

## Chapter 45

# Building Entrepreneurial Networking Quality to Improve the Success of Innovation and Batik SMEs Performance

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### **ABSTRACT**

*This study is to analyze the improving of the success of innovation and Batik SMEs performance by entrepreneurial networking quality, the quality of entrepreneurial trusting, co-creation, and entrepreneurial orientation. The respondents in this study were 63 owners or the managers of Batik SMEs in Solo, Indonesia. SEM-PLS was used as analysis equipment and WARLPLS version 5 was used to analyzing the data. The result of the study showed that, first, the improvement of success on innovating was only significantly by the quality of entrepreneurial networking and the quality of entrepreneurial trust, while entrepreneurial orientation and co-creation were not able to improve the innovation successful. Secondly, the performance of Batik SMEs could improve significantly when it was influenced by the quality of entrepreneurial networking, co-creation, and the success of innovation, while the entrepreneurial orientation and the quality of entrepreneurial trust could not improve the performance of Batik SMEs significantly.*

## **INTRODUCTION**

Since 2009, Batik was acknowledged by UNESCO as World Culture Heritage from Indonesia (Budiono & Aryanto, 2010) and Batik belongs to 14 categories of creative industry. The art of Batik becomes the identity and the local symbol in Indonesia (Ismail, 2015). At the beginning, Batik was known as an ancient method of textile decoration practiced all around Asia since prehistory and the name of Batik is adopted from Indonesian (Haake, 1989). In advance, its designs and motives are developing. Every region has its own unique motives and designs. The regions which produce Batik such as Pekalongan, Solo, Yogyakarta, Ciamis, Banyumas, Indramayu, Lasem, Tasik dan Sragen.

The entrepreneurs of Batik try to innovate in order to follow the advanced era and consumers demand. The customers have changeable and unpredictable desire and needs, and they demand something new. Therefore, innovation is the main dynamic ability to face the fast changing of environment (Camps & Marques, 2014) and as the most vital thing for the life of SMEs in Indonesia.

In some literatures, innovation is very important for company. Innovating happens in many forms, such as in design, product, marketing technique, prize, service, organization or method used by the management (Drucker, 1954). The innovation of the product is an important factor to measure the success of a new product (Bao et al., 2012). The successful SMEs in building innovation will create unique positioning (Im & Workman, 2004) and improve the performance (Ardyan, 2016). This innovating ability will make the performance of the company improve (Low et al., 2007; Mu et al., 2007).

Business networking is very important in a company. The concept of business networking is very important, despite the less development of it (Ford & Mouzas, 2013). Business networking refers to conscious effort of the actor in changing or developing the interaction process or relation structure he involves in. Networking is the nucleus of management in business landscape (Ford & Mouzas, 2010; Henneberg et al., 2010). Networking is important in improving the interaction among related actors (Ford & Mouzas, 2013). The actors may include government, industry, university, and others. Building a strong business networking will give impacts toward the promoting of business development (Sato, 2000). The networking which relates university, industry, and government (triple Helix) can influence innovation strategy (Erosa, 2012) and the performance of business (Purwaningrum et al., 2012).

In SMEs, performance formed from some ways. There are 3 importance variabel that influence SMEs performance, i.e.: (1) how to build the quality of entrepreneurial networking and the quality of entrepreneurial trusting. The importance of networking in SMEs has been written by some writers, considering the need of SMEs to acquire access into other organization's resources (Partanen et al., 2008; Tikkanen, 1998) and the ability to improve the performance (Ahuja, 2000; Nurhayati, 2009; Stam & Elfring, 2008). (2) is able to conduct co-creation. Co-creation is an action to create a value collectively between company and the other stakeholders. This ability of creating collectively can improve the work (Chuang & Lin, 2015; Grisseemann & Stokeburger-Sauer, 2012; Nysveen & Pedersen, 2014; Wang & Wu, 2013). (3) has entrepreneurship orientation. In some studies, the entrepreneurship orientation will influence the performance, especially SMEs (Arif et al., 2013; Soininen et al., 2012). However, there is contradiction of the result of those studies. There is also a study which explains that entrepreneurship orientation does not have impact on the performance (Baker & Sinkula, 2009; Sciascia et al., 2014).

The aims of this study are as follows:

1. To examine the impact of the quality of entrepreneurial networking on the innovation successful.
2. To examine the impact of the quality of entrepreneurial trusting on the innovation successful.

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