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The Impacts of Marketing and Supply Chain Operational Capabilities on Business Performance in Indonesian Creative Industry

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Abstract: This study aims to investigate further with the empirical data is associated with the theory of marketing capability and supply chain operational capabilities and its impact on business performance in Indonesian creative industry. Articles related to marketing, supply chain operational capabilities, and business performance were collected and analyzed. The study literature shows that there are less studies investigate the relationship between marketing, supply chain operational capabilities and business performance in creative industry. This study involved 350 respondents with the main focus on Indonesia creative industry, such as publishing / printing, advertising and handcraft. This study found that marketing capability is not correlated to business performance in Indonesia creative industry. Similarly, the results also suggest that marketing capability has not significantly affect to supply chain operational capabilities and not fully mediates the relationship between marketing capability and business performance in Indonesian creative industry. Meanwhile, the supply chain operational capabilities are related to improve their business performance. The results of the investigation in this study will create a major contribution to the development of Indonesian creative industry to identify which functions need to be developed.

Keywords: marketing capability, supply chain operational capabilities, business performance, creative industry

INTRODUCTION

Creative industry has been nominated as one of the most important sectors in Indonesia since 2000s. According to Simatupang (2008), the creative industry is the industry that is capable of producing well-being by offering intellectual work with the main supporting elements include: creativity, expertise and talents. The development of creative industry had been contributed to support the economy of Indonesia. Despite their small scale of economic, creative industry could be sustained, saved job opportunities and preserve the culture of Indonesia. The advantages of creative industry compare to other sector are the raw materials could be obtained in domestic market and the level of organization. However, creative industry

also has disadvantages in several issues, such as, human resource management, finance and marketing. The incapability to overcome these issues might impact on the performance of creative industry.

Some researchers conclude that the relationship between marketing and supply chain operational capabilities have positive impact on improving business performance. Some researchers have previously been examined this relationship in other sectors, but there has been less investigation of this relationship in creative industry. In addition, these two marketing and supply chain operational capability issues have been studied separately. The different groups of researches have been connected the two issues to business performance. Furthermore, some researchers believe that the role of marketing and supply chain operational capability could impact on business performance. Therefore, this study investigated the relationship between marketing and supply chain operational capability on business performance and identified which have significant role to business performance in Indonesia creative industry. We adopt previous research model of Yu *et al.* (2014), as they suggested that their model should be further investigated with more functional capabilities. Therefore, we also adopt a construct from the previous research of Zulkifli (2010), which introduce the relationship of supply chain operational capabilities and business performance in Malaysian SMEs. The results of this study are expected to provide an input to the model of improving the performance of creative industry.

LITERATURE REVIEW

Marketing Capability and Business Performance

The function of marketing in short and long term is increasing the revenue through improving satisfaction of customer. Song *et al.* (2007) claim that all activities in a company will be integrated to provide satisfaction to the customer. The role of employees to apply their marketing knowledge and combine with other resource is critical. If a company has high marketing capability, the loyalty of customers and networks could be sustained (Nath *et al.*, 2010). In addition, the marketing capability will help the company to build strong image of product, which in turn to increase business performance. Some previous research show that marketing capability has a significant impact on business performance (Nath *et al.* 2010; Vorhies and Morgan, 2003). However, Yu *et al.* (2014) found that marketing capability has not a significant impact on business performance in UK retail. Therefore, this study proposes a hypothesis as follow.

H1: Marketing capability has a positive impact on business performance

Marketing and Supply Chain Operational Capabilities

There are few empirical researches investigate the relationship between marketing and operations capability Yu *et al.* (2014). Some researchers believe that marketing capability is an antecedent of operations capability. When a company could improve their marketing capability so that this will also lead to improve operations capabilities. For example, customers have strong image because the product has been processed in high quality control. This will impact on the customers' decision to repurchase the product. The market knowledge will impact on the supply chain operational capabilities in terms of repositioning their structural capability to provide the customer needs. The marketing capability will impact on the logistical capability in terms of reducing costs and improving the time of delivery. In addition, the marketing capability will support the firm to apply better technology to provide high quality of product and improve the integration between

functional areas within the firm. As the company aims to satisfy their customers, all activities in supply chain operational capabilities will be integrated to provide high quality products. For this reason, a company needs to improve their innovative process, such as, new product development, delivery process, and flexibility. Innovative process will lead to reduce waste and costs. Therefore, the relationship between marketing capability and supply chain operational capabilities to business performance needs to further investigation. Based on those arguments, this study proposes a hypothesis as follow.

H2: Marketing capability has a positive impact on supply chain operational capabilities

Supply Chain Operational Capabilities and Business Performance

Supply chain operational capabilities include structural capability, logistical capability and technological capability. A firm could obtain more benefits from applying superior supply chain operational capabilities. The benefits of having high capability in supply chain are the process will be more efficient, reduce costs, increase flexibility, and improve quality. The capability of a firm to manage supply chain activities has a positive relationship to the whole activities in upstream and downstream sides (Cho *et al.*, 2008). A manager should apply the knowledge to manage the relationship both internal and external organization (Bowersox and Daugherty, 1995). In addition, the logistical capability will help to integrate marketing, finance and operations functional areas to achieve high business performance (Ellinger *et al.*, 2000). In line with this, technological capability play an important role to improve the relationship between functional areas inside the firm as well as outside, such as suppliers and customers. These capabilities will lead to become the source of competitive advantages for a company (Morash, 2001). There are some previous researchers found that there is significant relationship between supply chain operational capability and business performance. According to those point of views, this study proposes a hypothesis as follow.

H3: Supply chain operational capabilities has a positive impact on business performance

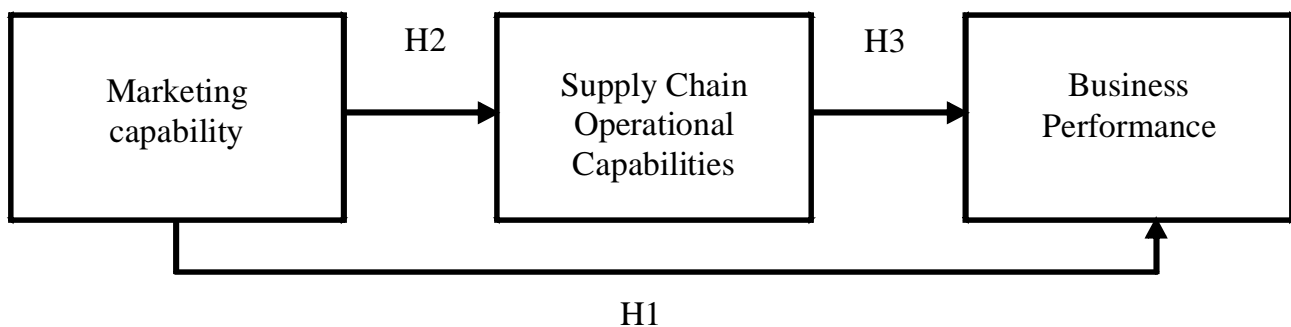


Figure 1: Conceptual Framework

RESEARCH METHOD

The population of this study is creative industry in Indonesia which are involved in the area of advertising, publishing and handcraft. The sample was target the owner as well act as manager of creative industry. There were 500 questionnaires sent out, 150 were in completed so that 350 questionnaires were further analyzed. Thus, the response rate of this study is 70 percent and it is considered as high response rate. The results of demographic characteristics of these 350 respondents are reported in Table 1. The five Likert

scale is applied in the questionnaires. The literature review was conducted to support the final questionnaire. This study analyzes the relationship between three constructs and each construct has three observed so that the total is nine observed variables.

Table 1
Profile of 350 respondents

	<i>Number of firms</i>	<i>Percent</i>
Less than 5 years	85	24.3
6 – 10 years	215	61.3
More than 10 years	50	14.3
Less than 5 employees	150	42.9
6-10 employees	190	54.3
More than 10 employees	10	10

The measures used in this study for marketing capability, supply chain operational capabilities, and financial capability are reported in Table 2 as follow.

Table 2
Measurement Scales

Marketing Capability (MC)	The volume of sales (MC1) Knowledge of market interest (MC2) Forecasting (MC3)
Supply chain operational capabilities (SCOC)	Knowledge of supply chain operational capabilities (SCOC1) Logistics process (SCOC2) Technology use (SCOC3)
Business Performance (BP)	The growth of market share (BP1) The revenue (BP2) The quality of product (BP3)

RESULTS AND DISCUSSION

Structural equation model (SEM) was used in this study to test the hypothesized in our conceptual framework. The results of structural model using AMOS 20 are reported in Table3. The overall fits of the structural model are good, the RMSEA less than 0.10 (Kline, 1998), CFI and TLI well above the recommended threshold of 0.90 (Hu and Bentler, 1999).

Table 3
Results of hypotheses using SEM

<i>Structural Paths</i>	<i>Regression Weight</i>	<i>Critical Ratio</i>	<i>Probability (p)</i>	<i>Hypothesis test</i>
Marketing Capability → Business Performance	-0.014	-0.175	0.861	Not supported
Marketing Capability → Supply chain operational capability	0.059	0.240	0.810	Not supported
Supply chain operational capability → Business Performance	0.600	2.708	0.007	Supported
Model fit statistics: CMIN/DF = 1.917 RMSEA = 0.051 TLI = 0.922 CFI = 0.915				

As shown in Table 3, the results indicate that marketing capability has not a significant and negatively related to business performance, which lends not support H1. As having few resources in managing marketing activities, creative industry could not recognize the relationship between marketing capability and business performance. They have some obstacles to integrate their activities if the owner or manager have lack of knowledge in marketing. In line to this, Yu *et al.*, (2014) found that marketing capability has no direct relationship to business performance. The result shows that the relationship between marketing capability is indirect so that it is possible that this marketing capability should be mediated by other constructs to improve the business performance. The result also show that marketing capability enable other functional to enhance business performance.

Similarly, the structural model shows that marketing capability has not a significant impact on supply chain operational capabilities. Hence, H2 is not fully supported. Most of the marketing and supply chain activities are done by the owner or manager of creative industry but could not recognize the relationship between the two constructs. This result also depicts that interorganizational and interpersonal are not fully adopted in Indonesia creative industry. Logistical activities are mostly done by creative industry so that they have no strong relationship with 3PL. Lack of resources will lead to inability to identify the current customer needs as well as forecast their demand. Furthermore, creative industry is difficult to apply such high technology in their operations because of lack of resources. In other words, as Indonesian creative industry has lack of knowledge in improving strong marketing capability and supply chain operational capabilities so that they have difficult to examine the relationship between the two constructs.

However, supply chain operational capabilities have significant direct effect on business performance. As such, H3 is accepted. The result shows that business performance of creative industry can be achieved with the help of a strongly supply chain operational capabilities. It indicates that creative industry focus on this supply chain operational capabilities to enhance their overall business performance. Previous research shows that structural and technological have a significant impact, but logistical capability has not significant impact on business performance (Zulkifli, 2010). In addition, Yu *et al.*, (2014) found that operations capability has positive impact on the financial performance in the UK retail. The last research also investigated that operations capability has mediated the relationship between marketing capability and financial performance. However, this research found that supply chain operational capability has not successfully mediated the relationship between marketing capability and business performance. Therefore, this research need to further study with the aim to investigate this relationship.

CONCLUSION

Based on this research model, we concluded that the marketing capability has not direct relationship to the business performance in Indonesian creative industry. This result support the previous researches as well as investigated this relationship. Marketing capability has not significant impact on supply chain operational capabilities. However, supply chain operational capabilities have significant impact on business performance. Furthermore, supply chain operational capabilities mediate the relationship between marketing capability and business performance. The results of this study suggest several points: 1) the further study need to investigate this model to other sectors for generalization of the model; 2) this study has limitation to adopt control variables in the stage of analysis, which can enrich the result of the study; 3) the constructs used in

this study should be added and examined using different approaches to enhance the model and generalizability of theory.

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