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BAB II

LITERATURE REVIEW

2.1 Theory Review

2.1.1 Resource Based Theory

If a company can generate more economic value than its competitors, it is said to have a competitive advantage. However, the most important aspect is to maintain the sustainability of these competitive advantages, also known as sustained competitive advantage (Barney and Clark,2007). The creation of abnormal profit is the source of competitive advantage in RBT (Peteraf,1993) or the rate of return above the average (above-average returns) achieved by utilizing the company's unique features (Lin and Huang 2011). Competitive advantage can be divided into two types: logistical competitive advantage and strategic competitive advantage. (Porter,1985) and competitive advantage based on resources (Barney,1991).

Barney and Clark stated that Resource-based theory (RBT) is a theoretical advancement. Economic Rent by Ricardo and Structure-Performance-Conduct by Porter (2007). This theory arose from the strategic question of why a company can outperform other companies and have superior performance that is sustainable. Companies that own and control their resources will have an advantage over companies that buy or obtain their resources from outside the organization. The company's unique collection of resources, which it owns and controls, enables it to achieve and sustain superior performance. RBT refers to resources that are useful /

valuable (valuable), rare (rare), cannot be imitated (inimitable), and non-substitutable. Valuable means it can be used for company activities, while rare means it is only owned by a few companies. Cannot be imitated means that the resource is protected from being imitated by competitors. Irreplaceables are resources that are only owned by a few companies and cannot be replaced with other products. (Barney, et al. 2001).

This kind of resource can help businesses gain a competitive advantage. The evolution of RBT has been quite rapid, particularly in demonstrating its consistency with empirical studies in various fields of science. The domain of the first time developing it is strategic management products. (Spanos and Lioukas 2001, Schroeder et al. 2002, Ray, et al. 2004), which later spread to other scientific fields, such as human resource management (Gates and Langevin 2012; Connelly, et al. 2012), as well as Accounting (Henri 2006, Toms 2010). Wernerfelt (1984) According to resource-based theory, the company will excel in business competition and achieve good financial performance by owning, controlling, and utilizing important strategic assets (tangible and intangible assets). Belkaoui (2003) states that combining tangible and intangible assets is a potential strategy for improving the company's performance. Resource-based theory is a school of thought that develops in theory strategic management and competitive advantage of companies that believe that superior resources will lead to excellence. (Solikhah, et al, 2010). Based on the Resource-Based Theory approach, it is possible to

conclude that the company's resources influence its performance, which increases its value.

The Resource-Based View (RBV) has become one of the most influential theories in the history of management theory, particularly in strategic management theory. The RBV strategy is measured by two indicators: resources and capabilities, (Hitt, et al., 2001). RBV focuses on understanding the potential of resources and organizational capability in general. (Coulter, 2002:37). According to De wit, Meyer in Taufiq Amir (2011: 86) The types of resources are as follows:

- a. Tangible resources include anything in the company that can be physically observed (touched), such as buildings and money.
- b. Intangible resources cannot be touched, but they are mostly done by employees in an organization, and the resources available in the emerging organization are the result of their interaction with their environment.

According to Thomson and Strickland in Sampurno (2011) explains, Aspects that require attention include analyzing the strengths and capabilities of the company's resources:

- a) Expertise or skills Internal strength expertise, excellent service, and distinctive advertising are just a few examples. These skills and expertise must be protected by the company so that competitors cannot easily imitate them..
- b) Important physical assets Included are, among other things, well-equipped production facilities, extensive distribution facilities, network and system

information, managerial system values and norms, and technical systems based on knowledge and skills.

c) Human resource assets Included in this category are workers who are experienced and capable, talented workers in key areas, and energetic and highly motivated workers. In this context, it is critical to consider whether the company provides adequate opportunities for employees to improve their skills.

d) Organizational assets of high value Quality control systems, systems qualified technology, this organizational asset is very important because it is related to the company's speed in predicting problems that have been and will be faced in the future making the right decisions and quickly.

e) Capability to Compete Included are, among other things, the company's ability to launch a new product in a relatively short period of time, a partnership with strong relationships with key suppliers, and, most importantly, the ability to respond to changes in market conditions and capabilities well trained in customer service.

f) Collaboration and alliances Collaboration partnerships with suppliers and marketers can boost a company's competitiveness. Connection companies with suppliers and marketers are very strategic because they can create a competitive advantage through a good and mutually beneficial partnership.

2.1.2 Agile Capability

Agility is defined as an organization's dynamic ability to "manage uncertainty in order to efficiently and effectively redeploy/redirect its resources to value-creating and value-protecting (and capturing) higher-yield activities as internal and

external circumstances warrant." (Teece et al. 2016; p. 8). Agility improves a company's ability to create customer value and gain a competitive advantage. (Matthyssens et al. 2005), and handle market-driven changes (Tahmasebifard et al. 2017) because of the increased speed, coordination, customer engagement, and flexibility of the marketing teams (Accardi-Petersen 2011; Ewel 2013; Smart 2016).

2.1.3 Marketing Capability

Marketing capability can be interpreted as a pattern used by a company in using resources and becoming routines from time to time. Marketing capability can assist companies in sensing and responding to market changes such as competitor movements and technological changes, allowing companies to leverage the capabilities and resources of partners to create value and facilitate the company in determining customer needs. (Day, 1994). Marketing capability can make the company up to the maximum point because of improvements carried out inside and outside the company. Development of services and products not only develop from within but keep up with the competition in the market together with competitors. Given this reality, companies are required to be able to produce new products or development of new products with good functions to use in the competitive world (Saleh, 2015). Sensitivity to the development of this product can be obtained when the company has good marketing skills. Marketing capability has several dimensions, namely marketing culture capability, strategic capability, and operational capability (Hooley, 1999). This matter means that the culture in each region always has differences. With know the cultural differences in each region or

region, then company can determine the right strategy to apply the strategy through the company's operational activities. Operational examples in internal company, namely SOP (Standard Operational Procedures) which is in the company. Small businesses with higher levels of marketing capability appear to have a positive effect on customer reaction, which translates to higher business performance (Santos-Vijande et al., 2012).

According to (Blesa & Ripolles, 2008) who adopted (Day, 1994) Marketing capability is defined as a complex collection of skills and knowledge accumulation carried out through organizational processes that allow businesses to coordinate activities and use their assets and resources. Thus, improved marketing capabilities can optimally provide superior market sensing, connecting customers and past distribution channel capabilities as a result, and can be the key to international market success. Marketing capability has eight fundamental aspects in and for companies to measure successes (Vorhies & Morgan, 2005) are:

1. Pricing Capability The company could set a commensurate price with the value given to the customer, the price offered is also according to the purchasing power of the target market and see from competitors' conditions.
2. New Product Development Capability The company could develop and create new products that suit your wants and needs dynamic customers.
3. Channel Management Capabilities The company could manage distributors from companies in providing added value to distribution practices.

4. **Marketing Communication Capabilities** The company could manage customer value perceptions, able to make customers have a positive product perception so that can build a good brand image in the eyes of customer.
5. **Selling Capabilities**, the company could develop management & sales system and provide training for sales representatives.
6. **Market Information Management Capabilities** The company could obtain information regarding main target customers and analyze the information to carry out an effective marketing program.
7. **Marketing Planning Capabilities** The company could prepare marketing programs effective by looking at the results of the analysis of information from the customer side.
8. **Marketing Implementation** The company could apply marketing strategies which have been properly analyzed and marketed to customers. Marketing capability has a very important role in optimizing resources existing resources, this can have an impact on customer satisfaction and differentiate with other companies

2.1.4 Operational Capability

Capabilities have the same meaning as competence (ability). However, it means to have more than just skills, namely understanding in detail so that it could properly master its abilities, to overcome weaknesses. Capabilities are also defined as various more specific skills, procedures, and processes that can be used to gain a competitive advantage by leveraging resources.. From this explanation then the

capability can be defined as the ability that has more than just a skill at something that becomes an advantage compete and master abilities from weak points. Operational capability is a complex set of tasks that a company must complete in order to increase output while utilizing production capabilities, technology, and material flow. (Yu et al., 2014). Operational capability has been defined as focusing on the efficient delivery of quality products and services, cost, and flexibility, and is measured on a scale of various dimensions, including flexibility, cost efficiency, and logistics. (Tan et al., 2004). Those operational capabilities that contribute to the company's ability to compete on a time basis, flexibility, low cost, and product quality are among the most frequent, powerful, and consistently positively related to competitive success. (White, 1996 in Yu et al., 2014). Several empirical studies have found that operational capability has a significant impact on firm performance. (Rosenzweig et al., 2003; Nath et al., 2010; Terjesena et al., 2011). Using a 167-person sample A high-tech manufacturing firm based in England, Terjesena et al. (2011) in Yu, et al. (2014) discovered that operational capabilities that promote low operating costs and product quality significantly predict company performance (such as sales growth, sales returns, and return on assets). Rosenzweig et al. (2003) in Yu, et al. (2014) It was discovered that improving competitive capabilities (such as product quality, cost, process, flexibility, and delivery reliability) improves overall business performance. Using data archives from 102 logistics companies in the United Kingdom, Nath et al. (2010) in Yu, et al. (2014)

Furthermore, operational capability was discovered to have a significant impact on business performance (such as profitability). According to Day (1994), operational capability is the main driver of the company in facing competition in the future. In an effort to win the competition, Stalk (1990) suggests the importance of managing the company's capabilities through five dimensions, namely: (1) the ability to respond quickly to consumer demand or market demand and incorporate new ideas and technology quickly into products (speed), (2) the ability to produce products that meet the satisfaction expected by consumers (consistency) , (3) the ability to clearly see the competitive environment and then anticipate and respond to changes in accordance with customer wants and needs (acuity), (4) the ability to adapt simultaneously to various different business environments (agility) and the ability to generate ideas new ideas and combine them with various existing elements and create new sources of value (innovativeness). These efforts are expected to obtain competence as a unique competitive ability and be able to provide a source of profit for the company in the long term (Hill and Jones in Roth and Jackson, 1995).

2.1.5 SME Performance

As a solution to overcoming unemployment, job creation, innovation, and long-term economic development, SMEs are important as a place for business development for entrepreneurs and fund providers. (Abiodun and Eniola, 2014). SMEs strive to achieve their business objectives at all times. Goals are the end result of all SME operational activities, so they require effort to achieve. According to Nelly (2005), the achievement of company goals can be measured by performance.

The phenomenon of SME performance measurement in Indonesia generally does not have or is inconsistent in terms of recording and reporting the results of financial performance and production each period, so the measurement of SME performance is carried out following Najib and Kiminami (2011) to measure the performance of SME businesses using subjective measurement methods including sales volume, profitability, and market share, while Chong's (2008) study uses a goal approach in helping SME owner- Managers must assess performance in relation to predetermined goals. Performance is measured against the planned target in order to achieve it.

2.2 Previous Research

The authors used several variables in this study, including Agile capability, Marketing capability, Operational capability, and SME Performance. Previous research yielded variables related to Agile capability, Marketing capability, Operational capability, and SME Performance. From previous studies, 9 of the 9 previous studies used quantitative methods.

Table 1 Previous Research

No	Research	Publication	Research Method	Conclusion
1	Darmawan <i>et al.</i> (2021). Analysis of Entrepreneurial Characteristics, Capital, and Marketing Strategy on the	Conference on Economic and Business Innovation	Quantitative	1. Entrepreneurial characteristics have a positive impact on innovation. 2. Capital has a positive impact on innovation.

<p>Development of Gofood Bekasi SMEs with Innovation Intervening</p>		<p>3. There is no positive influence of Marketing Strategy on Innovation</p> <p>4. There is no positive influence of Entrepreneurial Characteristics on Business Development</p> <p>5. Capital has a positive impact on business development.</p> <p>6. Marketing Strategy has no positive impact on business development.</p> <p>7. Innovation has a positive impact on business development.</p> <p>8. There is a positive influence of Entrepreneurial Characteristics on Business Development through Innovation</p> <p>9. Capital has no positive effect on business development through innovation.</p>
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				10. There is a positive influence of Marketing Strategy on Business Development through Innovation
2	Prastiwi and Rohimat (2020). Performance of GoFood MSEs Partnership: An Integration of Entrepreneurial Orientation, Marketing Capabilities, and Brand Orientation	Shirkah: Journal of Economics and Business Volume 5, No. 3, September-December 2020 ISSN: 2503-4235 (p); 2503-4243 (e)	Quantitative	<p>1. Entrepreneurial orientation has a significant impact on marketing capability, brand orientation, and the business performance of GoFood MSEs partners.</p> <p>2. Brand orientation has no significant impact on GoFood MSE partners.</p> <p>3. Marketing capabilities have no significant impact on the business performance of GoFood MSEs partners.</p>
3	Arif et all (2019). Marketing Capability, Business Model Innovation Quality and Smes Growth Performance	Int. J. Adv. Res. 7(5), 1096-1105	Quantitative	<p>1. Marketing ability influences the Quality of Business Model Innovation and on improving the performance of SMEs</p> <p>2. The Quality of Business Model Innovation moderates marketing capabilities to SME Growth Performance</p>

4	Alwi and Masjono (2020). The Role of the Food Delivery Service Platform in Supporting the SME's Marketing Mix in the New Normal Period	Journal of Entrepreneurial Development Vol. 22 No. 02 – Aug 2020	Quantitative	<p>1. The food delivery service platform has helped to support eight aspects of the company's stimulus plan (marketing mix)</p> <p>2. The promotion aspect can display various joint promotions and promotions from SME merchants in an up-to-date manner</p> <p>3. The place aspect is the expansion of the marketing area coverage, the addition of service working hours, as well as the ease of access to virtual purchases accompanied by orders and delivery</p>
5	Fauzi (2019). Critical Factors On Sme Managers' Adoption Of Online Delivery Service Application	International Journal of Business and Society, Vol. 20 No. 3, 2019, 1130-1148	Quantitative	<p>1. Coercive pressure (CP), mimetic pressure (MP), and normative pressure (NP) all have a significant impact on the formation of managers' attitudes (AT) toward using Go-Food services.</p> <p>2. Perceived usefulness (PU) and perceived ease of use (PEU) in the framework of TAM significantly</p>

				<p>influence the manager's attitude toward Go-Food services</p> <p>3. Perceived usefulness (PU) and perceived ease of use (PEU) exert greater pressure on SMEs' managers' attitudes toward the Go-Food service.</p> <p>4. AT has a significant impact on behavioral intention (BI) to adopt new technology.</p>
6	<p>Sofia et al (2021). Analysis of The Effect of Using Food Delivery Services Applications on The Sales of SMES During the Covid-19 Pandemic (Study in Bandung City, Indonesia)</p>	<p>International Journal Administration, Business and Organization, Vol. 2 (1), 2021: 44-50</p>	<p>Quantitative</p>	<p>1. The food delivery application is proven to increase MSME sales by 43.5%</p> <p>2. The food delivery service application will be able to increase sales of MSMEs in the city of Bandung</p>
7	<p>Nadia et al (2019) Adopting E-commerce Technology for SME's (Case study in Tangerang, Indonesia)</p>	<p>JURNAL EMACS (Engineering, Mathematics and Computer Science), Vol.1, No.1 September 2019: 37-41</p>	<p>Quantitative</p>	<p>1. SMEs owner learn about e-commerce and implement the technologies to their business flow to catch up with technologies growth</p> <p>2. SMEs owner are gain advantages on</p>

				adopting this different type of e-commerce.
8	Kamboj et al (2015) A resource-based view on marketing capability, operations capability, and financial performance: An empirical examination of mediating role	Procedia - Social and Behavioral Sciences 189 (2015) 406 – 415	Quantitative	<p>1. Marketing capabilities have a significant impact on competitive advantage, which in turn has a positive impact on financial performance.</p> <p>2. As a result of supply chain management practices acting as a mediator, financial performance loses significance, and the influence of operations capabilities on financial performance weakens.</p> <p>3. Supply chain management practices play a role in mediating the relationship between operational capabilities and financial performance.</p>
9	Indrawati et al (2020). Analysis of Entrepreneurial Characteristics, Capital, And Marketing Strategy for Gofood Bekasi	Conference on Economic and Business Innovation	Quantitative	<p>1. Entrepreneurial characteristics have a positive impact on innovation.</p> <p>2. Marketing strategy has no positive impact on innovation.</p>

	Small and Medium Enterprises Development with Innovation Intervening		<p>3. There is no positive influence of Entrepreneurial Characteristics on Business Development</p> <p>4. There is no positive influence of Marketing Strategy on Business Development</p> <p>5. There is a positive influence of Entrepreneurial Characteristics on Business Development through Innovation</p> <p>6. There is a positive influence of Marketing Strategy on Business Development through Innovation</p>
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2.3 Conceptual Framework

This study will adopt and modify the model from a previous study titled "MARKETING CAPABILITY, BUSINESS MODEL INNOVATION QUALITY, AND SME GROWTH PERFORMANCE" conducted by Arif et al (2019). The reason the researcher adopts this model is because there are several phenomena related to the variables in the research model. Where then, the researcher adds Agile capability and operational capability variables into the model because it is suspected

to influence SME Performance from SME FnB. Researchers do not use the brand orientation variable; this is because according to Prastiwi and Rohimat (2020) the variable brand orientation is considered to have no effect on GoFood MSEs partners. This research model is shown below:

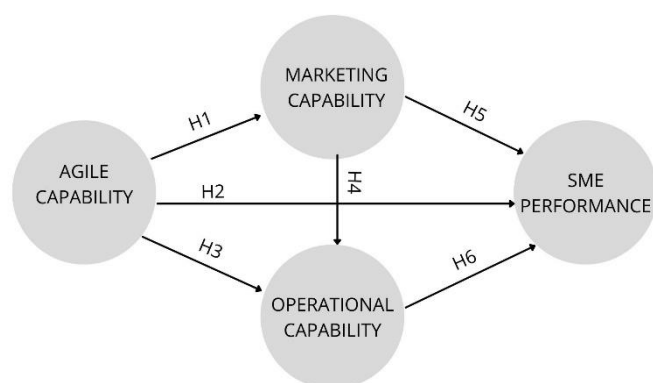


Figure 4 Conceptual Framework
Sources: the result of processed research data (2020)

2.4 Hypothesis

2.4.1 Agile Capability and Marketing Capability

Agility is a company's ability to stay current with market dynamics and adapt strategies, tactics, and operations to respond quickly to market changes in new business opportunities (Dubey et al, 2018). Agility has recently gained academic attention in management and marketing literature, with scholars recognizing the role of marketing in shaping agility as a key driver of international performance (Hagen et al, 2018). Based on this description, the researcher proposes the following research hypothesis:

H1: Agile Capability has a positive influence on Marketing Capability

2.4.2 Agile Capability and SME Performance

We use operational responsiveness as a proxy for operational performance because management's pursuit of strategic agility is primarily concerned with improving the firm's operational responsiveness (Swafford et al., 2006a; Braunscheidel and Suresh, 2009). A firm's agile manufacturing has a positive relationship with operational performance, which in turn improves the firm's marketing performance (Inman et al, 2011). Based on this description, the researcher proposes the following research hypothesis:

H2: Agile Capability has a positive influence on SME Performance

2.4.3 Agile Capability and Operational Capability

The lack of trained personnel may result from the fact that most small businesses focus on operations, with owner managers having a specific skill in making a product and less expertise in marketing. Thus, the issue may be one of implementation strategies and the proper use of marketing capabilities (Santos-Vijande et al., 2012). These issues may arise in small businesses due to informal management organizational structures and low technological utilization (Su et al., 2013), This lack of knowledge empowerment is what impedes daily operations. Based on this description, the researcher proposes the following research hypothesis:

H3: The influence of Agile Capability on Operational Capability is positive.

2.4.4 Marketing Capability and Operational Capability

Marketing capability can be interpreted as a pattern that is applied by a company in using resources and becoming routines from time to time. marketing capability can make the company up to the maximum point because of improvements carried out inside and outside the company (Thahir, 2019). Marketing capability has several dimensions, namely marketing culture capability, strategic capability, and operational capability (Hooley, 1999). Based on this description, the researcher proposes the following research hypothesis:

H4: Marketing Capability influences Operational Capability positively.

2.4.5 Marketing Capability and SME Performance

Marketing capability is effective in improving firm performance (Yu & Ramanathan, 2016). To determine the goals and satisfactory results of the firm's performance, the manager need to consider the marketing capability to be used such as product determination, the right price, place, and promotion to support the firm's performance (Cambodia & Rahman, 2015). A good performance firm must develop marketing capability first so that the products and services provided can be superior to their competitors (Tan & Sousa, 2015). According to the study of Moore & Fairhurst (2003), the more differentiated marketing capabilities will be affected firm performance for the better. Marketing capability greatly affects firm performance because with the ability superior marketing will facilitate the success of the company to introduce and offer their products to the public (Kamboj &

Rahman, 2017). Based on this description, the researcher proposes the following research hypothesis:

H5: Marketing Capability has a positive influence on SME Performance

2.4.6 Operational Capability and SME Performance

According to Inan and Bititci (2015), operational capabilities are critical for sustaining and improving business performance. Routines for improving operational capabilities, as well as strategy development and implementation, are ongoing. The ability to incrementally improve manufacturing performance using existing resources is defined as improvement capability. SMEs control everything in the organization, and employees do what the owners say. This prevents micro businesses from developing capabilities such as learning, innovation, and continuous improvement. In order to improve organizational culture, Inan and Bititci recommend that micro enterprises prioritize empowerment, reward and recognition, idea generation, ongoing learning, and open communication routines. Based on this description, the researcher proposes the following research hypothesis:

H6: SME performance is influenced positively by operational capability.

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