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# The Effect of Entrepreneurial Orientation on Digital Marketing Performance: A Case Study of Small Enterprises in Kendari City, Indonesia

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## Abstract

This research aims to determine and analyze: (a) the effects of digital marketing activity (DMAc), digital marketing capability (DMC), and Digital marketing asset (DMA), (b) the effects of DMAc, DMC, and DMA on marketing performance (MP), (c) the effects of entrepreneurial orientation (OE) on MP and (d) the mediating role of OA on the effects of DMAc, DMC, and DMA on OE. The research population is all the small enterprise actors in Kendari city applying digital marketing and having a permanent establishment in Kendari City. The analysis tool used is SEM Partial Least Square. Results of the research show that: (a). DMC and DMA have positive and significant effects on OE while DMAc is found to be insignificant on OE, (b). then, DMAc and DMA have positive and significant effects on MP, and DMC is found to be insignificantly increasing MP, (c). OE has positive and significant effects on MP and (d). DMC effects on MP and effects between DMA and MP are mediated by OE, whereas DMA effects on MP are not mediated by OE position. Based on research findings, DMC and DMA are superior at forming research opinions since they have a substantial influence on enhancing collaboration.

**Keywords:** Digital Marketing Activity, Digital Marketing Capability, Digital Marketing Asset, Marketing Performance, Digital Marketing, Entrepreneurial Orientation

**JEL Classification Code:** M3, M31, M37

## 1. Introduction

Gadi Djou et al. (2020) showed that the function of digitalization will have greater effects on SME performance if it is supported by SMEs with a high level of entrepreneurial orientation. Entrepreneurial orientation is critical for SMEs to attain competitive excellence, and

they must combine strategic vision on digitization with entrepreneurial orientation, as the strategic vision will not only increase performance. This strategy activity is critical to assist the introduction of digital marketing to improve business actors' marketing performance, particularly in light of the COVID-19 pandemic, which has had widespread repercussions, primarily in the economic sector, during the last two years.

Marketing activity by business actors is one of the economic sectors affected by the pandemic, although it is hampered by several government measures that limit social engagement, such as PSBB, Micro PPKM, and leveling PPKM. On the other hand, business actors, particularly small businesses, must survive and do their best to continue their operations. In this study, the entrepreneurial orientation variable is used as a mediating variable to promote the marketing by referring to the view.

Research and analysis of the impact of entrepreneurial mentality and digital marketing on small business marketing performance in Kendari City are necessary based on the foregoing illustration. This study is focused on small enterprises in Kendari City. Because of the COVID-19

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pandemic, the city of Kendari has recently implemented a high level of digital marketing. Because of the government's social constraints, small business owners are forced to change their sales strategy to keep their loyal customers. Employee resources are also strengthened by newly added tasks that require them to actively perform services by distributing goods to customers. Small business actors' access to the Internet serves as a supporting asset in the implementation of the digital marketing aspects, which include digital marketing activity (DMAc), digital marketing capability (DMC), and digital marketing asset (DMA).

Without disputing the existence of micro business actors, the outcomes of this study are expected to offer research findings that can help micro business actors achieve their business performance goals and grow into small business actors with annual revenues of over 300 million rupiahs. Furthermore, before the COVID-19 pandemic, digital marketing activities for small business actors in Kendari City flourished, as evidenced by the proliferation of product and service offerings in digital markets such as Kendari Buying and Selling, Go Food, and live streaming marketing via Facebook and Instagram, among others.

This study aims to determine and analyze: (a) the effects of digital marketing activity (DMAc), digital marketing capability (DMC), and digital marketing assets (DMA) on entrepreneurial orientation (OE), (b) the effects of digital marketing activity (DMAc), digital marketing capability (DMC) and Digital marketing asset (DMA) on marketing performance (MP), (c) the effects of OE on MP and (d) the mediating role of OA on the effects of DMAc, DMC, and DMA on OE.

## 2. Literature Review

### 2.1. Digital Marketing Activity

Digital technology will aid firm management in ensuring that marketing activities result in increased revenue and lower costs, which in turn, increases firm value. According to Zarrella (2010), digital marketing activities can save expenses and have a significant impact on costs, or "low budget, high effect." According to Chaffey (2000), digital marketing activity is the use of digital technology to create online channels to markets (website, e-mail, database, digital TV, and other recent innovations such as blogs, feeds, podcasts, and social networks), all of which can contribute to marketing activities.

### 2.2. Digital Marketing Capability

According to Chinakidzwa and Phiri (2020a), marketing capability plays a critical role in generating value and achieving competitive excellence. It was also stated that in the context of digital marketing, firm capabilities comprise the

following aspects: (a) Development of Digital Strategy and Execution Capability, (b) E-Market Sensing Capability, (c) Innovation Capability, and (d) Customer Service Capability (d). Capability to lead. The ability to lead, manage, motivate, and coordinate operations within an organization is known as leadership capability. To develop optimal decision making, value creation in companies necessitates the availability of resources and capital.

### 2.3. Digital Marketing Asset

Companies have a lot of different assets that help them succeed as businesses. A lesser-known version of these is digital marketing assets, which are ever-changing and growing with the advent of new technology. The digital realm has created a whole new range of things we consider assets. Assets, of course, are something of value owned by a particular group. Digital marketing assets, then, are valued items in the world of digital marketing. In other words, they are assets because they make digital marketing more effective for those who own them. Digital marketing assets typically include things such as social media profiles, company websites, email themes, data, images, audio, video, and blogs. Furthermore, companies may consider a wide range of digital items to be marketing assets. It all boils down to which digital items boost their marketing campaigns. Digital marketing assets have an impact on digital marketing capabilities and are used to conceive digital marketing capabilities and activities. According to Chinakidzwa and Phiri (2020b), digital marketing assets consist of: (a) Assets Structural capital or physical resources, (b) Human Resources Assets, (c) Intellectual Assets, (d) Digital market orientation assets, (e) Reputation assets, and (f) Relational assets.

### 2.4. Entrepreneurial Orientation

Entrepreneurial orientation, according to Lumpkin and Dess (1996), refers to methods, practices, and decision-making that leads to new directions and includes three aspects of entrepreneurship: always being innovative, acting proactively, and taking risks. Entrepreneurial orientation is a company benefit strategy for bettering its ability to compete in the same market. Any organization's level of EO can be understood by examining how it stacks up relative to five dimensions: (1) autonomy, (2) competitive aggressiveness, (3) innovativeness, (4) proactiveness, (5) and risk-taking. These dimensions are also relevant to individuals. Entrepreneurial orientation (EO) is a firm-level strategic orientation that captures an organization's strategy-making practices, managerial philosophies, and firm behaviors that are entrepreneurial (Covin & Slevin, 1989). According to Hanggraeni and Sinamo (2021) entrepreneurial orientation

being a strategic approach, considerably promotes various innovations in the firm. It is considered as an important driver to facilitate information relating to innovation and superior business performance.

### 2.5. Marketing Performance

Marketing performance is a broad metric used to assess the impact of a company’s strategy. The company’s strategy is constantly to create improved results and a high degree of corporate performance. This can be seen through high levels of marketing management performance in terms of high sales volume, high market share, and high marketing profitability. Several studies, according to Gao (2010), have revealed the use of interchangeable and contradictory marketing performance concepts such as marketing effectiveness, marketing efficiency, marketing productivity, marketing performance, and marketing metrics. According to Morgan (2012), the idea is linked to efficiency. According to other academics, the terms marketing efficiency and marketing effectiveness are interchangeable. Marketing performance is strongly determined by digital marketing management, according to Syaifullah et al. (2021).

## 3. Research Framework and Hypotheses

### 3.1. Research Framework

Referring to theoretical and empirical studies, this research is focused on explaining the relationship between

digital marketing activity (DMAc), digital marketing capability (DMC), digital marketing assets (DMAs), and entrepreneurial orientation (EO) on marketing performance (MP) of small enterprises in Kendari City. The research model/concept is presented in the following figure (Figure 1).

### 3.2. Research Hypotheses

Based on the description of the research concept framework, the hypotheses related to the marketing relationship of DMAc, DMC, and DMA to EO and MP in this study are formulated as follows:

**H1, H2, H3:** DMAc, DMC, and DMA have positive and significant effects on EO.

**H4, H5, H6:** DMAc, DMC, and DMA have positive and significant effects on MP.

**H7:** EO has positive effects on MP dan.

**H8, H9, H10:** EO is a mediating variable on the effects of DMAc, DMC, and DMA on MP.

## 4. Research Methods

Kendari city was the location of this study. The data was collected during October and December 2021. Primary and secondary data sources were employed in this research. While secondary data in this study comes in the form of the number of small businesses and their types, primary data comes directly from the respondents in the form of direct responses to a questionnaire sent to small businesses in Kendari City.



Figure 1: Research Hypotheses Framework

All small business actors in Kendari City were included in this study, with 531 having a permanent business status in the city. The sample size was 120, as determined by Roscoe (1982), who stated that a minimum sample size of 10 multiplied by the number of variables can be used. This study employed a minimum sample size of  $24 \times 5$  variables = 120 based on this idea. The following data collection methods were employed in this study: (a) questionnaires (e-questionnaires), (b) interviews, and (c) focus groups (c). Search for a bibliography. The Partial Least Square (PLS) (PLS Smart program version 3.2.4.) analysis technique was used to examine the effect between the research variables.

## 5. Results and Discussion

### 5.1. Results of Structural Modal Testing

The path coefficient values of the relationship between variables are used to evaluate the structural model. In this study, after building the relationship model, the structural model (inner model) is tested by referring to the data from the observations and the model’s overall applicability. The purpose of determining the relationship between the variables in this study is to test the structural relationship model. The structural model and hypothesis testing were derived from the PLS outputs by measuring the estimated path coefficient value, which was significant at a  $p$ -value  $\leq 0.05$ .

#### 5.1.1. Testing of Direct Effect Path Coefficient

The results of testing the path coefficient and the hypothesis of the effects between variables can be seen from the path coefficient value which is  $p$ -value  $\leq 0.05$  (Figure 2).

Figure 2 demonstrates that there are five positive and significant direct impacts between the variables investigated, as well as two insignificant and positive effects. Table 1 shows the complete results of the direct effect test.

#### 5.1.2. Testing of Mediating Variable Path Coefficient

Table 2 shows the results of the impacts of the mediating variable.

### 5.2. Discussion

#### 5.2.1. Effects of DMac on EO of Small Business in Kendari City

DMac has direct positive and insignificant impacts on MP. This indicates that improved DMac is not accompanied by a significant increase in EO. According to these findings, business actors in Kendari who have used digital marketing in their business have distributed information and updated content, offered products via Facebook, Instagram, and WhatsApp, provided accurate and useful information to consumers, met customer needs as expected, facilitated

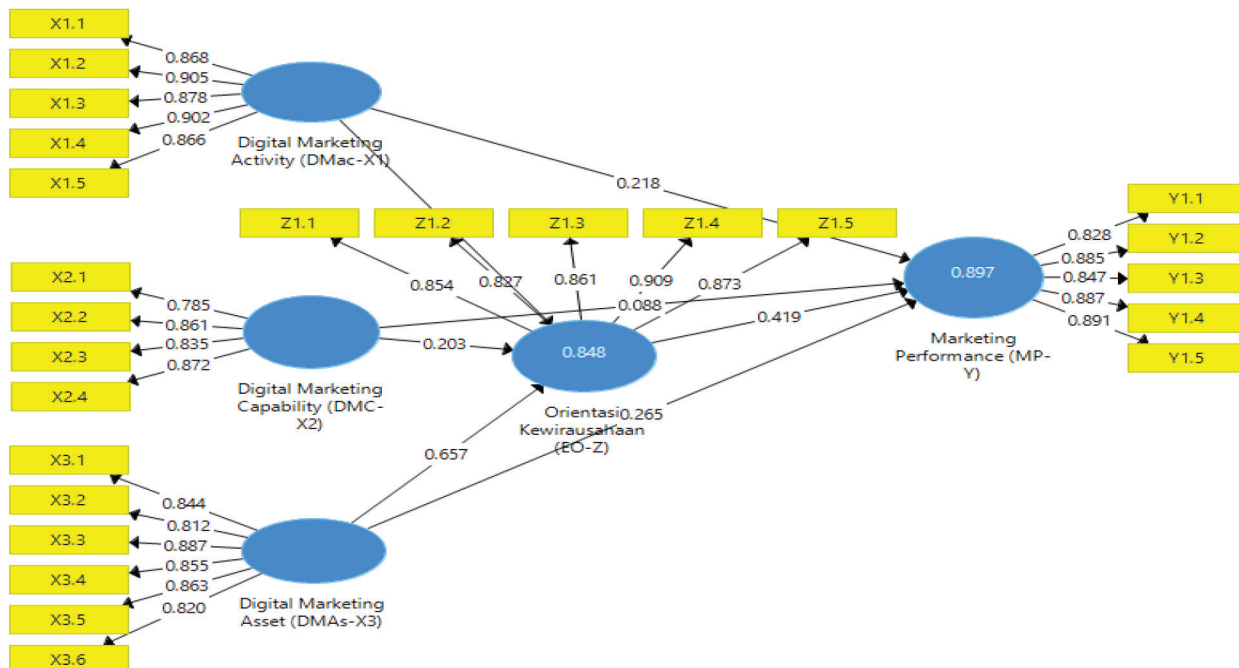


Figure 2: Path Coefficient Diagram

**Table 1:** Direct Effect Path Coefficient and Hypothesis Testing

Hypotheses	Direct Effects	Path Coefficient	p-value	Evidence	Hypotheses
H1	DMAc (X1) → OE (Z)	0.091	0.466	+ Insignificant	Rejected
H2	DMC (X2) → OE (Z)	0.203	0.038	+ Significant	Accepted
H3	DMA (X3) → OE (Z)	0.657	0.000	+ Significant	Accepted
H4	DMAc (X1) → MP (Y)	0.218	0.026	+ Significant	Accepted
H5	DMC (X2) → MP (Y)	0.088	0.317	+ Insignificant	Rejected
H6	DMA (X3) → MP (Y)	0.265	0.015	+ Significant	Accepted
H7	OE (Z) → MP (Y)	0.419	0.000	+ Significant	Accepted

Note: \*\*p-value < 0.05; \*\*\*p-value < 0.001. Significant at the 0.05 level.

**Table 2:** Mediation Effects of Path Coefficient

Hypotheses	Direct Effects	Path Coefficient	p-value	Evidence	Hypotheses
H8	DMAc (X1) → OE (Z) → MP (Y)	0.038	0.494	Not mediating	Rejected
H9	DMC (X1) → OE (Z) → MP (Y)	0.085	0.042	Mediating	Accepted
H10	DMA (X1) → OE (Z) → MP (Y)	0.275	0.002	Mediating	Accepted

customers' search for information, always displayed any latest trends, and built interaction with customers. However, the effects of DMAc on EO were shown to be minimal in this investigation. The path coefficient value and the probability value (*p*-value) of the analysis suggest that a high level of DMAc by small business actors in Kendari city has no effect on the increase in EO.

Business actors in Kendari are less innovative when it comes to new product marketing and service promotion. This is due to a lack of focus and a proclivity to copy current models. They've been aggressive in meeting customer requirements with products, but they haven't found any unique ways to collect data on customer concerns.

### 5.2.2. Effects of DMC on EO of Small Business Actors in Kendari City

The results of the Partial Least Square analysis suggest that DMC has a positive and significant impact on EO. Better DMC can lead to EO, which is characterized by innovative, proactive, risk-taking, competitive, and autonomous features of digital strategy creation and execution capabilities, e-market sensing capabilities, digital innovation capability, and leadership capability. Business actor statements on DMC indicate that the leadership capability scores highest among business actors in Kendari City. It shows that small business actors have good business leadership capabilities in

terms of leading business activities, business management capabilities, and motivating and coordinating business activities with both business partners and subordinates. In terms of digital strategy creation and execution capabilities, as well as e-market sensing capabilities, these features have been implemented well enough to have a significant impact on EO.

### 5.2.3. Effects of DMA on EO of Small Business Actors in Kendari City

DMA has positive and significant effects on OE, according to the results of partial least squares (PLS) research. This finding shows that DMA has positive and significant effects on OE, as evidenced by innovative, proactive, risk-taking, competitive aggressive, and autonomous aspects of physical resources assets (infrastructure), human resource assets, intellectual assets, digital market orientation assets, reputation assets, and relationship assets. Better digital marketing materials used by business actors will result in a more entrepreneurial mindset. This is logical, given that small businesses have successfully implemented DMAs based on business actors' perceptions. This study supports Chinakidzwa and Phiri (2020a) who found that the DMA of marketing performance is influenced by digital assets. The better corporate performance will result from more complete facilities and infrastructure used to undertake digital marketing.

#### **5.2.4. Effects of DMAc on MP of Small Business in Kendari City**

DMAc has direct positive and significant impacts on MP. It may be deduced that higher DMAc will result in higher MP. In terms of the benefits of DMAc on MP, good DMAc implementation by business actors can lead to greater competitive excellence, increased profitability, and increased significant growth. However, business actors go on to say that sale cost efficiency is still a work in progress and that creating new market opportunities to increase market share is still a work in progress. Based on the findings, it is suggested that business actors should devote more attention to digital marketing management to contribute more to the improvement of marketing performance, resulting in higher levels of contribution and profitability.

#### **5.2.5. Effect of DMC on MP of Small Business Actors in Kendari city**

The results of the Partial Least Square analysis reveal that DMC has a positive but insignificant effect on MP. Improved DMC is not accompanied by better MP, as evidenced by factors such as digital strategy formulation and execution capabilities, e-market sensing capabilities, digital innovation capabilities, and leadership capacities. An analysis of variables shows that DMC has little effect on MP indicating that business actors have low digital innovation abilities and low ability to understand digital technology. Furthermore, the ability to collect e-market data, disseminate market information and access e-markets are less than optimal. Based on these findings, it can be deduced that small business actors in Kendari City have inadequate capabilities in terms of collecting e-market data, disseminating e-market market information, and accessing e-markets.

Improvement of corporate performance necessitates the availability of company resources, including company capabilities, which must be managed in such a way that they become a strength for the firm to increase performance. Furthermore, the ability of a company to manage all resources is demonstrated to be a source of competitive excellence. According to Chinakidzwa and Phiri (2020a), resources are a collection of assets, capabilities, and organizational processes, as well as firm attributes, information, and knowledge.

#### **5.2.6. Effects of DMA on MP of Small Business Actors in Kendari City**

Based on the results of partial least squares (PLS) analysis, it shows that DMA has positive and significant effects on MP. This finding can be explained that DMA which is reflected through aspects of physical resource assets (infrastructure),

human resource assets, intellectual assets, digital market orientation assets, reputation assets, and related assets have positive and significant effects on MP. The more digital marketing assets that business actors control, the higher their marketing performance will be. This is logical because small business actors have already demonstrated a good understanding of digital marketing through the usage of facilities owned by business actors. This study is in line with the findings of Al-Azzam and Al-Mizeed (2021) explaining that DMA such as mobile marketing improves purchasing decisions which in turn improves marketing performance.

#### **5.2.7. Effects of EO on MP of Business Actors in Kendari City**

Based on the results of the PLS analysis, it shows that EO has positive and significant effects on MP. This can be seen from statistical tests showing a positive path coefficient value and significant profitability value. This shows that better EO will lead to better MP. Because small business actors in Kendari city have prioritized innovation in business, have been proactive in meeting customer expectations, have always opened new market opportunities to stimulate growth, have been aggressive in competition, and have been autonomous, EO plays an important role in achieving marketing performance.

#### **5.2.8. Role of EO as a Mediating Variable of DMAc Effects on MP of Small Business Actors**

The results of the previous hypothesis testing which were analyzed using Partial Least Square (PLS) found that DMAc had an insignificant effect on EO. Further testing was conducted by placing the EO variable as a mediation variable on the relationship between DMAc and MP, which was then proposed as the eighth hypothesis (H8). In this study, it was found that OE did not mediate the relationship between DMAc and MP, business actors in Kendari City. The path coefficients revealed that there was a positive and insignificant relationship between DMAc, OE, and MP, implying that OE mediated DMAc to MP insignificantly. According to the facts, DMAc conducted by business actors can provide identity regarding the products offered, serve as marketing research to find information about consumer needs, and serve as a communication liaison between marketers and consumers for business actors to maintain relationships with consumers.

#### **5.2.9. Role of EO as a mediating variable of DMC effects on MP of Small Business Actors**

The results of the previous test of DMC on MP (H9) found that DMC had an insignificant effect on MP. Further

testing was carried out by adding the OE variable as mediation to the relationship between DMC and MP, which was then proposed as the ninth hypothesis (H9). The results of the descriptive analysis found that smaller business actors in Kendari city stated the ability of small business actors to develop digital marketing strategies, the ability to execute, the ability to sense e-markets, the ability to digital innovation, and leadership skills were considered good. Based on these circumstances, the study's findings revealed that by improving OE, the indirect relationship between DMC and MP will be able to improve marketing performance by using OE as a mediator.

#### 5.2.10. Role of EO as a Mediating Variable of DMA Effects on MP of Small Business Actors

The results of the previous test of DMA on MP (H10) found that DMA had positive and significant effects on MP. The association between DMA and MP was then tested further by adding the EO variable as mediation, which was then proposed as the tenth hypothesis (H10). This conclusion is logical since DMA business actors already have sufficient assets such as physical assets, human resources, intellectuals, digital market orientation, reputation, and relationship assets, to conduct digital marketing operations to boost EO and MP. Empirical evidence shows that business actors' statements about DMA are already excellent, particularly in the assessment of physical resource assets like phones, tablets, laptops, and PCs; these are indications that business actors highly rate. There are additional intellectual indicators for business players in terms of understanding the competitive environment connected to market conditions such as knowing the competitive environment related to suppliers and understanding the competitive environment related to customers. In the meantime, when it comes to the reputation indicator, business actors believe that the corporate brand is already well-known among customers.

## 6. Conclusion and Recommendations

The conclusions of the study are: (a). DMC and DMA have significant effects on EO while DMAc was found to be insignificant on EO, (b). Furthermore, DMAc and DMA have positive and significant effects on MP and DMC was found to increase MP insignificantly, (c). EO has positive and significant effects on MP and (d). For DMC effects on MP and for effects between DMA and MP, EO position is a mediating variable; for DMAc effects on MP, it is not a mediating variable.

The following are the research recommendations: (1). To acquire a high level of sales traffic, business actors must focus on digital marketing activities such as Search Engine

Optimization (SEO) tactics on websites, placing ads on Google AdSense, Facebook advertising services, Instagram, and other advertising services (2). To increase sales, business actors must develop their e-market sensing capabilities, or the capacity to locate target markets and market targets online (3) Prioritizing the fulfillment of intellectual assets, reputational factors, and digital-oriented market assets is required (4). It is required for preserving EO and boosting MP by enhancing competitive aggression, corporate autonomy, and the ability to control business risks and opportunities (5). Further investigation into some of the variables shown to be unimportant in this study, such as the effects of DMAc on EO, the effects of DMC on MP, and the impact of DMAc on MP with OE mediation, is proposed.

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