



## The Influence of Social Capital and Marketing Capability on Marketing Performance Through Innovation as a Mediating Factor : Study Of Batik Tulis Kebon Indah MSMEs In Bayat Klaten

Sugeng Wibowo

Department of Business Administration, Faculty of Social and Political Sciences, Diponegoro University

[wibowo.sugeng83@gmail.com](mailto:wibowo.sugeng83@gmail.com)

Naili Farida

Department of Business Administration, Faculty of Social and Political Sciences, Diponegoro University

[faridanaili@gmail.com](mailto:faridanaili@gmail.com)

Reni Shinta Dewi

Department of Business Administration, Faculty of Social and Political Sciences, Diponegoro University

[renishinta@yahoo.co.id](mailto:renishinta@yahoo.co.id)

\*Corresponding Author. Tel: +62xxxxxxx, Email: [wibowo.sugeng83@gmail.com](mailto:wibowo.sugeng83@gmail.com)

### Abstract:

This study explores the significance of Micro, Small, and Medium Enterprises (MSMEs), particularly within the batik industry, in Indonesia's economic landscape. The research focuses on the impact of social capital and marketing capability on marketing performance, with innovation serving as a mediating factor. The study concentrates on the Kebon Indah Batik Tulis MSMEs in Bayat, Klaten, employing the Resources Based View (RBV) theoretical framework. A quantitative methodological approach was implemented, utilizing questionnaires with a five-point Likert scale to gather data from 100 respondents. The data analysis was conducted using Structural Equation Modeling (SEM) through Smart-PLS version 4.1.0.6. Findings indicate that social capital and marketing capability exert positive and significant influences on both innovation and marketing performance. Moreover, innovation is demonstrated to mediate the relationship between social capital and marketing capability with marketing performance. These results offer valuable insights for MSME stakeholders in identifying crucial factors affecting marketing performance. Future research recommendations include employing qualitative methods to gain deeper insights into the variables and their interaction patterns. Additionally, investigating Batik Tulis MSMEs with diverse characteristics is suggested to enhance the generalizability of the findings.

**Keywords:** Innovation, Marketing Capability, Marketing Performance, Social Capital

### 1. Introduction

The Micro, Small, and Medium Enterprise (MSME) sector in Indonesia occupies a crucial position in the national economy, encompassing 99% of all business entities and contributing substantially to the Gross Domestic Product (GDP) and employment. Data from the Coordinating Ministry for Economic Affairs and the United Nations Conference on Trade and Development (UNCTAD) indicate that MSMEs contribute 60.3-60.5% to GDP and employ 96.9-97% of the national workforce. With 65.46 million MSME participants, this sector forms the economic foundation of Indonesia. **The COVID-19 pandemic significantly impacted MSMEs, with supply chain disruptions and operational challenges leading to suspended operations for approximately 70% of businesses (Salim et al., 2021; Marappan et al., 2022). In response, digitalization emerged as a key recovery strategy, with e-commerce and digital marketing tools enhancing competitiveness and market access (Fitrianti et al., 2023; Primadona, 2020). Studies indicate that MSMEs adopting digital transformation were better positioned for post-pandemic success through expanded customer reach and improved operational efficiency (Guillen, 2023; Ilyas, 2024), highlighting the crucial role of technological adaptation in business resilience.**

Among diverse MSME categories, the batik industry has emerged as a distinctive and significant sector, embodying Indonesia's cultural heritage, which was recognized by UNESCO as Intangible Cultural Heritage in 2009. Analysis of data from the Ministry of Crafts and the Center for Crafts and Batik (BBKB) reveals 3,159 registered batik enterprises in Indonesia, comprising 208 large-scale and 2,951 small and medium-scale operations. This distribution is characterized by 1,794 micro-enterprises, 815 small enterprises, and 342 medium-scale enterprises. The prevalence of MSMEs in the batik industry signifies substantial potential for economic

**Sugeng; Wibowo**

development and cultural preservation. The predominance of micro-enterprises in the batik sector underscores the necessity for targeted policy interventions to facilitate their growth and sustainability. UNESCO's recognition of batik as Intangible Cultural Heritage further accentuates the strategic value of this industry, not only as an economic catalyst but also as a preserver of Indonesia's cultural legacy. Further research is warranted to investigate the specific challenges confronting batik MSMEs and to identify strategies for enhancing their global competitiveness while maintaining their intrinsic cultural values.

The Resource Based View (RBV) theory, introduced by Wernerfelt in 1984, posits that a firm's competitive advantage is derived from the uniqueness of its resources. This theoretical framework conceptualizes organizations as distinctive resource pools, with growth contingent upon the efficient utilization and deployment of these capabilities. RBV emphasizes internal organizational factors, particularly resources and capabilities, as critical determinants of success and competitive advantage that are challenging for competitors to replicate. Proponents of RBV leverage these internal elements in strategy formulation. Superior organizations regard achievement as an indicator of business progress relative to market competition. Marketing performance is a crucial metric of business success, encompassing various indicators such as sales volume, customer acquisition, revenue growth, and profitability enhancement (Voss & Giraud Voss, 2000). It is considered pivotal to business success, reflecting the outcomes of market strategies in terms of financial and customer-related metrics, including market share and sales growth (Saeko & Chuntarung Thoumrungroje, 2012). Additional research indicates that robust marketing performance, focusing on market share, sales value, and growth, contributes to increased organizational profitability (Ferdinand, 2000). Slater & Narver (1994) delineate a firm's strategy to generate new product success, customer satisfaction, sales growth, and profitability. Ferdinand (2000) further posits that marketing performance reflects effective functional management, as evidenced by the performance of human resources, finance, marketing, and production departments. In this context, MSME actors must ensure their products and services adhere to applicable standards and requirements to facilitate business development. By ethically and professionally meeting market demands, they can attain a competitive advantage (Hauser et al., 2020). This approach aligns with the RBV theory, emphasizing the importance of internal resources and capabilities in achieving sustainable competitive advantage in the marketplace.

Social capital, a multifaceted concept encompassing shared norms, values, and social networks, has been identified as a significant determinant of marketing performance. Defined as resources within social networks that actors utilize for operational purposes, social capital facilitates cooperation among group members. From a Resource-Based View perspective, the possession of social capital represents a key intangible resource that is challenging for competitors to replicate. For Micro, Small, and Medium Enterprises (MSMEs), social capital embodies the characteristics of norms, social networks, and members' beliefs that enable collective action towards common objectives. It plays a crucial role in knowledge transformation and exploitation, allowing organizations to synthesize new and existing knowledge for strategic application. While some studies have demonstrated a positive correlation between social capital and SME sales and operational performance, others have yielded conflicting results, indicating that social capital may not consistently exert a significant impact on marketing performance.

This discrepancy in findings underscores the complexity of the relationship between social capital and marketing performance within the MSME context. Innovation, conceptualized as applicable creativity that augments the value of existing resources, is another critical factor influencing marketing performance. The Oslo Manual, published by the Organisation for Economic Co-operation and Development (OECD), categorizes innovation into four types: product, process, marketing, and organizational. Product innovation, in particular, involves enhancing customer benefits through functional improvements or the development of novel products that differ from previous offerings. In a competitive business environment characterized by rapid technological evolution, product innovation is paramount. Organizations are compelled to innovate not only in product development but also in production and distribution processes to compete in new market segments and ultimately enhance marketing performance. The intensification of competition and technological advancements render product innovation a crucial factor in improving organizational marketing performance. This emphasis on innovation aligns with the broader concept of organizational adaptability and responsiveness to market dynamics. The interplay between social capital and innovation in shaping marketing performance highlights the need for a nuanced understanding of these factors within the MSME sector, particularly in the context of industries such as batik production, where cultural heritage and economic development intersect.

This research aims to make an important contribution, both theoretically and practically, in the development of Kebon Indah Batik MSMEs in Klaten. Theoretically, this study enriches the understanding of resource theory (resource-based view) in the context of marketing performance. Furthermore, this study seeks to fill the knowledge gap by investigating how social capital and marketing ability affect marketing performance, taking into account the role of innovation as a mediating variable. The significance of this research lies in its potential to present a new perspective in improving the marketing performance of Kebon Indah Batik MSMEs. By identifying the key factors that affect marketing performance, this study is expected to provide valuable insights for written batik business actors. This can help them in developing more effective strategies for business growth.

Practically, the findings of this study can be a guide for written batik entrepreneurs in optimizing their resources, especially in terms of social capital and marketing capability. With a better understanding of the role of innovation in mediating the relationship between resources and marketing performance, businesses can design a more targeted approach to improve the competitiveness and sustainability of their businesses in an increasingly competitive market. In the end, this research not only contributes to the development of theories, but also provides a foundation of knowledge that can be applied directly by Kebon Indah Batik MSMEs and possibly also by similar MSMEs in other creative sectors. Thus, this study has the potential to encourage local economic growth and the preservation of written batik cultural heritage. **This study advances RBV theory by demonstrating how traditional MSMEs leverage intangible resources through innovation to enhance marketing performance, while challenging conventional assumptions about direct marketing capability effects. Methodologically, we developed specialized measurement scales for cultural enterprises, providing a novel analytical framework for heritage-based industries. Practically, these findings guide batik entrepreneurs in optimizing resources and designing targeted approaches for competitiveness, contributing to both local economic growth and cultural preservation in the creative sector.**

## 2. Literature Review

### Resources Base View (RBV)

The Resource-Based View (RBV) theory represents a managerial framework that emphasizes the identification and utilization of an organization's strategic resources to achieve sustainable competitive advantage. While Barney's 1991 publication is often cited as a seminal work in RBV development, the concept's origins can be traced to the 1930s. RBV posits that firms are heterogeneous in their resource endowments, enabling the adoption of diverse strategies based on unique resource combinations. This theoretical perspective encourages managers to focus on internal resources in identifying capabilities, assets, and competencies that can confer competitive advantage. During the 1990s, RBV emerged as the dominant paradigm in corporate strategic planning, superseding the previously prevalent positioning schools that emphasized external factors. RBV evolved as an interdisciplinary approach, reflecting a significant shift in strategic thinking and incorporating diverse disciplines such as ethics, law, economics, supply chain management, and marketing. Barney proposed the VRIN criteria (Valuable, Rare, Inimitable, Non-substitutable) as requisite resource characteristics for sustainable competitive advantage. The RBV framework advises organizations to develop specific and unique core competencies, enabling them to excel through differentiation from competitors. This approach underscores the importance of developing superior resources and capabilities as the key to competitive advantage, encouraging firms to focus on cultivating and leveraging internal assets that are distinctive and difficult for competitors to replicate. The emphasis on internal resource development and utilization represents a fundamental shift in strategic management thinking, highlighting the significance of firm-specific factors in determining competitive outcomes in the marketplace.

### Marketing Performance

Performance, in an organizational context, refers to actions undertaken within a specified timeframe, evaluated against predetermined standards such as historical costs or efficiency projections. This concept extends to individual accomplishments in executing tasks based on established objectives (Rosmayani, 2022). Marketing performance, a crucial component of organizational evaluation, quantifies marketing efficacy and delineates success in market competition (Rosmayani, 2022). The measurement of marketing performance provides feedback on the outcomes of an organization's marketing initiatives (Clark et al., 2006). Marketing performance assessment has evolved from an initial focus on efficiency, comparing cost inputs to sales outputs, to a more comprehensive evaluation incorporating customer satisfaction and cross-selling services (Tay & Morgan, 2002; Vorhies & Morgan, 2003). Clark (1999) identified various marketing performance measures, including financial, non-financial, and multiple metrics.

Sugeng; Wibowo

Da Gama (2011) conceptualizes marketing performance as a management philosophy explicating how organizations adapt to and influence the market, as well as implement marketing within specific departments. Marketing performance indicators encompass both market performance and financial performance (Da Gama, 2011), underscoring the importance of balancing market achievements with financial outcomes in evaluating marketing strategy effectiveness. **Digital transformation significantly impacts marketing performance through enhanced digital strategies and customer engagement (Hawa, 2023; Jeza & Lekhanya, 2022). While it offers opportunities for MSMEs to improve operational efficiency and market competitiveness (Wang, 2024), challenges like resource limitations and digital literacy remain significant barriers (Hendrawan, 2024; Rahayuningsih, 2024).** Ferdinand proposes three primary indicators for marketing performance assessment: sales value, market share, and sales growth. This perspective emphasizes the importance of both quantitative and qualitative aspects in evaluating marketing performance. Both perspectives highlight the significance of sales and growth metrics in assessing marketing performance, with Voss & Giraud Voss emphasizing quantitative aspects such as volume and customer numbers, while Ferdinand incorporates qualitative elements like market share, reflecting the organization's relative market position. This multifaceted approach to marketing performance evaluation reflects the complexity and evolving nature of marketing effectiveness measurement in contemporary business environments.

### Social Capital

Social Capital, a multifaceted concept, is conceptualized by Timberlake (2012) as a value construct facilitating community and organizational security and empowerment. Abili & Faraji (2009) emphasize its role in enabling knowledge exchange, value creation, and enhancing organizational performance. Abili (2011) delineates Social Capital across three levels: micro (interpersonal relationships), intermediate (intra-group interactions), and macro (broader societal context). Richardson (1986) characterizes Social Capital as a network of beneficial institutional relationships, while Sodano & Verneau (2006) view it as a facilitator of coordination and cooperation. Fukuyama (2000) conceptualizes it as a set of norms and values enabling group cooperation. Putnam (1995) defines it as a feature of social networks fostering the development of norms and cooperation. Ferdinand (2005) underscores its role in reinforcing long-term cohesion. Coleman (1988), Villena et al. (2011), Weber & Weber (2011), and Andresen et al. (2014) highlight the significance of values and norms in collective endeavors. Cohen & Prusak (2001) define Social Capital as interpersonal connections resulting in trust and mutual benefit. In synthesis, Social Capital can be understood as both tangible and potential resources that engender a network of mutually respectful working relationships. These relationships are characterized by trust, adherence to social norms, and a collective aspiration for development through information utilization. This comprehensive conceptualization of Social Capital underscores its multidimensional nature and its critical role in fostering organizational and societal cohesion, knowledge dissemination, and collective advancement.

Nahapiet (2000) identifies three main dimensions of social capital: structural, relational, and cognitive. The structural dimension includes non-personal relationships within an organization, describing patterns of interaction for sharing information, ideas, and knowledge. The relational dimension focuses on interpersonal relationships, including respect, friendship, trust, mutual help, honesty, and respect between employees. While the cognitive dimension refers to the sources that provide concepts and interpretations together in the same social network. On the other hand, Coleman (1998), Cohen & Prusak (2001), and Ferdinand (2005) highlight five indicators of social capital: network relationships, trust and shared trust, social norms, social networks, and social cohesion. These two perspectives emphasize the importance of relationships, trust, and norms in building social capital. Nahapiet provides a more structured framework by dividing social capital into three dimensions, while Coleman, Cohen & Prusak, and Ferdinand offer more specific and measurable indicators. The combination of these two approaches provides a comprehensive understanding of the essential components of social capital, covering structural, relational, and cognitive aspects, as well as specific elements such as networks, trusts, and social norms.

### Innovation

Innovation, as conceptualized by W. Zimmer & M. Scarborough (2005), represents the application of creative solutions to address challenges and capitalize on opportunities for enhancing quality of life. Okpara (2007) defines innovation as the process of actualizing optimal ideas into reality, thereby generating new value. Okpara delineates nine elements of innovation: challenge, creativity, customer focus, communication, collaboration,

completion, contemplation, culture, and context. Fontana (2009) emphasizes innovation as novel or recombinant approaches to transforming inputs into outputs, resulting in significant alterations in use value and price. Suryana (2013) conceptualizes innovation as the creation of superior or more efficient products, processes, services, technologies, or ideas. Zuhail (2010) posits that organizational innovation objectives encompass quality enhancement, market creation, product development, production efficiency, and environmental impact mitigation. The Oslo Manual OECD (2005) defines innovation as the implementation of novel products, processes, marketing methods, or organizational practices, categorizing it into four dimensions: product, process, marketing, and organizational innovation. **The batik industry employs various innovation types to enhance competitiveness. Product innovation focuses on new designs and patterns (Kusumowardhani et al., 2022; Andansari, 2023), while process innovation emphasizes sustainable practices and digital technologies (Tjahjani et al., 2020; Wiyana et al., 2024). Soft innovation through knowledge sharing and collaboration between stakeholders (Laily & Ernawati, 2020; Sari et al., 2022) ensures industry sustainability while preserving cultural heritage.**

Product innovation involves the introduction of new or improved goods or services, while process innovation entails the implementation of novel production or delivery methods. Both forms of innovation aim to enhance organizational efficiency, quality, and competitiveness. This multifaceted conceptualization of innovation underscores its critical role in organizational development and competitive advantage. It encompasses not only technological advancements but also improvements in organizational processes, marketing strategies, and product offerings. The diverse perspectives on innovation highlight its pervasive influence across various aspects of organizational operations and its potential to drive significant change and value creation in the business environment.

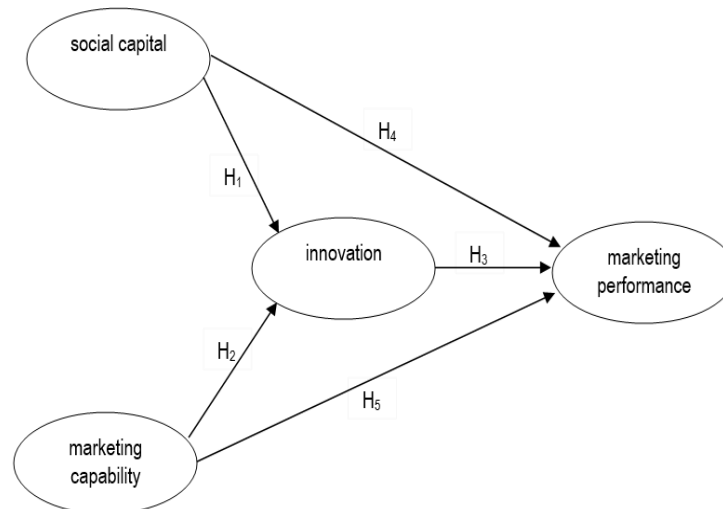
The Oslo Manual of the OECD (2005) links innovation with performance, with the main goal of improving company performance through increased demand or cost reduction. This manual classifies innovations into four categories. First, product innovation, which involves the introduction of new or improved goods or services, directly related to its characteristics or intended use, including improvements to technical specifications, components, materials, integrated software, ease of use, or other functional features. Second, process innovation, defined as the implementation of a new or significantly improved production or delivery method, includes changes in techniques, equipment, and software. These innovations can lower production or shipping costs, improve quality, or produce new or improved products. Third, marketing innovation, which is the implementation of a new marketing method involves significant changes in product design or packaging, placement, promotion, or price, with the aim of opening up new markets, meeting customer needs, or repositioning products to increase sales. Finally, organizational innovation, defined as the implementation of new organizational methods in business practices, workplace organization, or external relations. These innovations, as a result of managerial strategic decisions, can improve company performance by reducing various costs, increasing access to intangible assets, workforce productivity, and job satisfaction. Hage (1999) and Gunay (2007) added that organizational innovation can also improve product quality, productivity, information exchange between business functions, and capacity to use technology. As central to other types of innovation, organizational innovation involves new working techniques, organizing knowledge, access to knowledge, and setting up new databases.

### Marketing Capability

In the extant literature, marketing capability is conceptualized as a multifaceted process that integrates an organization's market knowledge and resources to generate added value (Santos-Vijande et al., 2012). This capability enables firms to address business market demands, offering superior value propositions and enhanced adaptability (Vorhies & Harker, 2000). Jin (2015) elucidates that marketing capability encompasses a firm's proficiency in pricing strategies, market communications, distribution network design, and product development. Moreover, Zaman et al. (2012) underscore the significance of marketing capability in addressing performance challenges and market-related issues. Sok et al. (2017) further characterize marketing capability as an organization's capacity to execute marketing activities, including market positioning, business promotion, market analysis, consumer segmentation, and the management of sales and profit objectives. In terms of measurement, Tooksoon and Mohamad (2010) propose four key indicators: product, distribution, pricing, and promotional capabilities. Tzokas (2001) expands this framework to include six indicators: marketing research, distributor relationships, pricing strategies, marketing communications, product development, and marketing management.

These indicators collectively represent the diverse facets of marketing capability essential for firms to compete effectively and flourish in dynamic market environments.

Figure 1. Frame Work



### Hypothesis

H1: social capital has a positive influence on innovation

Social capital, defined by N. Lin (2001) as a resource in a social network used for a specific action, plays an important role in driving innovation. Trust in social capital opens access to diverse resources that can boost innovation (Rass et al., 2013; Moqbel & Well, 2017). The focus of social capital is on the characteristics of individuals in their social interactions. Research by Muafi (2015), Agyapong et al. (2017), and Purwati et al. (2020) shows a positive and significant influence of social capital on innovation. Based on these findings, the research hypothesis (H1) is proposed: social capital has a positive influence on innovation. It emphasizes the importance of building and leveraging social networks to drive innovation in business and organizational contexts.

H2: marketing capability has a positive influence on innovation.

Marketing Capability is a process that integrates collective knowledge, company resources, and skills to meet the needs of the business market, increase the value of products and services, and face competition (O'Cass et al., 2015). His role is crucial in the development of new products, from gathering information about customer and competitor needs to planning development steps (Weerawardena, 2003; Lee and Hsieh, 2010). Previous research has shown that marketing capability have a positive impact on innovation. Based on these findings, it can be concluded that Marketing Capability is a factor that affects innovation. Therefore, the research hypothesis (H2) is proposed: marketing capability has a positive influence on innovation.

H3: innovation has a positive influence on marketing performance

Innovation, according to Okpara (2007), is the process of realizing the best ideas into reality, triggering creativity that produces innovative events. Suryana (2013) defines innovation as the creation of better or more effective products, processes, services, technologies, or ideas for the market, government, and society. This reflects the company's ability to create and implement valuable new ideas. Innovation is crucial because it allows companies to exploit new opportunities and gain a competitive advantage. Companies that continue to innovate have the potential to dominate the market. Previous research by Agyapong et al. (2017) and Zheng et al. (2022) showed that innovation has a positive and significant influence on marketing performance, emphasizing the importance of innovation in modern business strategies.

H4: social capital has a positive influence on marketing performance

Social capital plays an important role in discovering organizational needs and contributes to success and survival in today's competitive world. Social capital facilitates knowledge sharing, value creation, competitive advantage, performance improvement and organizational development (Abili & Faraji, 2009). Previous research

by X. Luo et al. (2004) and Angpyong et al. (2017) stated that social capital has a positive and significant influence on marketing performance. Based on these findings, it can be concluded that social capital is a factor that affects marketing performance. Therefore, the research hypothesis (H4) is proposed: social capital has a positive influence on marketing performance

H5: Marketing Capability has a positive influence on marketing performance

J. Barney (1991) put forward a resource-based view (RBV) that emphasizes the importance of a company's unique assets and capabilities in determining its strategy. Business organizations are seen as a collection of distinctive resources that form the foundation of strategy and the main source of income. Marketing capability reflect a company's capacity to integrate marketing functions, leveraging knowledge, skills, and resources to meet market needs (Tooksoon & Mohamad, 2010). Previous studies, such as those conducted by Sulistyono & Siyamintah (2016) and Lekmat et al. (2018), reveal a positive and significant relationship between marketing ability and marketing performance. Based on these findings, it can be concluded that marketing ability is a key factor that affects the company's marketing performance."

H6: social capital has a positive influence on marketing performance through innovation

MSME social capital includes networks, norms, and trusts that enable effective collaboration between members of the organization. Social relationships and trust built by entrepreneurs are crucial investments in creating customer loyalty and improving marketing performance (Muniady et al., 2015; Tata & Prasad, 2015). Strong social capital opens access to diverse resources, encouraging innovation (Rass et al., 2013; Moqbel & Well, 2017; Li et al., 2019). Innovation is the key to the survival and improvement of MSME performance (Gemünden et al., 2018; Frunzaru et al., 2018; Solano Acosta et al., 2018). Previous studies have shown that innovation plays a positive and significant role in mediating the influence of social capital on marketing performance (Yokakul & Zawdie, 2011; Agyapong et al., 2017)."

H7: Marketing capability has a positive influence on marketing performance through innovation

Marketing performance, according to Chaffey & Smith (2017), reflects the company's efforts in understanding and meeting consumer needs, becoming a benchmark for product achievement in the market. External social capital, which involves relationships with customers, suppliers, and professional associations, contributes positively to the company's sales and profitability (Putra et al., 2020). The market plays a vital role as a resource and ability to build a competitive advantage (Grant, 1991). Superior marketing capability have the potential to improve marketing performance. Saeko & Chuntarung Thoumrungroje (2012) emphasizes marketing performance as the key to business success, the result of effective market and customer strategies. Rosmayani's research (2022) reveals that innovation plays a positive and significant role in mediating the influence of marketing capability on marketing performance."

### 3. Method

This investigation employs an explanatory research design to elucidate the causal relationships among social capital, innovation, marketing capability, and marketing performance. The study's focal population comprises 161 proprietors or entrepreneurs of Batik Tulis Kebon Indah micro, small, and medium enterprises (MSMEs) in Bayat, Klaten. Non-probability sampling, specifically purposive sampling, is utilized to select respondents meeting predetermined criteria: a minimum of three years of business experience, employment of at least five individuals, and willingness to participate in the study. The sample, a representative subset of the population (Arikunto, 2010), is determined using a specific methodology. For research employing Structural Equation Modeling (SEM), Ferdinand (2014) recommends a minimum sample size of 100, while Ghozali & Latan (2015) propose a range of 100-200 participants. Data analysis is conducted to ensure the collected information aligns with the research objectives. This study utilizes SEM implemented through Smart-PLS version 4.1.0.6 for data processing, chosen for its capacity to address limitations inherent in conventional regression methods. Through this approach, the research aims to thoroughly examine the interrelationships between social capital, innovation, and marketing capability, and their impact on the marketing performance of Batik Tulis Kebon Indah MSMEs. By selecting respondents meeting specific criteria and employing sophisticated analytical techniques, this study is anticipated to yield valuable insights into the business dynamics of MSMEs in the batik tulis sector, while contributing significantly to the development of efficacious marketing strategies for analogous creative industries.

### Research Results

**Table 1.** Respondent Characteristics

Characteristic	Category	Total	Percent
Gender	Male	0	0
	Female	100	100
	Amount	100	100
Age	36 - 40 years old	4	4
	41 - 45 years old	14	14
	46 - 50 years old	28	28
	51 - 55 years old	48	48
	56 - 60 years old	6	6
	Amount	100	100
Marital Status	Married	96	96
	Widow	4	4
	Amount	100	100
Graduated	Junior High School Graduate	76	76
	Senior High School Graduate	24	24
	Amount	100	100
Business Experience	8 – 12 year	77	77
	> 12 year	23	23
	Amount	100	100
Employee amount	5 – 8 employee	93	93
	9 – 12 employee	4	4
	> 12 employee	3	3
	Amount	100	100

Source: Prlmary data, 2024

Based on table 1, demographic analysis of the survey respondents reveals a gender distribution of 100% female and 0% male, indicating dominance of female participants. Age distribution among respondents was as follows: 4% in the 36-40 year old, 14% in the 41-55 year old, 28% in the 46-50 year old, 48% in the 51-55 year old and 6% in the 56-60 year old. Marital status distribution among respondents was as follows : married 96% and widow 4%. Graduated distribution among respondents was as follows : junior high school 76% and senior high school 24%. Business Experience distribution among respondents was as follows : 8 – 12 year 77% and more than 12 year 23%. Employee amount distribution among respondents was as follows : 5 – 8 employee 93%, 9 – 12 employee 4% and more than 12 employee 3%.



Figure 2. SEM Research Model

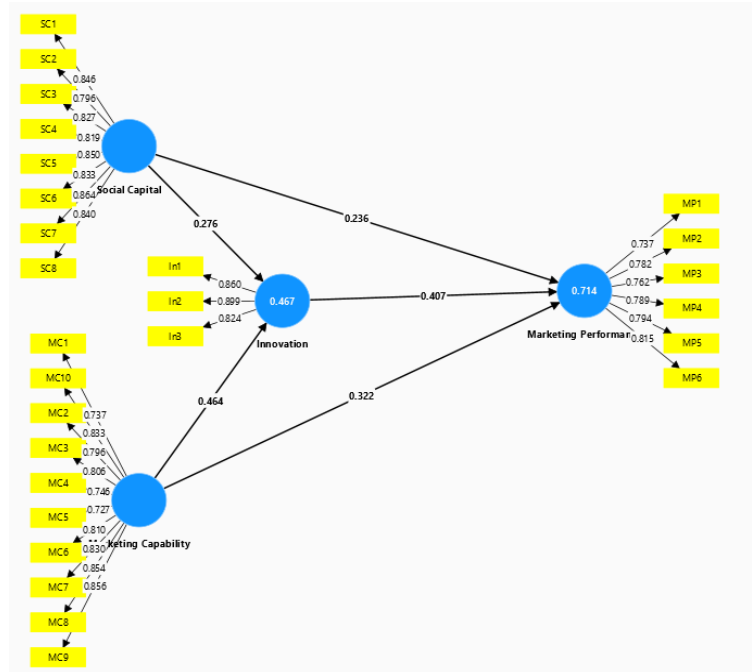


Table 2. Outer Loading Test

	In	MC	MP	SC
In1	0.860			
In2	0.899			
In3	0.824			
MC1		0.737		
MC10		0.833		
MC2		0.796		
MC3		0.806		
MC4		0.746		
MC5		0.727		
MC6		0.810		
MC7		0.830		
MC8		0.854		
MC9		0.856		
MP1			0.737	
MP2			0.782	
MP3			0.762	
MP4			0.789	

	In	MC	MP	SC
MP5			0.794	
MP6			0.815	
SC1				0.846
SC2				0.796
SC3				0.827
SC4				0.819
SC5				0.850
SC6				0.833
SC7				0.864
SC8				0.840

Source: Processed data, 2024

Based on the results of the outer loading test, the results were obtained that the value of all instruments had met the validity assumption because the value of all outer loading exceeded 0.70 (Malhotra & Hall, 2015). From these results, it can be concluded that all instruments have met the convergent validity testing standards.

**Table 3.** Average Variant Extracted (AVE) Test

Variabel	Average Variance Extracted (AVE)
Innovation	0.742
Marketing Capability	0.641
Marketing Performance	0.609
Social Capital	0.697

Source: Processed data, 2024

Based on Table 3, the results were obtained that the Average Variant Extracted values from the variables Innovation (0.742), Marketing Capability (0.641), Marketing Performance (0.609), and Social Capital (0.697) with a > value of 0.5, so that all instruments in each variable met the terms and conditions of discriminant validity.

**Table 4.** Cronbach Alpha & Composite Reliability Test

Variabel	Cronbach Alpha	Composite Reliability
Innovation	0.825	0.896
Marketing Capability	0.937	0.947
Marketing Performance	0.871	0.903
Social Capital	0.938	0.948

Source: Processed data, 2024

The test results in table 4 show that the results of the composite reliability test on each variable of Innovation (0.896), Marketing Capability (0.947), Marketing Performance (0.903), and Social Capital (0.948) are greater than 0.60, from these results it is concluded that all instruments in each research variable have met the reliability assumption in the composite reliability test.

**Table 5.** Path of Coefficient Test

	Original Sample (O)	T Statistik (( O /STDEV))	P Value
In →MP	0.407	4.470	0.000

	Original Sample (O)	T Statistik (( O /STDEV))	P Value
MC → In	0.464	4.773	0.000
MC→MP	0.322	3.200	0.001
SC→In	0.276	2.309	0.021
SC→MP	0.236	2.777	0.006

Source: Processed data, 2024

The results of the Path of Coefficient test showed a positive and significant relationship between the research variables. Social capital and marketing ability have a significant positive influence on innovation, with t-statistical values of 2.309 and 4.773 (>1.969) and p-values <0.05, respectively. Innovation had a significant positive effect on marketing performance (t-statistic 4.470; p-value 0.000). Social capital and marketing capability also have a significant direct positive impact on marketing performance, with t-stats of 2,777 and 3,200 and p-values of 0.006 and 0.001, respectively. These findings confirm the close relationship between the four variables in the context of the MSMEs studied.

**Table 6.** Direct Hypothesis Test

	Original Sample (O)	T Statistik (( O /STDEV))	P Value	Description
In →MP	0.407	4.470	0.000	Accepted
MC → In	0.464	4.773	0.000	Accepted
MC→MP	0.322	3.200	0.001	Accepted
SC→In	0.276	2.309	0.021	Accepted
SC→MP	0.236	2.777	0.006	Accepted

Source: Processed data, 2024

Table 6 presents the results of statistical analysis for various relationships between variables in the study. All the relationships tested showed significant and acceptable results. Innovation (In) has a positive influence on Marketing Performance (MP) with the highest T-statistical value of 4,470. Marketing Capability (MC) has a significant effect on innovation and marketing performance. Social Capital (SC) also showed a positive influence on innovation and marketing Performance, albeit with a lower T-statistic value compared to other variables. All p-values are less than 0.05, indicating strong statistical significance. These results confirm the importance of innovation, marketing capability, and social capital in improving marketing performance in the context of this research.

**Table 7.** Indirect Hypothesis Test

	Original Sample (O)	T Statistik (( O /STDEV))	P Value	Description
MC → In → MP	0.189	3.274	0.001	Accepted
SC → In → MP	0.113	2.153	0.031	Accepted

Source: Processed data, 2024

The table 7 shows the results of the analysis of the indirect influence of two variables on Marketing Performance (MP) through Innovation (In) as a mediator. Marketing Capability (MC) had a significant indirect effect on MP through In, with a T-statistic value of 3.274 and a p-value of 0.001. This shows that innovation plays an important role in strengthening the impact of marketing capability on marketing performance. Meanwhile, Social Capital (SC) also showed a significant indirect influence on MP through In, with a T-statistical value of 2.153 and a p-value of 0.031. Both of these relationships are statistically accepted, emphasizing the crucial role of innovation in mediating the influence of social capital and marketing capability on marketing performance.

**Table 8.** Variance Accounted For (VAF) Test

	Mediation Test 1 SC → In → MP	Mediation Test 2 MC → In → MP
Direct	0.236	0.322
Indirect	0.113	0.189
Total	0.349	0,511
VAF	0.324	0,370

Source: Processed data, 2024

The table 8 indicates the results of the Variance Accounted For (VAF) test, mediation 1 gives a VAF value of 0.324 or 32.4%, which means that the influence of social capital on marketing performance through innovation is partial mediation. Mediation 2 gives a VAF value of 0.370 or 37.0%, which means that the influence of marketing capability on marketing performance through innovation is partial mediation.

#### 4. Findings and Discussion

The Goodness of Fit (GoF) analysis demonstrates the reliability of the research model examining the relationships among social capital, marketing capability, innovation, and marketing performance. The model exhibits a robust feasibility rate of 84.8%, corroborated by an SRMR value of 0.064, which falls below the 0.10 threshold. These indicators affirm the model's excellent fit. A Q-square value of 0.848 signifies strong predictive power, while the SRMR of 0.064 confirms optimal model fit. These findings substantiate the model's reliability in elucidating the dynamics among the investigated variables. Moreover, the results reinforce the applicability of the Resource Based View (RBV) theory within this study's context, offering insights into how firms can attain competitive advantage through internal resource optimization, thereby supporting operational sustainability. Direct relationship analysis revealed a positive and significant influence of social capital on innovation. These findings corroborate that enhanced social capital contributes to innovation optimization, aligning with previous studies by Muafi (2015), Agyapong et al. (2017), and Purwati et al. (2020). Similarly, marketing capability demonstrated a positive and significant impact on innovation. These results underscore the critical role of marketing capability in fostering innovation, supporting prior findings from Lee & Hsieh (2010) and Weerawardhana (2003). This study thus enriches the understanding of the complex interactions among social capital, marketing capability, innovation, and marketing performance within the strategic management domain.

Statistical analysis showed a significant impact of innovation on marketing performance, with the p-value well below the significance threshold and the T-count surpassing the T-table. The positive coefficient confirms a strong relationship between these two variables. These findings confirm that increased innovation substantially drives improved marketing performance, in line with previous studies by Agyapong et al. (2017), Afriyie et al. (2019), and Zheng (2022). Furthermore, social capital was proven to have a positive and significant influence on marketing performance. These results underscore the important role of social capital in significantly improving marketing performance, supporting previous findings from Luo et al. (2004) and Agyapong et al. (2017).

Our findings reveal that marketing capability positively influences marketing performance, supporting studies by Seifi & Dalvi (2014) and Lekmat et al. (2018). However, these results contrast with research by Zhang et al. (2021) and Kumar (2023), who found limited impact of marketing capabilities in traditional craft industries, suggesting contextual factors may influence this relationship. Unlike previous studies focused on modern industries, our research uniquely demonstrates how marketing capabilities operate differently in cultural enterprises like batik MSMEs. The mediating role of innovation in the relationship between social capital and marketing performance presents a more complex picture than previously documented. While our findings align with Agyapong et al. (2017), they differ from Wang's (2022) study of Chinese traditional craft MSMEs, where innovation showed full rather than partial mediation. This variation might be attributed to differences in cultural context and institutional support systems. Our study uniquely contributes by revealing how innovation's mediating role varies in heritage-based industries where traditional practices must balance with modern market demands.

This research reveals the complex dynamics between social capital, marketing capability, innovation, and marketing performance. Innovation emerges as a key catalyst, mediating the relationship between a company's resources (social capital and marketing capability) and marketing outcomes. However, the role of partial mediation

of innovation shows that social capital and marketing capability also have a significant direct impact on marketing performance. These findings highlight the importance of a holistic approach to marketing management. Companies need to focus not only on developing social capital and marketing capability, but also on increasing their innovative capacity. A strategy that integrates these three elements – social capital, marketing capability, and innovation – will most likely result in substantial improvements in marketing performance. This research provides a strong empirical foundation for the development of more effective and comprehensive marketing strategies in a dynamic business environment.

## 5. Conclusion and Recommendation

This investigation yields significant findings regarding the interrelationships among social capital, marketing capability, innovation, and marketing performance within the context of Batik Tulis MSMEs. The analysis demonstrates that social capital and marketing capability exert positive and significant influences on innovation, suggesting that enhancements in these domains can stimulate increased innovation within Batik Tulis MSMEs. Moreover, innovation exhibits a significant positive impact on marketing performance, indicating that elevated levels of innovation correspond to improved marketing outcomes. The study further reveals that both social capital and marketing capability directly and positively influence marketing performance, underscoring their criticality in enhancing the marketing efficacy of Batik Tulis MSMEs. Mediation analysis elucidates that innovation functions as a partial mediator in the relationships between social capital and marketing performance, as well as between marketing capability and marketing performance. This implies that while social capital and marketing capability directly affect marketing performance, a portion of their influence is also channeled through augmented innovation. These insights offer valuable guidance for Batik Tulis MSMEs seeking to improve marketing performance through social capital development, enhanced marketing capability, and innovation emphasis. Notwithstanding these contributions, the study acknowledges certain limitations. The quantitative approach constrains in-depth understanding of respondents' variable assessments. The research's focus on Kebon Indah Batik Tulis MSMEs limits generalizability to other locales. Additionally, the study does not address the increasingly salient aspects of digital marketing in the contemporary business landscape. Future research directions include employing qualitative methodologies, expanding the geographical scope, and incorporating variables such as digital transformation and digital marketing capability to provide more comprehensive insights into factors influencing the marketing performance of Batik Tulis MSMEs. Our findings both support and challenge Resource-Based View theory in the MSME context. While confirming RBV's premise that unique resources drive competitive advantage, we reveal that in traditional cultural enterprises, the relationship is more complex. Our study challenges conventional RBV by demonstrating that innovation's mediating role is particularly crucial in heritage-based MSMEs, where social capital and marketing capabilities must be carefully balanced with cultural preservation. These insights extend strategic management theory by showing how traditional enterprises can maintain cultural authenticity while pursuing market competitiveness through innovation-driven approaches.

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