



LOYALTY PERSPECTIVE ANALYSIS OF SMALL AND MEDIUM BUSINESS MARKETING ABILITY TO INNOVATE AND PERFORM GOOD

Finta Aramita

Management Study Program, Universitas Medan Area, Indonesia

Corresponding e-mail: fintaaramita@staff.uma.ac.id

Abstract

The production environment has changed to a knowledge and technology system. Competition in the marketing system has also evolved into a more global and innovation system, becoming a competitive environment in most countries and businesses. Companies must evolve and innovate to deal with intense competition and shifting consumer demands if they hope to succeed in the long term in today's global market economy. Small and medium-sized enterprises must seek new motivations and business strategies to better develop new goods and services and take into account new information and technological advances. For businesses to grow, innovation is essential. Traditional innovation literature, first published in 1934, focuses on the factory sector, competitive markets and developed economies. Compared to other countries, Indonesia has a much higher proportion of small businesses per capita. Over the years, SMEs have contributed to developing countries in Asia (including ASEAN). Small and medium-sized enterprises are cited in ASEAN countries as a key driver of economic growth and development, the foundation of national economies, the highest-paying industry, and a potential tool for poverty reduction. Especially after the Asian financial crisis, including Indonesia.

Keywords: Loyalty, Business Marketing, Innovations

1. INTRODUCTION

SMEs have a significant impact on the country's economic growth, as evidenced by their contribution to GDP. Data shows that SMEs in Indonesia have grown significantly. According to the State Ministry for Cooperatives and SMEs is defined as a business entity with a net worth of not more than two hundred million rupiah, excluding land and commercial property, and one billion in annual sales. Businesses known as Medium Enterprises are owned by Indonesian citizens who have net assets of more than two hundred million to ten billion (Nasution, 2020). A small business is an individual or legal entity that is already operating with a minimum annual income level or turnover of six hundred million. Except for the land and buildings they occupy, there are six hundred million people in the world, divided into two groups: (1) corporate entities and (2) individuals.

According to the Central Bureau of Statistics, small businesses are those with less than 4 employees, while medium-sized businesses employ between 20 and 99 people. In addition, Small Business as referred to in Law no. 9 of 1995 is a productive small business that meets the requirements for a net worth limit of two hundred million rupiah, excluding land and buildings for business premises or having sales proceeds. Banks can provide credit to customers up to one billion rupiah per year and fifty million rupiah. To qualify as a small business or small company, according to the World Bank, an organization must meet the following requirements: have fewer than 30 employees; generates an annual revenue of less than three million; and has total assets of three million. Medium Enterprises or UM are companies that meet the following criteria: a maximum of three hundred employees; annual income of up to fifteen million; and total assets of up to fifteen million (Nasution, 2020).

Medium Enterprises as described in Presidential Instruction No. 10 of 1998 is a successful company with a net worth of more than two hundred million, a maximum of ten billion rupiah, excluding land and buildings for business premises, and can be given a bank loan. Changing five hundred million rupiah into five billion rupiah. The two components from a resource-based perspective, namely resources and capabilities, are intended to ensure a business' competitive advantage. Resources in the form of material and intangible assets are associated with business, while capabilities are associated with how businesses carry out various tasks and activities and depend on the resources they have access to (Grant, 1996). Company. These factors include technological capital and innovation in human resource management techniques. Intangible resources and business capacities are critical to sustaining a competitive advantage based on implicit knowledge and non-codified data, which are more difficult for competitors to imitate, according to previous research. Intellectual capital is an important strategic asset that combines elements from the social, organizational, and human domains. This domain includes relationships with customers, suppliers and partners as well as personality traits, knowledge, skills and abilities (Nasution, 2021).

Other resources are culturally specific and focus on the interpersonal traits and abilities of business owners and corporate parties in establishing business relationships, networking, and interacting with clients and partners. Owner/manager commitment to driving product development, customer focus, technology, and market anticipation have been found by Laforet and Tann to be drivers of innovation in small and medium enterprises. Previous research has shown that the sustainable and sustainable development of a country's productivity and economic competitiveness requires the utilization of resources to support strategic investments in various industries. This understanding of external resource availability and commercial innovation competencies can be gained from studies of national innovation capacities and systems. A country's national innovation capacity refers to its capacity to create new ideas and ultimately commercialize a steady stream of innovative technologies (Nasution, 2019). National innovation systems allow local economies to access technological advances more quickly. Environmental economics also disseminates knowledge.

The institutional environment can impact company operations, personnel management, customer and competitor relations, and interactions with public and private institutions (Nasution et al, 2019). Understanding the importance of these variations can encourage businesses to research them in order to create more successful business plans and take better advantage of innovation opportunities. Innovation is essential for the functioning of business in contemporary society. Business is a center of activity that includes all efforts and conditions of conduct to facilitate value creation, competitive advantage, and business performance. Depending on the discipline, innovation can mean different things. A microeconomic perspective on innovation that considers entrepreneurial innovation is one of the earliest contributions to the classic literature on innovation. The expression "creative destruction" is also used by Schumpeter (1993) to describe a process of discovery and creation that is constantly eliminating the old and inventing the new. Innovation is defined as the capacity of an organization to identify, acquire, and implement tasks and ideas that take various forms, such as management and administration, internal culture, services, distribution channels, and marketing segmentation methods. It can be characterized as a fundamentally new invention, advancement of a current system or item, or even the diffusion of an innovation into a new industry.

Identification, measurement, and development intensity as a company-wide indicator for assessing innovation is a major topic of literature research. These input sources include money and human resources. A company's innovation activity and business performance growth can also be evaluated using additional metrics such as sales growth, return on investment, return on assets and market capitalization. The three factors of sales growth, return on investment, and innovation are significant and statistically significant.



2. RESEARCH METHODS

Based on the model developed, the purpose of this research is to use this quantitative approach. This analysis can build statistical evidence about the strength of the relationship between variables using a quantitative approach. Because of its many benefits, a survey method was chosen to collect data. With consideration based on the model developed, the purpose of this research is to use this quantitative approach. This analysis can build statistical evidence about the strength of the relationship between variables using a quantitative approach. Because of its many benefits, a survey method was chosen to collect data. The total number of indicators in this study is 66, so the sample used is $66 \times 10 = 330$ samples in the study. Senior management, including the Director, are considered key informants because they are responsible for managing all activities, especially those involving innovation, and they have a general understanding of corporate strategy and issues related to small and medium enterprise innovation practices. Director/ Head/ Senior Manager, Main Manager/ General, and Owner. Supervisors/Managers.

3. RESULTS AND DISCUSSION

The majority of respondents are male (77.16%), age range > 40 years (33.33%), married (87.96%), and work as a leader/owner (73.15%), according to the demographic characteristics of the respondents . As shown below.

Table 1. Demographics

	<i>F</i>	%
Gender		
Man	250	77.16%
Woman	74	22.84%
Age		
21-25	4	1.23%
26-30	43	13.27%
31-35	78	24.07%
36-40	91	28.09%
> 40	108	33.33%
Marital status		
Not married yet	39	12.04%
Marry	285	87.96%
Position		
Leader/Owner	237	73.15%
Manager	74	22.84%
Supervisors	13	4.01%
Amount	324	100%

Based on testing hypotheses 1 and 3, the microenvironment has a positive and significant effect on the performance and expansion of small and medium enterprises. This conclusion is supported by the fact that owners and managers of small and medium enterprises have set strategic priorities for putting into practice or creating new ideas. These strategic priorities and guidelines emphasize long term goals by incorporating innovation as a strategic objective and anticipate their market related activities. In the long term, see new possibilities, actively take part in new initiatives, and allocate funds for development and research projects. In addition, these results are consistent with previous research, particularly in the area of organizational culture. This result can be explained by the fact that internal small and medium enterprises are created and practiced through creative methods and learning techniques. Apart from exchanging new knowledge and skills, small and medium enterprises also get ideas from outside sources. The majority of small and medium enterprises also have a simple internal structure.

Testing hypotheses 2 and 4 shows that there is no significant correlation between the innovation performance of small and medium enterprises with business growth and the macro environment, in contrast to the findings of several previous studies. In addition, this finding is

Finta Aramita

different from previous studies, especially those that have concentrated on sources of funding for small and medium enterprises. The results of testing Hypothesis 5 support several previous studies which found a significant and positive correlation between small and medium enterprise innovation and business growth performance. Innovation and its importance are recognized as having a beneficial effect on economic growth, competitive advantage and business development performance. Small and medium enterprises, in particular, avoid expanding marketing efforts in markets dominated by large and environmentally conscious companies. When introducing innovations, keep economics in mind.

4. CONCLUSION

Small and medium enterprises can discover and develop new techniques for identifying, acquiring and implementing ideas, innovation can become a fundamental activity in marketing involving all small and medium enterprises and loyalty behavior patterns. The internal and external environment, as well as the determining and driving factors, must be considered by small and medium enterprises in order to be able to provide comprehensive education about the potential for sustainable innovation. By examining data from the Indonesian region, especially Aceh Province, this research adds to the body of knowledge in the field of marketing management and innovation. By paying more attention to the activities of small and medium enterprises, plans, policies and programs to support national innovation are expected to be determined by the government. This can be achieved by carrying out targeted reforms that support national innovation through regional innovation using various approaches related to work tools, organizational support, laws and regulations, input of funds, education,/ capacity building of business actors and market structure. businesses must be prioritized.

REFERENCES

- Adams, G. dan Hall, G. 1993. Influences on Growth of SMEs: An International Comparison. *Entrepreneurship and Regional Development International Journal*, Vol.5, No.1, pp.73-84.
- Aharoni, Y. 1994. How Small Firms Can Achieve Competitive Advantages in an Interdependent World, in T. Agmon and R. Drobbsnick (eds.. *Small Firms in Global Competition*, N.Y.:Oxford University Press.
- Al-Abd, Y, Mezher, T dan Al-Saleh, Y 2012. Toward Building a National Innovation System in UAE. paper presented at the Technology Management for Emerging Technologies (PICMET) Conference, British Columbia, 29 July.
- Ali, A. Ciftci, M. dan Cready, W. 2008. Does the Market Underestimate the Implications Of Changes in R&D investment for Future Earnings?. Working Paper, University of Texas at Dallas and SUNY at Binghamton.
- Allocca, M.A. dan Kessler, E.H. 2006. Innovation Speed in Small and MediumSized Enterprises. *Creativity and Innovation Management*, Vol.15, No.3, pp.279-295.



- Aragon-Sanchez, A. dan Sanchez-Marin, G. 2005. Strategic Orientation, Management Characteristics, and Performance: A Study of Spanish SMEs. *Journal of Small Business Management*, Vol.43, No.3, pp.287-308.
- Avci, U. Madanoglu, M. dan Okumus, F. 2011. Strategic Orientation and Performance of Tourism Firms: Evidence from a Developing Country. *Tourism Management*, Vol.32, pp.147-157.
- Bacon, N. Ackers, P. Story, J. dan Coates, D. 1996. It's a Small World: Managing Human Resources in Small Businesses. *International Journal of Human Resources Management*, Vol.7, No.1, pp.82-100.
- Badan Pusat Statistik (BPS). 2015. Jumlah Usaha Kecil, Menengah dan Besar Menurut Sektor Ekonomi Tahun 2012 - 2015, Badan Pusat Statistik. Retrieved April 19, 2016, from <http://www.bps.go.id>
- Badan Pusat Statistik (BPS). 2016. Sensus Ekonomi Tahun 2016, Badan Pusat Statistik. Retrieved November 29, 2016 from <http://www.bps.go.id>
- Bank Indonesia; <http://infoukm.wordpress.com>
- Barclay, D, Higgins, C dan Thompson, R. 1995. The Partial Least Squares (PLS) Approach to Causal Modeling: Personal Computer Adoption and Use as an Illustration. *Technology Studies*, vol.2, no.2, pp.285-309.
- Beinhocker, E.D. 1997. Strategy at the Edge of Chaos. *McKinsey Quarterly*, No.1, pp.24-39.
- Bijmolt, T. dan P.S.Zwart. 1994. The Impact of Internal Factors on Export Success of Dutch Small and Medium-Sized Firms. *Journal of Small Business Management*, 32(2).
- Blumentritt, T. dan Danis, W. 2006. Business Strategy Types and Innovative Practices. *Journal of Management Issues*, Vol.18, No.2, pp.274-291.
- Bougrain, F dan Haudeville, B. 2002. Innovation, Collaboration, and SMEs Internal Research Capacities. *Research Policy*, vol.31, no.5, pp.735-747.
- Brem, A. and Voigt, K-I. 2009. Integration of Market Pull and Technology Push in the Corporate Front End and Innovation Management-Insights from the German Software Industry. *Technovation*, Vol.29, No.5, pp.351-367.
- Byrne, BM. 2001. Structural Equation Modeling with AMOS, EQS, and LISREL: Comparative approaches to testing for the factorial validity of a measuring instrument. *International Journal of Testing*, vol.1, no.1, pp.55-86.
- Cefis, E. dan Marsili, O. 2005. A Matter of Life and Death: Innovation and Firm Survival. *Industrial and Corporate Change*, Vol.14, No.6, pp.1167-1192.
- Chan, C dan Makico, S. 2004. Legitimacy and Multi-Level Institutional Environments: Implications For Foreign Subsidiary Ownership Structure. *Journal of International Business Studies*, vol.38, no.4, pp.621-638.
- Chirico, F. dan Salvato, C. 2008. Knowledge Integration and Dynamic Organizational Adaptation in Family Firms. *Family Business Review*, Vol.21, No.2, pp.169-181.
- Cooke, P, Uranga, M dan Etxebarria, G. 1997. Regional Innovation Systems: Institutional and Organizational Dimensions. *Research Policy*, vol.26, no.4/5, pp.475-491.
- Damanpour, F, Szabat, K dan Evan, W. 1989. The Relationship Between Types of Innovation and Organizational Performance. *Journal of Management Studies*, vol.26, no.6, pp.587- 601.
- Davila, T. Epstein, M. dan Shelton, R. 2006. Making Innovation Work: How to Manage it, Measure it, and Profit From it, Wharton School Publishing, Upper Saddle River.
- Deshpande, R, Farley, J dan Webster, F. 1993. Corporate Culture, Customer Orientation, and Innovativeness in Japanese Firms: A quadrate Analysis. *Journal of Marketing*, vol.57, no.1, pp.2357.

- Dharmanegara, I.B.A. Sitiari, N.W. dan Wirayudha, D.G.N. 2016. Job Competency and Work Environment: the Effect on Job Satisfaction and Job Performance Among SMEs Worker. IOSR Journal of Business and Management (IOSR-JBM). Vol. 18, Issue 1.Ver. II (Jan. 2016). PP 19- 26. DOI: 10.9790/487X-18121926
- Di Maggio, PI dan Powell, WW. 1983. The Iron Cage Revisited - Instructional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review*, vol.48, no.2, pp.147-160.
- Dougherty, D. dan Hardy, C. 1996. Sustained Product Innovation in Large, Mature Organizations: Overcoming Innovation-ToOrganization Problems. *Academy of Management Journal*, Vol.39, pp.1120-1153.
- Nasution, D. A. D., Barus, M. D. B., & Tasril, V. (2020). Peningkatan Daya Saing Bumdes untuk Pengembangan Ekonomi Desa Pematang Serai di Kecamatan Tanjung Pura Kabupaten Langkat. *JMM (Jurnal Masyarakat Mandiri)*, 4(3), 319-329.