

## The role of powerful business strategy on value innovation capabilities to improve marketing performance during the COVID-19 pandemic

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### ABSTRACT

The study on marketing in terms of the creative economy as a result of COVID-19 is a dynamic problem between business sustainability and the business environment. Business strategy is the key to improve marketing performance, antecedent's entrepreneurial orientation and market orientation business strategies to drive the value of dynamic innovation and marketing capabilities. Business strategy needs to be established based on Resources based theory (RBV) to manage business resources effectively and efficiently in the craft business. This paper performs a survey on 187 entrepreneurs of Nyatu tree sap products, in the province of Central Kalimantan, Indonesia. The study is a quantitative analysis with a questionnaire processed with the application of SEM-AMOS 24 statistics. The results of the research estimate and goodness of fit index and evaluation of business strategies are applied to reach an environmentally friendly and quality manner for customer support. The research implication is that businesses can continue to implement dynamic business strategies with the business environment in their business practices during the COVID-19 pandemic. The research can also be a reference for empirical research studies on business strategies for handicraft business resources.

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## 1. Introduction

Problems in the Handicraft business during the COVID 19 pandemic greatly troubled the current business in Indonesia. Difficult economic times due to the economic limitations of society, become a problem that must be faced with the method of business change (Al-Hazmi, 2020; Martin et al., 2017). Dynamic marketing with business capabilities along with dynamic marketing capabilities and the ability to promote business strategies may be used to increase revenue and sales (Kachouie et al., 2018; Nguyen et al., 2019; Pervan et al., 2015). The marketing capability and support functions supported by entrepreneurship and market focus significantly enhance product capabilities, pricing capabilities, communication skills for promotion with technology and ability to support markets (Alford & Duan, 2018; Wang & Hsu, 2018). Business strategies change the environment, due to incompetence, business units, applying, implementing, and increasing efficiency while improving the consumer economy (Qureshi, 2017). In fact, a good business strategy has competent and competent resources in accordance with the needs of companies that are proactive and innovative, as well as market-based. But in the study of García et al. (2013) and Luiz & Marinho, (2018), they set an entrepreneurial focus as a basic input of business strategies that cannot directly influence sales and profit growth which are indicators of marketing performance. The next research gap exists on results that do not significantly promote the market and can increase revenue volume, customer volume and sales volume (Kajalo & Lindblom, 2015).

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Economic problems are now manifesting consumers in choosing goods that are not food (Huhtala et al., 2014; Kocak, 2017). Furthermore, some studies examine the value ability variable using the blue ocean strategy (Leavy, 2018; Nahan et al., 2019). Effective and efficient resources are the basis of business that can survive under difficult conditions, based on the theory of grand Resources Based View (RBV). The survival of handicraft businesses requires proactive, innovative business protection expertise, risk taking and market-based resource capabilities, on dynamic marketing capabilities and the value of capability innovation supported by Dynamic Capability (DC) theory (Teece, 2017). The RBV states that marketing dynamics is the dynamic capability of the system on dynamic marketing capabilities that addresses resources in small businesses. There are different forms of resources in a good business unit, namely: (1) Must be valuable, rare, (2) Cannot be imitated, and (3) Cannot be substituted in the management of managed businesses (Barney, 1991; Teece, 2010). The handicraft businesses must have special resources to survive under the turbulence environment market (Kristinae et al., 2019; Teece, 2010; Grant, 1991). Improved marketing performance from the role of enhancing entrepreneurship, can enhance marketing capabilities and innovation in a dynamic business environment to increase profitability (Semrau et al., 2016). Innovation in creative endeavors is measured by indicators of product attributes and product functions that are carried out to be sustainable and beneficial (Bauer & Auer-Srnka, 2012). Innovation is a key driver of business in sustainable processes in a competitive business environment with the ability to transfer new ideas for the future (Luiz & Marinho, 2018), which focuses on changing the business environment, the future, the current pandemic, which focuses on aspects Public economy. Furthermore, this study changes the value of innovation capability as a novelty by supporting the ability of innovation to implement core-based business strategies in providing value to support the superiority of product attributes and the superiority of product function attributes (Ferdinand & Fitriani, 2015). Mediating the value of innovation capabilities includes innovation offered for business, improvement, value, products, which have potential for cultural, aesthetic and iconic products (Sugiyarti et al., 2018). The research implication is a business strategy with medium value and dynamic marketing capabilities with a business environment of entrepreneurial skills and facilitating the market for the development and sustainability of business products from Nyatu tree sap and improving marketing. This research is also expected to make a positive contribution for the development of specialized marketing, as well as general marketing management.

## 2. Literature Review

### 2.1 Resources Based View Theory (Grand Theory) on the business strategy

Barney (2001) developed the concept of RBV which plays an important role for strategic management. This concept states that organizations will reach a higher and unique level supported by funds that are unique, rare and difficult to replicate (Jin & Kirsch, 2015). The resource-based display emphasizes on collaboration factors and the ability of resource applications with expertise that emphasizes business results. Based on the RBV, businesses can determine business strategies that will be requested according to capabilities with dynamic capabilities when discussing business turbulence by marketing different products through digital sales (Franchuk et al., 2020; Xu et al., 2014). This study emphasizes more on resources based on RBV theory as a business power that is able to support resources that are different from those that support organizations that cannot be copied, to improve performance (Martin et al., 2017).

### 2.2 Dynamic Capability Theory (Support Theory) on the business strategy

Dynamic capability theory (DC) discusses issues between companies and business environment competencies. The dynamic ability contributes to marketing practice, marketing theory, and marketing research (Teece, 2010; (Teece & David, 2017). DC theory outlines the process of improving product development, promoting places to increase market coverage (Nuryakin & Ardyan, 2018). According to Teece (2010), Dynamic Capability (DC) is a theory for increasing low marketing with dynamic business strategies in a business environment. The inability to improve marketing performance is caused by market turbulence (Qureshi, 2017; Kajalo & Lindblom 2015) during the COVID-19 pandemic. Business sustainability in this unstable environment is a problem that can lead to business sustainability (Sharma et al., 2018). Teece (2017), DC theory is a company's ability to integrate, build, and configure internal and external competencies in controlling environmental changes very quickly.

### 2.3 Marketing Performance (MP)

Improved marketing performance affects organizational effectiveness on the business strategy in the market, such as: increased sales, revenue, market effectiveness and consumers in small businesses (Ferdinand & Wahyuningsih, 2018). The development of local product businesses, which have resources that can be developed such as environmentally friendly products, can be harmonized with dynamic capabilities, in order to survive in the changing business environment. According to Ab Talib et al. (2015), business excellence in resources and support for the availability of raw materials in business supply chain management are the main points of business that can increase profits, sales, and reach a larger market. Marketing performance is a construct or factor commonly used to measure the impact of a business strategy. Business strategies are always directed to produce better performance. For this reason, the measure that must be used is a measure based on activity or market orientation (Qureshi, 2017). Marketing activities that produce marketing performance are also

important supported by the expertise of business people who are proactive, innovative and risk-taking. The unique characteristics of resources are guaranteed, companies can mobilize resources and capabilities strategically, making it possible to drive marketing capabilities to improve marketing performance (Kajalo & Lindblom, 2015). Marketing performance is the output of activities in business with market orientation and innovation information (quality). According to Ferdinand and Killa (2017), the quality of marketing performance supported by market orientation and entrepreneurial orientation can be superior in business. New products are factors that can increase the success of new products related to the creation of superior value for consumers. Creating superior value for consumers is a stepping stone for companies to improve their marketing performance by providing an overview of business strategies that are supported by knowledge of resources / expertise (Haryanto et al., 2016; Nuryakin & Ardyan, 2018). Based on previous empirical studies, the hypotheses of this study are as follows,

H<sub>1</sub>: Entrepreneurial orientation has a significant positive effect on marketing performance.

H<sub>2</sub>: Market orientation has a significant positive effect on marketing performance.

#### *2.4 Entrepreneurship Orientation (EO) on the business strategy*

The Entrepreneurship Orientation approves the unit's strategic planning from various aspects of entrepreneurship such as character, methods, and decision-making practices for the business strategy (Sok & O'Cass, 2015). Characteristics of businesses that support Entrepreneurship are moving businesses from the core values of products and innovation, as well as challenging change efforts with risk calculations (Ahmadi & O'Cass, 2018). The skills of business advocates proactive innovation decisions, and are able to win the competition (Al Mamun et al., 2019). The basis for understanding entrepreneurship has three measurements namely proactivity, risk taking, innovation that creates management to be able to manage the market well and find new customers in an uncertain environment (Qureshi et al., 2017). It helps on how to take risks in marketing activities, such as trying to change products, change products and build sales networks with new consumer markets through distribution channels for profit (Bastiaansen et al., 2018). A fundamental element of entrepreneurship is innovation in the form of creating new products or marketing processes (Al Mamun et al., 2019). Based on previous research, the research hypotheses as follows,

H<sub>3</sub>: Entrepreneurial orientation has a significant positive effect on the ability of value innovation.

H<sub>4</sub>: Entrepreneurial orientation has a significant positive effect on increasing dynamic marketing capabilities.

#### *2.5 Market Orientation (MO) on the business strategy*

Market orientation is seen as market-based intellectual assets based on RBV, as a basis for business strategies that guide businesses to choose resources according to consumer needs (Beneke et al., 2016) and an increase in responding to market demand (Guo & Wang, 2016). In this case, Market Orientation on the business strategy can identify the conditions needed as an intelligence market, the process of creating and offering customer-oriented value (Najafi et al., 2016). Nuryakin and Ardyan (2018) state that supporting the market requires businesses to use resources that are better than the value of the product to consumers. The basis for developing new products, new promotion systems and product innovation can increase marketing (Sok & O'Cass, 2015). Marketing strategies that are oriented towards market and customer needs will be the challenges of business competition. Market orientation can have an important role as a marketing capability of a company that is able to be dynamic in the business environment (Cacciolatti & Lee, 2016). Market-oriented business development requires more useful development (Kocak, 2017). Likewise, market orientation is conceptualized as an antecedent that can increase the ability to promote marketing (Abdulai & Yusif, 2012). Market orientation is also one source of knowledge in the field of dynamic marketing capabilities (Papadas et al., 2018). Based on previous research, thus,

H<sub>5</sub>: Connecting markets determines a significant positive effect on the ability to achieve value.

H<sub>6</sub>: Moving the market helps achieve dynamic marketing capabilities.

#### *2.6 Value innovation capability (VIC) on the business strategy*

Value innovation has the characteristics and expertise of organizational resources with complexity, distinct excellence and winning one field of excellence for highlighting (Leavy, 2018). The innovative value of the core products in creating superior products can improve marketing performance (Abu Seman et al., 2019). Business promotion to promote, create customer-oriented products (Barney, 2001) and achieve better business performance, through sales and revenue (Teece et al., 2010; Chang, 2019). Being able to become value orientation through a significant inheritance value can be achieved by making different products, and improving their performance (Assiouras, Skourtis et al., 2019). Value innovation can help create differentiation in the market through the blue ocean strategy (Leavy, 2018). Value innovation with the blue ocean strategy does not compete in potential markets. The focus of the power of innovation is the appropriate core product (Fuentes et al., 2019), products of cultural value with authentic products (icons) that cannot be used in substitutes and have high sales value. The product icon in the assessment can be a superior product attribute into a different product icon. Value innovation regarding business competition to move the consumer market may have special priorities (choosing environmentally friendly products), which meet the needs of competition. This opportunity is the power of innovation at the core of product attributes and product processes (design), to improve marketing capabilities (Kristinae, 2019). Changes in methods in business and marketing processes are the activities for changes in activities or products (Heinonen et al.,

2019). The innovative innovation of promoting business is the main driver and becomes the power of creative effort. The value of innovation is the main source of ability in competitive advantage, which is well managed to improve business performance and business continuity (Leavy, 2018). The following hypotheses in subsequent research,

H<sub>7</sub>: Value Innovation Capability has significantly positive effect on marketing performance.

### 2.7 Dynamic Marketing Capabilities (DMC) on business strategy

According to Jiang, Chai, Shao, and Feng (2018), efforts to improve dynamic marketing capabilities, involve the role of business protection (expertise and ability). Business expertise, proactive, innovative in conducting market-based innovation, can increase sales volume and product effectiveness in the market (Boso et al., 2017). Marketing capabilities support the expertise to “understand and satisfy” customers for marketing systems. Dynamic marketing capabilities for product development and promotion, pricing and distribution in supply chain management, markets to increase customers, sales and revenue (Martin et al., 2017). Marketing capability activities include gathering, disseminating, and using relevant information for distribution bases, managing communication with customers and sales methods, assisting in product development and assisting in the development and implementation of business strategies (Teece, 2017). Dynamic marketing capabilities show that competitive developed can be produced by “market-driven” companies (Alford et al., 2018) involved in the ability to support businesses in efforts to drive the market (Teece, 2010). Market-driven organizations are business units that focus on developing marketing capabilities that can be superior to competitors (Qureshi et al., 2017). Based on the elaboration of previous research studies, the hypothesis proposed is as follows,

H<sub>8</sub>: Dynamic marketing capability has a significant positive effect on marketing performance.

## 3. Research Design

### 3.1 Research model

The study was conducted in the province of Central Kalimantan, Indonesia, in 2 (two) districts and 1 (one) city, with a number of respondents associated with 187 units of Nyatu tree sap business. The research instrument used a questionnaire that was built based on theoretical and empirical studies that were relevant to the research variables (EO, MO, VIC, DMC and MP). Fig. 1 shows the design of the proposed study,

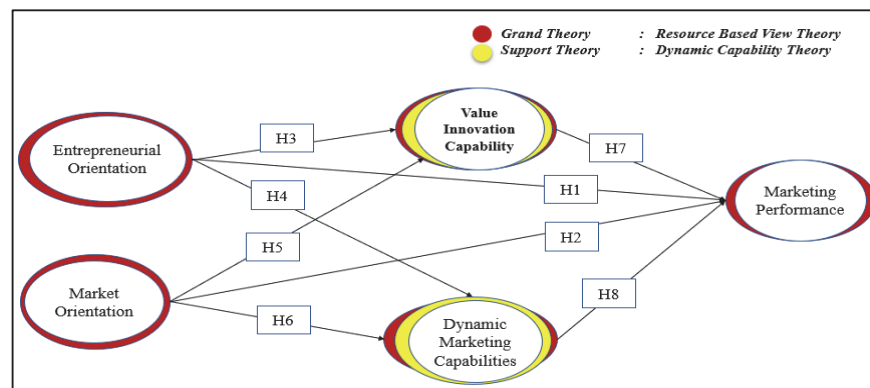


Fig. 1. Research Model

This study aims to support data and theories that support the general hypotheses to produce specific findings through the assessment process using research instruments, also through the AMOS statistical data analysis program. The data analysis technique uses the structural equation model of the Amos-based equation model. Using amos is for analysis of variables with reflective or formative indicators, and can be used to analyze relationships between variables and test models that are in accordance with research (Hasan & Ali, 2015).

### 3.2 Research instrument and sample evaluation

In this study the research instrument used 28 questions from 6 variables to be answered by 187 people based on the ratio test of critical data that is normally distributed and meets the research requirement tolerance  $\pm 1.96$ , which means that c.r must not exceed that number with a significant value of 5% for the validity of the research instrument / questionnaire as the basis for analysis of the analysis data. Based on Table 1 below, c.r. data processed with SEM AMOS data is normally distributed (Arbuckle, 2016). Requesting data can be submitted in hypothesis testing. Furthermore, based on the reliability of the Cronbach Alpha results in a reliable question item that is  $0.975 > 0.7$  r-alpha table with reliability test on SPSS program.



that the model can be accepted mutually, this can be agreed from the residuals and because prediction errors are allowed in the variables, the model is acceptable (Ferdinand & Fitriani, 2015).

## 5. Result Research

### 5.1 Data analysis to test hypotheses

The effect of entrepreneurship orientation shows significant positive results on marketing performance. Furthermore, the results also show a significant positive market orientation on marketing performance (See Table 2).

**Table 2**  
Hypotheses Test Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
VIC	←	EO	.353	.086	4.122	***	
DMC	←	EO	.354	.096	3.677	***	
VIC	←	MO	.469	.088	5.315	***	
DMC	←	MO	.510	.099	5.175	***	
MP	←	EO	.225	.082	2.743	.006	
MP	←	VIC	.387	.147	2.639	.008	
MP	←	MO	.296	.097	3.068	.002	
MP	←	DMC	.162	.062	2.615	.009	
VIC1	←	VIC	1.000				
VIC2	←	VIC	1.041	.107	9.765	***	
X1.4	←	EO	1.000				
X1.3	←	EO	.863	.078	11.094	***	
X1.2	←	EO	1.019	.083	12.244	***	
X1.1	←	EO	1.045	.089	11.738	***	
X2.4	←	MO	1.000				
X2.3	←	MO	.995	.073	13.613	***	
X2.2	←	MO	1.049	.070	14.991	***	
X2.1	←	MO	1.022	.080	12.818	***	
Y3.1	←	MP	1.000				
Y3.2	←	MP	1.065	.078	13.736	***	
Y3.3	←	MP	1.067	.077	13.835	***	
X1.5	←	EO	.996	.086	11.627	***	
Y3.4	←	MP	1.147	.086	13.313	***	
X2.5	←	MO	.969	.072	13.397	***	
Y1.1.4	←	VIC1	1.000				
Y1.1.3	←	VIC1	.991	.063	15.727	***	
Y1.1.2	←	VIC1	1.156	.092	12.589	***	
Y1.1.1	←	VIC1	1.064	.091	11.697	***	
Y1.2.1	←	VIC2	1.000				
Y1.2.2	←	VIC2	1.051	.059	17.736	***	
Y1.2.3	←	VIC2	1.031	.076	13.553	***	
Y1.2.4	←	VIC2	1.039	.080	12.923	***	
Y2.4	←	DMC	1.000				
Y2.3	←	DMC	1.089	.081	13.518	***	
Y2.2	←	DMC	.982	.073	13.416	***	
Y2.1	←	DMC	1.099	.078	14.087	***	
Y2.5	←	DMC	1.099	.077	14.333	***	
Y3.5	←	MP	1.069	.083	12.840	***	

Source: results of the analysis of the authors with Sem Amos 24

### 5.2 Interpretation and evaluation of results

Hypothesis 1 research results are significant positive and acceptable that support innovative and proactive ideas and able to help for proactive activities and risk taking can improve marketing performance by 22.5%. Hypothesis 2 is significantly positive and confirmed on the market which is very important in business strategies to improve marketing with customer support, coordination of planning, coordination between functions and market analysis and facilitate new markets, by 29.6%. Hypothesis 3 in this study influences EO on the value of innovation ability with two dimensions and each indicator is significantly positive and accepted at 35.3%. Hypothesis 4, the effect of EO on dynamic marketing capabilities is significantly positive and accepted at 35.4%. This shows a strong business strategy will be a key business that can be maintained because it involves business turbulence. The next result of hypothesis 5, Market Orientation significantly positively welcomed the VIC (VIC dimension 1 indicator; iconic products, cultural aesthetic products, environmentally friendly products and handmade products) by 46.9%. MO is also able to encourage VIC dimension 2 which has indicators; interior products, souvenir products, regional promotional products, useful products such as tissue holders, pencil cases,

glass holders. This value reveals the importance of moving the market in implementing business strategies. Hypothesis 6 has a significant positive effect of 51%. MO in this research is a basic strategy in seeing what needs are sought and desired by pandemics such as products that are not only in accordance with the culture of efficient and durable. Hypothesis 7 indicates that VIC mediating variables have significant positive effects on marketing performance, amounting to 38.7%. This proves the importance of businesses that are designed for craft businesses by supporting businesses that are designed to create businesses that can uniquely enhance business and of course will help, supporting the current difficult economic times. Hypothesis 8 DMC variable has maintained a significantly positive effect on MP. Although it is small, the value remains significant and no value is found that shows the results of the bias analysis. Based on these results the research implications can be proven for researchers who need a strong business strategy with EO and MO and the role of VIC mediation, DMC increases very well in increasing future marketing of COVID-19.

**Table 3**

Test results of testing the hypotheses of the survey

Hypothesis	Result	Information
H1 : MP ← EO	22,5 % , 0,006	Significantly positive
H2 : MP ← MO	29,6 % , 0,002	Significantly positive
H3 : VIC ← EO	35,3 % , ***	Significantly positive
H4 : DMC ← EO	35,4 % , ***	Significantly positive
H5 : VIC ← MO	46,9 % , ***	Significantly positive (high)
H6 : DMC ← MO	51 % , ***	Significantly positive (high)
H7 : MP ← VIC	38,7 % , 0,008	Significantly positive
H8 : MP ← DMC	16,2 % , 0,009	Significantly positive

Source: summary results of the analysis of the authors

Measurement of the results of the effectiveness of the dependent variable from the squared multiple correlation table, that the influence of the importance of business strategies shows an average of above 50%. The influence of VIC 84.9% (VIC dimension of product attribute superiority 81.3% and VIC dimension of product function superiority 80.8%) and the effect of DMC mediation by 71.4%. It states that the current value innovation must pay attention to the needs of consumers by making products that can be used by not leaving the creativity of businesses creating cultural collaboration and product function trends. Furthermore, mediating dynamic marketing capabilities during the social era of distancing and physical distancing are not obstacles to businesses not launching new products. Effective and efficient resources such as social media can be a platform for promotion of introductions and applications for product delivery into a business strategy that is cheap and appropriate during this pandemic.

### 5.2 Goodness of fit model index

Table 4 presents details of different measures for evaluating the goodness of the fit of the proposed study.

**Table 4**

Goodness of fit indices

Goodness of fit index	Cut off Value	Model Result	Information result
$\chi^2$ - Chi square	Expected to be small	698.260	deficient
Significance Probability	$\geq 0.05$	.335	ok
CMINDF	$\leq 2.00$	2.084	ok
GFI	$\geq 0.90 < 1$	.964	ok
AGFI	$\geq 0.90 < 1$	.902	ok
PGFI	$\geq 0.05 < 1$	.663	deficient
NFI	$\geq 0.95 < 1$	.967	ok
RFI	$\geq 0.95 < 1$	.950	ok
IFI	approaching 1	.926	ok
TLI	$\geq 0.95 < 1$	.916	ok
CFI	$\geq 0.95 < 1$	.926	ok
PNFI	$\geq 0.05 < 1$	.069	ok
PCFI	$\geq 0.05 < 1$	.020	ok
NCP	$\chi^2$ - Chi square	363.260	ok
RMSEA	between 0.03-0.08	.076	ok
AIC. BCC. BIC. CAIC.ECVI.MECVI	$\leq$ model independent =28.578	4.659	ok
Hoelter Critical N (1% and 5%)	$\geq 200$	201	ok

Sources: data analyze by authors

The results show the research model is acceptable because only two categories come out of desirable level (Arbuckle, 2016).

## 6. Conclusion

In this paper, we have presented an empirical investigation to study the effects of different factors such as Entrepreneurial orientation, Connecting, Value Innovation Capability and Dynamic marketing capability on marketing performance. The study has proposed eight hypotheses and confirmed that Entrepreneurial orientation had a significant positive effect on

marketing performance ( $\beta = 0.225$ , Sig. = 0.00), Market orientation has maintained a significant positive effect on marketing performance ( $\beta = 0.296$ , Sig. = 0.00) and Entrepreneurial orientation hold a significant positive effect on the ability of value innovation ( $\beta = 0.355$ , Sig. = 0.00). The study has also confirmed that entrepreneurial orientation has had a significant positive effect on increasing dynamic marketing capabilities ( $\beta = 0.354$ , Sig. = 0.00), while connecting markets has determined a significant positive effect on the ability to achieve value ( $\beta = 0.469$ , Sig. = 0.00). In our study, moving the market has proven to have the biggest effect to achieve dynamic marketing capabilities ( $\beta = 0.510$ , Sig. = 0.00). Moreover, Value Innovation Capability has significantly positive effect on marketing performance ( $\beta = 0.387$ , Sig. = 0.00). We hope the results of this survey help business owners in handicraft industry to build better business strategies.

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