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Optimizing Small and Medium Enterprises' Marketing Performance through RBV: A Local Wisdom-Based Approach

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ABSTRACT

MSMEs play a role in increasing Indonesia's economic growth through the absorption of labor. Likewise in West Kalimantan. The aim of this research is to determine the factors that influence local wisdom-based MSMEs in improving marketing performance from the perspective of RBV implementation. Data was collected from 100 snack food MSME respondents in Pontianak City, as samples in research to test the proposed model, using structural equation modeling (SEM)-PLS modeling software. The results of the research show that market orientation and entrepreneurial orientation influence marketing performance which is mediated by marketing capabilities, so it is known that entrepreneurial orientation can improve marketing capabilities, and ultimately will also improve the marketing performance of culinary MSMEs with local wisdom products in Pontianak City.

Keywords:
Local Wisdom, MSMEs, Marketer Performance

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1. Introduction

Indonesia's economic development is intricately linked to the thriving Small and Medium Enterprises (UMKM) sector, particularly in regions where the majority of economic activities revolve around UMKMs. Micro, Small, and Medium Enterprises play a crucial role in generating employment, contributing to tax revenues, alleviating poverty, and serving as the backbone of local communities. Notably, during the 1998 crisis, UMKMs proved to be a stabilizing force for the national economy (Cahyani et al., 2020). The growth of UMKMs, especially in the culinary sector, is a key focus in Indonesia's economic development. Culinary ventures demand creativity, innovation, market orientation, and entrepreneurial acumen, particularly vital during the challenges posed by the recent COVID-19 pandemic. Market orientation becomes imperative for UMKMs in the culinary sector to adapt and thrive amidst dynamic market conditions.

The success of UMKMs can be gauged through their marketing performance, a critical metric encompassing various management activities such as progress, innovation, adaptation, success, and shortcomings. Market orientation, defined by Craven (1994) as targeting strategic consumer goals and building an organization focused on customer service, significantly influences marketing performance. Similarly, entrepreneurial orientation, characterized by innovation, proactiveness, and risk-taking, plays a pivotal role in influencing marketing performance. Additionally, the study introduces the concept of marketing capability as a mediating variable, acknowledging its intricate role in optimizing marketing performance. The intricate interplay between market orientation, entrepreneurial orientation, and marketing capability forms the crux of the study's investigation into the marketing performance of culinary UMKMs in Pontianak.

2. Literature Review

Market orientation, defined by Narver & Slater (1990) as the most effective organizational culture for creating behaviors that benefit buyers and yield superior performance for the company, involves focusing on customer satisfaction, responsiveness to customer desires, awareness of relevant market information, and effectiveness in marketing. Entrepreneurial orientation, as defined by Witjaksono (2014), is a company's orientation toward identifying and exploiting opportunities, emphasizing innovation, proactivity, and risk-taking. Marketing capabilities, encompassing cultural, strategic, and operational dimensions, are vital for a company's success.

The empirical review cites various studies linking these orientations and capabilities to marketing performance. For instance, Fathika & Sumiati's (2021) research on small and medium-sized enterprises (UMKM) in Indonesia found that both entrepreneurial and market orientations directly influenced marketing performance. Similarly, Puspaningrum (2020) demonstrated the significant impact of market orientation on marketing performance in small and medium-sized businesses in Malang. These studies highlight the importance of aligning organizational orientations with effective marketing capabilities to achieve superior marketing performance.

The conceptual framework outlines hypotheses that posit relationships between market orientation, entrepreneurial orientation, marketing capabilities, and marketing performance. These hypotheses suggest that market orientation positively influences marketing capabilities (H1), entrepreneurial orientation positively influences marketing capabilities (H2), market orientation positively influences marketing performance (H3), entrepreneurial orientation positively influences marketing performance (H4), and marketing capabilities positively influence marketing performance (H5). Additionally, two mediating hypotheses propose that marketing capabilities mediate the relationship between market

orientation and marketing performance (H6) and between entrepreneurial orientation and marketing performance (H7).

3. Method, Data, and Analysis

The research adopts a causal relationship approach using an explanatory research method. It falls under confirmatory research, aiming to test and validate the impact of market orientation and entrepreneurial orientation on marketing performance, with marketing capability as a mediating variable. The data, obtained from internal sources, comprises both primary data collected directly from culinary SME owners in Pontianak through questionnaires and interviews, and secondary data gathered from literature, journals, previous research, and electronic media.

Data collection techniques involve the use of Likert scale questionnaires and literature studies. The Likert scale measures respondents' attitudes, opinions, and perceptions regarding market and entrepreneurial orientations, marketing capability, and marketing performance. The population consists of all culinary SME owners in Pontianak, with a sample size of 100 respondents determined using the Slovin formula. The sampling method is nonprobability purposive sampling, considering criteria such as ownership/management status and a minimum of six months in business.

The study encompasses three variables: independent variables (market orientation and entrepreneurial orientation), mediating variable (marketing capability), and dependent variable (marketing performance). Operational definitions and indicators for each variable are outlined in the research design. The research employs Structural Equation Modeling (SEM) based on SmartPLS 3.0 for hypothesis testing, with a two-stage analysis involving measurement model testing for validity and reliability and structural model testing for direct and indirect effects. The Likert scale facilitates quantitative analysis, and data are presented in tables for both quantitative and qualitative interpretation.

The outer model is crucial for assessing the validity and reliability of the measurement model. Validity testing involves evaluating the instrument's ability to measure what the researcher intends. In this study, construct validity, comprising convergent and discriminant validity, is examined. Convergent validity is assessed through loading factors and average variance extracted (AVE). Loading factors above 0.7 and AVE values exceeding 0.5 indicate acceptable validity.

Reliability testing ensures that the measurement tool provides reliable information consistently. The study uses SmartPLS 3.0 to examine convergent validity through loading factors. Loading factors of 0.5 to 0.6 are considered reliable in the initial stages of research development. The inner model, or structural model, predicts the causal relationships among latent variables and is evaluated through bootstrapping, utilizing R-square to assess the model's goodness of fit. According to Sugiyono (2014), the structural model involves direct and indirect effects, encompassing relationships between independent and dependent variables.

Direct effects are analyzed using t-statistics, with significance determined by comparing t-statistic values to t-table values or p-values below 0.05. Indirect effects, involving mediating variables, demonstrate the relationship between independent and dependent variables through a mediation process. The study evaluates the model's strength using R-square, with a value of 0.67 indicating a "good" model, 0.33 to 0.66 suggesting a "moderate" model, and below 0.33 indicating a "weak" model.

Hypothesis testing employs γ, β, and λ parameters for path coefficients, and Bootstrap resampling is used for statistical testing. The decision criteria for p-values are set at 0.10 for not significant, 0.10 to 0.05 for weakly significant, 0.05 for significant, and 0.01 for highly

significant results. This comprehensive analysis ensures a robust evaluation of the research model's validity, reliability, and structural relationships.

4. Result and Discussion

Results

This research is based on the responses of culinary SME entrepreneurs in Pontianak City to investigate the influence of market orientation (X1) and entrepreneurial orientation (X2) on marketing performance (Z) with marketing capabilities (Y) as a mediating variable. Data from respondents were collected by distributing a questionnaire link created using Google Forms to respondents online. Through this method, 100 responses were obtained within a period of 2 weeks, starting from June 26, 2022, to July 10, 2022. The collected data were preliminarily analyzed using Microsoft Excel version 2016 to filter and select respondents who completed the questionnaire according to the established criteria and research framework. Initial data processing indicated that all respondent answers met the criteria and fulfilled the minimum sample size requirement. Respondent feedback on the research instrument was analyzed descriptively using Microsoft Excel version 2016, and further analysis was conducted using SmartPLS software version 3.3.2 to determine the validity and reliability of the research instrument, along with hypothesis testing.

This study utilized Structural Equation Modeling (SEM) and the SmartPLS application version 3.3.2 to analyze primary data collected through distributed questionnaires. The focus of the SEM analysis was to evaluate the measurement model (outer model) and assess the influence of market orientation and entrepreneurial orientation on the marketing performance of culinary SMEs in Pontianak City, with marketing capabilities as a mediating variable. The evaluation of the measurement model involved two key procedures. Firstly, the analysis measured whether the indicators of the instruments met the criteria for validity and reliability. The outer model approach in PLS was used to define the relationship between each block of indicators and its latent variable. The evaluation was based on the convergent validity of the indicators and the composite reliability of the indicator blocks.

In terms of validity, the examination involved assessing factor loading values for convergent validity and examining the average variance extracted (AVE) and cross-loading values for discriminant validity. The results, as presented in Table 4.13, indicated that all indicators demonstrated factor loading values > 0.70, meeting convergent validity criteria. Additionally, all research variables exhibited AVE values > 0.50, confirming discriminant validity for the entire set of research variables.

Table 1. Nilai Outer Loading dan AVE

Variables and indicators	Outer loading	Value AVE	Value Description
Market Orientation (X1)		0,697	Valid
$X_{1.1}$	0,826		Valid
$X_{1.2}$	0,752		Valid
$X_{1.3}$	0,864		Valid
$X_{1.4}$	0,893		Valid
Entrepreneurial Orientation (X2)		0,656	Valid
$X_{2.1}$	0,765		Valid
$X_{2.2}$	0,883		Valid
$X_{2.3}$	0,778		Valid
Marketing Capability (Y)		0,654	Valid
Y_1	0,714		Valid

Y_2	0,803		Valid
Y_3	0,723		Valid
Y_4	0,787		Valid
Y_5	0,839		Valid
Y_6	0,880		Valid
Y_7	0,897		Valid
Marketing Performance (Z)		0,913	Valid
Z_1	0,958		Valid
Z_2	0,961		Valid
Z_3	0,947		Valid

Discriminant validity in the reflective indicator model (outer model) is assessed based on cross-loading factor values with constructs, which is crucial to determine whether the constructs exhibit adequate discrimination. Cross-loading values on the intended constructs should be greater than the values of other latent constructs. If the correlation between a construct and its measurement items is greater than that with items from other constructs, it indicates that the latent construct predicts the dimensions of its block better than other blocks. The results of discriminant validity testing can be observed in Table 2.

Table 2. Nilai Cross Loading

Indicator	**X_1**	**X_2**	**Y**	**Z**
$X_{1.1}$	0.826	0.468	0.511	0.289
$X_{1.2}$	0.725	0.435	0.378	0.162
$X_{1.3}$	0.864	0.508	0.679	0.430
$X_{1.4}$	0.893	0.556	0.613	0.427
$X_{2.1}$	0.607	0.765	0.648	0.336
$X_{2.2}$	0.442	0.883	0.606	0.426
$X_{2.3}$	0.380	0.778	0.547	0.338
Y_1	0.538	0.500	0.714	0.370
Y_2	0.480	0.663	0.803	0.457
Y_3	0.531	0.614	0.723	0.462
Y_4	0.539	0.523	0.787	0.453
Y_5	0.645	0.534	0.839	0.363
Y_6	0.509	0.656	0.880	0.417
Y_7	0.594	0.692	0.897	0.444
Z_1	0.426	0.421	0.532	0.958
Z_2	0.383	0.450	0.507	0.961
Z_3	0.390	0.431	0.466	0.947

The data presented in Table 2 indicates that all indicators or questionnaire items have satisfied discriminant validity, as the correlation values between indicators and their respective constructs are higher than the correlation values between indicators and other constructs. Consequently, it can be concluded that the research instrument has fulfilled both convergent and discriminant validity.

The examination of reliability involved assessing the composite reliability values for all variables and the internal consistency reliability reflected in Cronbach's Alpha values.

Reliability was deemed satisfactory if both the composite reliability and Cronbach's Alpha values were greater than 0.6 (Ghozali, 2015).

Table 3. Nilai Composite Reliability dan Cronbach's Alpha

Variable	*Composite Realiability*	*Cronbach's Alpha*	Information
Market Orientation (X1)	0,902	0,859	Reliable
Entrepreneurial Orientation (X2)	0,851	0,736	Reliable
Marketing Capability (Y)	0,929	0,910	Reliable
Marketing Performance (Z)	0,969	0,952	Reliable

The data in Table 3 indicates that the composite reliability values for all variables are >0.6, and the internal consistency reliability reflected in the Cronbach's Alpha values for all variables is also >0.6. Consequently, it can be concluded that the research instrument satisfies both composite reliability and internal consistency reliability criteria.

The evaluation of the structural model, or inner model, was conducted to examine the relationships between variables within the research framework. Figure 1 illustrates the results of the structural model evaluation through the PLS algorithm procedure, while Figure 2 depicts the outcomes of the structural model evaluation through bootstrapping procedures using SmartPLS 3.3.2.

Figure 1. Evaluation of the structural model of the PLS Algorithm procedure

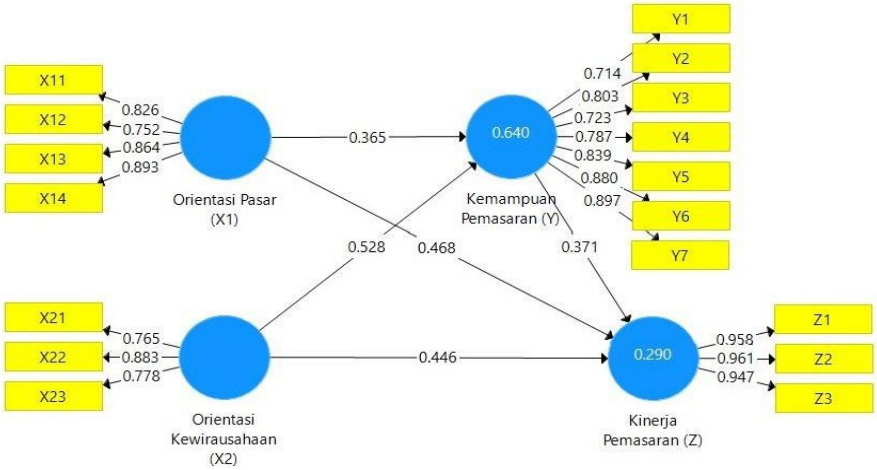
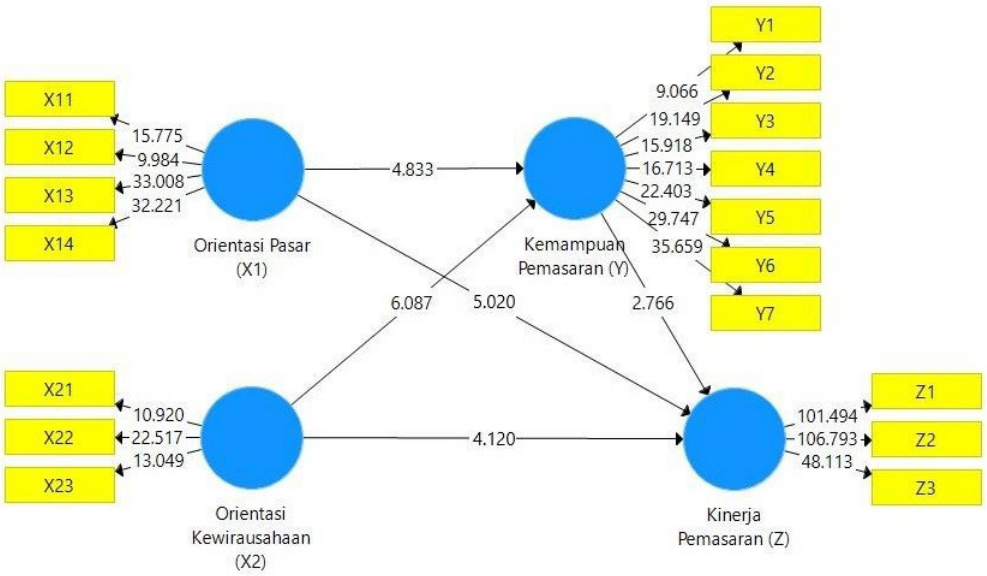


Figure 2. Evaluation of the structural model of the bootstrapping procedure



Source: SmartPLS 3.3.2 output, processed data 2022

The evaluation of the structural model involved examining the coefficients of determination (R-Square) for each dependent variable and utilizing the PLS algorithm procedure to ensure the stability of model estimates. A variable is considered to have good explanatory power if the R-Square value is >0.5 or approaches 1. The R-Square results for this study are presented in Table 4

Table 4. Koefisien determinasi (R-Square)

Variabel	*R-Square*
Kemampuan Pemasaran (Y)	0.640
Kinerja Pemasaran (Z)	0.290

Source: 2022 Processed Data

The analysis of the structural model, as presented in Table 4, reveals significant insights. For the marketing performance variable (Y), the R-Square value of 0.640 indicates that 64.0% of the variation in company performance changes can be explained by market orientation (X1) and entrepreneurial orientation (X2). The remaining 36.0% is attributed to unexplored variables such as continuous innovation and marketing strategy.

Similarly, the R-Square value of 0.290 for the marketing performance variable (Z) implies that 29.0% of the variation in marketing performance changes (Z) is accounted for by market orientation (X1), entrepreneurial orientation (X2), and marketing capability (Y). The remaining 71.0% is influenced by other unconsidered variables, including product innovation and marketing strategy as independent variables, competitive advantage, and value creation as mediating variables, and competitive intensity as a moderating variable.

In the structural model hypothesis testing (4.3.3.1), the examination of t-statistic and p-values for each hypothesized path relationship, as detailed in Table 5, reveals whether the research hypotheses are accepted. According to Ghozali (2015), a hypothesis is considered accepted if the t-statistic value (at a significance level of 5%) is > 1.96, and the p-value is < 0.05.

Table 5. Results of Structural Model Research Hypothesis Testing

Hipotesis	*Original Sample* (O)	*t-statistic* (|O/STDEV|)	*p-value*	Keterangan
Orientasi pasar kemampuan pemasaran	0.365	4.833	0.000	Signifikan
Orientasi kewirausahaan kemampuan pemasaran	0.528	6.087	0.000	Signifikan
Orientasi pasar kinerja pemasaran	0.468	5.020	0.000	Signifikan
Orientasi kewirausahaan kinerja pemasaran	0.446	4.120	0.000	Signifikan
Kemampuan pemasaran kinerja pemasaran	0.371	2.766	0.006	Signifikan

The examination of direct relationships between variables, detailed in Table 5, yields significant insights. Firstly, for Hypothesis 1, the positive influence of market orientation (X1) on marketing capability (Y) is affirmed by a t-statistic of 4.833 (>1.96), a p-value of 0.000 (<0.05), and a positive original sample value of 0.365. Similarly, Hypothesis 2 establishes the positive impact of entrepreneurial orientation (X2) on marketing capability (Y), supported by a t-statistic of 6.087 (>1.96), a p-value of 0.000 (<0.05), and a positive original sample value of 0.528. Moreover, Hypothesis 3 underscores the positive relationship between market orientation (X1) and marketing performance (Z), as evidenced by a t-statistic of 5.020 (>1.96), a p-value of 0.000 (<0.05), and a positive original sample value of 0.468. Similarly, Hypothesis 4 validates the positive influence of entrepreneurial orientation (X2) on marketing performance (Z) with a t-statistic of 4.120 (>1.96), a p-value of 0.000 (<0.05), and a positive original sample value of 0.446. Lastly, for Hypothesis 5, the positive impact of marketing capability (Y) on marketing performance (Z) is confirmed by a t-statistic of 2.766 (>1.96), a p-value of 0.006 (<0.05), and a positive original sample value of 0.371. Transitioning to the assessment of the structural model through the SEM approach, the analysis delves into the mediating role of marketing capability in the relationships between market orientation and marketing performance, as well as between entrepreneurial orientation and marketing performance. The results of hypothesis testing for the mediation role of variables are summarized in Table 6.

Table 6. Results of Testing the Role of Mediating Variables

Hipotesis	*Original Sample* (O)	*t-statistic* (|O/STDEV|)	*p-value*	Keterangan
Orientasi pasar kemampuan pemasaran kinerja pemasaran	0.135	2.370	0.018	Signifikan
Orientasi pasar kemampuan pemasaran	0.196	2.426	0.016	Signifikan

kinerja pemasaran

The examination of Table 6 reveals significant indirect relationships between variables: Hypothesis 6 establishes that the mediation of marketing capability (Y) in the relationship between market orientation (X1) and marketing performance (Z) is confirmed. The t-statistic of 2.370 (>1.96), a p-value of 0.018 (<0.05), and a positive original sample value of 0.135 support the assertion that marketing capability positively mediates the impact of market orientation on marketing performance. Similarly, Hypothesis 7 substantiates the mediation of marketing capability (Y) in the relationship between entrepreneurial orientation (X2) and marketing performance (Z). The t-statistic value of 2.426 (>1.96), a p-value of 0.016 (<0.05), and a positive original sample value of 0.196 affirm that marketing capability positively mediates the influence of entrepreneurial orientation on marketing performance. In essence, these findings suggest that marketing capability plays a positive mediating role, bridging both market orientation and entrepreneurial orientation with enhanced marketing performance.

Discussion

The study investigates the impact of market orientation and entrepreneurial orientation on marketing performance in culinary SMEs (Small and Medium Enterprises) in Pontianak City. Hypothesis 1, focusing on the positive influence of market orientation on marketing capability, is supported by statistical analysis, revealing a significant t-statistic of 4.833 (>1.96), a p-value of 0.000 (<0.05), and a positive original sample value of 0.365. The most influential indicator in market orientation is competitor orientation. In Hypothesis 2, which asserts a positive influence of entrepreneurial orientation on marketing capability, the results confirm this with a t-statistic of 6.087 (>1.96), a p-value of 0.000 (<0.05), and a positive original sample value of 0.528. The key indicator in entrepreneurial orientation is proactivity.

Moving on to Hypothesis 3, the study establishes a positive influence of market orientation on marketing performance, supported by a t-statistic of 5.020 (>1.96), a p-value of 0.000 (<0.05), and a positive original sample value of 0.468. This emphasizes the crucial role of market orientation in enhancing marketing capability. Hypothesis 4, suggesting a positive impact of entrepreneurial orientation on marketing performance, is validated by a t-statistic of 4.120 (>1.96), a p-value of 0.000 (<0.05), and a positive original sample value of 0.446. This underscores the importance of fostering entrepreneurial orientation for improved marketing performance. In Hypothesis 5, the study confirms a positive influence of marketing capability on marketing performance, with a t-statistic of 2.766 (>1.96), a p-value of 0.006 (<0.05), and a positive original sample value of 0.371. The indicators with the most substantial impact are marketing implementation capabilities and marketing planning capabilities. Moving into the mediation analysis, Hypothesis 6 suggests that marketing capability mediates the influence of market orientation on marketing performance. The results support this claim, with a t-statistic of 2.370 (>1.96), a p-value of 0.018 (<0.05), and a positive original sample value of 0.135, emphasizing the mediating role of marketing capability.

Finally, Hypothesis 7 posits that marketing capability mediates the influence of entrepreneurial orientation on marketing performance. The findings uphold this hypothesis, with a t-statistic of 2.426 (>1.96), a p-value of 0.016 (<0.05), and a positive original sample value of 0.196, highlighting the mediating impact of marketing capability. In summary, the study provides comprehensive insights into the relationships between market orientation, entrepreneurial orientation, marketing capability, and marketing performance in culinary SMEs in Pontianak City, shedding light on the mediating role of marketing capability in these dynamics.

5. Conclusion and Suggestion

Conclusion

Based on the research findings and discussions in the preceding chapter, several key conclusions can be drawn. Firstly, market orientation significantly and positively influences marketing capability, highlighting the importance of adopting a market-oriented approach for culinary SMEs in Pontianak City to enhance their marketing capabilities. Secondly, entrepreneurial orientation has a noteworthy positive impact on marketing capability, emphasizing the role of an entrepreneurial mindset in improving the marketing capabilities of these SMEs. Thirdly, both market and entrepreneurial orientations significantly contribute to enhanced marketing performance, indicating their crucial roles in shaping the overall marketing success of culinary SMEs in Pontianak City.

Additionally, the study reveals that marketing capability plays a pivotal role in mediating the influence of market and entrepreneurial orientations on marketing performance. This suggests that the effectiveness of market and entrepreneurial orientations in fostering improved marketing performance is mediated through the development of strong marketing capabilities. Therefore, cultivating robust marketing capabilities is crucial for culinary SMEs, as it not only directly impacts marketing performance but also acts as a bridge between strategic orientations and performance outcomes.

Suggestion

Based on the conclusions above, several recommendations emerge from this research. For culinary business owners in Pontianak City, it is advised to enhance market orientation by paying attention to competitors while maintaining a focus on customer needs. Additionally, fostering entrepreneurial orientation, particularly through innovative endeavors like developing new products, is essential for culinary business owners. Improving the ability to swiftly execute creative promotional programs, gather information about customers and competitors, and innovate in product development is crucial for sustaining and enhancing marketing performance.

For future research, it is recommended to explore other independent variables influencing the marketing performance of SMEs, such as customer buying intentions in banking, incorporating variables like product innovation and marketing strategy as independent variables, competitive advantage, and value creation as mediating variables, and competition intensity as a moderating variable. Further studies could extend the scope beyond the culinary sector to generalize findings for the broader context of Pontianak City. Expanding the research scope to cover SMEs across the Kalimantan Barat province would enable generalizations at the provincial level.

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