The Effect of Market Orientation And Entrepreneurship Orientation on Marketing Performance Mediated By Marketing Capability (A Study of the Furniture Industry in Probolinggo Regency)

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Abstract

Keywords:

market orientation, entrepreneurial orientation, marketing capability, marketing performance.

The purpose of this study is to examine the effect of market orientation and entrepreneurial orientation on marketing performance through marketing capability (a case study in the industry in Probolinggo Regency). This study uses a quantitative approach with primary data from 73 respondents collected using purposive sampling. The analysis tool used is SEM-PLS with SmartPLS software. The results show that market orientation and entrepreneurial orientation have a significant positive effect on marketing capability, but market orientation and entrepreneurship have no direct effect on marketing performance. Marketing capability has a significant positive effect on marketing performance. Furthermore, market orientation and entrepreneurial orientation through marketing capability have a significant positive effect on marketing performance. The results of this study indicate the importance of improving market orientation and entrepreneurial orientation to build marketing capability, while marketing capability can enhance marketing performance. Further research is expected to use broader variables such as product innovation, product quality, and price.

INTRODUCTION

In every country in the world, including developing countries such as Indonesia, micro, small, and medium enterprises (MSMEs) are very important for economic progress. Increased GDP, more jobs, higher incomes, and the establishment of new companies are indicators of the contribution of MSMEs. It is essential for companies to examine entrepreneurial ideas from various angles due to the economic downturn experienced by developed and developing countries (Yusoff et al., 2018). To maintain their businesses, MSMEs must strengthen their relationships with various entities, including suppliers, consumers, business partners, trade associations, and the government to help sustain their companies.

SMEs are important for developing countries because they are considered to be the main drivers of economic growth, equal to or greater than large multinational companies. A country's

gross domestic product (GDP) and economic growth are greatly influenced by small and medium-sized enterprises (SMEs) (Jermsittiparsert & Rungsrisawat, 2019). Government policymakers have recognized the important role played by SMEs in driving economic growth and reducing unemployment rates.

Similarly, the Indonesian government has announced various priority projects to encourage MSME growth. Probolinggo Regency has experienced an increase in the number and development of MSMEs. With the growth of the Gross Value Added of MSMEs in Probolinggo Regency, this condition is also worth noting. The table below illustrates this:

Table 1.1 Regional Gross Domestic Product of Probolinggo Regency Based on Current Prices by Business Field (Billion Rupiah) 2020-2024

No	Business Sector	2020	2021	2022	2023	2024
1	Agriculture, Forestry, and Fisheries	11.345,41	11.779,67	12.795,67	13.680,73	14.501,26
2	Mining and Quarrying	690,16	709,26	748,11	840,41	897,89
3	Processing Industry	8.372,33	9.170,04	10.127,48	11.317,28	12.495,06
4	Electricity and Gas Supply	311,16	319,10	344,50	365,06	382,75

Source: Probolinggo Regency Central Statistics Agency

In 2024, the gross regional domestic product (GRDP) of Probolinggo Regency based on current prices was 45,675.15 billion rupiah. In nominal terms, the GRDP value grew by 3,298.23 billion rupiah compared to 42,376.92 billion rupiah in 2023. This growth in GRDP indicates that, after the Covid-19 pandemic, economic activity in Probolinggo Regency has recovered and developed. At constant 2010 prices, the GRDP value also increased from 25,904.93 billion rupiah in 2023 to 27,153.09 billion rupiah in 2024, in line with current market values. This shows that the GRDP of Probolinggo Regency grew positively by 4.82 percent in 2024.

MSME owners must be able to strategically plan how to improve their business performance and enjoy growth in the current environment. From a business perspective, the 4.0 and 5.0 industrial revolutions have brought about rapid changes in the environment. Not only has technology evolved, but customer behavior has also changed. The ability of businesses, including MSMEs, to adapt to these changes has also been affected. Online marketing has taken over the role of traditional marketing, so SME businesses must adapt in order to compete. Not only in new production technologies, but also in integrated marketing systems. In this scenario, market

orientation and entrepreneurial orientation are very much needed for SME owners, especially SMEs in the furniture industry in Probolinggo Regency.

Resource Base View (RBV) is the grand theory of this study, stating that businesses can acquire and maintain core competencies or competitive advantages by utilizing and developing valuable resources and capabilities (Fornell & Wererfelt, 1987). In addition, this study highlights how strategic management plays an important role in integrating, reorganizing, and adapting the skills, resources, and functional competencies of organizations both internally and externally to environmental changes.

Marketing performance is a social and managerial activity that helps people and groups get what they need and want through the creation and exchange of goods and value with others (Kotler et al., 2016). Corporate strategy always focuses on generating financial performance and marketing performance such as sales volume, market share, and sales growth. Therefore, it can be said that marketing performance is a measure of the success achieved by the entire marketing operational process of a company or organization.

Market orientation is a customer-focused process of continuously identifying client needs, which must be implemented to bring about change within the company (Safira et al., 2024). Businesses that use market orientation can gain market share by effectively exploring prospective prospects compared to their competitors (Katsikea et al., 2019). A study conducted by (Riswanto et al., 2020) shows that market orientation has a significant effect on marketing performance. Conversely, (Rachman et al., 2023) states that market orientation does not have a significant effect on marketing performance.

According to (Lechner et al., 2013), entrepreneurship is the process of starting a new company or business or launching an existing industry in an effort to take advantage of newly discovered opportunities. The ability to develop something new and unique through original thinking and creative activities to create opportunities amid life's obstacles is the essence of entrepreneurship. A study conducted by (Rachman et al., 2023) states that entrepreneurial orientation has a significant effect on marketing performance. Conversely, (Wulandari et al., 2024) states that entrepreneurial orientation does not affect marketing performance.

Marketing capabilities are the skills that companies must use to gain market knowledge and utilize data about consumers and markets (Hooley et al., 2005). Market competencies can enable companies to better predict market demand and create lasting bonds with clients and other industry players. A study conducted by (Davcik et al., 2021) shows that marketing capabilities have a significant positive effect on marketing performance.

Although previous studies have examined the effect of market orientation and entrepreneurial orientation on marketing performance mediated by marketing capabilities, the results remain inconsistent and there are still differences in findings. These differences highlight the need for more in-depth and extensive studies on the variables in a study. This study aims to bridge and add to the research insights by examining the influence of market orientation and entrepreneurial orientation on marketing performance mediated by marketing capabilities.

Based on previous phenomena and research results, this study developed the following hypotheses:

1. Market Orientation Affects Marketing Capability
2. Entrepreneurial Orientation Affects Marketing Capability
3. Market Orientation Affects Marketing Performance
4. Entrepreneurial Orientation Affects Marketing Performance
5. Marketing Capability Influences Marketing Performance
6. Market Orientation Influences Marketing Performance Mediated by Marketing Capability
7. Entrepreneurial Orientation Influences Marketing Performance Mediated by Marketing Capability
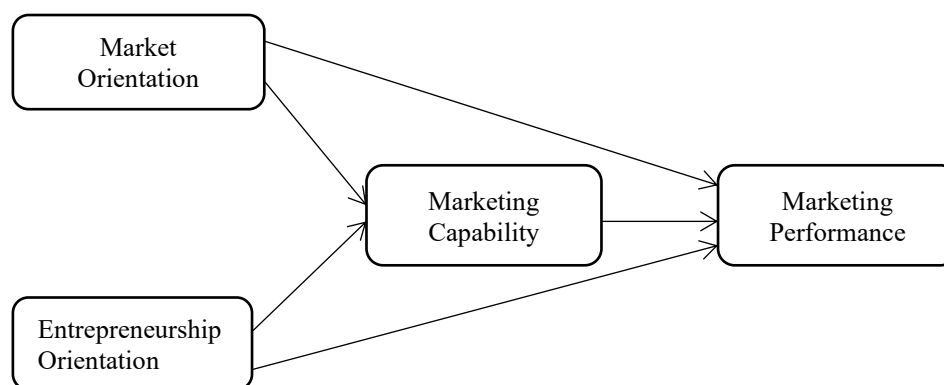

Figure 1: Conceptual Framework

METHODS

The type of research used is quantitative research. According to Sugiyono (2018), quantitative research is research whose data consists of numbers and is analyzed using statistics. The data analysis method used is Structural Equation Modeling - Partial Least Square (SEM-PLS) through SmartPLS software.

The type of data used is primary data. Sugiyono (2019:194) defines primary data as information collected directly by researchers and used to answer data problems arising from questionnaires given to respondents. In this study, questionnaires will be used as a data collection

technique. The questionnaires were given to MSME furniture industry owners in Probolinggo Regency with a measurement instrument using a Likert scale.

The population in this study was MSMEs in the furniture industry in Probolinggo Regency. According to the Probolinggo Regency Statistics Agency, there were 267 MSMEs in the furniture industry in Probolinggo Regency. Since the population was known, the researcher used the Slovin formula and found that there were 73 samples. The sampling technique used in this study was purposive sampling using the following criteria:

1. Furniture companies registered with the Probolinggo Regency BPS.
2. At the time of the study, the furniture companies were still actively engaged in furniture production and sales.
3. The furniture companies had been established for at least 3 years.

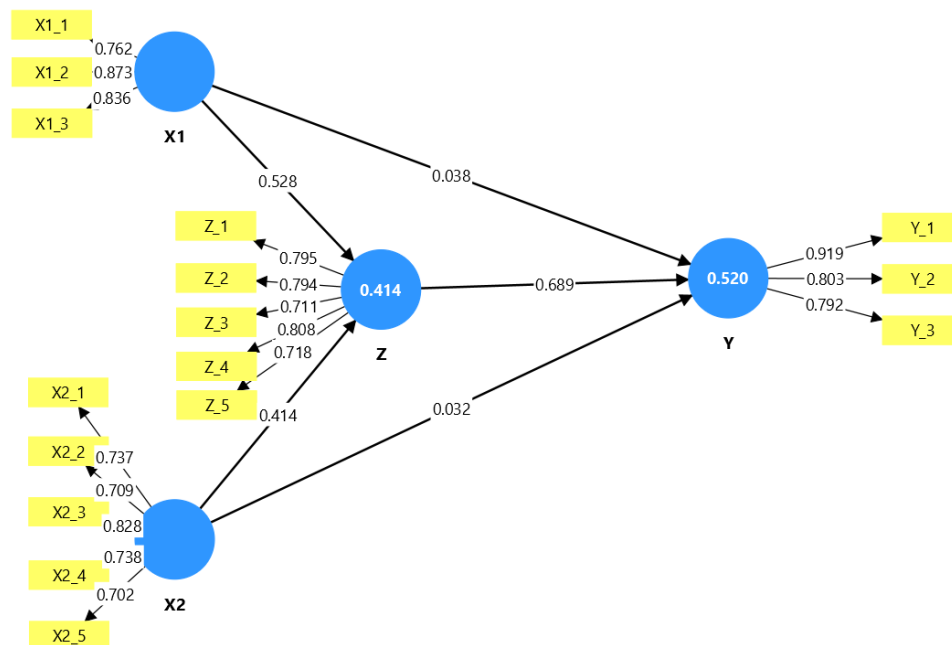## RESULTS AND DISCUSSION

Outer Model Test

Figure 2: Outer Model Test Results

1. Validity Test

All indicators have a loading factor value above 0.70 and an AVE value for each construct is also above 0.50, which means that these indicators are able to represent their constructs consistently and accurately. Thus, the measurement instruments in this study are declared valid.

2. Reliability test

Table 1 Reliability Test Results

Variabel	Cronbach's alpha	Composite reliability
Market Orientation	0.774	0.812
Entrepreneurship Orientation	0.803	0.832
Marketing Performance	0.794	0.868
Marketing capability	0.824	0.832

Source: Primary data processed in 2025

Based on the reliability test in Table 1, the four variables in this study showed Cronbach's Alpha and Composite Reliability values exceeding 0.70. Therefore, it can be concluded that all constructs in this study are reliable.

Inner Model Test

1. R Square (R^2) Test

Tabel 2 Hasil Uji R Square

Variabel	R- Square
Marketing Performance	0.520
Marketing Capability	0.414

Sumber: Data primer diolah 2025

The r square test results for the marketing capability variable yielded a value of 0.414, while the marketing performance variable had an r square value of 0.520. These results indicate that market orientation and entrepreneurial orientation can explain 52% of the marketing capability variable, while the marketing performance variable can be explained by market orientation and entrepreneurial orientation by 41.4%.

2. Predictive Relevance (Q^2) Test

Performed using the following formula:

$$Q^2 = 1 - \{(1 - R12) \times (1 - R22)\}$$
$$= 1 - \{(1 - 0.520) \times (1 - 0.414)\}$$
$$= 1 - (0{,}480 \times 0{,}586)$$
$$= 1 - 0{,}2818$$
$$= 0{,}71872$$

Based on the calculations that have been carried out, the Q2 value after rounding is 0.719. This means that 71.9% of the data variation in this study can be explained by the model used, while the remaining 28.1% is influenced by other variables outside the model. Therefore, these results show that the model in this study has a strong and significant level of predictive power.

3. Hypothesis Test

Table 3 Hypothesis Test Results

Description	Original Sample	T Statistics	P Values
Market Orientation -> Marketing Capability	0,528	,904	0,000
Entrepreneurship Orientation -> Marketing Capability	0,414	4.435	0,000
Market Orientation -> Marketing Performance	0.038	0.319	0.749
Entrepreneurship Orientation -> Marketing Performance	0.032	0.284	0.776
Marketing Capability -> Marketing Performance	0.689	6.001	0,000
Market Orientation -> Marketing Capabilities -> Marketing Performance	0.364	3.770	0,000
Entrepreneurial Orientation -> Marketing Capability -> Marketing Performance	0.285	3.310	0,001

Source: Primary data processed in 2025

1. Hypothesis testing of market orientation variable (X1) on marketing capability (Z)

Based on the results in Table 4.11, the t-statistic for the market orientation variable on marketing capability has an original sample value of 0.528 with a t-statistic of 6.904 and a P-Value of 0.000. Because the t-statistic value is > 1.96 and the P-Value is < 0.05, this relationship is significant. This means that market orientation has a significant effect on marketing capability.

2. Hypothesis testing of the entrepreneurial orientation variable (X2) on marketing capability (Z)

Based on the results in Table 4.11, the t-statistic for the entrepreneurial orientation variable shows an original sample value of 0.414, a t-statistic of 4.435, and a P-Value of 0.000. With these results, the effect of entrepreneurial orientation on marketing capability is also significant, because it meets the test criteria (t > 1.96 and P < 0.05). This means that entrepreneurial orientation has a significant effect on marketing capability.

3. Hypothesis testing of market orientation variable (X1) on marketing performance (Y

Based on the results in Table 4.11, the t-statistic for the market orientation variable on marketing performance obtained an original sample value of 0.038, with a t-statistic of only 0.319 and a P-Value of 0.749. Since the t-value is less than 1.96 and the P-value is greater than 0.05, this relationship is not significant, meaning that market orientation does not have a direct and significant effect on marketing performance.

4. Hypothesis testing of entrepreneurial orientation variable (X2) on marketing performance (Y)

Based on the results in Table 4.11, the t-statistic for the entrepreneurial orientation variable on marketing performance has an original sample value of 0.032, with a t-statistic of 0.284 and a P-Value of 0.776. Because the t-value is less than 1.96 and the P-value is greater than 0.05, this relationship is not significant, meaning that entrepreneurial orientation does not have a significant direct effect on marketing performance.

5. Hypothesis testing of the marketing ability variable (Z) on marketing performance (Y)

Based on the results in Table 4.11, the t-statistic for the marketing capability variable on marketing performance has an original sample value of 0.689 with a t-statistic of 6.001 and a P-Value of 0.000. Because the t-statistic value is > 1.96 and the P-Value is < 0.05, this relationship is significant. This means that marketing capability has a significant effect on marketing performance.

6. Hypothesis testing of market orientation variable (X1) on marketing capability variable (Y) through marketing performance (Z)

Based on the output in Table 4.12, the t-statistic value for the effect of market orientation (X1) on marketing performance (Y) through marketing capability (Z) has an original sample value of 0.364 with a t-statistic of 3.770 and a P-Value of 0.000. Because the t-statistic value is > 1.96 and the P-Value is < 0.05, this relationship is significant. This means that market orientation has a significant effect on marketing performance through marketing capability as a mediating variable.

7. Hypothesis testing of the entrepreneurial orientation variable (X2) on the marketing performance variable (Y) through marketing capability (Z)

Based on the output in Table 4.12, the t-statistic value for the effect of entrepreneurial orientation (X2) on marketing performance (Y) through marketing capability (Z) has an original sample value of 0.285 with a t-statistic of 3.310 and a P-Value of 0.001. Since the t-statistic value is > 1.96 and the P-Value is < 0.05, this relationship is significant. This means that entrepreneurial orientation has a significant effect on marketing performance through marketing capability as a mediating variable.

DISCUSSION

The effect of market orientation on marketing capabilities

These results show how market orientation affects the marketing capabilities of furniture MSMEs in Probolinggo Regency. The increase in the marketing capacity of MSME owners in terms of promotional marketing strategies, distribution channels, and pricing carried out by MSME owners with the aim of improving their marketing performance is influenced by their attitudes, which aim to understand market changes and customer behavior and provide clear information about the products they offer.

The influence of entrepreneurial orientation on marketing capabilities

These results prove that the marketing capacity of SMEs in the furniture industry in Probolinggo Regency is influenced by entrepreneurial orientation. This can be understood as the ability of MSME owners to provide direction to their subordinates, allow employees to be

creative, monitor product development, develop new products, and act boldly and proactively in taking business risks by seeking new opportunities. This affects their ability to set prices, implement marketing strategies, communicate effectively with suppliers and customers, and develop the sandals they produce.

The effect of market orientation on marketing performance

These results prove that market orientation does not have a significant effect on marketing performance. The results of this study can be attributed to the unique conditions of MSMEs in this region, such as a lack of technological and human resources, which makes it difficult to effectively implement market orientation, or external variables such as regional economic fluctuations, which have a greater impact on marketing performance than internal orientation. This does not mean that market orientation is completely unimportant. On the contrary, these findings indicate the need for other factors, such as company size or innovation, to strengthen this relationship in the context of MSMEs that are still in the early stages of development.

The effect of entrepreneurial orientation on marketing performance

These results prove that entrepreneurial orientation does not have a significant effect on marketing performance. According to the description provided by respondents, owners independently decide to have the greatest decision-making authority, allowing staff members to freely launch new products and focus on client needs. Owners are also willing to seek new opportunities and take commercial risks. Although this practice demonstrates a strong commitment to entrepreneurship, its influence is not statistically significant. Therefore, to improve this relationship, factors such as innovation variables or business scale need to be further investigated.

The Influence of Marketing Capabilities on Marketing Performance

These results prove that marketing capabilities have a significant influence on marketing performance. The results of this study show that marketing performance in Micro, Small, and Medium Enterprises (MSMEs) in the furniture industry is greatly influenced by marketing capabilities. MSME owners have proven to be capable of implementing various marketing tactics, such as competitive pricing, efficient communication with suppliers and customers, and creative product development. Customer satisfaction and business profit growth have both directly benefited from this.

The Effect of Market Orientation on Market Performance Mediated by Marketing Capability

These results prove that market orientation has a significant effect on marketing performance mediated by marketing capabilities. Through the mediating function of marketing

capabilities in Micro, Small, and Medium Enterprises (MSMEs) in the furniture sector in Probolinggo Regency, the results of this study empirically show that market orientation has a significant effect on marketing performance. It has been proven that market orientation, which focuses on understanding consumer needs, evaluating competitors, and adjusting to changes in the business environment, directly improves marketing effectiveness by encouraging product innovation and uniqueness. However, the marketing capabilities of MSMEs, which include the implementation of successful marketing strategies, competitive pricing based on cost and value analysis, effective communication with suppliers and customers to build long-term relationships, and the creation of innovative and superior furniture industry products, reinforce this influence.

The Effect of Entrepreneurial Orientation on Market Performance Mediated by Marketing Capability

These results prove that the influence of entrepreneurial orientation has a significant effect on marketing performance mediated by marketing capabilities. Through the mediating function of marketing skills in Micro, Small, and Medium Enterprises (MSMEs) in the furniture industry in Probolinggo Regency, the results of this study empirically show that an entrepreneurial approach has a significant influence on marketing performance. It has been proven that entrepreneurial orientation, which includes creativity, initiative, and risk-taking, encourages MSMEs to build strong marketing capabilities, which in turn improves overall marketing performance. Entrepreneurial orientation and marketing performance are mediated by the marketing capabilities of these MSMEs, which are closely related to the implementation of creative marketing strategies, competitive pricing based on market analysis, efficient communication with customers and suppliers, and the production of high-quality furniture products.

CONCLUSION

Based on data analysis and discussion, the conclusion of this study is that the variables of market orientation and entrepreneurial orientation affect marketing capability, but do not directly affect marketing performance. Marketing capability affects marketing performance. Market orientation and entrepreneurial orientation have a positive and significant effect on marketing performance through marketing capability.

Based on the results of this study, researchers are advised to expand their analysis to include other variables. In addition, the scope of the research is still limited. This study was only conducted in one research area, namely Probolinggo Regency, so the results and findings cannot be generalized to all regions of Indonesia. Differences in characteristics between companies, such as in terms of management, customers, and marketing strategies, can affect the results of the study.

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