

## Enhancing Marketing Performance Through Entrepreneurial Innovation, Relational Capabilities and Value Co-creation

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### ARTICLE INFO

*Keywords:* Relationship Skills, Value Co-Creation, Marketing Effectiveness

*Received* : 3 May

*Revised* : 19 May

*Accepted* : 22 June

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### ABSTRACT

An examination of an empirical investigation was done to determine how relationship capabilities, value co-creation, and entrepreneurial innovativeness oriented marketing may improve the performance of SME (Small and Medium Enterprise) apparel fashion sectors in Medan, Indonesia. 150 respondents were used in the purposive sampling strategy for data collection. A questionnaire that was distributed directly to the respondents was used to gather the data. Structural Equation Modelling (SEM), with help from the AMOS tool, was used for the data analysis. This essay evaluates three marketing variables that can affect marketing performance

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## **INTRODUCTION**

To enhance the marketing resources, it is critical to recognize network alliances as competitive entities and to provide a role for firm networks. The development of capacities to match reciprocal activities through exchanges and interactions was reinforced by the need for businesses to acquire new identities and successful places within the business networks. A significant problem affecting SMEs (Small and Medium Enterprises) globally was discovered by Mbizi et al. (2013). Customers in these areas have high expectations, and their needs are changing quickly, which forces businesses to constantly improve how they conduct business. SMEs must think about maintaining a constant supplier and customer connection.

The conceptualizations that have been discussed in various contexts are summarized by the relational capabilities. The ability parameters of the enterprise to change, however, have not yet been clearly defined, and numerous scholars are still attempting to study it. It is acknowledged that SMEs need to build commercial relationships in order to grow a sustainable market. Business network and customer orientation are shown to boost business performance, claim Smirnova et al. (2011) based on their prior investigations.

This study is based on Sreckovic's (2015) research hypothesis, which holds that management and relational skills are part of the coordinative talents that have a favorable impact on a company's strategic performance. Contrarily, Chakraborty, Bhattacharya, and Dobrzykowski (2014) thought it was crucial to analyze how supply chain collaboration affects value co-creation and business performance. Regarding relational capacities and business performance, the influence was controversial. According to Nuryakin, Aryanto, and Budi (2018), relational qualities have little bearing on how well a corporation performs. Since Kermanshah Industrial City has provided little, insignificant empirical evidence, there is no proof of concept about the impact of relational competencies on the firm performance of SME enterprises. (Borisova, U. S., & Parnikova, G. M. 2016; Zohdi, Shafeai, & Hashemi 2013, Borisova, U. S.)

Strategic networks can give businesses the practical and intangible resources they need to compete, according to prior interpersonal skills and a focus on innovation and entrepreneurship that should be taken into consideration by working managers and entrepreneurs. According to research from Martin and Javalgi (2016), Capaldo and Petruzzelli (2011), and Lumpkin and Dess (1996), entrepreneurial innovativeness specifically refers to an organization's propensity to adopt and support novel concepts, experimentation, and creative processes that result in the creation of its goods, services, or methods.

## **LITERATURE REVIEW**

According to Prahalad and Ramaswamy (2004) and Bernasconi, Andrés, and Emilio Rodriguez-Ponce (2018), consumers may look for and find it advantageous to exert their influence over many aspects of the company system to co-create their own distinctively tailored buy and consuming experiences. The company does not have to work alone to add value to the offering; instead, businesses and customers can collaborate to do so.

The presence of a particular collection of valued resources from a strategic standpoint can explain differences in performance (Barney, 1991). It comprises the process of co-creation, which involves Clients and additional parties involved (suppliers, distributors, border agents) participating in the development of solutions. We share qualitative research done in a different count RBV with the aforementioned goal in mind. Co-creation is defined by Vargo (2007), Gronroos (2011), and Payne, Storbacka, and Frow (2008) as the active participation of at least two actors, the integration of resources that produce value for both parties, the willingness to interact, and a range of possible forms of collaboration. Both the marketing strategy known as Service Dominant-Logic (SD-L) and the Social Exchange Theory (SET), which emerged from the resource-based view (RBV), lend credence to this. According to the S-D logic, value-applied resources like competencies and abilities are constantly jointly and reciprocally developed in interactions between actors through the exchange of services in an effort to maximize mutual gain. (Zare, H., & Rajaeepur, S. 2013; Zare, H., and Lusch, 2006; Vargo and Lusch, 2004).

Based on the erratic impacts of relational capacities and marketing performance in previous studies, this study investigates the function of value co-creation in mediating the relationship between those two variables.

### **Relational Capabilities and Value Co-creation**

Value creation, according to Vargo, Maglio, and Akaka (2008), is a primary goal and essential element of economic exchange. This reciprocal and mutually beneficial connection co-creates value, and the article investigated the role of relational competencies in the co-creation of value in the context of SME's. The report also seeks to identify a collection of relational and organizational techniques utilized by businesses to successfully co-create value.

In the majority of circumstances, the research unambiguously supports expanding chances for collaboration and relationship building between the company and its clients as a way to gain a relational advantage (Pralhalad and Ramaswamy 2004).

The relational touch is becoming increasingly significant in terms of co-creation in marketing partnerships, according to Wagner and Hoegl (2006). The way in which skills are developed is greatly influenced by the participation of external players, and interactions within relationships may have an impact on a firm's capabilities (Capaldo and Petruzzelli 2011; Kamp 2016). From these, it can be shown that the value of co-creation increases with relationship capability (Hypothesis 2).

### **Value Co-Creation and Marketing Performance**

Value creation from the perspectives of the corporation and the client are always two sides of value co-creation, according to Saarijärvi, Kannan, and Kuusela (2013). The resources of each partner are then combined through the mechanisms of co-design, co-development, or co-distribution in order to process value creation.

Value co-creation consists of a number of various economic actors with the ability to reorganize and integrate in order to produce shared value. According to research by Nuryakin, Aryanto, and Budi (2018), Aspara, and Tikkanen (2012), and Sullivan, Peterson, and Krishnan (2012), the focus on value

creation strategy has a favorable and significant impact on business performance. It can be stated simply that the performance of the firm increases with the extent of value co-creation (Hypothesis 3).

### **Relational Capabilities and Marketing Performance**

Similar to this, Czakon (2009) demonstrates how the development of relational capacities to specify a deliberately formed combination of management and governance structures creates a relational advantage. This enables two or more parties to carry out value creation and learning processes while utilizing shared resources and capabilities to accomplish their shared process objectives. Three functions of organizational processes have been identified by prior research: coordination, learning, and reconfiguration.

Based on the argument made by Smirnova et al. (2011) in the literature, we hypothesize that businesses that have developed relational organizational. Additionally, capabilities for coordinating interfirm interactions and greater customer integration experience superior business outcomes that are significant and positive. To sum up, the level of marketing performance increases as relationship capabilities increase (Hypothesis 4).

## **METHODOLOGY**

In Medan, the fashion industry collaborates with suppliers, customers, and manufacturers to co-create value. Purposive sampling is used for the sample process, which calls for companies to have been in business for a significant amount of time. By offering a direct questionnaire, data is collected. 150 data were distributed to 200 company owners' reactions following the Mahalanobis analysis. With the use of a program, Utilizing structural equation modeling, the data were examined.

## **RESULT AND DISCUSSION**

The 150 questionnaire replies are utilized for validation of the data, and this data can be used for additional testing. So, it is possible to analyze hypothesis testing. The following Table 1 shows the outcomes of testing hypotheses based on hypotheses that have been developed. Entrepreneurial innovativeness is measured by the degree to which new ideas are adopted, generated, and applied creatively to create new goods and economic prospects (Faltin 2001; Killa 2014). The the capacity to organize and combine technical aspects, the capacity to draw upon the expertise of others, and knowledge about the product's quality are indicators of relational capabilities (Lorenzoni and Lipparini 1999; Nuryakin, Aryanto, and Budi 2018). According to Payne, Storbacka, and Frow (2008), indicators should prioritize co-creation, integrative learning, interactions including reciprocal exchange, readiness to engage in conversation, and a range of possible forms of cooperation. Sales volume, sales growth, sales value, and new customer level are all measures of marketing performance (Avlonitis and Salavou 2007; Voss and Voss 2000).

A reliability assessment was built using the estimate of Cronbach's alpha ( $\alpha$ ), composite score reliability (CR), average variance extracted (AVE), and discriminant validity. All statistical findings for databases with an alpha value and a composite reliability (CR) value must be greater than 0.7 (see table 2). It is

advised that the Average Variance Extracted (AVE) value be greater than 0.5. Discriminant Validity needs to be more than 0.7. The measuring scales, reliability, and confirmatory factor analysis are displayed in Table 1.

Table 1. Measurement and Scale - Construct Validity

Indicator	Standard Loadings	$\alpha$	CR	AVE	DV
Entrepreneurial Innovativeness :Adopt new ideas	0.95 0.94				
Generate new ideas to new source valueDevelop a business opportunity	0.96 0.92 0.87	0.96	0.90	0.50	0.707
Develop new product Creative used new technology					
Relational capabilities :					
Exploring personal ties	0.94	0.97	0.90	0.80	0.890
Maintaining information product quality Facilitating interaction and accountability Ability to combine and coordinate the technical dimension	0.92 0.96 0.92				
Ability to absorb competencies from other	0.94				
Value Co-creation :					
Joint integrative learning Mutual exchange interaction	0.93 0.95 0.94	0.97	0.90	0.50	0.707
Sharing information and knowledge A spectrum of the potential form of collaborationWillingness to reciprocal interact	0.95 0.92				
Marketing Performance: Sales volume	0.95 0.91	0.97	0.90	0.50	0.707
Sales growth	0.95 0.93				
Sales Value	0.93				
New customer level New area level for sales					

Source: Herning 2018

According to the statistical findings, entrepreneurial innovation has a favorable and significant effect on relational skills. Relational skills also significantly and favorably affect value co-creation and marketing effectiveness. Table 2 below lists the statistical findings:

Table 2. Adjustment Weight

			Estimate	S.E	C.R	P	Label
Relational Capabilities	< -	Entrepreneurial Innovativeness	0.864	0.038	22.556	*	Significant
Value CoCreation	< -	Relational Capabilities	1.022	0.053	19.159	*	Significant
Marketing Performance	< -	Relational Capabilities	0.874	0.114	7.667	*	Significant
Marketing Performance	< -	Value CoCreation	0.386	0.103	3.754	*	Significant

Source: Herning 2018

Strategic networks for entrepreneurs frequently promote novel concepts, produce creative concepts to create new sources of revenue and grow businesses prospects, build a new product, and creatively employ new technology as a result of the function of entrepreneurship orientation in enhancing relational capacities. The findings demonstrate that increased entrepreneurial innovation has a strong favorable effect on relational capacities, which increases the firms in the garment and fashion industries.

The findings of this study support the claim that the pursuit of performance has a negative impact on relational abilities and demonstrate that the strength of personal bonds is a reliable indicator of relational abilities. The the capacity to organize and combine the technical aspect, learn from others' competencies, facilitate engagement and accountability, and have access to information regarding product quality could all lead to improved marketing performance (Lorenzoni and Lipparini 1999; Nuryakin, Aryanto, and Budi 2018).

Value co-creation is significantly benefited by increased relational skills. This indicates that companies in the apparel and fashion sectors have a greater capacity to improve their relational capacities and recognize the importance of co-creation the higher their profile. Thus, these findings are consistent with the theory put forward by Wagner and Hoegl (2006) and Capaldo et al. (2011) that relationship skills can be used to achieve value co-creation.

In terms of co-creation in marketing partnerships, relational touch is becoming increasingly significant, according to Kamp (2016). When it comes to building capabilities and a firm's capacity for partnerships and interactions, external actors play a significant role.

In order to successfully carry out their main objective (value creation), a company and its executives need to strategically advance and implement the important elements of co-creation value and connection building value (relationship advantage). When considering Lusch, Vargo, and Lusch (2004) in Service-Dominant (S-D) logic, the elements of the value proposition that we

provide are valid conceptualizations and measurements outlining a company's future plans for strategically managing and developing its value creation for consumers. According to the idea, Value is always mutual and symbiotic created in interactions between actors through the trade of services while managing relationships for the sake of mutual gain.

According to the data, Value co-creation significantly and favorably impacts marketing performance, which means that as value co-creation in the garment and fashion industries increases, so does marketing performance. These findings support the contention made by Aspara and Tikkanen (2012), Payne, Storbacka, and Frow (2008), and Parthasarathy, Huang, and Aris (2011) that network value generation has an impact on enhancing enterprise performance. This result demonstrates the critical role that relational capabilities and value co-creation play in enhancing marketing performance. Relational capabilities were shown to have a considerable positive impact on both marketing performance and relational capabilities.

The study's findings, on the other hand, demonstrate the significance of value co-creation as a crucial component of the relationship between relational capabilities and marketing performance. They also demonstrate the beneficial effects the impact of relationship skills on value co-creation and the beneficial effects of value co-creation on marketing performance.

## CONCLUSION

The main objective of this essay is to discuss the role that relational skills play in the co-creation of value inside the framework of SME's. The study adds to the body of knowledge on co-creation and marketing connections by providing fresh evidence. This study's focus on SME's has demonstrated the significance of identifying and choosing the best important partners and forging long-term alliances. This study deepens our understanding of the relational instruments that can help the co-creation of value.

The findings of this study show how crucial value co-creation is in closing the gap between relational capabilities and marketing effectiveness. Even though Smirnova et al. (2011) and Zohdi, Shafeai, and Hashemi (2013) concluded There is a clear conclusion drawn from this conflict that value co-creation is the solution to the discrepancy between relational capabilities and marketing performance. capable of mediating the gap between relational capabilities and marketing performance. In order to develop mutual benefit, SME's in the garment sector also needed networking through strategic partnerships.

The ability to innovate is a requirement for SMEs in the garment and fashion industries to succeed in the global commercial rivalry. SMEs in the fashion industry should be able to continue creating value if they want to survive. In order to create innovative SMEs apparel fashion marketing strategies in the future, this research focuses on the apparel SME industries in Medan. Hopefully, the following study on the benefits of value co-creation will apply to other businesses, such the textile sector, to optimize patterns against other goods.

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