

# EFFECT OF MARKETING STRATEGY ADAPTATION ON KNOWLEDGE EXPLOITABILITY

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**Abstract:** The objectives of this research is establishing a theoretical model to explain the effect of marketing strategy adaptation on knowledge exploitability. The research is a modeling approach, by using the library and literature method. Besides that, the study employs the theoretical study to strengthen the relationships among the founded concepts. The results of this study are propositions formulated in the form of basic theoretical models and developed in the form of hypotheses and empirical models of research. This research conducted at Batik's SME in Pekalongan Indonesia. The sample determined by purposive sampling. The total respondent from this research is 100 respondents. The results from regression analysis with SPSS, and hypotheses testing by t-test are as follows: new market exploration, product diversity and marketing program development has significant positive influence toward knowledge exploitability.

**Keywords:** new market exploration, product diversity, knowledge exploitability, marketing strategy adaptation

This research continues Sumittra (2011), research for the conceptualizing needs for measure strategy of marketing adaptation with different samples and with other variables. Other variables used are knowledge exploitability. Different samples used are SMEs Batik in Indonesia. Also, resource-based views emphasize knowledge-based resources (Galunic and Rodan, 2008). Hsu (2007), explains that knowledge is a strategic asset (80% of respondents agree), and the inability to exploit knowledge within the organization can fail 78% of business opportunities. According to Leticia

(2012), there is a weak relationship between knowledge management and competitive advantage, although knowledge is the most important resource in competitive advantage.

Tom (2007), explains that exploitation is essentially a process to acquire competence by adopting, synthesizing and applying existing knowledge. The knowledge acquired has been generated and reliability in the experience internalized used and created. Exploitation is the implications of external knowledge to improve products and processes within an organization. Using or further as the development of existing competencies is the role of exploitation. Indicators of knowledge exploitation are accepted change by management actively, introduction to partners about new things, solving joint problems, a lot of accumulated experience activities and are done using the knowledge gained.

Pernicka and Lucking (2012), show that managing the organization is like managing knowledge because if only used as information, knowledge will



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be meaningless. Implementing knowledge properly will be meaningful. For knowledge implementation, knowledge exploitability is required. Research on the main knowledge and explicitly oriented to the production of new knowledge that can be exploited economically, regardless of whether an innovation is achieved or not.

Yeung and Lau (2005), explain that differentiation allows the company to take advantage of its competitive advantage fully and therefore to achieve high returns. Companies seek new opportunities and achieve success. Companies must adapt and respond to change by developing or creating new ideas in the marketplace. Buckley and Horn (2009) and Navarro, et al. (2010), state many studies have shown that marketing adaptation is one of the important things for good performance. According to Nasir and Altinbasak (2009), marketing adaptation means adapting to make appropriate changes and matching with local perspectives and is called local differentiation and adjustment. For adjusting to an uncertain industrial environment and responding to new markets, top executives need to understand how their companies can achieve competitive advantage and gain superior performance over their competitors.

## **LITERATURE REVIEW**

Faizal and Rozainun (2008), explain that in the literature of strategic adaptation, there are at least three schools of thought that have evolved which emphasize the dominant factors that influence organizational strategic adaptation. The first flow of thought emphasizes the main role of the environment. The second flow of thought is a resource-based view (RBV) that explains the success of different companies by investigating internal factors of the firm. The third school of thought is an integrative view. Adaptation strategies reflect a company's ability to calculate assumptions about environmental change and formulate strategies for new conditions, that is, strategies to adapt to low cost or differentiation, to accept new strategies and use integrated strategies (Phattarawan, et al., 2010). Previous research has found that corporate adapt-

ability can alter strategic plans as emerging opportunities and threats (Phattarawan, et al., 2010).

For competitive advantage strategies, globalization and rapid change have made marketing increasingly important. Chattawat (2011), explains that the company's ability analyzing the situation and its direction in undertaking new service strategies through a search process for customer needs and desires, market demand, competitor analysis and intent to develop or generate new processes to create services. Organizations seek new opportunities and achieve success. It must adapt and respond to change by developing or creating new ideas in the marketplace.

Adaptation of marketing strategy refers to a company's ability to see the situation and analyzing the direction to adjust marketing activities that meet market demand and customer needs (Sumittra and Mahasarakham, 2011). Adaptation of dimension marketing strategies include new market exploration refers to a company's ability to look for sources and methods to match new market opportunities and to meet the new unique, different markets, product diversity refers to corporate activity to find the values of product differentiation from local consumers, development of marketing program refers to accommodate differences in environmental forces, consumer behavior, usage patterns and competitive situations with the degree of creating variation of marketing development in terms of its core and augmented marketing programs by the firm.

## **THE INFLUENCE OF NEW MARKET EXPLORATION TOWARD KNOWLEDGE EXPLOITABILITY**

Atuahene (2003), explains that exploration involves investing resources with the aim of acquiring new processes, skills, and knowledge. Sumittra (2011), shows that new market exploration is the ability of companies to seek sources and methods to meet the unique, different markets or opportunities to match new marketplace related to improvements, markets and technology to discover something new (Yalcinkaya, et al., 2007). The market exploration representability of organization to learn

through questions, push the limits of knowledge, and engage in proactive and risk-taking. The discovery of exploration requires a distant search and starts from the current skills and abilities (Subramaniam and Youndt, 2005). From the description can be developed the following hypothesis:

H1 : there is influence significantly and positively between new market exploration and knowledge exploitability

**THE INFLUENCE OF PRODUCT DIVERSITY TOWARD KNOWLEDGE EXPLOITABILITY**

Product diversity is defined as the degree of linkage of different product segments by offering a unique, diverse product differential, unique product to market (Qian, 2002). Khalid (2006), decide to show variations and some formalities with his products of different quality in the market. Product differentiation is the competing product, brand or brand that is meaningful and valuable to the customer (McQuiston, 2004). If companies feel product differentiation in a competitive market especially the needs of the market, they will develop a product differential for customers creating customer appeal and enhancing competitiveness (Thipsri and Ussahawanmitakit, 2009). Product diversity refers to planned corporate activity to make the values of local consumers with product differentiation (Sumittra, 2011). When companies feel for product differentiation, companies can change demand uncertainties by providing product diversity and gaining more customers to increase competitive flexibility (Liu and Wei, 2003). To do this need knowledge exploitability to be flexible.

Unlike professionals, knowledge exploitability is understood as a direction toward the innovation of the market and create unique and economically exploited products and knowledge-based processes. The implication is that price of market manage inventory and knowledge exploitability although the production of new knowledge can give the market a new monopoly of market entrant only incomplete closing results in the use of expertise or innovation

to control the market. Different logic affects the relationship with management: knowledge workers are expected to adapt rather than conflict with management interests as both workers and employers share interest to improve market performance by generating knowledge that can be economically exploited (Pernicka and Lucking, 2012). From the description can be developed the following hypothesis:

H2 : there is influence significantly and positively between product diversity and knowledge exploitability

**THE INFLUENCE OF MARKETING PROGRAM DEVELOPMENT TOWARD KNOWLEDGE EXPLOITABILITY**

Lages, Abrantes, and Lages (2008), explain marketing program as related to adaptation of various aspects of the product, promotion, price, and distribution. The marketing program is the goal of the marketing program is to create customer or to set the stage for making the sale not a method for increasing sales (Graham, 1998). When they share customers, facilities and marketing programs with other business units, a business can also achieve greater efficiency in current operation to increase profit margin (Szymanski, et al., 1993). According to Leonidou, et al., (2002), marketing program development as the degree of variation of marketing development in terms of its core and expand marketing programs to accommodate differences in environmental, competitive situations, consumer behavior, and usage patterns. Creating a variation of marketing development and expanding marketing programs affect knowledge exploitability to achieve greater efficiency. From the description can be developed the following hypothesis:

H3 : there is influence significantly and positively between marketing program development and knowledge exploitability.

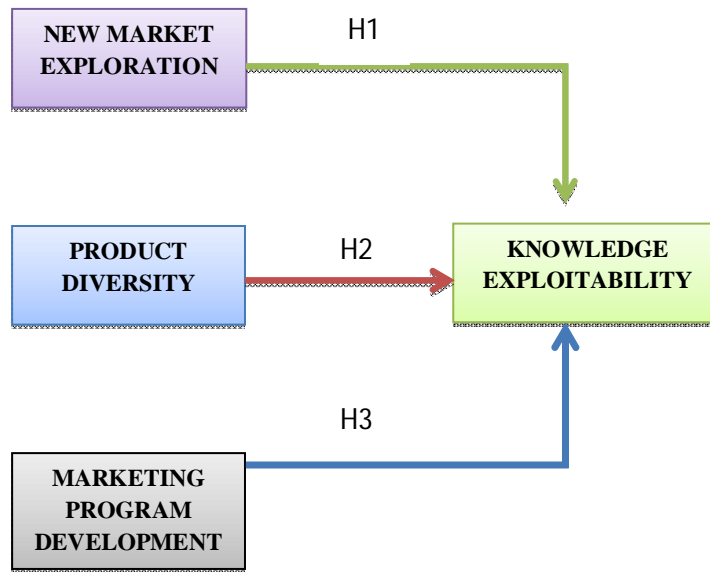


Figure 1 Empirical Model

Source: Result of research development

RESULT

Multiple linear regression test to know how big influence of free variable that is: new market exploration, product diversity, and marketing program

development to a dependent variable that is knowledge exploitability, where the output of regression equation can be seen in table 1.

Table 1 Output of Regression Equation

Model	Coefficients <sup>a</sup>					Collinearity Statistics	
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
	B	Std. Error	Beta				
1 (Constant)	2.382	.584		4.077	.000		
Exploration New Market	.345	.074	.373	4.695	.000	.479	2.086
Product Diversity	.269	.066	.347	4.050	.000	.412	2.428
Marketing Program	.177	.069	.224	2.567	.012	.396	2.526

Dependent Variable: Knowledge Exploitability

Source: Primary data processed, 2018

Seen from the table above, we get the equation of the double linear line (seen from non standard coefficient or unstandardized coefficient) obtained as follows:

$$Y = 2,382 + 0,345 X1 + 0,269 X2 + 0,177 X3$$

From the equation above, indicates that the dominant variable that gives the biggest contribution is new market exploration, followed by product diversity and then marketing program development. The new market exploration factor influences the knowledge exploitability with a regression coeffi-

cient of 0.345 (positive) meaning that if all indicator of new market exploration is increased 100%, while other factors (marketing program development and product diversity) are considered constant, it will increase knowledge exploitability of 34.5 %.The product diversity factor also influences the knowledge exploitability with a regression coefficient of 0.269 (positive) meaning that if all product diversity indicator is increased 100%, while other market exploration and marketing program development is constant, it will increase knowledge exploitability 26.9 %. Marketing program development factors also

affect the knowledge exploitability with a regression coefficient of 0.177 (positive) means that if all the indicators of marketing program development increased 100%, while other factors (new market exploration and product diversity) are considered constant, it would increase the knowledge exploitability of 17.7 %.

The coefficient of determination essentially measures how far the ability of the model on the independent variable (X) in explaining the variation of the dependent variable (Y).

**Table 2 Results of Coefficient of Determination Testing**

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.842 <sup>a</sup>	.710	.700	1.290	.710	78.172	3	96	.000

Predictors: (Constant), Marketing Program, Exploration New Market, Product Diversity

Source: Primary data processed, 2018

From the table of regression test results obtained the coefficient of determination (Adjusted R<sup>2</sup>) of 0.700. This means that 70% of the knowledge exploitability can be explained by the variables of new market exploration, product diversity, and marketing program development. While the rest (100% - 70.00% = 30.00%) is explained by other causes beyond the variables studied.

The t-test is used to find out how far one independent variable (new market exploration, product diversity, and marketing program development) individually in explaining knowledge exploitability.

Hypothesis : H<sub>0</sub>: β = 0, H<sub>0</sub> accepted means there is no significant influence between new market exploration, product diversity, and marketing program development to knowledge exploitability partially (individual). Hypothesis H<sub>a</sub>: β ≠ 0, H<sub>0</sub> rejected means there is significant influence between new market exploration, product diversity, and marketing program development on partial (individual) knowledge exploitability.

Basic decision making: if the probability of t test > 5% significance level or 0.05, then there is a significant influence. If the test probability t < significance level of 5% or 0.05, then there is no significant effect. The t-count number of new market exploration to knowledge exploitability of 4.695 and probability of 0.000 <significance level α = 5% = 0.05; means partially (individual) there is influence significantly and positively between new market exploration factor to knowledge exploitability. The existence of significant and positive influence between new market exploration to knowledge exploitability means the better new market exploration will also increase the knowledge exploitability and vice versa, the worse the new market exploration applied, it will increasingly decreasing knowledge exploitability. The number of t-count Factor Product diversity to Knowledge exploitability of 4.050 probability numbers of 0.000 <significance level α = 5% = 0.05, means partially (individual) there is a significant and positive influence between

Product Diversity to Knowledge exploitability. The existence of a significant and positive influence between the Product diversity to Knowledge exploitability means the greater the diversity of products. It will also increase knowledge exploitability and vice versa, the worse product diversity, it will further lower the knowledge exploitability. Number t-count factor of marketing program development to Knowledge exploitability of 2.567 and probability value equal to 0.012 <significance level  $\alpha = 5\% = 0.05$ , means partially (individual) there is influence significantly and positively between marketing program development to Knowledge exploitability. The existence of a significant and positive influence between marketing program development to Knowledge exploitability means the better development of marketing programs, it will also increase knowledge exploitability and vice versa, the worse marketing program development, it will further lower the knowledge exploitability.

To test simultaneously between variables, there is significant influence between new market exploration, product diversity, and marketing program development collectively to the dependent variable that is knowledge exploitability.

Hypothesis:  $H_0: \beta_{1,2,3} = 0$ ,  $H_0$  accepted means there is no significant and positive influence between new market exploration, product diversity and marketing program development together to the dependent variable that is knowledge exploitability. Hypothesis  $H_a: \beta_{1,2,3} > 0$ ,  $H_0$  rejected means there is a significant and positive influence between new market exploration, product diversity, and marketing program development collectively to the dependent variable that is knowledge exploitability.

Basic decision making: if the probability of F test  $> 5\%$  significance level or 0.05, then there is a significant influence. If the probability of F test  $<$ significance level of 5% or 0.05, then there is no significant effect.

Based on the test with SPSS obtained F-count of 78.172 and the probability number of 0.000 <significance level  $\alpha = 5\% = 0.05$ , then there is in the area of  $H_0$  rejected, so it can be concluded that the variables of new market exploration, product diversity, and marketing program development

simultaneously have a significant and positive effect on the dependent variable that is knowledge exploitability.

## DISCUSSION

Newmarket exploration has significant positive influence toward knowledge exploitability. The existence of significant and positive influence between new market exploration to knowledge exploitability means the better new market exploration applied. It will also increase the knowledge exploitability. This result was consistent with previous research conducted by Atuahene (2003), stated that exploration involves investing resources with the aim of acquiring new processes, knowledge, and skills. This result was also consistent with previous research conducted by Subramaniam and Youndt (2005), stated that organization's ability to learn through questions, push the limits of knowledge, and engage in proactive and risk-taking could be represented by market exploration. The discovery of exploration requires a distant search and starts from the current skills and abilities.

Product diversity has significant positive influence toward knowledge exploitability. The existence of a significant and positive influence between the product diversity to knowledge exploitability means the greater the diversity of products will also increase knowledge exploitability. This result was consistent with previous research conducted by Liu and Wei (2003), stated that when companies feel for product differentiation, companies can change demand uncertainties by providing product diversity and gaining more customers in increasing competitive flexibility. To do this need knowledge exploitability to be flexible. This result was also consistent with previous research conducted by Pernicka and Lucking (2012), stated that Unlike professionals, knowledge exploitability is understood as a direction toward market innovation and the creation of unique and economically exploited products and knowledge-based processes and processes. The implication is that market prices manage inventory and demand for knowledge exploitability although the production of new knowledge can give the market a new monopoly of market entrants soon chal-

lenge this position only incomplete closing results in the use of expertise or innovation to control the market. Different logic affects the relationship with management: knowledge workers are expected to adapt rather than conflict with management interests as both workers and employers share an interest in improving market performance by generating new knowledge that can be economically exploited.

Marketing program development has significant positive influence toward knowledge exploitability. The existence of a significant and positive influence between marketing program development to knowledge exploitability means the better development of marketing programs will also increase knowledge exploitability. This result was consistent with previous research conducted by Leonidou, et al. (2002), stated that development of marketing program as the degree of variation of marketing development in terms of its core and expand marketing programs to accommodate differences in environmental forces, consumer behavior, usage patterns and competitive situations. Creating a variation of marketing development in terms of its core and expanding marketing programs have an effect on knowledge exploitability to achieve greater efficiency.

## CONCLUSION

From the results of the data analysis can be concluded that the strategy to improve knowledge exploitability is to improve the adaptation of marketing strategy with the priority of new market exploration then product diversity and the last marketing program development. New market exploration can be done by trying to meet the needs of unique products and customer value and adjust to the opportunities and threats in different markets. Product diversity can be developed with awareness-raising differences in customer needs, strives to meet expectations for product feature creation and strives to meet customer benefit expectations. Marketing program development is done by making variations of marketing development, accommodating differences in the environment, and accommodating differences in consumer behavior. The limitation of this study is respondent limited only Batik SMEs and less time when they are filling out the questionnaires.

There is further research recommendation from this study as follows; it is suggested that further research should find comparative the marketing strategy adaptation from another SMEs like automotive industry or electronic industry.

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