the creative economy sector or around 4.25 workers.

Weaving is one of the high-value and popular fashion because it has deep aesthetic, cultural and philosophical values. One of the places where woven fabric is produced is in Troso Village, Pecangaan District, Jepara Regency. Troso weaving is one of the flagship products of Jepara Regency. The owners of the Troso Weaving MSMEs experienced several problems related to marketing. The marketing performance of Tenun Troso is still fluctuating and still not optimal. Troso Weaving MSMEs still use traditional marketing methods, which only fulfill orders from customers. There are several limitations owned by Troso Weaving MSMEs, namely limited resources and knowledge to implement modern marketing, lack of diversification in marketing methods so as not to utilize market potential effectively and less adaptable to digital marketing technology trends.

There are several factors that cause non-optimal marketing performance, including the breadth of market share, entrepreneurial ability, technological capability, the ability to build relationships with stakeholders and innovation. Marketing performance in fashion industry MSMEs can be improved through entrepreneurship-based marketing capabilities, relational capital and innovation. Entrepreneurial marketing (EM) as entrepreneurship in marketing management focuses on using marketing for the process of recognizing new market opportunities and then utilizing innovations in the marketing mix that most effectively capitalize on economically attractive market opportunities (Jones & Rowley, 2011). The rise of entrepreneurial attitude in the marketing sphere assumes that entrepreneurial attitude is important in marketing in the modern era (Kilenthong et al., 2015). Based on this, appropriate marketing methods and strategies are needed to overcome marketing problems in MSMEs. One of the new concepts regarding marketing that has received great attention from small and medium enterprises is Entrepreneurial marketing.

MSME players must collaborate and synergize more with their relationships to develop their business (Febrian et al., 2020). Relational Capital is a very influential concept in business relationships which is defined as the strength of internal and external relationships, consisting of resources and capital owned by the company, which is very beneficial for business developmen (Emmanuel, 2013). Dorrego et al. (2013) conducted research related to Relational Capital and Product Innovation. The results show that there is a positive and significant relationship between Relational Capital and Product Innovation in Portuguese SMEs (Figueroa Dorrego et al., 2013). According to RBV (Resource Based View) theory, competitive advantage and performance excellence require resources and capabilities. RBV directs firm management to identify, master and develop strategic resources in order to create optimal performance (Peteraf & Barney, 2003).

This study integrates modern marketing theory with the local context of the cultural industry which has rarely been done before. This study combines three aspects of entrepreneurial marketing, relational capital and product innovation holistically to explain marketing performance. This is still rarely discussed in the general culture-based literature. Previous studies related to entrepreneurial marketing on marketing performance and innovation found that there is a positive and significant influence between Entrepreneurial Marketing variables on Marketing Performance and Innovation (Hamali et al., 2016). Meanwhile, based on research conducted by Tresna and Raharja (2019) Entrepreneurial marketing has no significant effect on Product innovation. Important elements in a relationship include the level of trust, respect and friendship that arise from the relationship process between partners and entrepreneurs (Wulan Tresna & Jaja Raharja, 2019).

THEORETICAL BACKGROUND AND HYPOTHESIS FORMULATION

Entrepreneurial Marketing, Product Innovation and Marketing Performance

Entrepreneurial marketing is defined as a marketing activity that combines the two concepts of entrepreneurship and marketing. Entrepreneurial marketing focuses on important aspects of marketing and entrepreneurship into a comprehensive conceptualization where marketing becomes a process that can be used by companies to act entrepreneurially (Morris et al., 2002). Entrepreneurial marketing is an appropriate marketing avenue for small-scale businesses (Shams et al., 2019). Entrepreneurial marketing tends to be more effective when companies have limited resources and experience high environmental change (Becherer et al., 1997). Franco et al. added that

Entrepreneurial marketing can be effective when built through networks to build and develop marketing activities (Franco et al., 2014).

Entrepreneurial marketing is a strategy that is generally used by new businesses, startups and businesses that are small in scale and have limited resources (Rezvani & Fathollahzadeh, 2020). Small businesses have several limitations such as few main customers, limited resources, no formal organizational structure (Jones & Rowley, 2011). The existence of these limitations in small businesses, especially in the field of marketing, is the cause of the birth of the concept of entrepreneurial marketing. This concept connects marketing with entrepreneurship. This concept is a concept that focuses on the activities of small and medium-sized companies (Kilenthong, 2016).

Entrepreneurial marketing involves the use of innovative marketing techniques and strategies that enable entrepreneurs to create a unique brand identity and build a competitive advantage in the marketplace. This marketing approach involves a combination of traditional marketing practices and the use of digital technology to reach customers in a more targeted and effective way (Chou et al., 2020). One of the main principles of entrepreneurial marketing is the ability to identify target markets, the ability to take risks and experiment (Alqahtani et al., 2022). Entrepreneurs must focus on specific market segments and set marketing strategies tailored to the needs and preferences of these segments (D'Andrea & Luce, 2021). Entrepreneurial marketing is a dynamic and constantly evolving field. This requires entrepreneurs to be adaptable, creative and willing to take risks in uncertain market conditions. Entrepreneurial marketing can improve company performance in an uncertain environment in an effective way (Alshagawi & Mabkhot, 2024).

The implementation of entrepreneurial marketing can generate more value for customers, organizations and companies (Kraus et al., 2010). This is based on the idea that companies can achieve competitive advantage by adopting an entrepreneurial mindset and then combining it with effective marketing strategies (Hacioglu et al., 2012). The definition of innovation is a company's effort in order to adapt in a dynamic environment (Hurley et al., 1998). Adaptation is needed to deal with changes that may occur such as technology, resources, the economy and changes in company expectations for innovation. The process in entrepreneurial marketing is important to create, evaluate, and exploit opportunities for companies in a dynamic business environment, intense competition (Hills et al, 2010).

Entrepreneurial marketing deals with all the processes to capture opportunities with passion and develop business by creating customer value by establishing relationships with customers through innovation, sales, market deepening, networking and flexibility (Hills & Hultman, 2013). MSMEs that implement Entrepreneurial marketing well will have an impact on sales growth, increased market share, and the achievement of customer satisfaction. Innovation is important because it is the secret for companies in creating competitive advantage (Vijaya, 2021). According to Adnani et al. (2023) innovation is one aspect related to empowering resources in business, to produce new products (Adnani et al., 2023). A business needs the ability to empower all resources to increase market share so that it will have an impact on business performance and will have an effect on increasing competitive advantage (Angkanurakbun & Wanarat, 2016). Creating new products or innovating existing products is a way for companies to exist and survive in a growing market (Kafetzopoulos et al., 2020). Product innovation can be a change in both the whole and a small part of product accessories with a focus on product uniqueness (Liao & Cheng, 2014). One of the efforts of SMEs to enter new markets is to innovate products using existing resources (Caballero-Morales, 2021).

Innovation according to Drucker (1986) is an idea, practice or object that is considered as something new by individuals or units to be adopted by others. Innovation is important to improve market capabilities in an increasingly competitive environment. Based on research conducted by Lutfi and Nupus (2023) related to Product Innovation on Marketing Performance, the results are negative and insignificant (Lutfi & Nupus, 2023). Killa (2014) conducted the same research and found that there is a positive and significant influence between product innovation variables on marketing performance. Continuous innovation will be able to improve market capabilities which will also affect marketing performance (Killa, 2014).

Hamali et al. (2016) have conducted research related to entrepreneurial marketing, innovation and marketing performance. Overall, the study emphasizes the importance of integration between Entrepreneurial Marketing and

Innovation in improving business performance. The results show that entrepreneurial marketing has a positive and significant effect on innovation and marketing performance. Meanwhile, based on research conducted by Tresna and Raharja (2019) Entrepreneurial marketing has no significant effect on product innovation. The relationship between the two is related to how entrepreneurial marketing can be applied by MSME players to seize opportunities by innovating (Tresna & Raharja, 2019). The hope is that the business opportunities that have been obtained from the results of interactions with customers can be utilized by MSME actors to create innovations according to market needs. Based on this explanation, the hypothesis in this study can be drawn, namely

H1 : Entrepreneurial Marketing has a positive effect on Product Innovation

H2 : Entrepreneurial Marketing has a positive effect on Marketing Performance

H3 : Marketing Performance has a positive effect on Product Innovation

H4 : Entrepreneurial marketing has a positive influence on marketing performance through product innovation.

Relational Capital, Product Innovation and Marketing Performance

Relational capital is one part of intellectual capital. Relational capital is a market-specific resource associated with external relationships with channel partners and customers (Yayla et al., 2018). Relational capital is a fundamental asset for every company (Corvino et al., 2019). Febrian et al. (2020) found that relational capital significantly affects network and marketing performance in SMEs. Relational capital refers to the relationships that companies can build with external parties such as customers, suppliers, and relationships that can be useful for the company's progress (Onofrei et al., 2020). Companies that have relational capital will be able to achieve success in the market because they focus on forming, maintaining and developing relationships including the level of satisfaction and loyalty of customers, suppliers and partners (Martín-De-Castro et al., 2011). Relational capital refers to the value and knowledge available through relationships with customers, suppliers, institutions and other external agents. SMEs that have business networks and collaborate with stakeholders can increase business advantage. This happens because there is a transfer of knowledge, strategic information and business experience from various perspectives that can be utilized by SMEs to improve themselves and emphasize unique aspects that are not owned by their competitors (Kamukama & Sulait, 2017).

Relational capital contributes to innovation because it is formed through relationships with external agents that surround them (Jalali et al., 2024). External relationships can help MSME actors to innovate by introducing solutions that exist elsewhere or combining knowledge from different external sources. Dorrego et al. (2013) conducted research related to Relational Capital and Product Innovation. The results show that there is a positive and significant relationship between Relational Capital and Product Innovation in SMEs in Portugal (Dorrego et al., 2013). Relational capital also offers influence and control and generates mutual solidarity, which can increase opportunities for co-creation (Adler & Kwon, 2002). Relational capital has a significant and positive influence on marketing performance which in turn can increase sales (Nuryakin & Ardyan, 2018). One part of Relational capital is customer loyalty which is the goal of marketing activities. So that Relational capital can be a force to maintain relationships with stakeholders, especially consumers, so that it will have a good impact on Marketing performance. Relational capital helps business actors to be able to interact so that they can obtain and evaluate new knowledge and utilize it to find new methods or ways to be able to increase the effectiveness of knowledge within the company which will have an impact on marketing performance. Based on this explanation, a hypothesis can be drawn in this study, namely:

H5 : Relational Capital has a positive influence on Product Innovation.

H6 : Relational Capital has a positive influence on Marketing Performance.

H7 : Relational capital has a positive influence on marketing performance through product innovation.

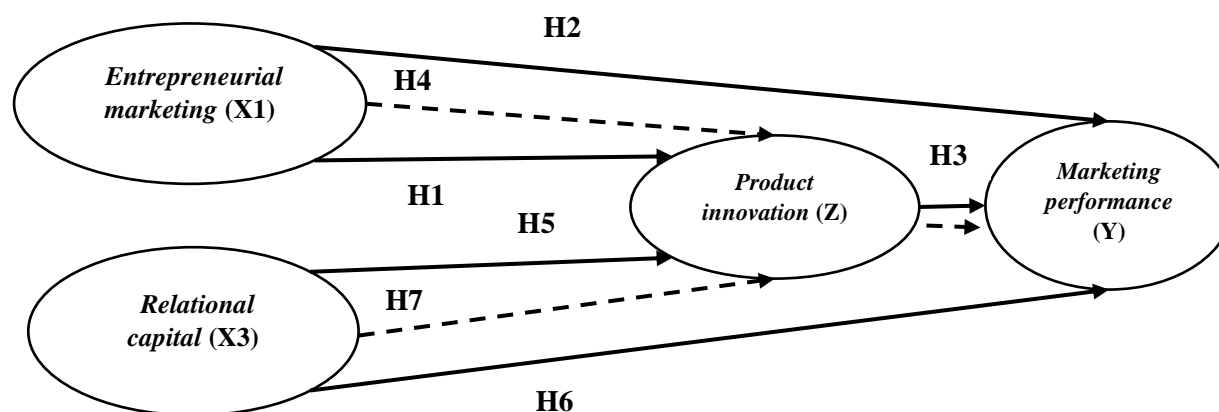


Figure 1. Conceptual model

RESEARCH METHODOLOGY

Methods

This research uses quantitative research type with survey method. The research location is in Troso Village, Pecangaan District, Jepara Regency which is one of the centers of weaving craftsmen in Indonesia. Information was collected using a questionnaire covering business profiles, owner profiles, marketing strategies and capabilities, relational capital and product innovation distributed to the owners of Troso Weaving MSMEs.

Data Collection and Sampel

The subjects in this study were MSME owners who produce and market Troso Weaving products. The sampling technique used was multistage random sampling. First the questionnaire was distributed to all Weaving UMKMs in Troso Jepara through the Troso Weaving Association. Researchers gave a period of 2 months to meet the target respondents. Week 1 to 2 collected 35 respondents' answers. Week 3 to 4 collected 42 respondents' answers. Week 5 to 6 collected 30 respondents' answers. Week 7 to 8 collected 27 respondents' answers. The total respondents who filled in were 134 Troso Weaving MSMEs. Of the total 134 samples, only 100 met the criteria for filling out the questionnaire, so the total sample that could be analyzed in this study was 100 samples.

Variable Measurement

Entrepreneurial marketing variables are measured using 7 indicators according to the opinion of Morris et al. namely proactive, opportunity focus, customer intensity, innovativeness, risk taking, resource leveraging, and value creation. Relational capital variables are measured using 4 indicators according to the opinion of Delgado et al. (2011) which includes relationships with customers, relationships with suppliers, relationships with partners and reputation. Product innovation variables are measured using 4 indicators according to the opinion of Low et al (2007) which consists of exclusive product creations, culturally valuable characteristics, attractive designs and unique colours. Marketing performance variables are measured using 3 indicators according to Lin & Peng (2008), which consist of sales growth, customer growth and profit growth (Peng & Lin, 2008). All indicators are measured using a Likert scale of 1 to 5 with details of value 1 strongly disagree and value 5 strongly agree.

Table 1 Variable, Dimension, and Indicator

Variable	Dimension	Indicator
Entrepreneurial Marketing	Proactiveness	I continue to look for new ways to manage my ikat weaving business.
		I try to realize the ideas of developing my ikat weaving business.
	Opportunity Focus	I easily see opportunities for my business
		I always try to turn problems into opportunities
	Customer intensity	I always prioritize customer satisfaction and understand changes in customer needs.
		I always provide special offers to my loyal customers.
		I always try to build good relationships with customers to increase customer satisfaction.
	Innovativeness	I am creative in product development and marketing my ikat weaving business.
	Risk Taking	I realize that every effort in managing a business will lead to risk.
		I try to calculate the risks that may arise in innovation efforts and the search for new business opportunities.
Resource leveraging	I develop and utilize existing resources optimally.	
	I always encourage my human resources to improve their performance.	
Relational Capital	Value creation	I have the ability to create value from my resources.
		I integrate business functions in my business to meet market needs well.
	Sales growth	My customers have a good level of satisfaction and loyalty.
		I have a good relationship with my customers
		I have good relationships with suppliers
	Customer growth	I benefit from my good relationship with suppliers
		Profit growth
	My relationship with partners makes my business more advanced and developed.	
	My business and products have a good image in the market and in the eyes of my customers.	
	Product Innovation	Exclusive product creation
My products have many variations and are different from competitors' product variations		
Culturally valuable characteristics		My woven products have characteristics related to culture

Variable	Dimension	Indicator
Marketing Performance	Attractive design	My woven products have a good and unique design that is different from competitors
	Unique color	My woven products have attractive colors that are different from those of my competitors
	Sales growth	Sales target always increases every year
		Profits increase along with the increase in sales volume
		Business turnover has increased after doing product development
	Customer growth	My customers always increase every year
	Profit growth	My business profit always grows every year

RESULTS

The characteristics of respondents are divided into six categories, namely gender, age, educational background, length of business operation, number of workers and total monthly turnover. The following is the explanation.

Tabel 2 Characteristics of Respondents

Characteristics	Amount	Percent
Gender		
Male	87	87
Female	13	13
Age		
26 - 31	12	12
32 - 37	14	14
44 - 49	33	33
50 - 55	30	30
56 - 61	9	9
62 - 67	1	1
68 - 72	1	1
Education		
Elementary School	12	12
Junior High School	21	21
Senior High School	37	37
3-year diploma	1	1
Bachelor Degree	29	29
Number of Workers		

2 - 14	73	73
15 - 27	18	18
28 - 40	2	2
41 - 53	4	4
54 - 66	0	0
67 - 79	0	0
80 - 92	2	2
93 - 104	1	1

Duration of business

4 - 7	27	27
8 - 11	36	36
12 - 15	21	21
16 - 19	6	6
20 - 23	1	1
24 - 27	3	3
28 - 31	3	3
32 - 35	2	2
36 - 39	1	1

Source: Data processed (2024)

Validity and Reliability Test

Validity Test

Validity testing in SmartPLS is carried out through several tests, namely convergent validity (outer loading) and discriminant validity. Convergent validity can be seen from the loading factor value for each construct indicator. The rule of thumb that is usually used according to (Ghozali, 2021) is the loading factor value between 0.60 - 0.70 and the AVE value > 0.50. Values that meet these criteria can be said to be sufficient to meet convergent validity and discriminant validity.

Tabel 3 Convergent Validity

Variabel	Item	Loading Factor	AVE
Entrepreneurial marketing (X1)	EM1	0.708	
	EM2	0.722	
	EM3	0.721	
	EM4	0.707	
	EM5	0.719	
	EM6	0.708	

	EM7	0.713	
	EM8	0.712	0.516
	EM9	0.720	
	EM10	0.715	
	EM11	0.761	
	EM12	0.713	
	EM13	0.720	
	EM14	0.716	
Relational capital (X2)	RC1	0.800	
	RC2	0.766	
	RC3	0.713	
	RC4	0.730	
	RC5	0.863	0.594
	RC6	0.854	
	RC7	0.700	
	RC8	0.719	
Marketing performance (Y)	MP1	0.819	
	MP2	0.871	
	MP3	0.767	0.671
	MP4	0.817	
Product innovation (Z)	PI1	0.887	
	PI2	0.768	
	P13	0.702	
	P14	0.887	0.693
	PI5	0.899	

Source: Data processed (2024)

All variables have a factor loading value of more than 0.70 and an AVE value of more than 0.50, so all indicators of entrepreneurial marketing, relational capital and marketing performance variables are valid and can measure their variables.

Discriminant validity can be seen using the Fornell-Laker Criterion, Cross Loading, and Heterotrait-Monotrait Ratio (HTMT). The criteria for the cross loading value of each variable indicator must be > 0.70 (Ghozali, 2021). The following are the results of the cross loading test.

Tabel 4 Cross Loading

	EM	RC	PI	MP
EM1	0.708	0.364	0.456	0.312
EM2	0.722	0.294	0.350	0.239
EM3	0.721	0.310	0.411	0.274
EM4	0.707	0.221	0.250	0.135
EM5	0.719	0.316	0.363	0.228
EM6	0.708	0.361	0.439	0.325
EM7	0.713	0.399	0.276	0.346
EM8	0.712	0.472	0.353	0.320
EM9	0.720	0.381	0.439	0.162
EM10	0.715	0.369	0.254	0.195
EM11	0.761	0.339	0.399	0.255
EM12	0.713	0.275	0.309	0.242
EM13	0.720	0.410	0.449	0.321
EM14	0.716	0.324	0.328	0.366
RC1	0.412	0.800	0.443	0.545
RC2	0.405	0.766	0.305	0.455
RC3	0.339	0.713	0.200	0.421
RC4	0.346	0.730	0.202	0.424
RC5	0.363	0.863	0.423	0.599
RC6	0.387	0.854	0.403	0.611
RC7	0.539	0.700	0.417	0.471
RC8	0.317	0.719	0.355	0.587
PI1	0.469	0.460	0.887	0.525
PI2	0.376	0.251	0.768	0.346
PI3	0.326	0.341	0.702	0.325
PI4	0.460	0.301	0.887	0.391
PI5	0.446	0.507	0.899	0.581
MP1	0.308	0.650	0.445	0.819
MP2	0.354	0.573	0.452	0.871
MP3	0.256	0.428	0.479	0.767
MP4	0.341	0.548	0.406	0.817

Source: Data processed (2024)

Based on Table 4, it is known that each research instrument has a cross loading value that is greater than the comparative value on other variable instruments and is also greater than 0.70.

The criterion for the Fornell-Lacker Criterion is that the AVE square value for each construct must be greater than the correlation between constructs. The Fornell-Lacker Criterion value can be seen in the following table.

Tabel 5 Fornell-Lacker Criterion

	Entrepreneurial Marketing (X.1)	Marketing Performance (Y)	Product Innovation (Z)	Relation Capital (X.2)
Entrepreneurial Marketing (X.1)	0.718			
Marketing Performance (Y)	0.386	0.819		
Product Innovation (Z)	0.503	0.542	0.833	
Relational Capital (X.2)	0.487	0.679	0.462	0.771

Source: Data processed (2024)

The value of the Fornell-Lacker Criterion in table 5 above meets the criteria for discriminant validity.

Reliability Test

Reliability test in SmartPLS is done through 2 steps, namely composite reliability and Cronbach alpha. Composite reliability is used to measure internal consistency. The criteria for the composite reliability value, which is in the range of 0.60 - 0.70, is still acceptable for explanatory research (Ghozali, 2021). Cronbach alpha is used to see the consistency of the entire scale by looking at the reliability coefficient with the criteria for its value, > 0.60.

Tabel 6 Reliability Test

Variable	Cronbach Alpha	Composite Reliability	Status
Entrepreneurial marketing (X1)	0.928	0.937	Reliabel
Relational capital (X2)	0.902	0.921	Reliabel
Marketing performance (Y1)	0.837	0.891	Reliabel
Product innovation (Y2)	0.888	0.918	Reliabel

Source: Data processed (2024)

Based on the test results displayed in table 4, the reliability test results of Cronbach alpha and composite reliability values are more than 0.70, where the value of the Entrepreneurial marketing variable (X1) is 0.928 and 0.937, Relational capital (X2) is 0.902 and 0.921, Marketing performance (Y) is 0.837 and 0.891, and Product innovation (Z) is 0.888 and 0.918, so it can be concluded that all variables meet the criteria and are reliable.

Inner Model Evaluation

Inner model analysis shows the results of R-Square, Goodness of Fit (GOF), and Path of Coefficient testing to test the feasibility of research.

The following are the results of the R-Square and Goodness of Fit (GOF) tests.

Tabel 7 R-Square Testing Results

	R-Square	R-Square Adjusted
Marketing performance	0.528	0.513
Product innovation	0.315	0.301

Source: Data processed (2024)

Based on table 5, it can be obtained that the effect of Entrepreneurial marketing and Relational capital variables on Marketing performance is 0.528 or 52.8%. While the influence of Entrepreneurial marketing and Relational capital variables on Product innovation is 0.315 or 31.5%.

After knowing the R-Square value, Goodness of Fit (GOF) testing is then carried out by analysing the SRMR value where the model requirements are said to be Fit or good if the SRMR value is <0.10. The test results are as follows.

Tabel 8 Goodness of Fit (GOF) Test Results

	Saturated Mode	Estimated Model
SRMR	0.092	0.092

Source: Data processed (2024)

Based on the results of SRMR testing, it is known that the estimated model value is 0.092 which is smaller than 0.10, it can be concluded that the level of the structural model is good. Hypothesis testing between variables can be seen from the Path Coefficient and P-Value values. If the Path Coefficient is positive or negative with a P-Value smaller than 0.05, it is said to be significant.

Hypothesis Testing

According to Hair et al. (2019) bootstrapping is used to analyse the statistics of the path coefficient.

Tabel 9 Bootstrapping Result

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T-statistics (O/STDEV)	P values
EM (X.1) → PI (Z)	0.365	0.375	0.092	3.953	0.000
RC (X.2) → PI (Z)	0.284	0.289	0.108	2.629	0.004
EM (X.1) → MP (Y)	-0.039	-0.036	0.098	0.397	0.346
RC (X.2) → MP (Y)	0.557	0.567	0.092	6.060	0.000
PI (Z) → MP (Y)	0.304	0.304	0.109	2.793	0.003

Source: Data processed (2024)

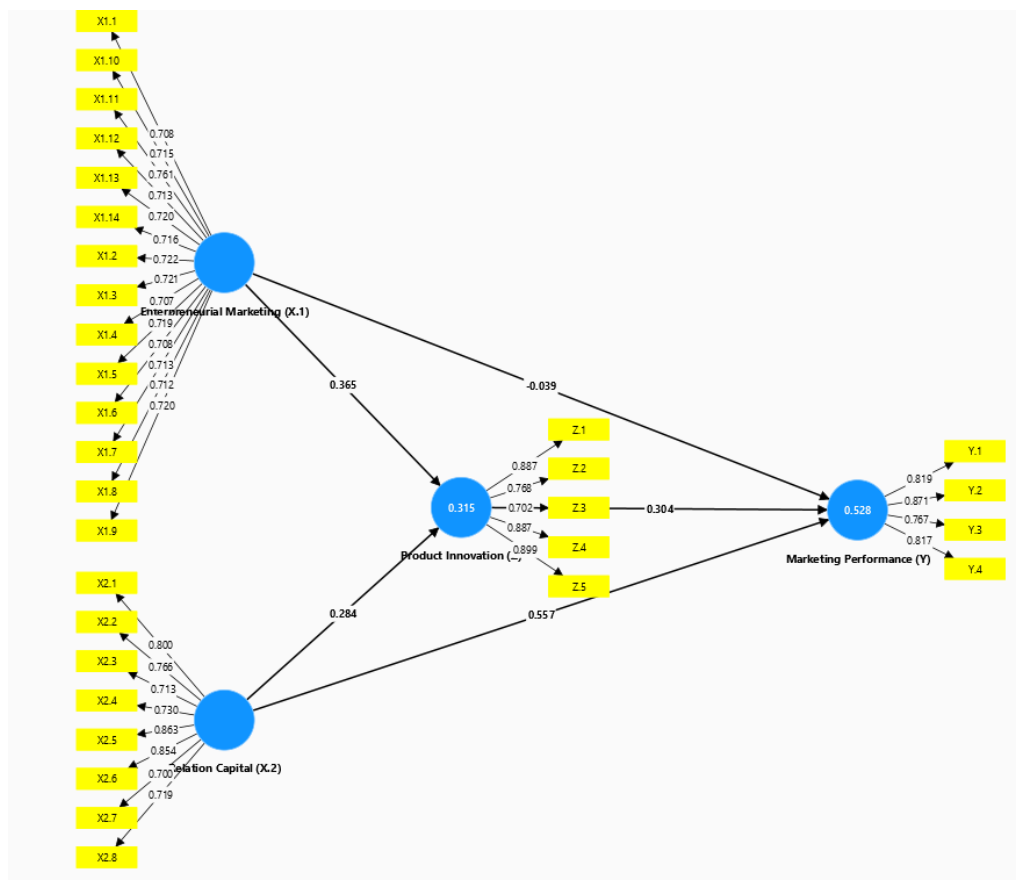


Figure 2. Bootstrapping Result

Tabel 10 Hypothesis Testing Result

Hipotesis	Path Koef.	P-value	Status
Direct Effect			
Entrepreneurial marketing (X1) => Product innovation (Z)	0.365	0.000	Accepted
Relational capital (X2) => Product innovation (Z)	0.284	0.007	Accepted
Entrepreneurial marketing (X1) => Marketing performance (Y)	-0.039	0.693	Rejected
Relational capital (X2) => Marketing performance (Y)	0.557	0.000	Accepted
Product Innovation (Z) => Marketing performance (Y)	0.304	0.005	Accepted
Indirect Effect			
Entrepreneurial marketing (X1) => Product innovation (Z) => Marketing performance	0.111	0.041	Accepted
Relational capital (X2) => Product innovation (Z) => Marketing performance (Y)	0.086	0.040	Accepted

Source: Data processed (2024)

This study shows the results that Entrepreneurial Marketing has a positive and significant effect on Product Innovation but has a negative and insignificant effect on Marketing Performance. The results of mediation testing

show that the Product Innovation variable is able to significantly mediate the effect of Entrepreneurial Marketing on Marketing Performance. Troso Weaving MSMEs often focus more on production and tradition than innovative marketing approaches, making it difficult to maximize the impact of entrepreneurial marketing on marketing performance. Continuous Product Innovation such as introducing motifs that match market trends and consumer preferences, will strengthen the relationship between Entrepreneurial Marketing and Marketing Performance. Product Innovation will provide added value that distinguishes products from competitors so that it will improve marketing performance.

The results also show that Relational Capital has a positive and significant relationship with Product Innovation and Marketing performance. This shows that Relational Capital can increase Product Innovation and marketing performance in Troso Weaving MSMEs. The results of mediation testing show that the Product Innovation variable is able to mediate the influence between the Relational Capital variable and the Marketing Performance variable. Strong relationships can sustain the success of a business. The owners of Troso Weaving MSMEs establish good relationships and interactions with customers, suppliers, partners and all stakeholders related to the business they run. Through this good relationship, they exchange information that is very useful in developing weaving business products. Some of the development of motifs and also product variations are requests from customers. The existence of a good relationship can generate product development ideas for the owners of the Troso Weaving MSMEs.

DISCUSSION

Resource-Base View (RBV) theory is a strategic management approach that emphasizes the importance of a company's internal resources as the main factor for achieving sustainable competitive advantage. RBV emphasizes the importance of the dynamic ability to create, develop and renew resources in the face of change. Based on the results of hypothesis testing, it is found that Entrepreneurial marketing has a positive and significant influence on Product innovation. This shows that Entrepreneurial marketing is able to increase Product innovation of Troso Weaving MSMEs in Jepara Regency. Troso Weaving MSMEs have a proactive attitude, have an understanding of market dynamics, the ability to seize opportunities, understand customer needs, dare to take risks by innovating, creating creative and innovative new products. Competition in the fashion world requires entrepreneurs to have a proactive attitude, have an understanding of market dynamics, the ability to seize opportunities, understand customer needs by optimally utilizing existing resources in order to increase innovation, especially in products. This finding is supported by previous research, namely research conducted by Hamali et al. (2016) which shows that the ability of Entrepreneurial marketing in companies can increase Product innovation.

The effect of Relational capital on Product innovation shows positive and significant results. This shows that Relational capital can increase Product innovation of Troso Weaving MSMEs. Strong relationships can sustain the success of a business. The owners of Troso Weaving MSMEs establish good relationships and interactions with customers, suppliers, partners and all stakeholders related to the business they run. Relational Capital, which includes relationships with various external parties, strengthens the company's ability to absorb and transform new knowledge which will ultimately increase product innovation. This research also emphasizes the importance of collaboration with customers, suppliers, and research institutions in improving innovation results. These results are in line with research conducted by Dorrego et al. (2013) which shows that Relational capital has a positive impact on Product innovation in SMEs in Portugal.

The effect of Entrepreneurial marketing on Marketing performance shows negative and insignificant results. This means that the existence of Entrepreneurial marketing has no impact on improving the marketing performance of Troso Weaving MSMEs in Jepara Regency. In the research results it is known that the lowest mean lies in the proactiveness indicator. The owners of Troso Weaving MSMEs do not anticipate future opportunities for product development so that they have no impact on marketing performance. MSME players often focus more on production and tradition than innovative marketing approaches, making it difficult to maximize the impact of entrepreneurial marketing on marketing performance.

The majority of respondents in this study are older and act as business founders. They do not fully implement the Entrepreneurial marketing approach based on innovation, flexibility and digitalization, but are more traditional and

tend to rely on conventional marketing methods. The majority of respondents' education in this study is still below high school / vocational school. So that respondents have limitations in adopting more innovative and complex marketing strategies. They still cannot fully optimize the potential of Entrepreneurial marketing and ultimately cause the marketing strategy implemented is not optimal. The majority of respondents have limited resources, both in terms of time, labor and knowledge. This can also hinder their ability to implement entrepreneurial marketing strategies that require greater creativity, collaboration and resources. Many Troso Weaving MSME players lack access to digital infrastructure or have difficulty adopting digital technologies such as social media, e-commerce or other online marketing which makes the influence of entrepreneurial marketing less pronounced. These findings are in line with research conducted by Aftab et. al (2021). The results of his research are related to the influence between the Entrepreneurial marketing variable and the performance variable in MSMEs, the results of which show that it is not significant (Aftab et al., 2021).

The effect of Relational capital on Marketing performance shows positive and significant results. The owners of Troso Weaving MSMEs have a strong relationship with their customers. This strong relationship can increase customer loyalty, which can contribute to customer retention and improve product reputation. Good relationships with customers and suppliers help MSMEs to increase customer satisfaction and strengthen brand positioning. Relational capital improves MSMEs' ability to understand market needs, which in turn can improve marketing performance. This finding is in line with previous research conducted by Johnson and Martinez (2022). The results show that relational capital contributes to improving marketing performance. Good relationships with clients and creative collaborators allow access to new market opportunities and increase product visibility (Vătămănescu et al., 2023).

The effect of Product innovation on Marketing performance shows positive and significant results. Product innovation can strengthen competitiveness, attract new consumers, and increase market share (Zhang & Wang, 2018). MSMEs that develop new products or update existing products tend to have better marketing performance than those that do not innovate. This shows that Product innovation can improve Marketing performance in Troso Weaving MSMEs in Jepara Regency. Troso Weaving MSMEs always strive to create new, more modern motifs without leaving cultural elements. The innovations made are more emphasized on more attractive motifs and patterns to meet customer demand and become the main strategy in facing intense competition. Troso Weaving MSMEs also develop various derivative products such as bags, wallets, pillowcases and so on. This finding is in line with previous research conducted by Sok et. al (2016). His research found that product innovation can strengthen the ability of marketing resources in MSMEs. Product innovation allows MSMEs to create a competitive advantage through product differentiation, which in turn will have an impact on marketing performance.

The mediation test results show that Product innovation is able to become a mediator between Entrepreneurial marketing. Product innovation plays an important role in strengthening the relationship between Entrepreneurial marketing and Marketing performance. Innovation acts as a strong mediator between Entrepreneurial Marketing and Marketing Performance. Overall it is very important to focus on the integration between Entrepreneurial Marketing and Innovation to improve business performance. When Troso Weaving MSMEs create products that are in accordance with market demand and consumer tastes, it will increase attractiveness, sales, and customer loyalty which will ultimately improve the marketing performance of Troso Weaving MSMEs.

The results of mediation testing show that Product innovation is able to mediate the link between Relational capital and Marketing performance. Product innovation allows MSMEs to maintain and strengthen the relationship between Relational capital and Marketing performance. When MSMEs create relevant and attractive products, it can increase trust and maintain customer loyalty. Products that are continuously updated through innovation will help expand the MSME relationship network. Troso Weaving MSMEs that innovate in products will find it easier to maintain relationships with customers, suppliers and business partners. This research is in line with research conducted by Nasution et. al (2021) which emphasizes the importance of innovation in mediating the relationship between Relational capital and Marketing performance. In the context of MSMEs, innovation allows companies to strengthen relationships with their customers by providing products that meet the needs and tastes of customers (Nasution et al., 2021).

CONCLUSIONS, LIMITATION AND FUTURE RESEARCH

This research supports the theories of competitive advantage, dynamic capabilities and resource-based view. That assets are not only tangible but also intangible. Dynamic capabilities are partly present in SMEs. The intangible assets become the competitive advantage of SMEs. Apart from the context of its capabilities, because SMEs have many limitations so that they are required to learn which ultimately gives rise to new knowledge. This they do to be able to survive in a fairly high competition.

This research has limitations that need to be considered. First, this research has limitations in the implementation process, where this research cannot directly meet respondents so that researchers only know the pattern of influence of each variable in general without knowing the complete conditions or direct assessment of respondents related to research variables comprehensively and in depth. Second, the number of questionnaires received was not as much as the researcher's description because in the field there were many businesses that did not develop.

Future research has the potential to replicate this study with a focus on industries other than weaving. The aim is to identify possible differences in research results between the weaving industry and other industries. Future research can also involve additional variables that can affect Marketing Performance such as branding, digital marketing, or customer relationship management that can contribute to improving Marketing Performance in MSMEs.

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