

THE INFLUENCE OF DIGITAL MARKETING DIMENSIONS ON ENTREPRENEURIAL ORIENTATION AND MARKETING PERFORMANCE

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ABSTRACT

This research aims to determine and analyze: (a) the effects of DMAC, DMC and DMA on OE, (b) the effects of DMAC, DMC and DMA on 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. Research population is all of the small enterprise actors in Kendari city applying digital marketing and having permanent establishment in Kendari city. The analysis tool used is SEM Partial Least Square (PLS). 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). OE is a mediating variable on DMC effects on MP and effects between DMA and MP, while on the effects of DMAC on MP, OE position is not a mediating variable. Research findings that DMC and DMA are able to form research concepts better because they have a significant effect on increasing OE while DMAC does not significantly increase OE

Keywords: Digital, Marketing, Dimensions, OE dan MP

1. INTRODUCTION

Empirical studies by Gadi Djou et al., (2020) show that the role of digitalization will give greater effects on SME performance if it is supported by SMEs having high level of entrepreneurial orientation. The entrepreneurial orientation plays an essential role for SMEs who achieve competitive excellence and it is necessary for them to combine strategic vision on digitalization with entrepreneurial orientation since the strategic vision will not merely improve performance. It is greatly necessary for this strategic action in order to support the implementation of digital marketing to improve marketing performance of business actors, especially facing Covid-19 pandemic for the last two years which has given broad effects mainly in economic sector.

The economic sector having the effects of the pandemic is marketing activity by business actors facing obstacles by various government policies in the forms of limitation of social activity ranging from PSBB, Micro PPKM and levelling PPKM. In another aspect, business actors, mainly small enterprises must survive and try their best to maintain its business continuity. By referring to the view, entrepreneurial orientation variable in this research is used as the research object as a mediating variable to support the marketing.

Based on the above illustration, it is necessary to conduct a research in order to study and analyze the role of entrepreneurial orientation and DIGITAL MARKETING on marketing performance mainly small enterprises in Kendari City. Small Enterprises in Kendari City are used as the subjects of this research. It is because of high level of implementation of digital marketing recently by the Covid-19 pandemic in Kendari city. Due to social limitation applied by the government obliges small enterprise business actors to take any changes on the sale system regarding their loyal customers. This is also supported by employee resources given new addition tasks to actively provide services by distribution of goods to customers. Internet facility by small business actors serves as supporting asset of digital marketing dimension implementation namely digital marketing activity (DMAc), digital marketing capability (DMC) and Digital marketing Asset (DMA)

Without denying the existence of micro business actors, results of this study are expected to produce research findings that can contribute to micro business actors to be able to achieve their business performance targets in order to become small business actors with a turnover of over 300 million rupiah per year. In addition, digital marketing activities for small business actors in Kendari City dynamically took place before the Covid-19 pandemic; this was marked by the proliferation of product and service offerings in digital markets such as Kendari Buying and Selling, Go Food, Live streaming marketing via Face book and Instagram etc.

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). Mediating role of OA on the effects of DMAc, DMC and DMA on OE.

2. LITERATURE REVIEW

Digital Marketing Activity

Digital technology will assist company management so that marketing activities will lead to two things, namely increasing revenue and reducing costs which ultimately and effectively increase the company value. According to Zarrella (2010), digital marketing activities can reduce costs and give big impacts on costs or the term used as “low budget, more effect”. Digital marketing activity according to Chaffey (2000) is the application of digital technology that forms online channels to the markets (website, e-mail, database, digital TV and through

various other recent innovations including blogs, feeds, podcasts, and social networks), all of which can provide contribution to marketing activities.

Digital Marketing Capability

A view by Chinakidzwa & Phiri (2020) shows that marketing capability has an important role in creating value and competitive excellence. It was further explained that company capabilities in the context of digital marketing include the following aspects, namely: (a). Development of Digital Strategy and Execution Capability, (b). E-Market Sensing Capability, (c). Innovation Capability and (d). Leadership Capability. Leadership capability is the ability to lead, manage, motivate, and coordinate activities within an organization. Value creation in organizations requires availability of resources and capital requires leadership autonomy in order to create appropriate decision making.

Digital Marketing Asset

The produced and supporting resources and marketing activities potentially serve as producer of significant profits resource. Resources such as brand reputation, customer relations, and market orientation have their own characteristics and are important to the company, have been built over time by using a high level of dependence on knowledge and skills, and involving complex interrelationships with other resources, all of these aspects theoretically serve as important factors in creating a sustainable competitive advantage. Digital marketing assets give effects on digital marketing capabilities and are conceptualized as the basis for digital marketing capabilities and activities. According to Chinakidzwa & Phiri (2020), 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.

Entrepreneurial Orientation

According to Lumpkin & Dess (1996) entrepreneurial orientation refers to processes, practices, and decision-making that lead to new directions and have three aspects of entrepreneurship, namely always being innovative, acting proactively and taking risks. Entrepreneurial orientation serves as a company benefit strategy to be able to compete more effectively in the same market place. An entrepreneurial orientation in Friesen & Miller (1982) view is engaging in product-market innovation, undertaking little risky ventures, and serving as the first proactive and innovative factor, as well as delivering a punch to beat competitors. Entrepreneurial orientation plays an important role in business continuity. An entrepreneur who runs an entrepreneurial orientation has the nature of being innovative, proactive and taking risks, Covin & Slevin (1989) as well as being aggressive in competition and having strong corporate autonomy (Lumpkin & Dess, 1996). According to Hanggraeni & Sinamo (2021) emphasized that the risky behaviour of MSMEs to operate in a stable business environment was found to be more likely to result in better and correct performance.

Marketing Performance

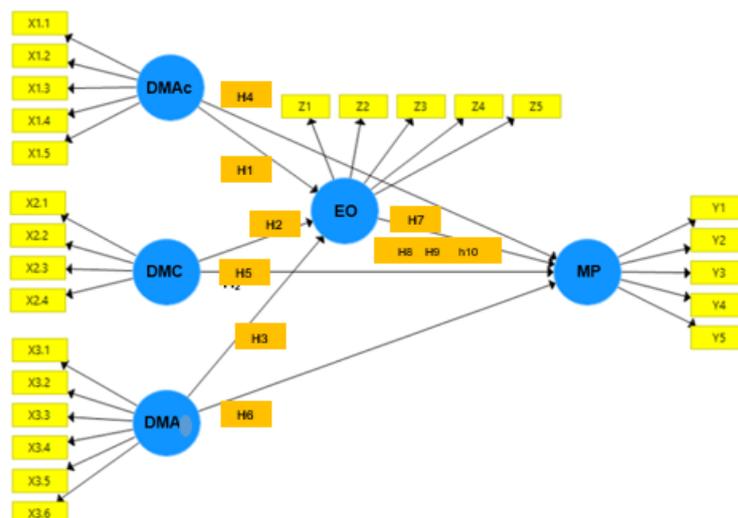
Marketing performance plays as a general factor used to measure the effects of a company strategy. The company strategy is always directed to produce better performance and company good level of performance which can be seen from high level of marketing management performance in terms of high level of sale volume, high level of market share and high level of marketing profitability. According to Gao (2010), a number of literature review have shown the use of interchangeable and contradicting marketing performance concepts such as marketing effectiveness, marketing efficiency, marketing productivity, marketing performance, and marketing metrics. The use of these terms gives effects on the decision of significance in the basic concepts involved. Morgan (2012) considered the concept to be related to efficiency. Other researchers have noted that the terms of 'marketing efficiency' and 'marketing effectiveness' are used interchangeably. Syaifullah et al. (2021) emphasized that marketing performance is largely determined by digital marketing management.

3. FRAMEWORK AND HYPOTHESES

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 (DMA) 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 3.1: Research Hypotheses Framework



Hypotheses

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

H_{1,2,3} Hypotheses: DMAc, DMC and DMA have positive and significant effects on OE

H_{4,5,6} Hypotheses: DMAc, DMC and DMA have positive and significant effects on MP

H₇ Hypotheses: OE has positive effects on MP dan

H_{8,9,10} Hypotheses: OE is a mediating variable on the effects of DMAc, DMC and DMA on MP

4. METHOD

This research was conducted in Kendari City. The time to collect data was from October to December 2021. The data sources used in this study are primary data and secondary data. While the source of data in this study is secondary data in the form of number of small enterprises and type of business, while primary data is the data directly obtained from the respondents in the form of direct answers to the questionnaire given to small enterprises in Kendari City.

The population in this study were all small enterprises actors in Kendari City, namely 531 having permanent business status in Kendari City. The amount of data on small enterprises actors in Kendari City is based on the type of business. The sample used was 120 which was obtained from Roscoe (1982) stating that the sample can be used as a minimum sample of 10 multiplied by the number of variables. Based on this theory, this study used a minimum sample of 24×5 variables = 120. The data collection techniques used in this study are: (a) Questionnaire (e-questionnaire), (b) Interviews and (c). Bibliography search. To determine the effect between the research variables, it used the Partial Least Square (PLS) analysis technique. The solution is using the PLS Smart program version 3.2.4.

5. RESULTS AND DISCUSSION

Results of Structural Modal Testing

The structural model of the inner model is evaluated by looking at the path coefficient values of the relationship between variables. Testing of the structural model (inner model) is taken after building the relationship model in this study by referring to the data from the observations and the suitability of the model as a whole. Testing of the structural relationship model is to determine the relationship between the variables designed in this study. From the PLS outputs, the structural model and hypothesis testing were taken by looking at the estimated path coefficient value which was significant at $p\text{-value} \leq 0.05$.

Testing of Direct Effect Path Coefficient

The results of testing the effects of the path coefficient and the hypothesis of the effects between variables can be seen from the path coefficient value which the p-value ≤ 0.05 is presented in the path diagram in Figure 5.1. While the results of the PLS software output can be seen in (attachment).

Figure 5.1 Path Coefficient Diagram

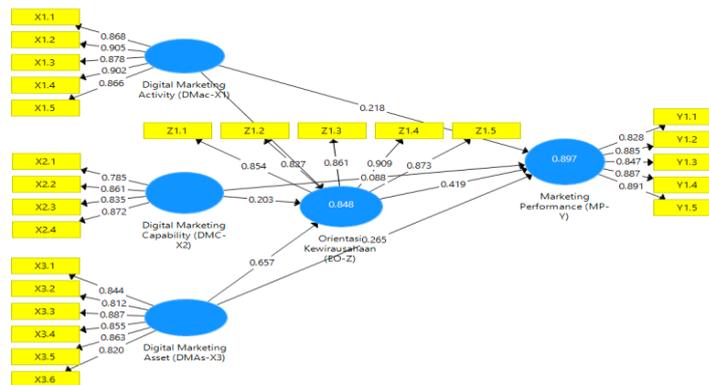


Figure 5.1. It shows that out of the seven direct effects between the variables tested, there are 5 positive and significant and 2 insignificant and positive effects. The complete direct effect test results are presented in Table 5.1

Table 5.1. Direct Effect Path Coefficient and Hypothesis Testing

Hypotheses	Direct Effects	Path Coefficient	p-value	Evidences	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.

Testing of Mediating Variable Path Coefficient

Results of the method of examining the coefficients and significance of the path coefficients of the effects of the mediating variable are presented in Table 5.2 as follows:

Table 5.2: 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

Source: Results of PLS processing data, 2021

Discussion of Research Results

Effects of DMAc on OE of Small Business in Kendari City

Based on the results of the analysis using PLS, it was found that DMAc directly had positive and insignificant effects on MP. This can be interpreted as better DMAc is not followed by a significant increase in OE. Based on these findings, it can be explained that business actors in Kendari city who have used digital marketing in their business, have distributed information and updated content as well as offered products through Face book, Instagram and WhatsApp, as well as provided accurate and useful information to consumers, met customer needs in accordance with which is expected, facilitated customers to search for information, always displayed any latest trends and built interaction with customers. However, the effect of DMAc on OE in this study was found to be insignificant. Results of the analysis are shown through the path coefficient value and the probability value (p-value) that high level of DMAc by small business actors in Kendari city has insignificant effect on the increase in OE.

Business actors in Kendari city tend to be less innovative in term of new product marketing and new service promotion. This is caused by less focus and trend of following any existence models. They have been proactive in meeting products based on customer needs but they still have not found any interesting ways to obtain information in term of customer complains.

Effects of DMC on OE of Small Business Actors in Kendari City

Results of the analysis with Partial Least Square show that DMC has positive and significant effects on OE. Better DMC is reflected through aspects of digital strategy development and execution capabilities, e-market sensing capabilities, digital innovation capability and leadership capability; it can lead to OE which is reflected by innovative, proactive, risk-taking, competitive and autonomous aspects. Empirical evidences of business actor statement on DMC show that leadership capability aspect is the indicators with the highest score which is perceived by business actors in Kendari city. It indicates that small enterprises actors have had business leadership capability with good category in terms of business actor capabilities of leading the business activities, capability of business management and capabilities of motivating and coordinating business activities both with business partners and subordinates.

In terms of digital strategi development and execution capabilities, e-market sensing capabilities, the implementation of these aspects has been in good category so that it can lead to significant effects on OE.

Effects of DMA on OE of Small Business Actors in Kendari City

Based on the results of Partial least squares (PLS) analysis, it can be seen that DMA has positive and significant effects on OE. This finding illustrates that DMA which is reflected by aspects of physical resources assets (infrastructure), human resource assets, intellectual assets, digital market orientation assets, reputation assets and relationship assets, has positive and significant effects on OE which can be seen from innovative, proactive, risk taking, competitive aggressive and autonomous aspects. Better business digital marketing assets applied by business actors will lead to better entrepreneurial orientation. This is logical since there has been a good DMA implementation by small business based on perception of business actors. This research is in line with a research by Chinakidzwa & Phiri (2020a) concerning Exploring digital marketing which illustrated that DMA of marketing performance is affected by digital asset. Increasingly complete facility and infrastructure used to implement digital marketing will lead to better company performance.

Effects of DMAc on MP of Small Business in Kendari City

The results of the analysis with PLS show that DMAc directly has positive and significant effects on MP. It can be interpreted that better DMAc will lead to increased MP. Related to effects of DMAc on MP, it can be explained that by good DMAc implementation by business actors, it can lead to improved competitive excellence, increased profits and increased large growth. However, business actors give further explanation that sale cost efficiency can not yet be done effectively and there is still less effective creation of new market opportunity in order to improve market shares. Based on the findings, it can suggest that it is necessary for business actors to give more orientation to the management of digital marketing so that it can give more contribution to the improvement of marketing performance in order to lead to higher level of contribution and profitability.

Effect of DMC on MP of Small Business Actors in Kendari city

The results of the analysis with Partial Least Square show that DMC has positive and insignificant effect son MP. Better DMC which is reflected through aspects of digital strategy development and execution capabilities, e-market sensing capabilities, digital innovation capabilities and leadership capacities is not followed by better MP. Empirical evidences showing insignificant effects of DMC on MP are some cases found based on variable description stating that digital *innovation* indicates low level of business actor abilities on digital technology innovation, ability of innovation in order to understand digital technology and ability to develop existing digital technology. In addition, there is also less optimal ability of e-market sensing in collecting data, distributing market information and e-market market knowledge. Based on these findings, it can be explained that small business actors in Kendari City have less adequate capabilities in collecting e-market data, distribution of e-market market information and ability of business actors to e-markets.

Barney (1991) confirmed that improvement of company performance requires availability of company resources including company capabilities which are managed in such a way by the company in order to make it as strength to improve company performance. Furthermore, it is illustrated that company capabilities to manage all resources is a source of competitive excellence. Resource approach by a view of Chinakidzwa & Phiri (2020a) cited opinion by Barney (1991) stated that resources are a series of assets, capabilities, and organizational processes, company attributes, information, and knowledge.

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 relationship assets has positive and significant effects on MP. More complete business digital marketing assets owned by business actors will lead to better marketing performance. This is logical because there is already good implementation of digital marketing by small business actors based on the facilities owned by business actors. This study is in line with the findings of Al-azzam & Al-mizeed (2021) explaining that DMA such as mobile marketing improves purchasing decisions which in turn improves marketing performance.

Effects of OE on MP of Business Actors in Kendari City

Based on the results of the PLS analysis, it shows that OE 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 OE will lead to better MP. OE serves as an important role in achieving marketing performance because if small business actors in Kendari city have prioritized innovation in business, have been proactive in meeting customer expectations, always open new market opportunities in order to stimulate growth, have been aggressive in competition and have been autonomous, then it can also increase MP.

Role of OE 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 insignificant effect on OE. Further testing was conducted by placing the OE variable as a mediation variable on the relationship between DMAc and MP, which was then proposed as the eighth hypothesis (H^8). In this study, it was found that OE did not mediate the relationship between DMAc and MP, business actors in Kendari City. The results of the path coefficients showed that there was positive and insignificant interaction between DMAc, OE and MP, which means that OE insignificantly mediated DMAc to MP. Based on the facts, it can be explained that DMAc carried out by business actors can provide identity regarding the products offered, serve as marketing research in order to find information about consumer needs, can be used as a communication liaison between marketers and consumers so that business actors can maintain relationships with consumers.

Role of OE as a mediating variable of DMC effects on MP of Small Business Actors

The results of the previous test of DMC on MP (H^9) found that DMC had insignificant effect on MP. Further testing was carried out by adding the OE variable as a mediation to the relationship between DMC and MP, which was then proposed as the ninth hypothesis (H^9). The results of the descriptive analysis found that most small business actors in Kendari city stated that 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 in their implementation. Based on these conditions, results of the study found that by better OE, then relationship between DMC and MP by adding OE as mediation, the indirect relationship will be able to better improve marketing performance.

Role of OE as a mediating variable of DMA effects on MP of Small Business Actors

The results of the previous test of DMA on MP (H^{10}) found that DMA had positive and significant effects on MP. Further testing was carried out by adding the OE variable as a mediation to the relationship between DMA and MP, which was then proposed as the tenth hypothesis (H^{10}). This finding is logical because DMA business actors already have adequate assets in the form of equipment to carry out digital marketing activities such as physical assets, human resources, intellectuals, digital market orientation, reputation and relationship assets to improve OE and MP. Empirical facts show already excellence DMA by business actors' statements, especially in the assessment of physical resource assets such as cellphones, tablets, laptops and PCs; these can be seen as indicators with highly rated by business actors. In addition, there are also indicators of business actors intellectual in terms of understanding competitive environment related to market conditions, understanding market conditions related to suppliers and understanding competitive environment related to customers. Meanwhile, related to reputation indicator, business actors consider that the average business brand is already known by customers.

6. CONCLUSION AND RECOMMENDATION

Conclusion

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

Recommendation

Recommendations for this research are as follows: (1). It is necessary for business actors to focus on digital marketing activities such as Search Engine Optimization (SEO) techniques on websites, placing ads on Google Ad sense, Face book advertising services, Instagram and other advertising services in order to achieve high level of sales traffic, (2). It is necessary for

business actors to improve e-market sensing capabilities, namely the ability to find out target markets and target of market online in order to increase sales, (3). It is necessary for prioritizing fulfilment of intellectual assets, reputation aspects and digital-oriented market assets, (4). It is necessary for maintaining OE and increasing MP by increasing competitive aggressiveness, increasing business autonomy and increasing the ability to control business risks and (5). It is suggested to further researchers to review some of the variables that were found to be insignificant in this study, including the effects of DMAc on OE, the effects of DMC on MP and the role of DMAc on MP with OE mediation.

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