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The Role of Marketing Capabilities and Integrative Capabilities for Business Model Innovation in Small Business Indonesian Culinary Sector

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Abstract – **This empirical study is about developing business model innovations based on the antecedents of marketing capabilities and integrative capabilities in the culinary sector in Indonesia. Specifically, the respondents used are 136 small-scale businesses from various regions in Indonesia. Data collection was carried out in the range of September 2020 through questionnaires distributed through digital channels. This research is quantitative research by using SMART-PLS as a statistical tool. The research orientation is to see the effect of marketing capability and integrative capability on business model innovation and firm performance, also the effect of business model innovation on performance. The results of this study found that marketing capabilities affect business model innovation and performances. Another finding is integrative capabilities affects business model innovation but does not affect firm performance, and furthermore the construct of the business model innovation itself affects performance. This finding is important for the culinary sector which is the leading sector in the creative economy in Indonesia. The central role of business model innovation is also the orientation of forming a strategic posture for small-scale business actors who are still entrepreneurial in order to make their business to be strategic.**

Keywords – **Business model innovation, Marketing Capabilities, Integrative Capabilities, Firm Performance**

I. INTRODUCTION

Indonesia has 6.6 million culinary players which are the leading sector with the highest GDP contribution among the sixteen sub-sectors in the creative economy (Bekraf, 2019). The culinary sector is indeed the main preference for beginner business actors to begin their business in Indonesia (Bosma & Kelley, 2019). The large market size will be an attractive for business people to enter this business. This sector is an area that gets special attention from the government.

Currently, business actors in Indonesia are dominated by 62 million players on the micro, small and medium scale (SME's) which reach 99.9% of business actors in Indonesia (Bank Indonesia, 2015). In general, business actors in Indonesia are driven more by necessity driven than by opportunity driven (Nawangpalupi et al., 2016). So with this condition, they rarely run their business at a strategic level. In this condition it is necessary to develop a strategic posture for their business, where business model innovation can be an option for business actors to develop a strategic posture because business model innovation is the operationalization of strategic entrepreneurship (Leih et al., 2015).

In general, small business actors only focus on opportunities but do not have the competence to develop excellence. Strategic entrepreneurship can be a strategic orientation for business actors in small size to develop opportunities as well as advantages (Luke et al., 2011). Through business model innovation, opportunities as well as advantages can be developed, because through business model innovation it will be a consolidation of external reach with internal readiness (Teece, 2010). Through the implementation of this business model, the strategic posture of small business actors will develop progressively in their business.

Business model innovation is a central theme in entrepreneurship research and although this concept has been around for a long time, it still presents various gaps for research (Zott et al., 2011). The existing research gap includes the development of business model innovation constructs, antecedents, consequences, and the context of the research to be carried out. This research itself intends to conduct research on the impact of business model innovation on performance and the role of marketing capabilities and also integrative capabilities as an antecedent to the construct of business model innovation. In addition, this research also wants to see the role of marketing capabilities and integrative capabilities directly on performance.

In some research business model innovation is a construct that is mediative and affecting to performances contruct. This concept can be an option for business development at the small medium enterprise (SME) level which has various limitations to be strategic in its business. This construct is also synthesized with dynamic capability concept, where dynamic capability is a concept that has an elaborative construct. Business model innovation itself requires a variety of capabilities for its development (Ricciardi et al., 2016). In this research, the elaboration of dynamic capabilities will about marketing capabilities and integrative capabilities which will be investigated in small-scale businesses.

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Marketing capabilities is a strategic research theme for entrepreneurs and this construct empirically affects firm performance (Martin & Javalgi, 2016). In other studies, marketing capability is a moderator for the relationship between business model innovation constructs and performance at the corporate level (Brettel et al., 2012). Another premise states that a marketing capability will be a long-term execution capability for a business model innovation in the business (Kamboj & Rahman, 2017). Marketing capabilities itself is a capability that is not easy for small-scale business actors to have it.

Based on empirical research, integrative capabilities affect the firm performance and business model innovation at the corporate level (Pang et al., 2019). Through integrative capabilities, business actors will periodically reconfigure resources to capture market opportunities (Eikelenboom & de Jong, 2019). Integrative capability is a strategic capability for the dynamic capabilities elaboration (Jiang et al., 2015).

The modeling in this research is comparative. Through the results of this research, it is hoped that small-scale business actors can decide to develope their business model innovation or just simply focus on performance when they have marketing capabilities and integrative capabilities. Based on the things above, the following are the hypotheses and models that will be carried out in this research:

H1: Marketing capabilities significantly affect firm performance

H2: Marketing capabilities significantly affect the business model innovation

H3: Integrative capabilities significantly affects firm performance

H4: Integrative capabilities significantly affects business model innovation

H5: Business model innovation significantly affects firm performance

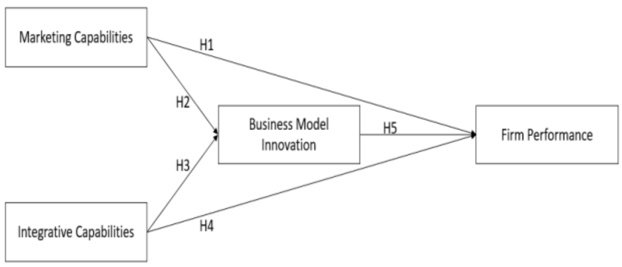

Fig. 1. Research Model

II. METHODOLOGY

This study uses quantitative methods to empirically test the relationship between all variables. The questionnaire will use a Likert scale in the range of "one" which means strongly disagree and "five" which means strongly agree. Respondents in the study were culinary actors on a small business scale, totaling 136 respondents. The distribution of the questionnaire was carried out in September 2020 in various cities in Indonesia.

The study uses smartPLS as a statistical measurement tool because it is a type of research that elaborates new theories (Sarstedt & Cheah, 2019). The analysis that will be carried out in this study includes the relationship between indicators and variables (outer model analysis) and the relationship between variables (inner model analysis). In this study, four latent variables with twenty-four indicators will be used. The number of indicators is adjusted to the needs of the context in the small-scale culinary business sector in Indonesia.

On the business model innovation variable, this study will use a measuring tool from Guo et al., (2017) with an eight indicator. Marketing capability will use six indicators from Pérez-Cabañero et al., (2012). The integrative capability using indicators from Pang et al., (2019) is five indicators. The performance construct will use measurements from Prieto & Revilla (2006) which are based on five indicators of financial and marketing measurements. The total indicators that will be used in this study are twenty-four indicators.

III. RESULTS

A. Profile Respondense

As a profile, in general the respondents in this study are business actors who are quite experienced and have entrepreneurial intensity. This is indicated by having a business period of more than one year (85.3%), having more than two places of business (85.2%), the number of owner education reaching a bachelor's degree (90.5%), the large involvement of managers who attend training (68.4%), the large number of employees who participated in the training (61.4%), and the large involvement of small business actors in the business community (52.3%). In this study, respondent data was also distributed distributively, where the distribution of questionnaires in the main city reached 47% and the second city reached 53%.

TABLE I
PROFILE OF RESPONDENTS

Profil	**Data**	**Jumlah**	**Persentase**
Business Period	Under 1 year	20	14,7%
	1-6 year	80	58,8%
	Above 6 year	36	26,5%
Number of store	1 place	19	13,9%
	2-5 place	106	77,9%
	6 place and more	11	8,2%
Owner Education	High School	13	9,5%
	Bachelor's degree	86	63,2%
	Magister	37	27,3%
Training for Manager	Not	43	31,6%
	One	33	24,2%
	More than one	60	44,2%

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Training for Employee	Not	54	39,7%
	One	42	30,8%
	More than one	40	29,5%
Community Partisipant	Not	65	47,7%
	One community	28	20,5%
	More than one	43	31,8%
Business Location	First city	64	47%
	Second city	72	53%
N	136		

B. Outer Model Analysis

This phase is the process of evaluating the measurement model (outer model) that will use an internal consistency and convergent validity approach (Hair et al., 2014). Internal consistency will be measured through composite reliability (CR) assessment with a reference above 0.708, while convergent validity will be measured by outer loading through a reference value above 0.7 and through average variance extracted (AVE) with a reference value above 0.5.

On internal consistency, four variables in this study are in good condition because they have a composite reliability (CR) value above 0.708 (Table II). In the assessment of convergent validity, nineteen out of twenty-four indicators were significant with an external loading above 0.7, and the four latent variables had an AVE above 0.5 (Table II). In this stage five indicators are eliminated because they were not valid and reliable.

TABLE II
CR, AVE, AND OUTER LOADINGS

Variabel	CR	AVE	Indikator	Outer Loadings
BMI	0.903	0.610	BMI1	0.835
			BMI3	0.729
			BMI5	0.749
			BMI6	0.737
			BMI7	0.820
			BMI8	0.809
FP	0.925	0.712	FP1	0.867
			FP2	0.898
			FP3	0.819
			FP4	0.783
			FP5	0.847
IC	0.853	0.659	IC3	0.785
			IC4	0.803
			IC5	0.846
MC	0.911	0.673	MC1	0.808
			MC2	0.740
			MC3	0.879
			MC4	0.843
			MC5	0.824

Based on the data above, it can be concluded that the relationship of nineteen indicators to the variables is significant with a good level of influence. So it can be concluded that the structural modeling (outer model) in the study is in good condition.

C. Inner Model Analysis

At this stage, the structural model are evaluated (inner model) with analyze the conditions and relationships between all variables. Evaluation of the structural model is measured through discriminant validity assessment to see the condition of each variable that measures the highest variable. The next step is to assess the relationship between exogenous and endogenous variables with reference to r square 0.25 and above. The last is to look at the path coefficients between variables to see the significance of the relationship between variables (hypothesis testing). The relationship between variables will be considered significant if it has a t-statistic of 1.65 and above.

In the assessment of discriminant validity each variable whose value was based on the Fornell-Lacker matrix was found to be in the highest position (Table III). So with this all the variables that are assessed are the most appropriate to measure these variables.

TABLE III
DISCRIMINANT VALIDITY

Discriminat Validity (Fornell-Lacker)				
	BMI	FP	IC	MC
BMI	0,781			
FP	0.703	0.844		
IC	0.567	0.426	0.812	
MC	0.784	0.711	0.433	0.820

In this research model, both endogenous variables have r square above 0.25. Business model innovation variable has an r square of 0.678 and the firm performances variable has an r square of 0.562 (Table IV). Based on these findings, it can be concluded that the model in this study is strong.

TABLE IV
R SQUARE OF VARIABLE

Eksogenus	Endogenus	R square
Marketing Capabilities	Business Model Innovation	0.678
Integrative Capabilities		
Marketing Capabilities	Firm performances	0.562
Integrative Capabilities		
Business Model Innovation		

In the results of this path coefficient, it is found that four relationships between variables have t-statistics above 1.65 (H1, H2, H3, and H4) and one relationship has t-statistics below 1.65 (H4) (Table IV). So hereby four hypotheses in this study are accepted and one hypothesis is rejected.

TABLE IV
PATH COEFFICIENT

Hipothesis	T-Statistic	Conclusions
MC →FP	3,590	Accepted H1
MC → BMI	13,047	Accepted H2
IC → BMI	4,640	Accepted H3
IC → FP	0,691	Rejected H4
BMI → FP	2,872	Accepted H5

This research develops a model with several hypotheses that are developed for the condition of small-scale culinary business actors in Indonesia. Based on the results of the evaluation of the measurement model (outer model) and structural model (inner model) in this study, the following are the results of the study which are illustrated by the model below:

Fig. 2. Result of Hypotheses

IV. DISCUSSION

In general, the results are in line with the initial orientation of this study. The existing respondent profiles are relevant to apply the context of this research which is entrepreneurship research on small-scale businesses in Indonesia. The results of the evaluation of the measurement model (outer model) and structural model (inner model) obtained through the smartPLS instrument also provide results that answer the premise of this research about the constructs, antecedents, and consequences for business model innovation elaboration.

This study has four proven hypotheses and one unproven hypothesis. This finding confirms that the theme of this research is relevant. Furthermore, the results of r square on business model innovation and firm performance further confirm the close relationship of exogenous variables to endogenous variables in this research model.

The business model innovation in this study affects the firm performance. This finding supports the premise of establishing a strategic posture for small-scale business actors through business model innovation, because considering that business model innovation requires effort. But through these findings, small business actors find that business model innovation is a strategic option that they can choose, because their efforts have the potential to get comparable results through the presence of firm performance.

In this study, marketing capabilities affect performance and this is in line with previous SME research. The effect of marketing capabilities on business model innovation is the novelty of this research. This finding becomes an orientation for small-scale business actors when they have the marketing capabilities to be able to focus on firm performance or can be oriented to also business model innovation.

Integrative capabilities in this study affects business model innovation but does not affect firm performance. This finding expands the empirical findings of the relationship between the construct of integrative capabilities and the previous business model innovation at the SMEs level. Through these findings, small business actors can orientate business model innovation when they have integrative capabilities in their business.

V. CONCLUSION

This research hope becomes inspiration to develop more research on business model innovation on a small business scale. It is important for small-scale business actors to know that business model innovation can be a strategic option for their business solution in their resources limitations. Furthermore, through business model innovation, it can be a capability for the transformation of small businesses from necessity driven to opportunity driven business. Considering the importance of research on business model innovation, the following are some things that can be suggestion, (1) developing a research context at another scale and business sector, (2) elaborating dynamic capabilities that have potential as an antecedents to the business model innovation, and (3) developing dimensions for business model innovation construcs.

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