

# THE RELATIONSHIP BETWEEN ENTREPRENEURSHIP SOCIAL COMPETENCE AND MARKETING PERFORMANCE IN INDONESIAN SMES: THE ROLE OF BUSINESS NETWORKING AND PRODUCT INNOVATION

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**Abstract:** *The purpose of this study is to investigate the influence of entrepreneurship social competence on product innovation as well as to build business network to improve the performance of Small to Medium Sized Enterprises (SME) in Indonesia. This paper uses purposive sampling as sampling technique based on certain criteria. Criteria for the selected population is SME owner which specializes in manufacture, trading and service industry. Selected respondents in this study are 200 respondents. The author uses Structural Equation Modeling (SEM) as data analyses tool by using AMOS program. Result testing shows that entrepreneurship social competence significantly influences business network development and it also has direct impact on marketing performance. Business network and product innovation significantly influences SME's marketing performance of food industry in Banten Province Indonesia. This study is expected to contribute on Resource based View Theory. An organization needs to develop its entrepreneurship social competence, which becomes tacit knowledge of an organization to build business network as well as to enlarge SME's marketing performance. Previous studies only discussed on how social competence can improve business network. There is lack of studies which investigated on how entrepreneurship social competence can improve business network and marketing performance.*

**Keyword:** *Entrepreneurship Social Competence, Business Network, Product Innovation*

## INTRODUCTION

A country will be flourished and developed if it minimally has 7.2% entrepreneurs of the entire population in the country (Mc Clelland, 1961). The amount of SME in Indonesia is very fluctuate about 2% of the entire population. This amount is really affected by the lack of competence owned by entrepreneurs (Ahmad et al., 2010), low ability to build strong business network (Granoveter, 1985) and low rate of product innovation by SME (Suendro, 2010). Competence owned by entrepreneurs

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enable them to communicate both internal and external parties through social interaction (Baron & Markman, 2003). Social competence enables entrepreneurs to build and enlarge their business network (Meutia, 2012; Ismail, 2015).

Social competence owned by entrepreneurs plays an important role in determining their achieved result (Baron & Markman, 2003). Nevertheless, social competence in social relationship and interaction sometimes hinder and limit an access to get adequate information if this information is specially meant for certain group. As a result, it will not significantly affect organizational performance (Murphy, 2002). Although there is a positive influence of social capital on organizational development, some researchers argued that social relationship will not always improve innovation process (Glaeser et al., 1995; Putzel, 1997). There have been a lot of researchers that investigate social competence in their previous studies. Unfortunately, most of them only studied about how social competence can improve business network, therefore there is a lack of studies that investigate how entrepreneurship social competence can improve business network and marketing performance. Besides, studies about social competence are mostly performed in developed countries, and rarely performed in developing countries.

The development of SME's business performance is an important thing to enlarge market and improve marketing performance both in local and global market. Efforts to develop this kind of business network is also an important thing especially to improve economic activities, efficient business management, and market enlargement. Based on the explanations above, we conclude that SME has main competitive advantage.

Higher product innovation will influence marketing performance (Suendro, 2010). Furthermore, technical innovation positively influences marketing performance (Wahyono, 2002). On the other side, most SME does not have the courage to perform product innovation since this kind of innovation is costly yet has vague market (Meutia, 2012). It causes low impact of product innovation on marketing performance. Previous papers have investigated the relationship between social competence and business network, though studies that investigated on how entrepreneurship social competence can improve business performance is still limited. This study investigates the relationship between social competence, product innovation, business network and SME's marketing performance. Competence used in this study is entrepreneurship social competence. The construct of entrepreneurship social competence is rarely used in former studies.

This paper is arranged into five sections. In the second section we elaborate literature review and hypothesis development. Third section presents method,

and fourth and fifth sections explain result and conclusion.

## LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### **The Relationship Between Entrepreneurship Social Competence, Business Network, Product Innovation and Marketing Performance**

Competence is a higher individual's ability compared with other individuals (Learner & Almor, 2002). Competence can be defined as knowledge, skill and ability to fulfill and reach effective work result (Boyatzis, 1982; Brophy & Kiely, 2002). Entrepreneurship competence is needed to start a new business, while managerial skill is needed to develop business (Man et al., 2002).

Entrepreneurship competence is viewed as an important factor in business growth and development (Man et al., 2002). Effort competence is an adequate knowledge, skill and ability to fulfill needs (Man et al., 2002). Some variables that represent effort competence are: knowledge, cognitive ability, self-management, administration, human resources, decision skill, leadership, opportunity recognition and opportunity development (Baum et al., 2002).

Social competence is the entire effectivity owned by entrepreneurs in their interaction with other people (Spence, 1999). Entrepreneurship social interaction enables entrepreneurs to enlarge batik business development in Indonesia (Meutia, 2012; Ismail, 2015). Social interaction in cooperation makes respondents and their business colleagues create a closed familial relationship (Lee et al., 2001, Meutia, 2012; Ismail, 2015).

There are two aspects in competence. First aspect is its natural trait and second aspect is unnatural characters (Muzychenko & Sae, 2004). Natural competence aspects includes trait, behavior, personal image and social role, while unnatural competence aspect includes working competence via practical learning and theoretical one that includes skill, knowledge and experience (Muzychenko & Sae, 2004).

Natural competence aspect is considered as an "internalized element" (Bartlett & Ghoshal, 1997), while learned competence aspect is frequently considered as an "externalized element" (Muzychenko & Sae, 2004). Internalized competence is called as social competence and externalized competence is called as entrepreneurship competence (Man et al., 2002). Both competence aspects are called as entrepreneurship social competence. In this study entrepreneurship social competence is defined as entrepreneur's ability to express themselves in building social relationship through relational competence development and social interaction based on familial spirit, so as to build business network in business environment.

Social interaction can be used as capital in business network creation, especially in small to medium sized enterprises in Indonesia. Emerging value in

social interaction can strengthen the relationship between entrepreneurs and their partners and it will finally create strong business network (Man et al., 2002). To face global threat, SME has to be strongly empowered so as they can compete with their other business performer. One effort to strengthen SME's competitive advantage is through business network creation (Gupta & MacMillan, 2004). Resources quality owned by someone will influence business network creation via their business network (Greve & Salaff, 2003).

Anyone who has high social competence will express more social attention, behaves more sympathetically, prefers to help, and has larger love. This trait will ease them to do interaction, make proper social relationship, and perform good communication that will finally influence the development of business network. Social capital is one of the features in social organizations. Social capital can be network structure, norms and belief that will facilitate coordination and cooperation to reach simultaneous mutualism in a community (Putnam, 2000).

Social capital is a collective inimitable knowledge. This capability will develop in a certain period that leads in employee's trait and talent to create value and will finally reach competitive advantage (Wright et al., 1998). High rate of social capital (in the form of reputation, larger social work network, and so on) will help entrepreneurs provide important access to reach organizational success (Baron & Markman, 2003).

Innovative environment is characterized by intensive interaction among organizations such as physical and institutional elements, local labor market, and the willingness to study (Maillat & Lecoq, 1992; Maillat, 1995). Social aspect of a business shows an important bond or main social relationship to improve innovation both in developed and developing countries (Malecki, 1997; Mytelka, 1993; Powell, 1990; Storper & Salais, 1997). Previous studies showed that social relationship among manufacture companies could improve innovation, support capacity formation and encourage mutualism learning process (Flora & Flora, 1993; Humphrey & Schmitz, 1996; Powell, 1990; Storper & Salais, 1997). Murphy (2002) also showed that open social relationship will improve innovation. Based on empirical results we build hypotheses as follow:

- H1: The higher entrepreneurship social competence, the larger business network will be.
- H2: The higher entrepreneurship social competence, the higher marketing performance will be.
- H3: The higher entrepreneurship social competence, the higher product innovation will be.

### **The Relationship Between Product Innovation and Marketing Performance**

Innovation is an end result from individual's creative thought which is realized into a product (Hurley & Hult, 1999). Innovation is a result of learning process which is needed in a dynamic socio economy context. Innovation becomes organization's adaptation in a dynamic environment (Hurley & Hult, 1999). Amabile et al. (1996) states that innovation is an application result of creative ideas in an organization. Therefore, an organization is asked to be able to create new ideas and offer innovative products. Innovation is an important variable that determines performance (Wahyono, 2002).

Product innovation is an important way for an organization to be able to adapt with market, technology and competition (Dougherty & Corse, 1996). Product innovation is defined as a new product or service which is recently introduced in a market to fill market needs (Damanpour, 1991). Lukas & Farell (2000) classified product innovation into three based categories, they are "product line extensions, me-too products and new to the world product". Product line extensions is a relatively new product in a market, but it is not a new product for an organization. Me-too product is a relatively new product for the organization, but is has already been known in the market. New to the world product is a relatively new product both in the market and for the organization. Van Geenhuizen & Indarti (2005) found out that product innovation is the most important innovation, such as new product's design and new kind of product in furniture industry in Indonesia.

Product innovation becomes a barometer to indicate organizations' success in creating better product compared with their competitor. New product advantage is an important thing in competitive global market. This kind of advantage is closely related with product innovation development that will finally produce market advantage that will win the competition.

There are three product innovations, they are: product advantage, product resemblance and product cost (Gatignon & Xuereb, 1997). Li & Calantone (1998) stated that product's uniqueness can be defined as the most important attribute in product advantage, that will be influenced by innovativeness and high rate of technology, as a result an organization will create customized product to fill customer's needs.

To develop a new product, an organization has to consider the new product deeply, so as it will reach success and win the competition in the market (Song & Parry, 1997). Product innovation ease an organization in marketing process. New product advantage has some characteristics, they are: product characteristic, unique shape and product packaging, satisfying post selling service, product pioneering, kinds and product multifunction.

Organizational innovation determines organization's ability to create customized product which suites with customer's specification. Continuous product innovation will drive an organization to be the leader in the market. The higher product innovation, the higher marketing performance will be (Weiss & Heide, 1993; Han & Srivastava., 1998; Suendro, 2007). Basically, innovation fills market demand and product innovation, and it becomes organizational competitive advantage (Dawyer, 1987). Based on the explanations above, we propose fourth hypothesis as follow:

H4: The higher product innovation, the higher marketing performance will be.

### **The Relationship Between Business Network and Marketing Performance**

Business network is a decisive factor in business success since it can distribute information, exchange mutualism information. Business network will be able to provide additional value for their members by letting them access social resources implanted in a network (Flora & Flora, 1993; Malecki, 1997; Woolcock, 1998; Florin et al., 2003). Network will provide instruments for entrepreneurs of small to medium sized enterprises (SME) to reach external resources needed for an organization (Jarillo, 1989). Entrepreneurs need to develop a proper relationship with external environment to develop business growth (Fischer & Reuber, 2003). Business growth will be influenced by some factors, one of the factors is business network (Fischer & Reuber, 2003).

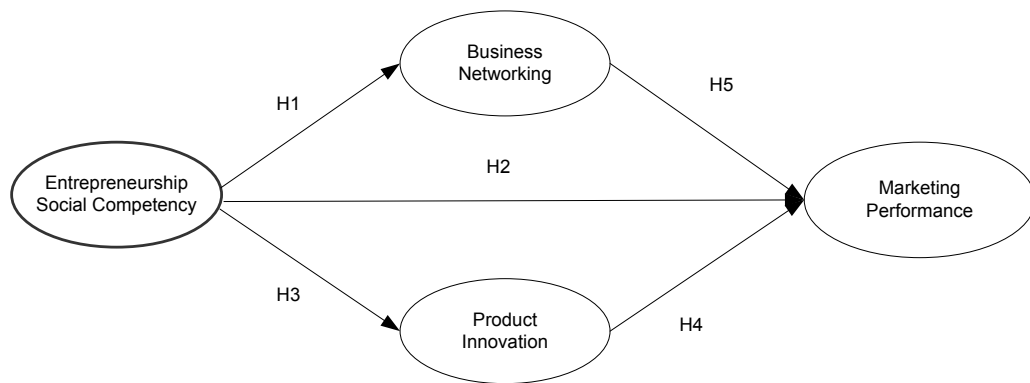
Good organizational performance shows successful and effective organizational behavior (Slater & Olson, 2001). Success rate of a business can be seen from marketing, financial and resource performance owned by an organization. Network theory shows that the owner's ability to get scarce resource access through a network will improve business success (Zhao & Aram, 1995). Individual who has business network with family and relatives tend to have larger informational access compared with other individual who does not (Granovetter, 1985). The owner of an organization needs to develop a closed relationship with external environment to improve business growth (Fischer & Reuber, 2003). Closed relationship with supplier will provide strong contribution to improve organizational performance, such as cost efficiency, quality improvement, reliability and input needs fulfillment. Besides, supplier can improve informational resources on market development, new technology, competitor's threat (Terziovski, 2003). Network will improve long term performance (Uzzi, 1997). Entrepreneurs who have good mixture of network will be effectively reach their target compared with other entrepreneurs who have weaker social relationship (Cook, 1992; Elfring & Hulsink, 2007; Szabó, 2007). Network quality will result belief that pushes marketing performance. Marketing performance will be improved if network intensity quality is developed, and as a result it will emerge belief. Based on the explanations above we propose fifth hypothesis as follow:



H5: The larger business network, the higher marketing performance will be.

This model is built by analyzing entrepreneurship social competence, product innovation, business network and marketing performance in SME which specializes in food industry in Indonesia. Based on previous results that became the foundation to build hypothesis, the author presents theoretical framework as depicted in figure 1.

**Figure 1: Theoretical framework**



## RESEARCH METHOD

Population in this study is the owner, manager or both in SME in Indonesia. Selected respondents are entrepreneurs who often get training from department of trade and industry co-operative Banten, Province. Data collection is performed by distributing questionnaires directly to respondents in 2014. Purposive sampling is used as sampling technique by purposively selecting samples based on certain criteria. These criterias are minimum 3 years experience and continuous production. This study is performed for SME owner in Banten Province, Western Java, and Eastern Java. Data is got by directly visiting SME owner and distribute 210 questionnaires by collector to each province. There are 5 persons for each province. Of 210 questionnaires, there are 10 questionnaires which is not completely answered by respondents, it means there are 200 questionnaires used in this study.

Samples used in this study are 200 respondents. Data is analyzed by using Structural Equation Modelling (SEM) and software AMOS program as aid tool. This study is built by using four variables they are: entrepreneurship social competence, product innovation, business network and marketing performance. Each variable has indicator as aid tool to measure each construct.

Indicators built to measure entrepreneurship social competence construct adapted by Baron & Markman (2003) and Ahmad et al. (2010). It is a combination of entrepreneurship social competence dimension and entrepreneurship competence. Entrepreneurship social competence is an ability to build social relationship (esc1), ability to build business relationship based on social relativeness (esc2), ability to build social closeness with employee (esc3), ability to build social closeness with customer (esc4), ability to build social closeness with supplier (esc5), ability to build social closeness with business performer (esc6), ability to build social closeness with financial institution (esc7) and ability to build social closeness with environmental institution (esc8).

Business network intensity is a mutualism relationship between individual and organizations to enlarge product marketing distribution (Björkman & Kock: 1995). Indicators used to build business network variables based on Björkman & Kock (1995) study. These variables are the amount of network with production sector (bn1), the amount of network with supplier (bn2), and the amount network with distribution channel (bn3).

Product innovation is innovative rate of an organization in product design. According to Dougherty & Corse (1996), product innovation is an important way for an organization to adapt with market, technology, competition. Indicators used in product innovation variable based on Dougherty & Corse (1996), they are product development (ip1), the amount of new product creation (ip2) and organizational leadership in new product development (ip3).

Marketing performance is a concept to measure marketing achievement of a product. Marketing performance is a general construct used to measure the impact of organization's strategy (Ferdinand, 2000). Good marketing performance is mentioned in three main things, they are sales volume, sales growth and market share that will finally end in organizational profit (Ferdinand, 2000). Pelham (1998) stated that indicators from marketing performance are sales volume development, customer growth and organizational profit. Voss & Voss (2000) stated that marketing performance measurement includes sales, buyer amount, profit and sales growth.

Marketing performance is the achieved result of an organization from each of their business activities. Marketing performance is a concept to measure marketing achievement of a product. According to Pelham (1998), indicators used in this study to measure marketing performance are sales volume (mp1), customer growth (mp2), organizational profit (mp3).

## **RESULT**

### **Respondent Descriptive**

Respondents in this study are the owner and the manager of SME. 40 percent of



respondents is from manufacturing industry, 30 percent is from trading industry and the rest is from service industry. Only 10% of respondents covers marketing area in the entire province in Indonesia, while 90 percent of them still limits their marketing area in their province only.

### **Structural Equation Modeling**

Structural equation modeling requires large amount of samples and normal distribution data to test normality used in Jarque Bera test. The result of Jarque Bera shows that indicators have loading value less than required value as 5.99 (JB test requires loading value as 5.99 with  $X^2(0.005,2)$ ), in other words data in this study has normal distribution. The result from this study finds multicollinearity symptoms. Multicollinearity is seen from Value Inflation Factor (VIF) of free and bond variables. It is showed from VIF value which is larger than 10 (Hair et al., 2010), therefore the result can be furtherly analyzed (Table 1). Besides, data in this study is considered as reliable since it has composite reliability value which is larger than 10 (Hair et al., 2010) (Table2).

Outliers testing is used to see observational condition of data which has unique characteristic and different from other observations, they also show extreme shape both for single and combination variables (Hair et al., 2010). Evaluation for outliers is performed by using mahalanobis distance calculation for each variable. In this study the author uses 17 indicators for  $p < 0.001$  that has  $X^2$  value (17.0,001) as 40.8. Therefore, data in this study has mahalaonobis distance which is larger than 40.8 and it is considered as multivariate outliers. Based on mahalonobis result we get the largest value as 39.538 lower than 40.8, as a result we consider there is no outliers. Small determinant matrix covariance value is indicated as multicollinearity, as a result data can not be used anymore. AMOS output result shows determinant matrix covariance value as 0.132. Determinant matrix covariance value is larger than 0, so we can conclude that there is no multicollinearity (Hair et al., 2010).

**Table 1**  
**Summary of normality, factor loading, reliability and validity**

<i>Variable</i>	<i>Skewness</i>	<i>Kurtosis</i>	<i>Factor loading</i>	<i>VIF</i>	<i>Cronbach's <math>\alpha</math></i>	<i>JB Test Value</i>
Entre. Soc. Comp.					0.86	
esc1	-0.22	2.95	0.56	1.035		1.634
esc2	-0.18	2.85	0.79	2.158		1.268
esc3	-0.21	2.95	0.56	1.133		1.491
esc4	-0.15	2.85	0.79	2.248		0.938
esc5	-0.23	2.95	0.56	1.133		1.784
esc6	-0.11	2.85	0.79	2.158		0.591

esc7	-0.22	2.95	0.56	1.033	1.634
esc8	-0.11	2.85	0.79	2.148	0.591
Bus. Networking				0.92	
bn1	-0.07	2.861	0.98	1.720	0.324
bn2	-0.13	2.74	0.97	1.289	1.127
bn3	-0.22	2.55	0.96	1.340	3.301
Product Innovation				0.91	
ip1	0.26	2.55	0.99	2.146	3.941
ip2	-0.27	2.94	0.99	1.652	2.460
ip3	-0.09	2.93	0.99	1.782	0.311
Marketing Performance				0.92	
mp1	0.21	2.98	0.96	1.654	1.473
mp2	0.32	3.18	0.98	2.132	3.683
mp3	0.31	3.15	0.96	2.232	3.391

We have already performed hypothetical adequacy before analyzing data, as a result model can be statistically built and tested. Table 2 shows the result from entrepreneurship social competence, product innovation, business network and marketing testing. Based on the result in Table 2, it can be read that model testing adequacy for all criteria has fit value. Goodness of fit index result for all criteria used in this study shows probability  $0.074 > 0.05$ , which means the index value is fit since it has cut off value which is larger than 0.05. RMSEA result as 0.032 is considered as fit since it has cut off value which is smaller than 0.08. GFI calculation shows  $0.092 > 0.90$  and it is considered fit. TLI value shows  $0.966 > 0.95$ , CFI as  $0.972 > 0.95$  has fit value since it has cut of value which is larger than required value in goodness of fit index. All criteria in goodness of fit index has filled the requirement since they are in expected range which means that the model is adequately used to test the hypotheses.

**Table 2**  
**Regression Weights, Reliability and Fit Indices**

<i>Exogen</i>		<i>Endogen</i>	<i>Standard Estimate</i>	<i>Standard error</i>	<i>Critical ratio</i>	<i>P</i>	<i>Hypothesis</i>
Entre. Soc. Comp.	→	Bus. Networking	0.791	0.167	4.731	***	Supported

Entre. Soc. Comp.	→	Marketing Perf.	0.170	0.072	3.352	***	Supported
Entre. Soc. Comp.	→	Product Innov.	0.531	0.384	3.102	***	Supported
Product Innov.	→	Marketing Perf.	0.615	0.081	3.481	***	Supported
Bus. Networking	→	Marketing Perf.	0.315	0.108	5.981	***	

	<i>Average variance extracted (AVE)</i>	<i>ÖAVE</i>	<i>Composite Reliability</i>
Entre. Soc. Comp.	0.654	0.80870	0.92
Bus. Networking	0.765	0.87464	0.93
Product Innovation	0.798	0.89330	0.87
Marketing Perf.	0.651	0.80684	0.85

<i>Fit Indices</i>	
Probability	0,074
RMSEA	0,032
GFI	0,922
CMIN/DF	1,198
TLI	0,966
CFI	0,972

## DISCUSSION

Based on hypotheses testing result in Table 2, entrepreneurship social competence significantly influences the ability to build business network, as a result hypotheses 1 is accepted. Testing result shows that there is a relationship between entrepreneurship social competence and business network with CR value as 4.731. It is larger than required value as 1.96 at 0.01 significant rate. Entrepreneurship social competence directly influences marketing performance. Testing result shows that there is a positive influence of entrepreneurship social competence on business performance which has CR value as 3.352. Entrepreneurship social competence significantly influences on product innovation. Testing result shows CR value as 3.102, as a result hypothesis three is accepted.

Product innovativeness significantly influences the development of marketing performance with CR value as 3.481, larger than required CR value as 1.96. As a result hypothesis 4 is accepted. Business network variables significantly influence marketing performance with CR value as 5.981, as a result hypothesis five is accepted.

Testing result of hypothesis 1 shows that there is a significant influence of entrepreneurship social competence on the development of business network. The results from eight built indicators indicate that SME's product marketing especially in food industry strongly depends on word of mouth among colleagues, relatives and neighbors. Built relationship is based on social relativeness among raw material suppliers, customers, business performers, and financial institutions. Social relationship in SME is informal, but SME has high rate of belief in business environment.

Entrepreneurship social competence is social ability owned by entrepreneurs to develop business network. Based on the results above, the author identifies that the higher entrepreneurship social competence owned by entrepreneurs, the larger amount of business network developed in production sector, suppliers, and distribution channels will be. This study supports previous studies and provides indication on the importance of core competence and external business network to reach optimum performance based on social capital and resources based view (Lee et al., 2001). Emerging value in social interaction will strengthen the relationship between entrepreneurs and partners to enlarge business network and develop SME marketing performance. This result also supports previous studies that said there is an influence of entrepreneurship social interaction on the development of batik industry in Indonesia (Meutia, 2012; Meutia & Ismail, 2012; Ismail, 2015).

Result from the second hypothesis testing shows that there is significant influence of entrepreneurship social competence on marketing performance. It is assumed that entrepreneurship social competence will give direct influence on marketing performance. The ability to build business relation based on durable social relativeness. Social interaction in cooperation makes respondent and business partner creates not only business relationship but also familial relationship (Meutia, 2012). Wright et al. (1998) explained that human resources capability is a collective knowledge from organizational member (inimitable), which is developed in a certain time period (rare), and it is priceless since it will lead employee's talent and behavior in value creation and competitive advantage achievement. The higher social capital (in the form of preferred reputation, larger social network, and so on) will help entrepreneurs provide important access for them in reaching organizational target (Baron & Markman, 2003).

Result testing on third hypothesis shows that there is a significant influence of entrepreneurship social competence on the ability to build product innovation. Entrepreneurship social competence is entrepreneur's ability to build business relationship. Various product will improve customer's belief, as a result it will create business network to market their product. Indicators used in product innovation variables are product development, the amount of new product creation, and

organizational leadership in marketing its new product. SME that can develop their product will become the leader in the market, so they can attract customers to enlarge business network. The result from this study supports previous studies that said that there is a closed social relationship among entrepreneurs and triggers innovation, supports capacity formation and mutualism learning process (Flora & Flora, 1993; Humphrey & Schmitz, 1996; Maleecki, 2000; Powell, 1990, Storper & Salais, 1997).

Testing on fourth hypothesis shows that there is a significant influence between product innovation and marketing performance. Product innovation is an important way for an organization to adapt with market situation, technology, and straight competition (Dougherty & Corse, 1996). Indicators used in product innovation variable come from Dougherty's study (1996), they are product development, the amount of new product development and organizational leadership in developing new product. The result from this study shows that product innovation will be able to defend its customers, especially in food industry.

Changing customer's taste will create a certain challenge for entrepreneurs to make new product innovation. Dawyer (1987) stated that the emergence of product innovation will be basically fill market demand, as a result product innovation is one of the ways used by an organization to reach competitive advantage.

Wahyono (2002), placed innovation as an important variable in determining performance. The result from this study is in line with Song & Parry (1997) and Van Geenhuizen & Indarti (2005) who stated that product innovation will improve sales, since customer will easily get bored with a product if company does not make innovation to develop new product. An organization needs to consider the development of new product that will reach competitive advantage and win the competition.

Testing result on fifth hypothesis shows significant influence between the ability to build business network and the development of marketing performance. The great amount of business network enables SME to enlarge product marketing coverage. Indicators used to build business network are the amount of network with production sector, the amount of network with suppliers, The amount of network with distribution channel. Based analytical results, indicators built to measure business network variable will influence marketing performance. The entire indicators have strong influence in measuring business network variable since it has loading factor value larger than 0.5. The ability to build business network with supplier will ensure material availability. It will also guarantee marketing performance achievement especially in production continuity and better product quality compared with its competitor. Granovetter (1985) said that individual who has strong business network particularly consist of relatives and colleagues

will get an easy access to reach rare resources in economical network that will influence business success (Zhao & Aram, 1995). Network will improve the social capital of SME's owner (Coleman, 1988), since it will provide informational access implanted in the network.

## CONCLUSION, LIMITATION & FUTURE RESEARCH

Hypothesis testing shows that entrepreneurship social competence significantly influences business network, product innovation and marketing performance. Besides, product innovation and business network influence marketing performance. Entrepreneurship social competence enables an entrepreneur to build strong relationship with any individual, as a result it will improve business network. Large business network includes large marketing area, as a result it will improve marketing performance. Product innovation enables an organization to be continuously become the leader in the market. Product innovation produces unique product which has high competitiveness, as a result it will be more advantageous compared with competitor's product. The results from this study provide contribution on resource based view theory in which intangible assets influence competitive advantage and SME business performance.

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