THE INFLUENCE OF COMPETITIVE PRESSURE ON INNOVATIVE CREATIVITY

Meutia, Sultan Ageng Tirtayasa University
Tubagus Ismail, Sultan Ageng Tirtayasa University

ABSTRACT

Government policy to open free market changes business environment. It will then deeply influence SME’s competitive rate especially on creative industries. Tight competition pushes entrepreneurs in batik industry to keep on innovating, such as innovation in product, design, dyeing method, technology, and service innovation. These need to be done to make batik industry more interesting in import and export market. One local heritage creative industry in Indonesia is batik industry. This study is aimed to investigate and analyze the influence of competitive pressure on innovative creativity and competitiveness of batik SME in Indonesia. Design method in this study is survey method on batik entrepreneurs in Indonesia. The numbers of samples are 168 respondents. Purposive sampling technique is used to decide sample, based on certain criteria that is the frequency of exporting batik into foreign countries. Data is analyzed by using Structural Equation Modelling (SEM) and AMOS 16.0 program. Hypotheses results state that competitive pressure does not affect product innovative creativity skill, on the other hand competitive pressure affects the ability to adapt with business environment change. Adaptive ability on business environment change also affects batik industry’s marketing performance. Product innovative creativity also affects significantly on SME’s product performance. Competitive pressure in business environment will push entrepreneurs to be more creative in developing their product and to improve SME’s competitiveness. Results from this study contribute to Resource Based View theory (RBV) states that an organization will be able to improve marketing performance through product innovative creativity and adaptive ability to business environment change.

Key Word: Competitive Pressure, Marketing Performance, Batik SME

INTRODUCTION

Small to Medium sized Enterprises or SME is a part of economy protection in a country, including Indonesia. SME has an important role to improve economy development pace, enlarge job opening, improve domestic income and strengthen community empowering. Right now, SME in Indonesia represents about 90 percent of Indonesia’s business and contribute about 57 percent of Bruto Domestic Product in Indonesia.

Economy crises in 1998 proved that SME is much tougher compared with larger industries and has higher rate of flexibility, uses local material and able to survive in economy crises. In 2015, ASEAN Economy Era will be applied and it will not only become an opportunity but also challenge for Indonesia’s economy. By applying ASEAN Economy Community in the end of 2015, ASEAN members will have experienced the free flow of goods, services, investment and well educated person from and to each country. By performing this kind of activity there will be solid integration called as “free trade area”, the omission of tariff rate among ASEAN members, free labor and capital market. These will influence on
stronger competition of SME’s product especially in creative industries in Indonesia. One creative industry in Indonesia that becomes unique feature is batik.

Batik is an artistic creation and local heritage in Indonesia. Batik is well known throughout the world. Batik is unique feature acknowledged by UNESCO as Intangible World Heritage in October 2009, besides kris and puppet. Batik has made Indonesia as one of the leader countries to produce the soft traditional fabric, origins from the old, artistic and rich tradition in Indonesia. One area in Indonesia that is well known as batik central is Pekalongan (Meutia, 2012).

Marketing development in facing globalization era becomes certain challenge for SME in developing its business. It needs innovative development and creativity to be able to survive and face the competition from foreign SME. SME needs to be more creative in producing products, and adapting with business environment change in Indonesia to keep marketing performance in line.

High rate of adaptive ability in business environment change and innovative creativity will become the strength that has to be owned by SME to face competition. Entrepreneur ability in adapting with business environment change will become internal resource that is imperfectly imitated by other company, and it will create competitive advantage in an organization. Krajewski & Ritzman (2003) stated that managing ability and adaptability will create competitive advantage oriented strategy.

Besides adaptability factor, innovative creativity also becomes one of the triggers to create SME’s marketing performance. Formerly, innovation term can be meant as a new product related breakthrough. As the development goes on, innovation term also includes the application of new ideas and process. Innovation also viewed as organization’s mechanism in adapting with dynamic environment. Innovative creativity is a strategy to put an organization one step ahead in competing with same field products from competitors.

Entrepreneurs’ incompetence to maintain and preserve challenges will make performance declining and company’s failure (Hill and McGowan, 1999). Study on marketing performance done by Menon et al. (1999) stated that marketing program creativity does not deeply influence marketing activities. Other stated that creativity provides important influence on marketing performance since it will be useful to develop certain product (Menon et al., 1999). Other study recommended that in developing countries, environment adaptability has an important role for performance improvement. Based on some previous results, problem for this study is to know and further analyze the influence of competitive pressure on business environment adaptability and innovative creativity to improve marketing performance.

**HYPOTHESES DEVELOPMENT**

**The Influence of Competitive Pressure on Business**

Business change and competitive pressure push entrepreneurs to keep their business stable. Competitive pressure pushes entrepreneurs to be more creative doing something new compared with their competitor in order to produce innovative creativity. Porter (1985) explained how organizations keep their business under competitive pressure by using five strength model that will influence industrial competition. They are new comer, substitute product, supplementary product, supplier bargaining power, customer bargaining power and industrial competition threat. Competitive pressure will push an organization to be adaptable with fast and uncertain change in business environment.
Business environment is always considered as barrier factor for industrial growth. The element of competitive environment should be further studied because industrial failure in reaching sales comes from management’s inability to analyze present changes in industrial competitive environment. Broader knowledge about marketing environment will improve management’s ability to analyze received data and choose needed data to decide organization’s aim as response for environment change condition (Menon et al., 1999).

Business environment is the combination of social, law, economy, physic and politic factors that will influence business activities. Significant changes in these factors will make business pressure for organization. The lack of market strength, dynamic business environment and the emergence of new markets will make SME fragile to face external influences from larger organizations (Man et al., 2002).

The higher competitive pressure requires organizations to continually adapt with business environment change such as anticipation to face market preference and customer preference change, government policy and adaptability. Based on phenomenon and results above, the first hypotheses proposed as follow:

\[ H1: \text{The higher Competitive Pressure, the higher Business Environment Adaptability will be} \]

**The Influence of Competitive Pressure on Product Innovative Creativity**

Government policy to open free market triggers every organization and SME to face freer competition. It will produce competition in business world. An organization must compete and maintain its product to keep business survival. Temtime & Passiri (2005) explain that when a competition improves, entrepreneurs need more than just skill and knowledge to manage their own business.

Environment change and competitive pressure require entrepreneurs to keep their survival effort. Competitive pressure pushes entrepreneurs to think more creative in performing something new compared with their competitor; as a result it will produce innovative creativity. Porter (1985) explained how organization maintains its survival effort under competitive pressure in an industry by using five strength model that influence industrial competition. These strengths are new comer, substitute product, supplier bargaining power, customer bargaining power and industrial competition.

Porter (1985) argued by stating that there are two factors that will determine options in competitive strategy, these are industry’s potent to get long term profitability and its decision factor in which the organization will respond to industrial condition and also shape desired industrial condition. In existing industry, competition is determined by five main strengths: (1) new competitor, (2) substitute product, (3) buyer bargaining power (4) supplier bargaining power and (5) existing competition in present organization.

Environment change and competitive pressure require entrepreneurs to keep their survival effort. Competitive pressure requires entrepreneurs to think more creative and perform something new compared with their competitor; as a result it will produce innovative creativity. Result from Yang Lee (2009) shows that the effect of competitive market pressure faced by organization is caused by customer preference and it will influence R and D incentive to perform technology competence. Organization with high technology competence will aggressively respond on R and D competition, while organization with low technology competence may only follow the market.
Hadjimanolis (2000) used innovation term as the individual speed rate in adopting new ideas compared with other members in a system. The existence of similar kind of product from competitor has similar look and it becomes the trigger factor to create innovation, especially product innovation. Competitor’s product usually shows up without any changes, it tends to be static. Therefore it becomes an advantage since competition can be easily won by doing product innovation. Product innovation is a product that can be viewed from its functional side that will bring a product one step ahead compared with its competitor. Hadjimanolis (2000) explained that competitive intensity and environmental competition are market measurement to have innovation. When competitors produce new strategy they will have an opportunity to grow, as a result competitive intensity will get higher. Based on previous results it can be proposed hypotheses as follow:

\[ H_2: \text{The higher Competitive Pressure rate the higher Product Innovation of SME will be} \]

**The influence of Business Environmental Adaptability on Marketing Performance**

Present business environment characterized by fast pace change in customer preference, technology and competition. Organization needs to be more creative in order to keep its survival effort. Innovative ability, organizational learning, market orientation and entrepreneurship become the main capabilities for an organisation to reach competitive advantage (Hult & Ketchen, 2001; Hurley & Hult, 1999).

Internal environment connects with the entire condition of an organization that covers resources, capabilities, and core competence (Hitt et al., 2001). Meanwhile, external environment connects with general environment, industry and competitive environment. Result from previous study showed that environment can influence organizational performance (Bain, 1956; Hansen & Wernerfelt, 1989). Marketing performance is an organizational ability to have self-transformation in facing challenges from long term perspective environment (Keats & Hitt., 1988). Performance measurement is a part of organizational efforts in viewing application of strategy fitness to face environmental changes. Environment has become important part of an organization and it is imperfectly imitated. Organization needs to know its environment, and then manages it in proper way so as to provide benefit for the entire organization. Good comprehension of an environment will impact on strategy quality and marketing performance.

Dynamic environment describes the continuous unstable rate of market and turbulence. Dynamic environment is caused by interconnection or inter organizational relationship (Aldrich, 1979; Mintzberg, 1979). Dynamic environment is operationalized as the newest product innovation that shows the main influence of performance measurement (Hambrick, 1983). Keats & Hitt (1988) stated that dynamic environment significantly related with organizational performance. Based on empirical result above it can be proposed hypothesises as follow:

\[ H_3: \text{The higher Business Environmental Adapatability the higher Marketing Performance will be} \]
The influence of Product Innovative Creativity on SME’s Marketing Performance

Product and process innovation have been explained in previous studies. According to Van Geenhuizen & Indarti (2005), besides product and process innovation there are four kinds of innovation in SME. Four kinds of innovation are service, market, logistic and organizational innovation. Innovation can occur simultaneously. For example, product innovation may need new technique in production process or innovation one. New product, product innovation are needed to fill the needs of new market, states that new product advantage is really important in competitive global market environment. This advantage is tied with innovation product development as a result it will produce market advantage that will eventually win the competition.

In Indonesia’s furniture industry, Van Geenhuizen & Indarti (2005) found that product innovation is the most important innovation, such as new product design, and kinds of new product. Other important innovations are market and logistic innovation. Other authors state that creativity in fact which has important influence on marketing performance, because it will provide benefit to develop desired product for customers that love high creativity and unique product (Han et al., 1998; Ismail, 2015) stated that marketing performance is influenced by environmental factor, product innovation and market orientation that positively impact on marketing performance.

Product innovation shows the new product introduction, development and success in the market. Product innovation can be design change, product component and architecture. Product innovation is potential thing to create thoughts and imagine that will finally create loyal customers. Product innovation is an important way for an organization to be adaptable with market, technology and competition change.

Based on empirical data above, the relationship between product innovative creativity and marketing performance are as follow:

\[ H_4: \text{The higher Product Innovative Creativity, the higher Marketing Performance of SME will be} \]

Based on theoretical ground and proposed hypotheses, it can be build model as figure 1.

Figure 1 EMPIRICAL MODEL
METHOD

Sample in this study is the owners and managers of small to medium sized enterprises that specialize in batik industry in Indonesia. Purposive sampling is used as a tool to take samples with certain criteria. Respondents in this study are chosen with criteria as 3 years minimum experience, already have full time employees and have export oriented marketing range. Data for this study is collected by distributing questionnaires to manager and owner of creative industries in Indonesia. There are 168 respondents. Data is analyzed by using Structural Equation Modeling (SEM) and AMOS 16.0 program that requires minimum amount of respondent as 100 (Hair et al., 2010).

Competitive pressure is a situation triggered by macro external changes in environment, as competitive environment complexity, new comer, supplier and lower price substitute product (Porter, 1985; Beneitoa et al., 2002; Yang Lee, 2009). Indicators used to measure competitive pressure are competitive rate tightness (cp1), new entrepreneurs in the market (cp2), material competition (cp3), customer competition (cp4), and lower substitute product (cp5).

Business environment adaptability is the ability to adapt with uncertain environment such as customer preference change, market change, competition, government policy change and technology (Covin & Slevin, 1988; Stamp et al., 2008 Ahmad et al., 2010 McGinnis & Kohn, 1993). Indicators used to measure business environment adaptability are the ability to measure customer preference (ea1), market change (ea2), competition (ea3), government policy change (ea4) and technology (ea5). Innovative creativities are new thoughts to perform new ideas that can support business success (Murphy, 2002; Van Geenhuizen & Indarti, 2005; Nurhayati, 2009). Indicators used in this study to measure innovative creativity are being creative in service (ic1), product design development (ic2), new technology use (ic3), search for market opportunity and product distribution (ic4), and respond the changes in product and market preference (ic5).

Marketing performance is a concept to measure marketing achievement in an organization. Each organization has to know its achievement as their successful reflection in market competition. Slater & Narver (1995) describe the result of organization strategy that can be measured by using indicators such as customer satisfaction (mp1), new product success (mp2), sales growth and profitability (mp3).

RESULT AND DISCUSSION

Descriptive Statistic

Based on descriptive statistical report, we get a clear description of our respondents. Sixty percent of sampled respondents are from Pekalongan as batik central industry in Indonesia, while twenty percent of respondents are from Jogja, twenty percent from Solo and the rest from Bali. Although balinese batik is not deeply well known in comparison with other batiks in Indonesia, the development of it has recently grown at significant level, in accordance with the development of foreign tourists arrival. Based on the sexes, seventy percent of respondents are female and thirty percent is male. In addition, we get clear description of educational background of respondents. As a matter of fact, eighty percent of respondents get a scholar degree that has relatively young age under thirty years old. It shows parental success in educating their children to maintain and reserve national culture.
Structural Equation Model

To see validity convergent from construct indicators, we perform confirmatory factor analysis (CFA), by examining standardized loading factor to see if there is value below 0.5. Loading factor value below 0.5 will be dropped from these analyses since it is not valid to measure latent constructs. Indicators that must be dropped from model is rate tightness (cp1), customer competition (cp4), competition (ea3), government policy change (ea4), because these four indicators have loading factor value below 0.5 (Byrne, 2010). Having dropped invalid indicators, we will rerun the model.

The author uses critical ratio skewness criteria as $\sqrt{2.58}$ at 0.001 significant rates in normality evaluation. Data for study is assumed normal if it has critical ratio (cr) skewness value below absolute value as $\sqrt{2.58}$. Output result shows that there is no critical value above 2.58., as a result we will test the hypotheses and model analyses.

Composite reliability has value above 0.7; it means that internal consistency among latent variables has good reliability (Byrne, 2010). In addition, cronbach’s $\alpha$ value is between 0.79 and 0.94, it is above the required value as 0.70 (Hair et al., 2010 (Table. 1).

Hypothetical testing result and discussion

Data in this study is analyzed by using structural equation modeling and AMOS 16.0 software. First of all, we need to perform hypothetical testing. Hypothetical testing can be seen from chi square value, in which the less $\chi^2$ value, the better the model, and it will be accepted based on cut-off value as $P > 0.05$ or $P > 0.10$. Chi-square value is 98.424; it means that the value is relatively small. RMSEA is index to compensate Chi-Square in large amount of samples. Small RMSEA value or equal to 0.08 is an index to decide whether the model can be accepted based on degree of freedom rate. RMSEA value from analytical result equal to 0.027 that means $<0.08$, as a result the model is fit. GFI (Goodness of Fit Index) is non-statistical measurement that has value range between 0-1, the highest value shows better fit. Recommended GFI value is 0.90 to show that the model is fit. Analytical result from GFI value is 0.936, it means that the model is fit. AGFI (Adjusted Goodness of Fit Index) value is criteria that consider measured proportion of variance in sample covariance matrix.

Recommended acceptance rate by AGFI has similar value. Recommended acceptance rate in AGFI has similar value or larger than 0.90. The result shows that AGFI value is 0.911, means that the model is fit since it is larger than recommended value. CMIN/DF is Chi-Square $\chi^2$ statistic divided with degree pf freedom so it is called as relative $\chi^2$. The value of $\chi^2$ relative is less than 2.0 or 3.0 and it becomes fit identification between model and data. Data analytical result of CMIN / DF is 1.144, means that the model is fit since is suited with recommended value. TLI (Tuckle Lewis Index) is an incremental index alternative which compares tested model with base line model, in which the value as $> 0.95$ is recommended as barometer to accept or reject a model. Analytical result from TLI value is 0.976 reflects that the model is fit. CFI (Comparative fit Index) is value range as 0-1 that states if the value closes to 1 identifies the highest fit rate. Recommended value to estimate model fit is larger than 0.95. CFI value from analytical result is 0.980 that means the model is fit (Byrne, 2010).
Table 1
SUMMARY OF NORMALITY, FACTOR LOADING, RELIABILITY AND VALIDITY

<table>
<thead>
<tr>
<th>Variable</th>
<th>Skewness</th>
<th>Kurtosis</th>
<th>Factor loading</th>
<th>Cronbach’s α</th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive pressure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>cp2</td>
<td>-0.22</td>
<td>2.95</td>
<td>0.79</td>
<td>0.94</td>
<td>0.89</td>
</tr>
<tr>
<td>cp3</td>
<td>-0.11</td>
<td>2.85</td>
<td>0.58</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cp5</td>
<td>-0.13</td>
<td>2.15</td>
<td>0.71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business environment adaptability</td>
<td></td>
<td></td>
<td></td>
<td>0.89</td>
<td>0.88</td>
</tr>
<tr>
<td>ca1</td>
<td>-0.08</td>
<td>2.86</td>
<td>0.98</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ca2</td>
<td>-0.15</td>
<td>2.74</td>
<td>0.97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ca5</td>
<td>-0.25</td>
<td>2.55</td>
<td>0.96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovative creativities</td>
<td></td>
<td></td>
<td></td>
<td>0.92</td>
<td>0.79</td>
</tr>
<tr>
<td>ic1</td>
<td>-0.25</td>
<td>2.54</td>
<td>0.78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ic2</td>
<td>-0.15</td>
<td>2.55</td>
<td>0.67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ic3</td>
<td>0.26</td>
<td>2.55</td>
<td>0.66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ic4</td>
<td>-0.27</td>
<td>2.94</td>
<td>0.71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ic5</td>
<td>-0.09</td>
<td>2.93</td>
<td>0.65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing performance</td>
<td></td>
<td></td>
<td></td>
<td>0.79</td>
<td>0.91</td>
</tr>
<tr>
<td>mp1</td>
<td>0.01</td>
<td>2.98</td>
<td>0.78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>mp2</td>
<td>0.32</td>
<td>3.18</td>
<td>0.88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>mp3</td>
<td>0.22</td>
<td>3.18</td>
<td>0.82</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Each goodness of fit criteria has filled the requirement except for AGFI since it produces value in expected range that means the model is fit to test the hypotheses. There are four variables used in this study, one exogenous variable and three endogenous variables. Exogenous variable is competitive pressure, while endogenous variables are business environment adaptability, innovative creativity and marketing performance. The result can be seen in Table 2.

Estimation parametric to test the influence of competitive pressure and adaptability in business environment change shows insignificant result with CR value as 1.199 and probability value as 0.231. The value does not fill the hypothesis acceptance rate as the requirement states that CR value > 1.96 at 0.01 significant rates; as a result hypothesis 1 is rejected. The result shows that competitive pressure felt by entrepreneurs does not influence business environment change adaptability. Competitive pressure in batik industry does not merely depend on competition, because batik is the product of entrepreneurs’ and artists’ creativity. Imported batik that enters in Indonesia is not a barrier for entrepreneurs in producing batik as a result adaptability on business environment change is not influenced by competitive pressure. Luo (1999) concepted dynamic as change rate and environment instability that is hard to be predicted. Unstable business environment occurs since the change in rule, technology, customer preference and or competitive standard. It is not in line with the result above since batik industry is a natural industry produced by entrepreneurs with traditional value and...
philosophy not only fills up market preference.

<table>
<thead>
<tr>
<th>Table 2</th>
<th>REGRESSION WEIGHTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimate</td>
</tr>
<tr>
<td>Adaptability business Environment</td>
<td>Competition Pressure</td>
</tr>
<tr>
<td>Innovation Creativity</td>
<td>Competition Pressure</td>
</tr>
<tr>
<td>Marketing Performance</td>
<td>Business Environment Adaptability</td>
</tr>
<tr>
<td>Marketing Performance</td>
<td>Innovation Creativity</td>
</tr>
</tbody>
</table>

Estimation parametric to test the influence of competitive pressure and innovative creativity shows insignificant result, as a matter of fact it shows negative CR value as -0.032 with probability as 0.975. The value does not fill the hypothesis acceptance requirement, as CR value > 1.96 with 0.01 significant rates, as a result hypothesis 2 is denied. It explains that the higher competitive pressure the lower entrepreneurs’ and artists’ innovative creativity. Creativity in batik industry is not purely creativity because competitive pressure actually pushes entrepreneurs and artists to be less creative. Creativity owned by entrepreneurs and artists is triggered by strong entrepreneurship driven not market driven. It is not in line with Hadjimanolis (2000) that explained about competitive pressure and environment competition to measure innovation in market.

Estimation parametric to test the influence of business environment adaptability on marketing performance shows significant result with CR value as 2.545 and probability rate as 0.011. The value fills the hypothesis acceptance requirement that is CR value > 1.96, as a result hypothesis 3 is accepted. The relationship between business environment adaptability and marketing performance is positive and significant. Based on the result above, it can be concluded that the higher business environment adaptability the higher marketing performance will be. It is in line with Keats & Hitt (1988) that states dynamic environment is significantly related with performance. Entrepreneur’s ability to adapt with business environment change will ease them in fulfilling customer’s desire and preference that will finally impact on the improvement of marketing performance.

Estimation parametric to test the influence of innovative creativity on marketing performance shows significant result with CR value as 2.011 and probability rate as 0.044. The value has filled hypothesis acceptance requirement with CR value > 1.96, as a result hypothesis 4 is accepted. The relationship between innovative creativity and marketing performance is positive and significant. Based on the result above it can be concluded that the higher innovative creativity the higher marketing performance will be. It is in line with Menon et al. (1999) that found out positive relationship between marketing performance and marketing strategy. Calantone et al. (1994) also succeeded proving the influence of innovation on new product’s success. An organization that dares to take risk in innovation will be successful in creating new product and ideas. When competitors produce new strategy they have an opportunity to grow in the market, as a result competition intensity will be higher. Innovation is viewed as organization’s mechanism to adapt with dynamic environment. Changes happen in business environment have forced organizations to create new ideas, thoughts and innovative product.
The results are in accordance with Resources based view (RBV) theory, in which states if organizations maximize their capability it will then improve business network relationship. Meanwhile, the result from this study also explains that organizational competitive advantage will be reached if innovative creativity is continually performed since it is one of the main capabilities in organization.

CONCLUSION

Based on result and discussion above, it can be concluded that from four proposed hypotheses, there are two supported hypotheses and two unsupported hypotheses. First hypothesis states that competitive pressure does not significantly influence business environment change adaptability, while competitive pressure does not influence innovative creativity. It is caused by the certain skill of making batik fabric. This skill needs high creativity from entrepreneurs and artists. Creativity will be risen up and pushed by entrepreneur driven and not the market driven. Adaptability in business environment change significantly influences marketing performance. The ability to predict market and customer preference will ease the entrepreneurs to create a desired product, so it will be useful for organization. Too responsive entrepreneurs on business environment change will not get benefit since they will have a bulk of unsold product while the market has already change its preference and trend. High innovative creativity needs a large sum of capital to create new designs, technology and machines to follow fashion change in the market. The ability of batik entrepreneurs and artists in creating innovative creativity will significantly influence the business environment change adaptability and push marketing performance of batik SME in Indonesia.

Batik is a kind of art and cultural heritage derived from royal environment, and then it spreaded out evenly to the entire community in Indonesia, however it still has its strong cultural element. Future study should investigate the influence of royal culture as moderating variable between exogenous and endogenous variables relationship.

REFERENCES


Byrne, B. M. (2010), Structural equation modeling with AMOS: Basic concepts, applications, and programming (2nd ed), Taylor & Francis Group, New York, NY 10016.


Covin, J. G & Slevin, D. P. 1989. Strategic Management of Small Firm in Hostile and Benign Environments, Strategic Management Journal,


