Examining The Impact Of Entrepreneurial Orientation On Marketing Performance: The Mediating Role Of Entrepreneurial Networking And Innovation Capability

Harini Abrilia Setyawati, Agus suroso, Pramono Hari Adi

Abstarct: Batik is a wax-resist with a dyeing technique used in textiles that are valued for nation identity and the value of the life of Indonesian culture. Batik has been an art and craft for centuries. The speciality of culture-based products, human creativity, technological innovation, the natural environment are the primary sources of differences in the production of handmade batik, and it is essential to maintain its existence. This study generally aims to empirically examine the relationship between entrepreneurial networking to marketing performance, and the mediating entrepreneurial orientation and innovation capabilities on the relationship between entrepreneurial networking to marketing performance. Data were collected from the owner of Batik Micro, Small and Medium Enterprises (MSMEs) in Kebumen Regency. The total sample of this research is 100 MSMEs. The present study uses variance-based structural equation modelling (PLS-SEM) to diagnose the association between entrepreneurial orientation and marketing performance through innovation capabilities and entrepreneurial networking. Research results indicated that Entrepreneurial orientation has a positive effect on Entrepreneurial networking, innovation capabilities and marketing performance. However, Entrepreneurial networking and innovation capabilities did not affect marketing performance. The results of our study are also beneficial for SME owners. They can produce excellent marketing performance by increasing their entrepreneurial orientation by and the need for achievement by continuing to work until they reach their desired goals. Moreover, it must improve the locus of control, self-reliance and extraversion behaviour.

Index-Term : Entrepreneurial networking, innovation capabilities, entrepreneurial orientation, marketing performance

1. INTRODUCTION

In the era of globalization, business competition among corporation is increasing. Especially with the crisis that is faced by several developed countries, it had a direct impact on the economies of developing countries such as Indonesia. In this situation, the role of Micro, Small and Medium Enterprises (MSMEs) becomes very strategic, because of their important role in the economy development of a country (Philip, 2011). MSMEs in Indonesia is the largest business unit (99%) and contribute to GDP (Gross Domestic Product / GDP) of 59% and contribution to employment by 97% (Kompas, 1 October 2016). MSMEs in Indonesia grew significantly, in 2013-2016 MSMEs grew 2.41% to a total of more than 55 million units. Even though MSMEs have great potential, they have classical constraints such as lack of capital and resources, poor management, and shortage of quantity and quality of human capital (Hernama and Hermawati, 2011).

- *Harini Abrilia Setyawati, Universitas Jenderal Soedirman, Departement of Economic and Business, Purwokerto, Indonesia. e-mail : harini.abrilia.setaywati@gmail.com*
- *Agus Suroso, Professor, Universitas Jenderal Soedirman, Departement of Ecomic and Business, Purwokerto], Indonesia.e-mail : roso.fe2014@gmail.com*
- *Pramono Hari Adi;Professor, Universitas Jenderal Soedirman, Departement of Economic and Business, Purwokerto, Indonesia. E-mail : hariadipramono@yahoo.com*

strategies, that is decisions and actions aimed at achieving goals (Kuncoro, 2006) and adjusting organizational resources to the opportunities and challenges faced in the industrial environment (Coulter, 2002).Authenticity becomes necessary for product excellence so that competitors do not easily imitate it. One of the real examples of the original form is the element of regional culture, such as Batik. Batik is a piece of cloth made traditionally and used in traditional events. The fabric has a decorative batik pattern and is made using the dipping technique with wax or batik wax as an colour component (Doellah & Santosa, 2002). Batik is a cultural inheritance and a form of local wisdom created from the values of the people of a region. The appreciation of Indonesian Batik from the United Nations Educational, Scientific and Cultural Organization (UNESCO) as a world heritage in 2009 giving an added value to the development of batik. Data released from the Ministry of Industry shows the number of batik business units for five years from 2011 to 2015 grew 14.7%. The increased interest in batik from abroad was reflected in the value of batik exports which rose 14.7% from 2011 amounting to Rp 43.96 trillion to Rp 50.44 trillion in 2015. However, Indonesia must encounter the competition of batik products from China after the implementation of free trade between ASEAN and China or the ASEAN China Free Trade Area (ACFTA), as of January 1, 2010. The opening of free trade demands the production of domestic handmade batik from China at much lower prices because they use high technology in producing batik and exemption from import duties. Therefore, this research is vital to conduct, so local batik entrepreuner know how to improve marketing performance through innovation capabilities, networking, and entrepreneurial

orientation. Entrepreneurial orientation is closely related to entrepreneurial networks, mainly because of its role in providing a positive influence (Wincent and Westerberg, 2005) and provides a considerable input to improving company performance (Dada and Watson, 2013) (Frank, Kessler and Fink, 2010). Entrepreneurial orientation is defined as a construct that combines entrepreneurship and strategic management (Aloulou and Fayolle, 2005). Entrepreneurial orientation tends to have positive implications for company performance. The results of previous studies of (Wiklund and Shepherd, 2005) identified a positive relationship between entrepreneurial orientation and business performance. However, according to (Frank, Kessler and Fink, 2010) entrepreneurial orientation has a negative effect on business performance. Likewise, previous research shows a weak relationship between entrepreneurial orientation and company performance (Lumpkin and Dess, 2001); and (Zahra and Covin, 1995). Additionally, Other studies report no significant correlations between Entrepreneurial Orientation and performance (Avlonitis and Salavou, 2007) and (Day, 2013). Based on previous research, there are contradictions in the results of the study. Entrepreneurial networks are proven not always to have a positive and significant influence on performance. This condition happens possibly because of several factors and other variables that influence it. This research aims to find variables that mediate the relationship between entrepreneurial networks and performance, especially to develop an entrepreneurial networking model that is appropriate for MSMEs to achieve optimal performance (Susilowati and Taufan, 2013). Developing an entrepreneurial or networking model is one of the steps that can be taken to bridge the gap. Networking is becoming increasingly important because it makes it easier for companies to access information, resources, markets, and technology (Gulati, Nohria and Zaheer, 2000), especially for small-scale businesses with various limitations. Networking provides business opportunities that can be used as a tool to improve performance because vertical integration is not something that SMEs can do because of limited resources (Jennings and Beaver, 1997). Looking for variables that affect the relationship between entrepreneurial networks and performance is very important to do, it is necessary to develop an entrepreneurial networking model that is appropriate for MSMEs to achieve optimal performance (Susilowati and Taufan, 2013). Entrepreneurial orientation has a close relationship with entrepreneurial networks, so it is appropriate that in this study the entrepreneurial orientation is used as a mediating variable in explaining the relationship between entrepreneurial networks and investments that are still not related in the previous research.

2. LITERATURE REVIEW AND HYPOTHESES

2.1 Entrepreneurial Networking

Entrepreneurial networking or commonly known as networking is the collaboration of at least three flexible companies, to realize healthy competition among them in gaining new market opportunities. Once the enormous potential of the entrepreneurial network for organizations makes the researchers continue to try to find adequate forms for the success of the organization. Several forms of cooperation that can be implemented by companies for network work, such as purchasing cooperation, workforce cooperation, product development and collaboration, sales and marketing cooperation. The original form of collaboration within the scope of a business network will vary depending on the type of business carried out and their shared goals. However, any form chosen by a business network must be flexible so that it can quickly and effectively get new business opportunities. Baum, Calabrese and Silverman, (2000), in their longitudinal research that results in three dimensions which are the main elements of the entrepreneurial network:

1. Upstream partners: Suppliers, mainly involving direct supplier lines, channeling production needs. Very useful for new and small-scale companies, because with the help of suppliers, this will form a more efficient process and can reduce prices.
2. Downstream partners: Customers, marketing is done directly to consumers so that it can be used to find out more precise info about consumers. Consumers are the main actors in determining the value of a product, understand what needs, their desires will deliver to success.
3. Horizontal partners: Competitors, or external parties outside the chain of relations with the company. Like the government and the University. Collaborating with external parties can be very profitable but must be done with extra caution.

Because in this collaboration, it can be done to acquire resources in a flexible form so that it can reduce costs and risks. Entrepreneurship networks are defined as the ability of network ties to connect actors with various businesses such as business partners, friends, agents, mentors to obtain the necessary resources such as information, money, moral support from network actors (George, Wood and Khan, 2001). The six things that are part of the entrepreneurial network (Mathews, 2001), the first is actors, which are companies that are the main members of the network. The second is activities carried out by the actor. Every actor has specific competencies and makes them unique so they can influence other companies or actors to act. The third element in the network is the resources or resources that are the superiority of each actor and determine how the implementation of the strategy in the network will be carried out. Routines are the fourth element, which consists of the operating procedures of each actor in carrying out their activities. The fifth element is relations or the relationship between actors in the network, and the sixth element is fitness functions or strategic decisions that govern how each actor harmonizes activities, resources, routines and relationships in the entrepreneurial network. Further studies on networking reveal that there need to be six crucial elements in cooperation if success is achieved, namely (De Klerk, 2006); trust, credibility, synergy

(synergy), competence (competence), information (information) and other resources (other resources). A network that is successful both for personal or business purposes requires the presence of people with high integrity capabilities, committed to relationships, trust, and mutual respect. This element makes each network something unique and different from one another because its shape will depend on how individuals participate in the process (De Klerk, 2006). The network is multidimensional and can be used to get extensive access. Important things to consider in forming a network are: must include people with the right connections, have the same skills, willingness, knowledge, and opportunities to create a balance. Successful networking is based on the willingness and intention of the organization to become a member of the network. So that enthusiasm will be obtained into the driving energy to achieve precise results, excited about the goal or exchange something of value (De Klerk, 2006). The networking strategy is a very appropriate thing to be implemented in MSMEs and can be quickly developed. Entrepreneurial networks that focus on developing relationships and continuously striving to increase the value of cooperation will create competitive advantages and multiple positive effects. Nevertheless, the rules must be clear, transparent with justice for all parties to avoid disputes and create a responsible collaboration (De Klerk, 2006).

2.2 Entrepreneurial Orientation

According to (Lumpkin and Dess, 1996), entrepreneurial competition is needed in the implementation of marketing strategies to obtain a definite competitive advantage through the value of responsiveness to customer needs. The entrepreneurial spirit includes five things, namely: autonomy, innovation, risk-taking, proactivity, and competitive aggressiveness. In connection with the fact that entrepreneurship can be applied as prescriptions for universal value action, not only in the business field but also in the field of society, then entrepreneurship is also called modern social ethics. Further, McClelland, (1987) states that entrepreneurial behaviour will bear risks that are not too large as a result of carrying out activities, have responsibility personal responsibility and having knowledge of the results of decisions. The interest in entrepreneurship work is a result of their dignity and risky attitude. Entrepreneurial Orientation (EO) is a significant contributor to the success of the company (Miller, 1983). Miller developed an entrepreneurial orientation and divided it into three dimensions; innovation, proactive and risk-taking.

1. Innovation can be interpreted as a company's ability and willingness to support creativity, new ideas and experiments that can produce new products or services (Lumpkin and Dess, 1996). Some personal factors that drive innovation are the desire to achieve, the nature of curiosity, the desire to bear the risk, educational factors, and experience factors. The existence of innovation originating from someone will encourage him to find a trigger towards starting a business. Whereas environmental factors encourage innovation are the existence of opportunities, experience, and creativity. Experience is a valuable teacher that triggers business pioneering, especially by the presence of opportunities and creativity.
2. Proactiveness is an active attitude by pursuing opportunities in competitive competition, trying to anticipate future demand to create changes in a continually changing business environment (Lumpkin and Dess, 2001). Proactive attitudes can also be characterized by a desire to excel. The main driver that motivates entrepreneurs is the need for achievement, which is usually identified as the need for achievement. This need is defined as the desire or encouragement in people, which motivates behaviour toward achieving goals. Second, the desire to be responsible. An entrepreneur wants personal responsibility for achieving goals. They choose to use their resources by working on their own to achieve goals and take responsibility for the results.
3. Risk-taking. Concerning taking risks, it occurs when companies intentionally devote resources to projects with an equally high probability of failure success (Miller and Friesen, 1982); (Lumpkin and Dess, 1996)). However, taking risks is also often associated with entrepreneurial behaviour that successful entrepreneurs, in general, are risk-takers (Kuratko & Hodgetts, 2001). Someone who always prioritizes tasks and results is someone who always prioritizes the values of achievement motives, profit-oriented, perseverance and fortitude, determination to work hard, have an active, energetic, and initiative. Initiative means always wanting to find and start. To get started, we need strong intentions and determination, as well as a great initiative. Once success or achievement, the next success will follow, so that the business is more advanced and growing.

Some management literature also uses three foundations of organizational trends for the entrepreneurial management process, namely innovation ability, risk-taking ability, and proactive nature (Mahmood and Hanafi, 2013); (Covin and Slevin, 1989); (Miller and Friesen, 1982). The role of entrepreneurs also plays an important role in the ability of leaders, in addition to the level of education and risk-taking abilities, because with tremendous business experience the ability of leaders to see consumer desires for a product is also very high (Hadjimanolis, 2000). Entrepreneurship and the consequences of behaviour towards innovation are strongly influenced by the leadership of the leader, which concerns his business experience. The ability of the leader will significantly influence the attitude of the company to pay attention to the business change, market needs, and producing new products to adjust to consumer demand. Entrepreneurial orientation has variables and dimensions that have been developed by (Mahmood and Hanafi, 2013) adopted from research (Covin and Slevin, 1989) based on research (Miller and Friesen, 1982) namely the dimensions of entrepreneurial orientation variables are (1) innovative, (2) proactive

and (3) courage to take risks. This research use measurement from (Lee, Don Y and Tsang, 2001) need for achievement, locus of control, self-reliance and extroversion as the indicator.

2.3 Correlation between Entrepreneurial Orientation and Entrepreneurial Networking

Entrepreneurship is a pivotal factor in determining the development capabilities of a company's capabilities. Entrepreneurship is also a key element in gaining competitive advantage, which, absolutelly have a positive impact on financial performance. Companies with high entrepreneurial skills will pay close attention to innovation, change initiation, and high response speed to keep changing flexibly. Entrepreneurial orientation in this research is a form of behaviour where or how the company shows its innovation, activity, and courage to take risks in strategic decisions of entrepreneurs. The link between entrepreneurial orientation and business networks as in the (Lukiastuti, 2012) study states that people who have high levels of innovative behaviour are more likely to seek advice or advice compared to people who have lower levels of innovative behaviour. Furthermore, there is empirical evidence that if entrepreneurs academically educated, they will be more likely to become members of several professional organizations and will get a more extensive external network than uneducated entrepreneurs. This statement indicates that innovation-oriented people can have secure external networks. Based on the theory stated above, the hypothesis proposed in this study are:

Hypothesis 1: Entrepreneurial orientation has a positive effect on Entrepreneurial networking.

2.4 Correlation between Entrepreneurial Orientation and innovation capability

Ngah and Ibrahim (2009), entrepreneurship orientation plays an essential role in generating innovation capability. The entrepreneurial orientation is generally considered as one of the most critical resources that SMEs have to create a higher level of innovation that can lead them to get a significant increase in their enterprise return ((Kohli and Jaworski, 2012); (Slater and Narver, 1995). Pérez-Luno, Wiklung, and Valle-Cabrera (2011) concluded that entrepreneurial orientation creates a higher level of innovation in enterprises. The study also found that entrepreneurial orientation positively affects innovation, thus lead to higher SMEs' performance (Alvonitis and Salavou 2007) which in line with other researchers.

Hypothesis 2: Entrepreneurial orientation has a positive effect on innovation capability.

2.1 Correlation between Entrepreneurial Orientation and Marketing Performance

In a dynamic environment, the effect of eentrepreneurial orientation is significant for performance (Frank, Kessler and Fink, 2010). Entrepreneurial orientation has three dimensions (Wiklund and Shepherd, 2005), namely, innovation, proactivity, and risk-takers. The dimensions of innovation represent aspects of willingness and ability to ask, member space for creativity and the results are new products, market exploration, and innovation processes, which are all very important to improve organizational performance in all aspects of management. Entrepreneurial orientation is the basis of most decision-making and strategies that will deliver success in competition and improve business performance (Wiklund and Shepherd, 2003). When product innovation continues to be carried out, monitoring customers and acting quickly to deal with market changes, companies will get many profits so that that performance will be better (Zahra and Covin, 1995). These studies are evidence of the positive influence of entrepreneurial orientation on performance. Because entrepreneurial orientation will encourage businesses to be superior in competition and improve performance. Based on the thoughts above, the hypothesis formulated is:

Hypothesis 3: Entrepreneurship Orientation has a positive effect on Marketing Performance.

2.6 Correlation between Entrepreneurial Networking and Marketing Performance

Previous studies have found that SME's entrepreneurial network can access resources that are difficult to replicate (Yli-Renko, Autio and Sapienza, 2001). Hence, by developing the SME's ability to dominate the network resulting in proper growth and performance, and strong resilience (Lee, Lee and Pennings, 2001). Entrepreneurial networks encourage the achievement of optimal company performance, so that the more existing organizations within the entrepreneurial network, the more optimal performance is obtained (Petzer et al., 2012) and proven to improve financial performance (George, Wood and Khan, 2001). Some of these studies provide evidence of the positive influence of entrepreneurial networks on performance. Because of its ability to provide access to information and resources needed, without requiring a long time or significant difficulties so that that performance improvement can be ensured. Based on these thoughts, the hypothesis formulated is:

Hypothesis 4: Entrepreneurial Networks have a positive effect on Marketing Performance.

2.7 Correlation between innovation capability and Marketing Performance

Innovation capability as the capacity of the organization to create new ideas, process, and product successfully. It means small-medium enterprises need the capacity to create something new to achieve a competitive advantage. Whereas Jiménez-jiménez and Sanz-Valle (2011); stressed that innovation helps the company to deal with the turbulence of the external environment and, therefore, is one of the key drivers of long-term success in business. The organization business with innovation capability will be able to respond to the challenges faster and to exploit new products and market opportunities better than non-innovative organization business. The researches of Jimenez-jimenez and Sanz-Valle (2011), Allred and Swan (2005)

found that innovation capability influences performance significantly. Provided that firms possess a capacity to innovate, the capacity will allow those firms to develop a competitive advantage, enabling them to derive outcomes from it (Damanpour, 1991; Hurley and Hult, 1998. This result revealed that process innovation had a more significant impact on organizational performance than product innovation research. Based on the above discussion, this paper proposes a hypothesis as following:

Hypothesis 5: Innovation Capability has a positive effect on Marketing Performance.

3.RESEARCH METHOD

3.1 Assessment and instrumentation

This research used the quantitative approach that has causal characteristics since it will examine the influence of variables to be analyzed. The collection of data was conducted directly using a self-administered survey. The research was divided into two parts: first, it looked into the descriptive profile of the respondents. Secondly, a multi-item scale taken from previous research studies was used.

Instrument development

The construct was assessed using 5 question items in the form of the five-point Likert scale, in which 1 indicates strong disagreement and five strong agreement. The questions used in this research are similar to those developed by previous research :

1. Entrepreneurial Orientation measured by Need for Achievement, Locus of Control, Self-Reliance, Extroversion (Lee dan Tsang, 2001).
2. Innovation Capability measured by New product or service innovation, Methods of production or rendering of services, Risk-taking by critical executives, and Seeking unusual and novel solutions (Miller & Friesen, 1983).
3. Entrepreneurial Networking measured by Upstream Networking, Downstream Networking and Horizontal Networking (De Klerk, 2006).
4. Marketing Performance measured by Sales growth, Consumer growth and Sales volume (Song & Parry, 1997).

3.2 Sample and data collection

The population in this study was 176 MSMEs, according to the number of UMKM data of Kebumen batik craftsmen obtained from the Kebumen Regency Industry, Trade and Cooperative Office in 2018. Respondent criteria are SMEs in batik producing their batik. There are three types of batik, printed batik, handmade and printing; the author takes batik SMEs who produce handmade batik. Data of Batik SME Owners in Kebumen Regency took 176, but after researchers visited the batik SME owners, 38 SME was no longer active, and 17 UKM was not found. All 116 questionnaires distributed were returned, but only 100 valid. The questionnaire was filled out by the SMEs Batik owner himself. The survey that was completed by 100 respondents was carried out from January 1st to June 1st, 2019. The optimal quantity of the sample in this research refers to a suggestion in Hair, Black, Babin, and Anderson (2010), which is 5 to 10 times the number of indicators used for the whole latent variable. There are 14 indicators in this research; thus the minimum respondent number is 14 x 5 = 70 respondents, while the maximum number is 14 x 10 = 140 respondents, so the sample size in this research is enough to fulfill the requirement.

3.2 Analysis

The research data were analyzed at the individual level by SPSS, PLS 3.

3.3 Characteristic of Respondent

Tabel 1. *Respondent Profile*

Variable	*Frequency*	*Percentage*
Education		
Elementary school	*90*	*90%*
Junior high school	*9*	*9%*
High school	*1*	*1%*
Total	*100*	*100%*
Respondent age		
21 - 30	*3*	*3%*
31 - 40	*13*	*13%*
41 - 50	*34*	*34%*
51 - 60	*28*	*28%*
61 - 70	*22*	*22%*
Total	*100*	*100%*
Firm Age		
≤ 10 years	*0*	*0%*
11 - 20 years	*17*	*17%*
21 - 30 years	*24*	*24%*
31 - 40 years	*20*	*20%*
41 - 50 years	*21*	*21%*
51 - 60 years	*18*	*18%*
Total	*100*	*100%*

The result of the descriptive analysis of the respondents indicates that about 90% of the company owners studied were elementary school graduates, with an average age of over 40 years. Furthermore, the average age of the firm is 20 years.

3.4 Measurement model

In the first step, to assess the measurement model, reliability and validity analyses were conducted. Table 1 presents the result of all factor loadings on the corresponding latent constructs, achieving the required value and higher than the recommended 0.7. Therefore, all indicators in this study were valid and of acceptable internal consistency. The following measurement is average variance extracted, the AVE representing a confirmatory test of Variance captured by a construct with the variance due to random measurement error. The AVE of each measure in this study was set at 0.5 (Fornell & Larcker, 1981) or extracted more than or equal to 50% of the variance, as the cut-off value (Bagozzi & Yi, 1988). The overall AVE values were calculated, and they were all greater than the recommended value of 0.5, suggesting that the variance explicated by each construct exceeds that due to measurement error (Fornell & Larcker, 1981). The reliability of the factor is measured by using composite

reliability. Composite reliability for all factors in our measurement model was calculated at the above required 0.5 levels (Fornell & Larcker, 1981). In our research, the discriminant validity of the measures was examined by comparing the square root of the AVE to each variable relation (Fornell & Larcker, 1981).

Table 1: *Measurement model*

Construct	Item	Factor Loading	AVE	Cronbach alpha
Entrepreneurial Orientation (Lee dan Tsang, 2001)	Need for Achievement	0,899	0,849	0,941
	Locus of Control	0,922		
	Self-Reliance	0,931		
	Extroversion	0,933		
Innovation Capability (Miller & Friesen, 1983)	New product or service innovation	0,862	0,819	0,926
	Methods of production or rendering of services	0,948		
	Risk-taking by key executives	0,902		
	Seeking unusual and novel solutions.	0,907		
Entrepreneurial Networking (De Klerk, 2006)	Upstream Networking	0,948	0,895	0,941
	Downstream Networking	0,959		
	Horizontal Networking	0,932		
Marketing Performance (Song & Parry, 1997)	Sales growth	0,970	0,947	0,972
	Consumer growth	0,980		
	Sales volume	0,970		

Testing of the structural model is done by looking at the R-square value, which is a test of the model's goodness fit. The model of the influence of Entrepreneurial Orientation on Entrepreneur Networking gives an R-square value of 0.794 which could be interpreted that the construct variability of Entrepreneur Networking which could be explained by the construct variability of Entrepreneurial Orientation is 79.4% while other variables explained 20.6 % outside of the research. The Effect of Entrepreneurial Orientation on Innovation Capability gives an R-square value of 0.761 which could be interpreted that construct variability in Innovation Capability which could be explained by construct variability of Entrepreneurial Orientation at 76.1% while 23.9% was explained by other variables outside of the one studied. The effect of Entrepreneurial Networking, Entrepreneurial Orientation, and Innovation Capability on Marketing Performance gives an R-square value of 0.791 which could be interpreted that construct variability in Marketing Performance could be explained by Entrepreneurial Networking and Innovation Capability by 79,1% while other variables explained 20,9 % outside of the research. The second test was to see the significance of the effect of Entrepreneurial Orientation on Entrepreneurial Networking and Innovation Capability, Entrepreneurial Networking and Innovation Capability on Marketing Performance. The following is a table of calculation results:

Table 2: *Effect of Entrepreneurial Orientation on Marketing Performance*

Variable	Original Sampling	SD	T Stat	P Values	Hypothesis
Entrepreneurial_Networking –> Marketing Performance	0,329	0,203	1,618	0,106	rejected
Entrepreneurial_Orientation –> Entrepreneurial_Networking	0,891	0,036	24,502	0,000	accepted
Entrepreneurial_Orientation –> Innovation _Capability	0,872	0,041	21,374	0,000	accepted
Entrepreneurial_Orientation – > Marketing_ Performance	0,334	0,146	2,291	0,022	accepted
Innovation _Capability –> Marketing_ Performance	0,260	0,140	1,856	0,064	rejected

3.5 Hypotheses testing

The results of the structural equation modelling indicated that the direct effect model between Entrepreneurial orientation with Entrepreneurial networking showed a significant correlation between the two variables (ß = 0,891, t = 24,909, p < 0,000). Therefore, the first hypothesis is accepted. Following hypotheses, as shown in Table 2, Entrepreneurial orientation is positively associated with innovation capability. The result correlation between the two variables (ß = 0,872, t = 21,374, p < 0,000). As presented in Table 3, Entrepreneurial Networks (ß = 0.329, t = 4.004, p < 0.001, direct effect model), Entrepreneurship Orientation (ß = 0.329, t = 4.004, p < 0.001, direct effect model) and innovation capability (β: 0.362, t = 4.352, p < 0.001, direct effect model) showed a significant positive association with Marketing Performance.

3. DISCUSSION

The results showed that the entrepreneurial orientation variable has a positive effect and significance on firm performance in Batik SMEs in Indonesia. Most of the Batik SMEs in Indonesia have a strong entrepreneurial orientation in their business and also have intense creativity that's why they can survive until can reach their goals. Supported by Gosselin's (2005) research which states that entrepreneurial orientation plays a big role in creating innovation. This is because entrepreneurs always have the nature to be proactive in

taking the opportunities available. By observing consumers and markets will help companies in making renewal/innovation. The results of our study are also wholesome for SME owners. They can improve marketing performance by increasing their entrepreneurial orientation by increasing the need for achievement by continuing to work until they reach their desired goals. Besides, it must improve the locus of control, self-reliance and extraversion behaviour. The results of this study also show that entrepreneurial orientation influences entrepreneurial networks and innovation capabilities. When the SME owner has a high entrepreneurial spirit, he will open his mind and self to build networks, both in terms of suppliers, competitors, and the government. Besides the nature of entrepreneurship that tends to be open, it will be easy to accept novelty, for example, new technology in developing marketing. The next hypothesis, Entrepreneurial Networks, have a positive effect on marketing performance, is rejected. The results showed that the innovation capability has not a significant influence on firm performance in Batik's small and medium enterprises in Indonesia. An explanation of this is that the process of making handmade batik still uses a manual system not yet using high technology as well as the batik SMEs marketing system in Indonesia is mostly done offline. Although entrepreneurial orientation increases the ability of innovation, in the implementation of technological innovation, not many SMEs do so they have not been able to improve marketing performance. This is because innovation requires a significant investment, and in innovation itself, there is a substantial risk of failure, so innovation does not always have an impact on performance.

4. CONCLUSION

By fostering the desire of small entrepreneurs to compete, taking risks and being more proactive with customers will bring significant progress to the business, especially in finding more efficient methods and developing the designs of motifs and forms of processed batik products themselves. Entrepreneurship training needs to be done primarily to change the mindset of the craftsmen to be more courageous to move forward. Especially innovation that is very much needed by batik business must find a solution so that every existing innovation can be applied by all businesses, both micro and small and medium enterprises. Training should also be aimed at young people, because the regeneration of Batik business is essential, with the age of those who are still very productive, they are expected to be more creative in doing innovation and more active in trying. Continuing to develop the uniqueness of Batik must be considered. The development of actual motives should be done more carefully so that the value of the style and original meaning of batik are still visible, because often artisans combine various motifs without knowing their essence, becoming a characteristic of batik mixed and lost. Making unique brands or symbols that characterize Batik identity also needs to be considered, because by including these symbols, consumers can easily recognize the authenticity of Batik.

5. LIMITATION AND SUGGESTION FOR FUTURE RESEARCH

In this study, there are several limitations :

1. The SMEs sample used only comes from one type of business, so the results cannot be generalized for all types of businesses. Future research could investigate handicraft SMEs or all of manufacturing SMEs.
2. The purpose of this study is to find mediation variables that can bridge the relationship between Entrepreneurship Orientation and performance, not yet achieved. Because Entrepreneurial Networks and the Capability of innovation are not found to mediate the relationship between the two, further researches could use marketing innovation as a mediating variable or perceptions of environmental uncertainty (Alhwarai, 2012).
3. PLS was used to analyze data in this study, and it has several limitations. So future research should add to the number of samples, the number of research indicators and also be careful of the results of the bootstrap from the PLS.
4. The existence of results that are different from previous studies can be caused by the characteristics of respondents who are different from previous studies.

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