

# The Influence Of Entrepreneurial Marketing, Networking And Customer Relationship On SME's Business Performance

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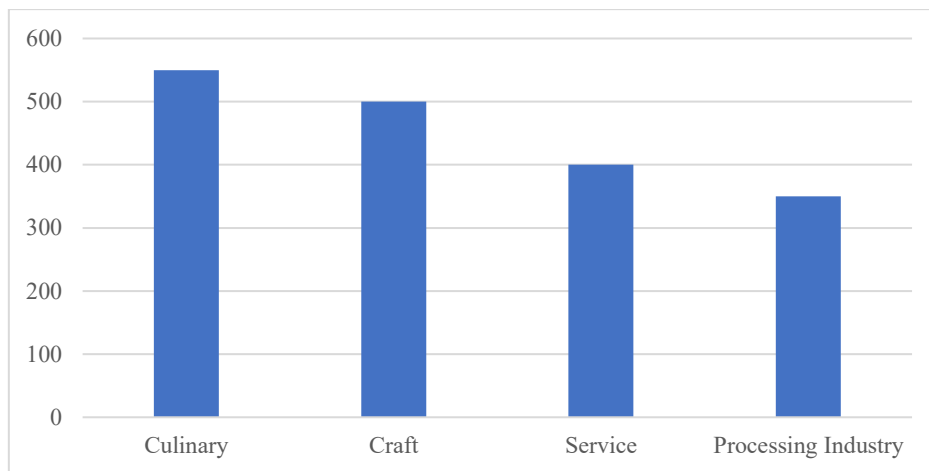
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**Abstract.** This research aims to analyze the influence of entrepreneurial marketing, networking and customer relationships on business performance. The sample in this research were SMES owners in the craft sector in Magelang Regency. The sampling method uses quota sampling and purposive sampling with a sample size of 150 respondents. The sample criteria in this research are SMESs in the craft sector that have been running for 2 years and have a minimum of 5 networks/partners. The analytical tool used is multiple linear regression with the help of the SPSS 22.0 program. The results of this research show that entrepreneurial marketing, networking and customer relationships have a positive and significant effect on business performance .

**Keywords:** Entrepreneurial Marketing, Networking, Customer Relationship, Business Performance

## 1. Introduction

SMESs have an important role in economic growth in Indonesia, including in Magelang. One of them is that Magelang has become a KSPN (National Tourism Strategic Area) which is centered on Borobudur Temple, thus encouraging SMESs, one of which is in the craft sector. Most of the SMESs in Magelang are engaged in the craft industry which supports the production of various kinds of goods, including SMES handicrafts, art and other handicraft items. There is SMES data in Magelang which shows that SMESs in the crafts sector are in second place after the culinary sector.



Source: Central Java Province Dinkop (2023)

**Figure. 1** Magelang Regency SMES Data, 1<sup>st</sup> Semester

In the current context, craft SMESs have the second largest contribution after culinary SMESs so that the existence of crafts is recognized for its development in the regional economy and improving community welfare, one of which is that business performance is an indicator of success in the overall activities of a company, especially in the field of marketing within a company or organization. measuring the level of achievement and market targets that have been achieved by the company [5] In the current situation, it turns out that there is still a decline in performance in craft SMESs, according to the Ministry of Cooperatives and SMEs, (2021) there are around 37,000 SMESs who have reported that they have been very seriously affected by the Covid-19 pandemic. Marked by around 56% experiencing a decline in sales, 22% reported problems with the financing aspect. The problems experienced are conditions that affect business performance in SMESs.

One aspect that can influence SMES business performance is the marketing strategy used. Entrepreneurial marketing is a combination of two scientific disciplines, namely marketing and entrepreneurship. Entrepreneurial marketing was born from awareness of the importance of entrepreneurship and innovation for marketing and marketing for the success of business people [2]. Entrepreneurial marketing is an important aspect of business performance. Develop ideas first from SMES owners in running their business.

Apart from entrepreneurial marketing, networking is also an aspect that can influence SMES business performance. Networking is the process of building mutually beneficial relationships, it is defined as relationships formed by creative economy-based SMESs with other parties with the aim of generating profits.

Apart from networking, factors that can influence the business performance of an SMES are customer relationships which aim to increase long-term growth and profitability through a better

understanding of consumer behavior. Apart from this, customer relationship also aims to provide more effective feedback and improve performance in a business, especially SMESs [1].

The factors above can be seen to have a big influence on the business performance of an SMES. However, there are factors that also have no effect, as in [10] research which shows that entrepreneurial marketing has a negative effect on the performance of SMESs, while research by [2] shows that entrepreneurial marketing has a positive and significant effect on the performance of SMESs. There is also a research gap in the influence of networking on SMES business performance, which shows that networking has no effect on SMES performance, shows that networking has a significant positive effect on performance SMES business.

Based on the background description above, researchers are interested in finding out the influence of these factors on the business performance of SMESs, so this research raises the title "The Influence of Entrepreneurial Marketing, Networking and Customer Relationships on the Business Performance of Craft SMESs in Magelang."

## **2. Literature Review**

### **Theory Knowledge Based View**

This theory was developed by [7] who assumes that knowledge is part of a unique and different resource, so that a company will perform well if there is knowledge in its organizational system. Knowledge based view theory, the development of resources based view theory, is a theory developed to explain the advantages of a company as a group of resources and is considered the basis for obtaining a competitive or competitive position for a company. The knowledge-based view asserts that knowledge is not just the responsibility of a particular department but, must be something that permeates the entire organization.

Knowledge based view theory emphasizes the importance of spreading knowledge throughout the organization, not just to certain individuals or departments. In this way, the entire organization can access and use knowledge more effectively. Knowledge based view states that knowledge is a resource that a company has, with knowledge the performance system implemented by SMESs will run better. The importance of knowledge for the successful performance of SMESs is also based on the competency resources they have.

### **Entrepreneurial Marketing**

Entrepreneurial marketing or commonly abbreviated as EM is an innovation needed for entrepreneurial and marketing behavior, indicating a gap between conventional marketing theory and marketing practice in SMESs [5] Smart and creative application of entrepreneurial marketing concepts can help SMESs overcome the marketing challenges that business actors

often face and help improve their business performance [6]. Creativity and innovation in marketing can help SMESs maximize their potential in a competitive market. The relationship between the knowledge based view theory is that it emphasizes knowledge as a valuable resource. In the context of SMES performance, product, market and customer knowledge can be considered as intellectual capital that can be used to create added value.

### **Networking**

Networking is the process of building mutually beneficial relationships, networks formed by SMES owners with other parties with the aim of generating profits. Networking is an action by making connections for the purpose of exchanging information, ideas and opportunities [6] so that by getting to know the individuals in the business that is being run and building relationships with them, business actors can work together in the future . It is important to remember that a good network is not only related to the number of networks that SMES owners already have, but also the quality of the relationships and collaboration that exist [13] SMESs need to build mutually beneficial networks that can play an important role in improving performance and developing their businesses.

### **Customer Relationship**

Customer relationship is a method used by companies to retain customers by maintaining good relationships with them. With a good relationship between the company and customers, the potential for repeat orders will increase. With this increase, performance can be better. The main goal of customer relationships is to increase long-term growth and profitability through a better understanding of customer behavior [1]. Customer relationships improve organizational performance through activities such as increasing customer satisfaction and loyalty, cross-selling products and services through word of mouth and organizational profitability through improving product and service delivery resulting in more profits for SMESs. Effective customer relationship execution will influence marketing and financial performance which accumulates in the form of business performance [9].

The relationship between customer relationships and knowledge based view theory emphasizes the importance of understanding and using customer knowledge. Customer relationships in SMES business performance involve continuous interaction with customers. The knowledge gained from these interactions can help SMES business performance understand customer preferences, needs and expectations, thereby enabling SMESs to provide more relevant products or services.

### **Business Performance**

Business performance itself is determined by the role of the external environment and the company's internal capabilities [5] When a company competes, the one that will win the

competition is the company that always pays attention to business efficiency and is sensitive to the opportunities around it. In general, performance is an indicator of success in all company activities, especially in the field of marketing within the company or organization to measure the level of achievement and market targets that have been achieved for the company/SMES owner [5] The performance of a company can be assessed through product sales, where the higher the sales value also indicates that the product is sold more.

The relationship between the knowledge based view theory and business performance, encourages organizations to innovate and adapt to change with the knowledge based view theory. SMESs use the knowledge they have to identify innovation opportunities, develop new products or services, and respond to changes in the business environment more quickly and effectively.

### **3. Research Method**

This research uses primary data obtained directly from the object under study using a questionnaire distribution technique via Google Form. The population used in this research is all 240 craft SMESs in Magelang Regency. In this study, the sampling method in this study used non-probability sampling with purposive sampling and quota sampling techniques. The number of samples in this study was 150 respondents. Determining the sample size uses the Slovin formula. The data analysis technique in this research is quantitative data analysis, namely testing and analyzing data by calculating numbers and drawing conclusions from the tests carried out, namely a) validity and reliability tests, b) multiple linear regression analysis and c) hypothesis testing, namely the coefficient of determination, F test and t test [14].

### **4. Result and Discussion**

#### **Respondent Descriptive Statistics**

In this study, the majority of people who filled out the questionnaire were 81 respondents female and 69 male respondents because in SMESs the existing craft sector can be done by women because they tend to have higher precision and skills than men. Respondents based on the age of SMESs were dominated by SMESs that had been running for 2-5 years as many as 65 respondents, while SMESs aged < 2 years were 40 respondents and SMESs aged 5-10 years were 17 respondents because the majority of SMESs aged 2-5 years were developing and experiencing very rapid progress compared to SMESs that are 5-10 years old which are already starting to fade. Respondents based on the latest education of business actors were dominated by high school level education with 96 respondents, while there were 16 respondents with junior high school level education and 28 respondents with bachelor/diploma level education due to the high school level education background/background of business owners, the majority of

whom had started working since school, so that in When he graduated from high school he decided to set up his own business.

### Variable Descriptive Statistics

1. The entrepreneurial marketing variable shows the lowest (minimum) value of 12 and the highest (maximum) value of 24 with an average (mean) of 18.93. The average value is close to the maximum value, meaning that the respondents' answers regarding the entrepreneurial marketing variable answered in agreement with the 5 statement items given. Meanwhile, the standard deviation is 3,087, which means that the distribution of the average data value across 150 respondents is 3,087.
2. The networking variable shows the lowest (minimum) value of 17 and the highest (maximum) value of 35 with an average (mean) of 26.89. The average value is close to the maximum value, meaning that the respondents' answers regarding the networking variable answered in agreement with the 7 statement items given. Meanwhile, the standard deviation is 4,673, which means that the distribution of the average value data across 150 respondents is 4,673.
3. The customer relationship variable shows the lowest (minimum) value of 8 and the highest (maximum) value of 20 with an average (mean) of 15.28. The average value is close to the maximum value, meaning that the respondents' answers regarding the customer relationship variable answered in agreement with the 4 statement items given. Meanwhile, the standard deviation is 2,783, which means that the distribution of the average data value across 150 respondents is 2,783.
4. The business performance variable shows the lowest (minimum) value of 6 and the highest (maximum) value of 15 with an average (mean) of 11.39. The average value is close to the maximum value, meaning that the respondent's answer regarding the business performance variable answered in agreement with the 3 statement items given. Meanwhile, the standard deviation is 2,043, which means that the distribution of the average data value across 150 respondents is 2,043.

### Validity Test

**Table 1.** Validity Test Results

No	Variable	Value	Value	Information
		r <sub>count</sub>	r <sub>table</sub>	
1	Business Performance (Y)	0.851	0.159	Valid
		0.832	0.159	Valid
		0.864	0.159	Valid
		0.738	0.159	Valid
		0.791	0.159	Valid
2	Entrepreneurial Marketing (X1)	0.799	0.159	Valid
		0.836	0.159	Valid

No	Variable	Value	Value	Information
		$r_{count}$	$r_{table}$	
3	Networking (X2)	0.832	0.159	Valid
		0.786	0.159	Valid
		0.624	0.159	Valid
		0.614	0.159	Valid
		0.641	0.159	Valid
		0.844	0.159	Valid
		0.867	0.159	Valid
		0.810	0.159	Valid
4	Customer Relationship (X3)	0.819	0.159	Valid
		0.862	0.159	Valid
		0.831	0.159	Valid
		0.826	0.159	Valid

Source: Data processed by SPSS 22.0

Based on table 1 of the test results with 150 sample respondents, it can be seen that all variable statements submitted to respondents are valid, because seen from the calculated  $r_{value} > r_{table}$  (0.159) so it can be concluded that each statement on the variables entrepreneurial marketing, networking, customer relationships and business performance are reliable and feasible in this research.

## Reliability Test

**Table 2.** Reliability Test Results

No	Variable	Cronbach's Alpha	Information
1	Business Performance	0.804	Reliable
2	Entrepreneurial Marketing	0.859	Reliable
3	Networking	0.864	Reliable
4	Customer Relationship	0.854	Reliable

Source: Data processed by SPSS 22.0

Based on table 2, it can be seen that the entrepreneurial marketing, networking, customer relationship and business performance variables have a Cronbach's Alpha value  $> 0.70$ . So it can be concluded that all variable instruments used in this research are reliable. This means that the questionnaire used in this research is said to be reliable.

## Multiple Linear Regression Analysis

**Table 3.** Coefficient of Determination Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the estimate
1	0.473 <sub>a</sub>	0.223	0.207	1.819

Source: Data processed by SPSS 22.0

These results show that the contribution of entrepreneurial marketing, networking and customer relationships is 20.7% and the remaining 79.3% is influenced by other variables outside this research model.

## F Test (Goodness Of Fit)

**Table 4.** Goodness Of Fit Test (F Test) Results

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	138.870	3	46.290	13.995	0.000b
Residual	482.923	146	3.308		
Total	621.793	149			

Source: Data processed by SPSS 22.0

Based on table 4, it shows that the probability value or level of significance is smaller than 0.05, namely  $0.000 < 0.05$  and  $F_{\text{count}}$  is 13.995 based on the number of respondents ( $n = 150$ ) and the number of independent variables  $k = 4$ , so  $df$  for the numerator is  $k = 4$  and  $df$  for the denominator  $(n-k) = 146$  obtained a value of 2.67 (available in the attachment). The results show that  $F_{\text{count}} 13.995 > F_{\text{table}} 2.67$ , which means the research model used in this research is feasible or fit.

## t Test

**Table 5.** t Test Results

Variable	$t_{\text{count}}$	$t_{\text{table}}$	Sig	Information
EM	4,070	1,65536	0,000	H1 is Accepted
N	2,592	1,65536	0,011	H2 is Accepted
CR	3,513	1,65536	0,001	H3 is Accepted

Source: Data processed by SPSS 22.0

1. Based on table 5, it is known that the calculated  $t_{\text{count}}$  is  $4.070 > t_{\text{table}} 1.65536$  with a significance value of  $0.000 < 0.05$ . So  $H_0$  is rejected and  $H_a$  is accepted, which means that the entrepreneurial marketing variable has a positive and significant effect on business performance. Thus hypothesis one ( $H_1$ ) is accepted.



2. Based on table 5, it is known that  $t_{\text{count}} 2.592 > t_{\text{table}} 1.65536$  with a significance value of  $0.011 < 0.05$ . So  $H_0$  is rejected and  $H_a$  is accepted, which means that the networking variable has a positive and significant effect on business performance. Thus hypothesis two ( $H_2$ ) is accepted.
3. Based on table 5, it is known that the  $t_{\text{count}}$  value is  $3.513 > t_{\text{table}} 1.65536$  with a significance value of  $0.001 < 0.05$ . So  $H_0$  is rejected and  $H_a$  is accepted, which means that the customer relationship variable has a positive and significant effect on business performance. Thus hypothesis three ( $H_3$ ) is accepted.

## 5. Conclusion

1. Entrepreneurial marketing has a positive and significant effect on business performance. This means that the higher entrepreneurial marketing is implemented, the higher the business performance will be.
2. Networking has a positive and significant effect on business performance. This means that the higher the networking that is developed, the more business performance will improve.
3. Customer relationships have a positive and significant effect on business performance. This means that the higher the customer relationship, the greater the business performance.

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