Empirical examination of customer relationship management on the market penetration capabilities and marketing performance in the SME sector

Suherna Suherna*

*Sultan Ageng Tirtayasa University, Indonesia

ABSTRACT

This study analyzes the effect of customer relationship quality, entrepreneurial social competence and customer sensing on market penetration capabilities in the SME sector. In addition, by taking market penetration capability as a mediating variable, this study examines the effect of the independent variable on marketing performance in SMEs. The study results highlight several important findings regarding the competitive advantage of SMEs and the formation of networks and highlight the importance of network formation in SMEs, where the development of networks or partnerships is one of the critical success factors for improving SME performance. The originality of this study lies in examining the strategic influence of customer relationship management dimensions in an entrepreneurial outlook in the small and medium business sector on improving organizational capabilities to penetrate the market for the purpose of improving marketing performance. Practically, this finding is useful to increase the interaction of SMEs with customers during certain stages in the product development process to get positive added value on product success and the formation of competencies that encourage businesses to enter the market based on social familiarity, feature-oriented attractiveness, and interwoven customer emotional loyalty.

Keywords: Customer relationship quality, Entrepreneurial social competence, Customer sensing, Market penetration capability, Marketing performance, SMEs

1. Introduction

The concept of relationship quality has emerged from theories and research in the field of relationship marketing (Crosby et al., 1990; Dwyer et al., 1987) where the ultimate goal is to strengthen consumer relations and consumer loyalty (Parasuraman et al., 1991). The quality of the relationship consisting of trust, commitment and satisfaction variables of trust, commitment and satisfaction are the most frequently studied. Customer Relationship is a form of marketing activity that is directed to support, build and maintain a successful exchange relationship. Customer relations are not just paying attention to ongoing transactions, but also paying attention to family-friendly transaction relationships in the long run (McKenna, 1991). According to Day (2000), there is a need for companies to establish relationships with their partners. The company's ability to do this will have an impact on increasing the company's ability to enter the market and existing competition. Relationships with outlets can be seen as a form of cooperation that is established amicably between the company and the outlet. Hunt and Morgan (1994) stated that the form of cooperation between corporate networks can increase a company's ability to enter the market to survive and win the competition. The smoothness of business relations depends on the entrepreneur or owner of the company who possesses entrepreneurial spirit and characteristics. The meaning of entrepreneur has the spirit and characteristics of entrepreneurship in the form of the need for success, the desire to take risks, strong confidence, and a strong desire to do business. Ownership of these characteristics is important because the success of a company depends on the form of collaboration with other organizations that will influence the creation and delivery of goods and services (Valkokari & Helander, 2007). Thus, the company is required to continue to exist not to be excluded from competition, among others by efforts to develop competitive advantage and improve marketing performance. Reinartz et al. (2003) proved that the
application of the customer relationship management (CRM) process at the termination stage did not show a significant relationship with marketing performance. If companies are able to more effectively understand customer value for the company, they will do better on the primary dimension. The company will then be better able to manage individual customer relationships and more effectively determine the contribution of this relationship to firm’s profitability. This study analyzes the effect of customer relationship quality, entrepreneurial social competence and customer sensing on market penetration capabilities in the SME sector. In addition, by taking market penetration capability as a mediating variable, this study examines the effect of the independent variable on marketing performance in SMEs. The originality of this study lies in examining the strategic influence of CRM dimensions in an entrepreneurial outlook in the small and medium business sector on improving organizational capabilities to penetrate the market for the purpose of improving marketing performance.

2. Literature Review and Hypotheses

2.1 Quality of Customer Relations and Market Penetration Capabilities

Customer relationship management is part of a new logic in dominant marketing (Day 2004). The implementation of CRM activities results in better company performance when managers focus on maximizing customer value. It was also stated that a better understanding of customer value had to bring about changes in the way they were managed (Mulhern 1999; Niraj et al., 2001; Reinartz et al., 2005). Information about revenues and costs allows exploration whether larger customers are, on average, able to provide greater value than smaller customers (Dowling 2002). Siau and Shen (2003) describe specific ways for companies to foster trust in the mobile commerce environment: increase customer familiarity, build vendor reputation, provide high quality information, ask third parties for recognition and certification, provide attractive prizes (Gremler & Brown, 1996). Capability is related to a company’s ability to deploy its resources and present coordinated tasks in its efforts to achieve its stated goals (Amit & Shoemaker, 1993, Davis & Sun, 2006). Capability implies intentionality that the manager intends to achieve the final goal and capability also implies feasibility (reliability) that the capabilities that have been developed can be presented more than once.

H1: There is a positive and significant effect between the relationship of customer quality with market penetration capabilities.

2.2 Entrepreneurial social competence and market penetration capability

Cunningham and Lischeron (1991) state that the profiles of successful entrepreneurs are individuals who are assertive or full of confidence, active, easily establish social relations, are singularly oriented, diplomatic, dare to make decisions and can make judgments appropriately. This cooperation they have will lead to the success of the end result and will become social capital which is a major component and network of entrepreneurial work (Burt, 1992). There are several studies that explore the importance of capabilities within a company, namely knowledge management capabilities, technological capabilities, innovative capabilities, dynamic capabilities, and core capabilities (Lai et al., 2014; Mufti et al., 2019). When an ability is valuable, rare, cannot be replicated perfectly, and without a strategic equivalent of substitution, it is said to have strategic potential, so that it becomes a core capability with the potential to create competitive advantage. Therefore, the company’s core capabilities surpass other capabilities and have an important role in strategic management. Some researchers have proven this, such as Dwyer et al. (1997), Doney & Cannon (1997) have obtained evidence that building good relationships with customers is the company’s responsibility to survive in competition.

H2: There is a positive and significant influence on entrepreneurial social competence on market penetration capabilities.

2.3 Customer Sensing with Market Penetration Capabilities

According to Day (1994) Market Oriented Organizations are seen in company superiors, customer relations, and the ability to search for relationships. Classic research from Kohli and Jawarski (1990) defines the market as the essence of information that is touted from the broad organization of market expertise in connecting current circumstances and customer needs in the future, spreading the capabilities of companies and organizations responsible for that. Huber (2007) described the market as the capacity of companies to acquire and disseminate knowledge, and use market information to change organizations as necessary conditions. According to Foley and Fahy (2009), there are two important capabilities in the organization, first is the market sensing capability that determines the best possible continual complement to market changes and anticipates market responses and activities, secondly how the customer network capability includes the required skills and process capabilities to get collaborative customer relations.

H3: There is a positive and significant effect of customer sensing on market penetration capabilities.

2.4 Quality of Customer Relations and Marketing Performance

Ganesan (1994) in Doney and Cannon (1997), views that relationships have long-term benefit values. Noordewier et al. (1990) state that relationship serves as a tool to maintain competitive and reduce transaction costs. Treacy and Wiersema (1995) stated that one of the strategies to maintain customers, carried out by the account managers is the closeness of customer
relations. Thus, it can be concluded that a good long-term relationship with customers will have a positive effect on retaining customers. Greeve et al. (2003) identifies that the quality of a person’s resources will influence the formation of a business network by using its social networks to discuss various aspects of forming and managing a business. Someone who has knowledge will have a higher value in building networks with suppliers, products and services in the context of the business they run (Gimeno & Woo, 1999). Network theory shows that the ability of owners to gain access to resources in a cost-effective way through the network thus influencing business success (Zhao & Aram, 1995). Florin et al. (2003) state that networks can provide value to members by letting them access social resources embedded in networks, where networks can provide facilities for small and medium business owners so they can obtain ‘external’ resources ‘required for the company (Jarillo, 1989). This network will eventually form a business network with the aim of increasing sales of SME products.

H6: There is a positive and significant influence between the quality of customer relations and marketing performance.

2.5 Entrepreneurial social competence and marketing performance

Cunningham and Lischeron (1991) state that the profiles of successful entrepreneurs are individuals who are assertive or full of confidence, active, easily establish social relations, have a single orientation, are diplomatic, dare to make decisions and can make judgments appropriately. This cooperation they have will lead to the success of the end result and will become social capital which is a major component and network of entrepreneurial work (Burt, 1992). The results of previous studies provide an indication of the importance of core competencies and external business networks to achieve optimal performance based on the perspective of social capital and the resource-based perspective (Lee et al., 2001). An entrepreneur needs sufficient information, capital, skills and manpower to start his business activities. Some of these resources are their own, but they must also complement existing resources by collaborating with the networks they have (Aldrich & Zimer, 1986; Aldrich et al., 1991; Cooper et al., 1995; Hansen, 1995).

H7: There is a positive and significant relationship between the quality of customer relations and marketing performance.

2.6 Customer sensing and marketing performance

Day (2002), assumes that the performance of an organization that has mastered consumer sensing will have superior competitiveness and company performance. In other words, the ability of organizations to learn about the market environment and use this information is appropriate to guide action, which is the key driver of business performance (Vorhies & Morgan, 2005). Sensing is information on customers, competitors and other groups and the decision is to interpret information together based on experience and knowledge. Based on Day (2002), mastery of the completeness of market processes is requested and rarely many companies are unable to have one or more processes. Their knowledge may be complicated, their mental models such as myopia, circulation of information constriction or memory along with amnesia. The price of incapacity is very high and fast moving in the market. Organizations can learn to experience market capabilities and justification from past learning disabilities, the position of the model on market capabilities is very important.

H8: There is a positive and significant effect between customer sensing and SME marketing performance.

2.7 Market Penetration Capability with Marketing Performance

Competitive advantage is the ability of a company to provide more value compared to its competitors. This surplus value can be lower costs with similar benefits offered by competitors, or much higher benefits with higher costs. The ability to provide more value is started by the customer and comes from various sources of competitive advantage. According to Dharmmestra (1997), competitive advantage can be created if there is a comparability from a company that allows the company to outperform its competitors. Meanwhile Diosdado (2003), states that competitive advantage can be seen from the company's position in competition which is analyzed by looking at the strengths and weaknesses of the company when compared to its competitors. Competitive advantage comes from the company's ability to maintain the superiority of its resources and capabilities. Competitive advantage means superiority of skills (skills) and resources that are based on customer perception or achievement of lower costs, and market share and profitability performance. Competitive advantage can be obtained largely from resources and capital. According to Ferdinand (2000) marketing performance is a concept to measure the impact of strategies implemented by the company as a reflection of existing marketing activities, including increasing sales volume, market share, and profits. Clark (2000), argues that there are three criteria for measuring marketing performance, namely effectiveness, efficiency, and adaptability. Meanwhile Hadjimanolis (2000) argues that the most important measurement of marketing performance is sales growth, labor growth, income growth, and market share growth. This is reinforced from the study of Voss and Voss (2000), stating that marketing performance is a measurement of the level of performance covering three dimensions, namely customer growth, sales growth, and sales volume.

H9: There is a positive and significant influence between market penetration capabilities and marketing performance.
3. Method

This research is an explanatory research that intends to provide an explanation of the causal relationship between variables through hypothesis testing as well as explanation, especially relating to the development of the quality of relationships with customers, market penetration capabilities and marketing performance in the SME business world. This study took primary data with a questionnaire with a population of all food and beverage producers of agricultural products in the province of Banten, Indonesia, amounting to 470 units (Department of Industry and Trade, Office of Cooperatives and SMEs in Banten Province 2011). The respondent taking technique used is the census sampling technique, which is the method of taking respondents to be taken to all populations. That is, all 470 SME population members were used as samples. In this study, the quality of customer relations is defined as the degree / level of conformity by the company of a relationship in order to meet customer desires by maintaining trust, providing information, close emotional relations, offering each other, prioritizing customers and timely distribution as measured by 8 items such as maintaining trust, sharing information, emotional closeness (Nahapiet & Ghoshal, 1998). Market penetration capability is the ability of entrepreneurs to enter the market based on social familiarity, feature-oriented attraction, and the fabric of customer loyalty that is mutually beneficial as measured by 5 items such as interest in product value, social familiarity with customers and emotional closeness (Lim et al., 2001). Marketing performance refers to the results that have been achieved from what has been done by the owner / manager in running his business as measured by 4 items which include sales growth, number of customers, increasing market area and increasing sales volume (Wiklund, 1999). The data obtained from this study were obtained by distributing questionnaires to respondents. The questions in a closed questionnaire were made using a scale of 1-10. To obtain interval data, it is obtained by using a Likert scale. To analyze the data in this study used Structural Equation Modeling (SEM) analysis techniques using the AMOS 18 (Analysis of Moment Structure) program. SEM testing allows researchers to test the validity and reliability of research instruments, confirm the accuracy of the model, while testing the effect of a variable on other variables.

4. Results

Based on output regression weight as shown in Table 1, there are two insignificant relationships, namely the quality of customer relations to marketing performance and customer sensing of marketing performance, since the Critical Ratio and p-value are smaller than the critical ratio and p value required both at significance level of 5% or 10%. There are three significant relationships at a significance level of 5% with a CR value of > 2.00 and p-value < 0.050, and there are three significant relationships at a significance level of 10% with a CR value of > 1.96 and p-value < 0.10. Reliability can be calculated by compatibility reliability and variance reliability. The cut of value of construct reliability is minimal 0.70 and the cut of value of variance reliability is 0.5. According to Ferdinand (2006) for exploratory research figures below 0.70 are still acceptable as long as they are accompanied by empirical reasons. Based on calculations as in Table 2 it appears that there is a construct reliability value that is smaller than that implied, the variance extract is also small in value and not even more than 0.50. This occurs since the indicators for all variables are still loading factors that are the value is below 0.50. Therefore, the solution is an indicator that loading factors less than 0.50 are dropped from the model because they provide a low convergent value. Based on the results of critical N testing for a significance level of 5%, a sample limit of 245 is needed if a sample of more than 245 models will be rejected or at a significance level of 1%, a sample of 263 is required if a sample of more than 263 models will be rejected. In this study, the sample used was 209, if you look at the value of Hoelter's both with a significance level of 5% and 1%, a sample of 209 is still below 245 and 263, so this research model can be accepted.
Table 1
Testing reliability and variance extract

| No | Variable                           | Indicator | Loading factors | Measurement Error | Construct Reliability | Variance Extract |
|----|------------------------------------|-----------|-----------------|-------------------|-----------------------|------------------|
|    |                                    |           |                 |                   |                       |                  |
| 1  | Social Entrepreneurship Competence | KSK1      | 0.07            | 1.00              | 0.58                  | 0.16             |
|    |                                    | KSK2      | 0.64            | 0.59              |                       |                  |
|    |                                    | KSK3      | 0.55            | 0.70              |                       |                  |
|    |                                    | KSK4      | 0.55            | 0.70              |                       |                  |
|    |                                    | KSK5      | 0.31            | 0.90              |                       |                  |
|    |                                    | KSK6      | 0.53            | 0.72              |                       |                  |
|    |                                    | KSK7      | 0.08            | 0.99              |                       |                  |
|    |                                    | KSK8      | 0.08            | 0.99              |                       |                  |
|    |                                    | KSK9      | -0.22           | 0.95              |                       |                  |
| 2  | Quality of Customer Relations      | KHP1      | 0.09            | 0.99              |                       |                  |
|    |                                    | KHP2      | -0.05           | 1.00              |                       |                  |
|    |                                    | KHP3      | 0.55            | 0.70              |                       |                  |
|    |                                    | KHP4      | 0.52            | 0.73              |                       |                  |
|    |                                    | KHP5      | 0.5             | 0.75              |                       |                  |
|    |                                    | KHP6      | 0.51            | 0.74              |                       |                  |
|    |                                    | KHP7      | -0.01           | 1.00              |                       |                  |
|    |                                    | KHP8      | 0.23            | 0.95              |                       |                  |
| 3  | Customer Sensing                   | PP1       | 0.64            | 0.59              |                       |                  |
|    |                                    | PP2       | 0.57            | 0.68              |                       |                  |
|    |                                    | PP3       | 0.56            | 0.69              |                       |                  |
|    |                                    | PP4       | 0.69            | 0.52              |                       |                  |
|    |                                    | PP5       | 0.16            | 0.97              |                       |                  |
|    |                                    | PP6       | 0.08            | 0.99              |                       |                  |
| 4  | Business Network Intensity         | IB1       | 0.53            | 0.72              |                       |                  |
|    |                                    | IB2       | 0.15            | 0.98              |                       |                  |
|    |                                    | IB3       | 0.63            | 0.60              |                       |                  |
| 5  | Market Penetration Capability      | KPPBF1    | 0.09            | 0.99              |                       |                  |
|    |                                    | KPPBF2    | 0.55            | 0.70              |                       |                  |
|    |                                    | KPPBF3    | 0.6             | 0.64              |                       |                  |
|    |                                    | KPPBF4    | 0.03            | 1.00              |                       |                  |
|    |                                    | KPPBF5    | 0.39            | 0.65              |                       |                  |
| 6  | Marketing Performance              | KP1       | 0.68            | 0.54              |                       |                  |
|    |                                    | KP2       | 0.07            | 1.00              |                       |                  |
|    |                                    | KP3       | 0.86            | 0.26              |                       |                  |
|    |                                    | KP4       | 0.55            | 0.70              |                       |                  |

Table 2
Regression Weight (Loading Factors) Measurement Model Full Model

|                                | Estimate | S.E. | C.R. | P       |
|--------------------------------|----------|------|------|---------|
| Market Penetration Capabilities ← Social Entrepreneurship Competence | .224     | .123 | 1.818 | .069    |
| Market Penetration Capabilities ← Quality of Customer Relations     | .487     | .208 | 2.341 | .019    |
| Market Penetration Capabilities ← Customer Sensing                  | .201     | .110 | 1.829 | .067    |
| Marketing Performance ← Social Entrepreneurship Competence          | .267     | .127 | 2.100 | .036    |
| Marketing Performance ← Market Penetration Capability               | .284     | .108 | 2.620 | .009    |
| Marketing Performance ← Quality of Customer Relations               | .044     | .154 | .288  | .774    |
| Marketing Performance ← Customer Sensing                            | .009     | .077 | .123  | .902    |

Hypothesis 1 states that the higher the quality of customer relations the higher the market penetration capability. The estimation coefficient for the test is positive, amounting to 0.244, meaning that the test results are in accordance with the hypothesis where an increase in the quality of customer relationships has an impact on increasing market penetration capabilities. The estimated parameter between the quality of the customer relationship with the established market penetration capability results in a CR value of 2.341. This CR value is greater than the critical value with a significance level of 5% which is worth 1.96, so it can be concluded that H1 is proven at a significance level of 5%. Besides looking at the CR value, another way to deduce a hypothesis can also be seen from the P-value. Based on the analysis, the P-value of 0.019 is obtained because the P-value is less than 0.05, then H1 is proven at the 5% significance level. This finding supports the research of Li & Lyons (2012) who stated the speed of market penetration is an important measure to see how well the market works on the potential of a company's relationship with consumers.

Hypothesis 2 states that the higher the entrepreneurial social competence, the higher the market penetration capability. The test results of this causal relationship show a critical ratio value (C.R.) of 1.818 with a p-value of 0.069, which means a positive and significant effect at the level of α = 10.00%. Thus hypothesis 2, which states that the higher the entrepreneurial social competence, the higher the market penetration capability, can be accepted. The test results show that the effect of entrepreneurial social competence on market penetration capability is indicated by an estimated coefficient value of 0.224, a direction coefficient that is in accordance with the statement of hypothesis 2. The results of hypothesis 2 testing are proven
that the social entrepreneurship competency owned by SMEs does significantly influence the penetration capability SME business market. Entrepreneurship will increase the capability of entrepreneurs in entering markets based on social intimacy, feature-oriented attractiveness, and the fabric of customer emotional loyalty. The results of this study are in line with research by Gullota et al. (1999), Ford (1982) who stated that people who have high social competence are able to express more and more sympathetic social attention.

Hypothesis 3 states that the higher the customer sensing the higher the market penetration capability. The estimated coefficient for testing is positive, amounting to $\alpha = 0.201$, meaning that the test results are in accordance with the hypothesis where an increase in market sensing affects the increase in market penetration capabilities. Estimation parameters between customer sensing with high market penetration capabilities formed produce a CR value of 1,829. with a p-value of 0.067, which means a positive and significant influence at the level of $\alpha = 0.1\%$. Thus hypothesis 3, which states that the higher the customer sensing the higher the market penetration capability, is accepted. The results of this study are consistent with what was revealed by Day (1999) who states that the ability of organizations to know about the market environment and use that information is the key to improving business performance.

Hypothesis 4 states that the higher the quality of customer relationships the higher the marketing performance. The estimated parameter between the quality of the customer relationship with the formed marketing performance produces a CR value of 0.288. This CR value is greater than the critical value with a significance level of 5% which is worth 1.96, so it can be concluded that H4 is not proven at the 5% significance level. Besides looking at the CR value, another way to deduce a hypothesis can also be seen from the p-value. Based on the analysis, the p-value is 0.77 because the p-value is greater than 0.05 and 0.10, then H4 is not proven at the 5% or 10% significance level. The results of this study are consistent with Gruner and Homburg (2000) stating that there is a positive relationship between the quality of customer relationships with marketing performance.

Hypothesis 5 states that the higher the network capability, the higher the marketing performance. The test results of this causality relationship show a critical ratio value (c.r.) of 2.069 with a p-value of 0.039, which means a positive and significant effect at the level of $\alpha = 5.00\%$. Thus hypothesis 6, which states that the higher the intensity of the Business Network (IJN), the higher the Marketing Performance (KP), can be accepted. Hypothesis 6 states that, the higher the market penetration capability the higher the SME marketing performance. The estimated parameter between market penetration capabilities and established marketing performance results in a CR value of 2,620. This CR value is greater than the critical value with a significance level of 5% which has a value of 1.96, so it can be concluded that H6 is proven at a significance level of 5%, and a P-value of 0.009 because the p-value is less than 0.05. Thus, H6 is proven at a significance level of 5%. The results of this study support Fischer and Reuber (2003); Chell and Bainess (2000), also stating that networking has a positive influence on business growth. The results of this study also support the research of Chell and Bainess (2000) who also stated that the development of networks or partnerships is one of the critical success factors for improving SME performance.

Hypothesis 6 states that the higher the market penetration capability, the higher the marketing performance. The test results of this causality relationship show a critical ratio value (c.r.) of 2.069 with a p-value of 0.039, which means a positive and significant effect at the level of $\alpha = 5.00\%$. Thus hypothesis 6, which states that the higher the intensity of the Business Network (IJN), the higher the Marketing Performance (KP), can be accepted. Hypothesis 6 states that, the higher the market penetration capability the higher the SME marketing performance. The estimated parameter between market penetration capabilities and established marketing performance results in a CR value of 2,620. This CR value is greater than the critical value with a significance level of 5% which has a value of 1.96, so it can be concluded that H6 is proven at a significance level of 5%, and a P-value of 0.009 because the p-value is less than 0.05. Thus, H6 is proven at a significance level of 5%. The results of this study support Fischer and Reuber (2003); Chell and Bainess (2000), also stating that networking has a positive influence on business growth. The results of this study also support the research of Chell and Bainess (2000) who also stated that the development of networks or partnerships is one of the critical success factors for improving SME performance.

Hypothesis 7 states that the higher the customer sensing the higher the marketing performance. The estimated coefficient for testing is positive, $\alpha = 0.021$, meaning that the test results are in accordance with the hypothesis where an increase in the quality of customer relationships has an impact on increasing market penetration capabilities. The estimation parameter between customer sensing and the marketing performance formed produces a CR value of 0.258. This CR value is greater than the critical value with a significance level of 5% which is worth 1.96, so it can be concluded that H5 is not proven at the 5% significance level. Besides looking at the CR value, another way to deduce a hypothesis can also be seen from the p-value. Based on the analysis, the p-value is 0.796 because the p-value is greater than 0.05 and 0.10, then H5 is not proven at the 5% or 10% significance level. The results of this study are consistent with Gruner and Homburg (2000) stating that there is a positive relationship between the quality of customer relationships with marketing performance.

Hypothesis 8 states that the higher the market penetration capability, the higher the SME marketing performance. The test results of this causality relationship show a critical ratio value (c.r.) of 2.069 with a p-value of 0.039, which means a positive and significant effect at the level of $\alpha = 5.00\%$. Thus hypothesis 6, which states that the higher the intensity of the Business Network (IJN), the higher the Marketing Performance (KP), can be accepted. Hypothesis 6 states that, the higher the market penetration capability the higher the SME marketing performance. The estimated parameter between market penetration capabilities and established marketing performance results in a CR value of 2,620. This CR value is greater than the critical value with a significance level of 5% which has a value of 1.96, so it can be concluded that H6 is proven at a significance level of 5%, and a P-value of 0.009 because the p-value is less than 0.05. Thus, H6 is proven at a significance level of 5%. The results of this study support Fischer and Reuber (2003); Chell and Bainess (2000), also stating that networking has a positive influence on business growth. The results of this study also support the research of Chell and Bainess (2000) who also stated that the development of networks or partnerships is one of the critical success factors for improving SME performance.

5. Conclusion

The results of the study underline some important findings regarding the competitive advantage of SMEs and the formation of networks. Competitive advantage in SMEs refers to the ability of an SME to provide more value compared to its competitors, the added value intended in this study is the ability of SME entrepreneurs to enter markets based on social familiarity, and the fabric of emotional loyalty to customers that provide mutual benefits. It also highlights the importance of establishing networks in SMEs, where the development of networks or partnerships is one of the critical success factors for improving SME performance. Enterprise owners need to develop relationships with the external environment to enhance business growth and emphasize the importance of networking in increasing the social capital of SME owners, aiming to provide access to information embedded in the network. In connection with the need for the company to establish relationships with its partners and customers, the company's ability to create good relationships with its customers will have an impact on increasing the company's ability to enter the market and existing competition. This finding also supports theoretically the traditional view
that there are two important capabilities in organizations. The first is the market-sensing capability of SMEs to continually understand the best possible changes in the market and anticipate/respond to these market changes. Second, how the customer network capabilities in SMEs which include the capabilities, skills and processes needed can be empowered to get collaborative customer relationships. Practically, this finding is useful for increasing the interaction of SMEs with customers during certain stages in the product development process to get positive added value on the success of the product. Certain relationships between companies and customers as business partners have a positive effect on company performance. This relationship can be used to share information, especially regarding product features and services desired by consumers. In addition, SMEs that are driven by individuals with social competence through their thoughts and feelings will be able to select and control which behaviors should be exposed and which should be suppressed in certain situations faced, so that these competencies will be able to encourage businesses to enter markets based on social familiarity, feature-oriented attractiveness, and the fabric of customer emotional loyalty.

References

Aldrich, H., & Zimmer, C. (1986). Entrepreneurship through social networks. New York: Ballinger.
Aldrich, H., Birley, S., Dubini, P., Greve, A., Johanniesson, B., Reese, P. R., & Sakano, T. (1991, April). The generic entrepreneur? Insights from a multinational research project.
Amit, R., & Shoemaker, P. (1993). Specialized assets and organizational rent. Strategic Management Journal, 14(1), 33-47.
Ariyawardana, A. (2003). Sources of competitive advantage and firm performance: The case of Sri Lankan value-added tea producers. Asia Pacific Journal of Management, 20(1), 73-90.
Burt, R. S. (2001). Closure as social capital. Social capital: Theory and research, 31-55.
Chell, E., & Baines, S. (2000). Networking, entrepreneurialism and microbusiness behaviour. Entrepreneurship & Regional Development, 12(3), 195-215.
Clark, B. H. (2000). Managerial perceptions of marketing performance: efficiency, adaptability, effectiveness and satisfaction. Journal of Strategic Marketing, 8(1), 3-25.
Cooper, A. C., Folta, T. B., & Woo, C. (1995). Entrepreneurial information search. Journal of Business Venturing, 10(2), 107-120.
Crosby, L. A., Evans, K. R., & Cowles, D. (1990). Relationship quality in services selling: an interpersonal influence perspective. Journal of Marketing, 54(3), 68-81.
Cunningham, J. B., & Lischeron, J. (1991). Defining entrepreneurship. Journal of Small Business Management, 29(1), 45-61.
Davis, C. H., & Sun, E. (2006). Business development capabilities in information technology SMEs in a regional economy: An exploratory study. The Journal of Technology Transfer, 31(1), 145-161.
Day, G. S. (1994). The capabilities of market-driven organizations. Journal of marketing, 58(4), 37-52.
Day, G. S. (1999). Market driven strategy: process for creating value: with a new information. Free.
Day, G. S. (2000). Managing market relationships. Journal of the Academy of Marketing Science, 28(1), 24-30.
Day, G. S. (2002). Managing the market learning process. Journal of business & industrial marketing.
Day, G. S. (2004). Achieving advantage with a new dominant logic, in invited commentaries on evolving to a new dominant logic for marketing. In Journal of Marketing.
Day, G. S., & Wensley, R. (1988). Assessing advantage: a framework for diagnosing competitive superiority. Journal of marketing, 52(2), 1-20.
Department of Industry and Trade, Office of Cooperatives and SMEs. (2011). SMEs database. Banten: Department of Industry and Trade, Office of Cooperatives and SMEs.
Dharmnesta, B. S. (1997). Meningkatkan Daya Saing Perusahaan Dalam Era Persaingan Global. Jurnal Kajian Bisnis, 47-60.
Diosdad, A. (2003). Pengaruh Budaya Perusahaan Terhadap Keunggulan Bersaing. Jurnal Sains Pemasaran Indonesia, 2(3), 256-278.
Dowling, P. M., & Cannon, J. P. (1997). An examination of the nature of trust in buyer–seller relationships. Journal of Marketing, 61(2), 35-51.
Dolowy, G. (2002). Customer relationship management: in B2C markets, often less is more. California Management Review, 44(3), 87-104.
Dwyer, F. R., Schurr, P. H., & Oh, S. (1987). Developing buyer-seller relationships. Journal of Marketing, 51(2), 11-27.
Ferdinand, A. (2000). Manajemen pemasaran: Sebuah pendekatan strategik. Research Paper Series, 1, 1-55.
Ferdinand, A. (2006). Metode penelitian manajemen. Fischer, E., & Reuber, A. R. (2003). Support for rapid-growth firms: a comparison of the views of founders, government policymakers, and private sector resource providers. Journal of Small Business Management, 41(4), 346-365.
Florin, J., Lubatkin, M., & Schulze, W. (2003). A social capital model of high-growth ventures. Academy of Management Journal, 46(3), 374-384.
Foley, A., & Fahy, J. (2009). Seeing market orientation through a capabilities lens. European Journal of Marketing, 43(1/2), 13-20.
Ford, M. E. (1982). Social cognition and social competence in adolescence. Developmental psychology, 18(3), 323.
Ganesan, S. (1994). Determinants of long-term orientation in buyer-seller relationships. Journal of Marketing, 58(2), 1-19.
Gimeno, J., & Woo, C. Y. (1999). Multimarket contact, economies of scope, and firm performance. Academy of Management Journal, 42(3), 239-259.
Greeve, J., Philipson, A., Krause, K., Klapper, W., Heidorn, K., Castle, B. E., ... & Parwaresch, R. (2003). Expression of activation-induced cytidine deaminase in human B-cell non-Hodgkin lymphomas. Blood, The Journal of the American Society of Hematology, 101(9), 3574-3580.
Gremler, D. D., & Brown, S. W. (1996). Service loyalty: its nature, importance, and implications. Advancing service quality: A global perspective, 3(1), 171-181.
Gruner, K. E., & Homburg, C. (2000). Does customer interaction enhance new product success?. *Journal of Business Research*, 49(1), 1-14.

Gullotta, T. P., Adams, G. R., & Markstrom, C. (1999). La experiencia de los adolescentes. *Hadjimanolis, A.* (2000). An investigation of innovation antecedents in small firms in the context of a small developing country. *R
d Management.*

Hansen, E. L. (1995). Entrepreneurial networks and new organization growth. *Entrepreneurship Theory and Practice*, 19(4), 7-19.

Huber, P. (2007). Regional labour market developments in transition: A survey of the empirical literature. *The European Journal of Comparative Economics*, 4(2), 263.

Hunt, S. D., & Morgan, R. M. (1994). Relationship marketing in the era of network competition. *Marketing Management*, 3(1), 18.

Jarillo, J. C. (1989). Entrepreneurship and growth: The strategic use of external resources. *Journal of Business Venturing*, 4(2), 133-147.

Kohli, A. K., & Jaworski, B. J. (1990). Market orientation: the construct, research propositions, and managerial implications. *Journal of Marketing*, 54(2), 1-18.

Lai, Y. L., Hsu, M. S., Lin, F. J., Chen, Y. M., & Lin, Y. H. (2014). The effects of industry cluster knowledge management on innovation performance. *Journal of Business Research*, 67(5), 734-739.

Lee, C., Lee, K., & Pennings, J. M. (2001). Internal capabilities, external networks, and performance: a study on technology-based ventures. *Strategic Management Journal*, 22(6-7), 615-640.

Li, Y., & Lyons, B. (2012). Market structure, regulation and the speed of mobile network penetration. *International Journal of Industrial Organization*, 30(6), 697-707.

Lim, G. H., Lee, K. S., & Tan, S. J. (2001). Gray marketing as an alternative market penetration strategy for entrepreneurs: Conceptual model and case evidence. *Journal of Business Venturing*, 16(4), 405-427.

McKenna, R. (1991). Marketing is everything.

Mulhern, F. J. (1999). Customer profitability analysis: Measurement, concentration, and research directions. *Journal of Interactive Marketing*, 13(1), 25-40.

Mufti, M.Y., Pudjiarti, E.S., & Susetyo, D. (2019). Analysis of Second Order Person-Environment Fit on Innovative Work Behavior and Individual Performance. *Arthaatama 3*(2), 1-17

Nahapiet, J., & Ghoshal, S. (1998). Social capital, intellectual capital, and the organizational advantage. *Academy of Management Review*, 23(2), 242-266.

Niraj, R., Gupta, M., & Narasimhan, C. (2001). Customer profitability in a supply chain. *Journal of Marketing*, 65(3), 1-16.

Noordewier, T. G., John, G., & Nevin, J. R. (1990). Performance outcomes of purchasing arrangements in industrial buyer-vendor relationships. *Journal of Marketing*, 54(4), 80-93.

Parasuraman, A., Berry, L. L., & Zeithaml, V. A. (1991). Understanding customer expectations of service. *Sloan Management Review*, 32(3), 39-48.

Porter, M. E. (1985). Technology and competitive advantage. *The Journal of Business Strategy*, 5(3), 60.

Reinartz, W. J., Hoyer, W., & Krafft, M. (2003). *Measuring the customer relationship management construct and linking it to performance outcomes*. Fontainebleau: Insead.

Reinartz, W., Thomas, J. S., & Kumar, V. (2005). Balancing acquisition and retention resources to maximize customer profitability. *Journal of Marketing*, 69(1), 63-79.

Siau, K., & Shen, Z. (2003). Building customer trust in mobile commerce. *Communications of the ACM*, 46(4), 91-94.

Suhendi, A. (2009). *Keunggulan Kompetitif Melalui Strategi Penguasaan Wilayah, Kompetensi Sumber Daya Manusia Dan Orien-
tasi Pasar (Studi Kasus Pada PT. Indosat Tbk)* (Doctoral dissertation, program Pascasarjana Universitas Diponegoro).

Treacy, M., & Wiersema, F. (1995). How market leaders keep their edge. *Fortune*, 131(2), 52-57.

Valkokari, K., & Helander, N. (2007). Knowledge management in different types of strategic SME networks. *Management Research News.*

Vorhies, D. W., & Morgan, N. A. (2005). Benchmarking marketing capabilities for sustainable competitive advantage. *Journal of Marketing*, 69(1), 80-94.

Voss, G. B., & Voss, Z. G. (2000). Strategic orientation and firm performance in an artistic environment. *Journal of Marketing*, 64(1), 67-83.

Wiklund, J. (1999). The sustainability of the entrepreneurial orientation—performance relationship. *Entrepreneurship Theory and Practice*, 24(1), 37-48.

Zhao, L., & Aram, J. D. (1995). Networking and growth of young technology-intensive ventures in China. *Journal of Business Venturing*, 10(5), 349-370.

© 2020 by the authors; licensee Growing Science, Canada. This is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC-BY) license (http://creativecommons.org/licenses/by/4.0/).