



Impact of Market and Entrepreneurial Orientation on Batik MSMEs' Performance in Yogyakarta

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ARTICLE INFO

ISSN: 2723-1097

ABSTRACT

Research Aims: In an organization, there are several factors that can affect business performance, including orientation, entrepreneurial orientation, utilization of social media and marketing capability. Based on the urgency above, this study focuses on exploring indicators that can effectively affect business performance and continuity in the current technological era in batik MSMEs. The purpose of this study is to provide an overview of the influence of antecedents on MSME performance so as to provide an overview of indicators that can effectively improve the performance of batik MSMEs in Yogyakarta.

Design/methodology/approach: This research design uses a quantitative research method with an associative problem formulation. The type of research used is explanatory research. The number of respondent samples was 250 leaders or people in charge of various batik craft UMKM in Region of Yogyakarta Province. Data collection through the distribution of questionnaires with a face-to-face method between respondents and researchers.

Research Findings: The results of this study are that market orientation, entrepreneurial Orientation, and use of social media have an effect on the marketing capability and business performance of Batik MSMEs in Yogyakarta.

Theoretical Contribution/Originality: This study provides an overview of the importance of market orientation and entrepreneurial Orientation for improving a company's business performance. The novelty of this study's results is that it shows that the use of social media and marketing capability are also indicators that play a role in improving business performance.

Keywords: Market Orientation; Entrepreneurial Orientation; Social Media; Marketing Capability; Business Performance

Introduction

The competitive issues faced by industrial organizations in today's global economy are divided into three categories: sustainability challenges, global challenges and technological challenges (Martin et al., 2020). The current uncertain economy has an impact on MSME businesses, so an entrepreneurial attitude plays an important role (Heng, 2022). MSMEs themselves currently contribute significantly to

national economic growth (Trisnawati et al., 2021). One form of MSME that is developing in Indonesia is batik MSME. The perspective of business development is that to be sustainable, businesses must be able to compete with the latest or unique products, services, models, and marketing strategy processes (Martin et al., 2020). Unfortunately, there are still many MSMEs in the batik sector that do not fully understand this. Although various efforts have been made by the government to encourage the growth of batik MSMEs, their implementation is considered less than optimal when facing the challenges of business sustainability. Currently, MSMEs facing global and technological challenges also have difficulty competing in a very competitive market due to limited resources and limited access to information technology (Heryadi et al., 2023)

The current business environment is increasingly competitive, driving high levels of competition and having a major impact on company performance (Al-Rfou, 2012). How well a company achieves its goals can be reflected in the company's performance (Boachie-Mensah & Issau, 2015). Companies with performance excellence will develop their businesses well and have opportunities for business sustainability, so company performance plays an important role in business growth. Performance is a guideline for running a business efficiently and achieving business excellence and sustainability (Na-Nan, 2016). Performance is an important thing that plays a role in measuring the effectiveness of an organization and as a tool to test the implementation of business strategies so that it can be a basis for recommending performance improvements.

In an organization, there are several factors that can influence business performance, including market orientation ((Guleş et al., 2015); (Mamun et al., 2018); (Udriyah et al., 2019)); entrepreneurial orientation (Hoque et al., 2019) utilization of technology ((Akram et al., 2021); (Fang et al., 2022) and capability marketing ((Morgan et al., 2018); (Martin et al., 2020). Studies on company performance have been conducted by several researchers with various variables as antecedents, such as market orientation ((Guleş et al., 2015); (Mamun et al., 2018);(Udriyah et al., 2019).

Market orientation is a way for organizational culture to create the behaviour needed effectively and efficiently to create superior value for consumers and superior performance for the company. Companies that implement market orientation will be able to have an impact on improving performance (Nuvriasari et al., 2020).

In addition to market orientation, there is also an entrepreneurial orientation (Hoque et al., 2019). Companies are said to have an entrepreneurial orientation spirit by seeing whether they can be the first to innovate new products in the market, dare to take risks and always be proactive to changes in demand for new products (Taylor, 2013). Entrepreneurial orientation is the most important concept of MSMEs (Heryadi et al., 2023). This Orientation refers to the extent to which the company focuses on meeting customer needs and wants (Riswanto et al., 2020).



In addition to organizational orientation factors, another antecedent that influences performance is the effectiveness of technology utilization. Technology can help MSMEs drive future company expansion and efficiency (Fachrunnisa et al., 2020). The emergence of social media platforms and the ability to use them gives MSMEs a wider network reach, which has an impact on changes in carrying out business activities (Fang et al., 2022). The increase in social media users has caused changes in carrying out daily entrepreneurial activities for MSMEs (Fan et al., 2021). Technology-based solutions can be applied to increase the growth of MSMEs. Social media is an important tool for MSMEs to improve marketing strategies and increase the expansion of micro, small, and medium enterprises (Heryadi et al., 2023).

Marketing capability using social media is crucial and relevant in an effort to facilitate an understanding of market needs, wants, and demands. To be able to survive and grow, an organization must be able to highlight its competitive advantages. Marketing capability itself is an organization's ability in the context of marketing (Moore & Fairhurst, 2003), which can improve the business performance of MSMEs.

Based on the urgency above, this study focuses on exploring indicators that effectively influence business performance in facing current competitive and technological challenges. The purpose of this study is to provide an overview of the influence of antecedents of MSME business performance in order to maintain and improve business sustainability, so as to provide an overview of indicators that need to be considered so as to be able to answer business challenges in MSME batik in Yogyakarta in the current era.

Literature Review

Market Orientation

Market orientation is one of the intangible assets of an organization that is difficult for competitors to imitate, thus creating a sustainable competitive advantage and improving company performance (Lonial & Carter, 2015). Market orientation can be seen from a cultural and behavioural perspective (Boachie-Mensah & Issau, 2015). Taleghani and Gilaninia (2013) stated that market orientation is the most effective and efficient organizational culture in creating behaviour to obtain superior value for consumers and superior performance for businesses. Market orientation is a business strategy that involves market intelligence, which results in current and future customer needs that are disseminated and responded to by all departments (Marshella et al., 2021). Understanding market needs in order to develop products and services is the main focus of market orientation ((Boso et al., 2013); (R. Kurniawan et al., 2021). Market orientation is important for Micro, Small and Medium Enterprises (MSMEs) in order to achieve a wider level of market access ((Azgara, 2020) ; (Syarifah et al., 2020)).



Entrepreneurial Orientation

Entrepreneurial orientation is an important concept for MSMEs (Heryadi et al., 2023). Entrepreneurial Orientation refers to the extent to which a company focuses on meeting customer needs and wants (Riswanto et al., 2019). The concept of entrepreneurial Orientation refers to the level of processes, practices, decision-making styles, and strategies a company uses to achieve a competitive advantage and demonstrate superior performance (Kocak et al., 2017). Entrepreneurial Orientation is a process, activity, practice and decision-making that directs a company in introducing products, services, innovations and business models that do not yet exist or will exist. Entrepreneurial Orientation has an impact on the final results of organizational learning, knowledge-based resources and innovation (Kohtamäki et al., 2020). Entrepreneurial Orientation is manifested in the behaviour of conducting research and development, risk-taking, and having proactive attitudes in marketing. Entrepreneurial Orientation is a multidimensional construct that includes innovative attitudes, risk-taking and proactiveness ((Fairoz et al., 2010); (Taylor, 2013)). A study conducted by Tajeddini and Martin (2020) examines how entrepreneurial activities contribute to expansion, competitive advantage, and better performance. Entrepreneurship orientation is important because this strategic Orientation is a key factor and the main driving force for companies in running and developing their businesses.

Use of Social Media

Digital business strategies are on the rise due to impressive advances in information systems, communication, and technological connectivity. Many MSMEs (micro, small, and medium enterprises) struggle to compete in a highly competitive market due to limited resources and limited access to information (Heryadi et al., 2023). Technology can help MSMEs drive further company expansion and efficiency (Olivia et al., 2020). The emergence of social media user platforms and their ability to enable MSMEs to reach a wide network has led to changes in the way entrepreneurial companies carry out their activities (Fang et al., 2022). The increasing number of social media users has led to continuous development in the way a business carries out its daily entrepreneurial activities (Fan et al., 2021). Social media is currently developing along with information technology in every line and business world (Yasa et al., 2020). In maintaining the MSME brand, the presence of social media is considered quite effective and important for MSMEs (Manjarrez et al., 2020). The use of social media is an important marketing tool for MSMEs (Heryadi et al., 2023). The use of social media also plays a major role in improving the business performance of MSMEs (Sudirman et al., 2021).



Market Orientation, Entrepreneurial Orientation and Use of Social Media on Business Performance

Performance is the company's ability to produce output (Chittithaworn et al., 2011). The company's business performance does not only include financial performance but also a multidimensional construct (Liao et al., 2011) that measures how well an organization achieves its entity goals (Boachie-Mensah & Issau, 2015). Performance is the ability to assess the level of success of a company's business, whether on a small, medium or large scale, including MSMEs.

Several studies have shown that market orientation has a positive effect on the business performance of MSMEs. ((Anatan & Nur, 2022); (Sari & Kusumawati, 2022). In addition, several studies have found that the role of entrepreneurial Orientation has a direct impact on the company's business performance. (Heng, 2022); (Puspitowati & Kevin, 2020). Market-oriented and entrepreneurial MSMEs have superior business competencies that have an impact on the company's business performance (R. Kurniawan et al., 2021). Both entrepreneurial Orientation and market orientation are recognized as the main drivers of business growth.

The combined effect of market orientation, entrepreneurial Orientation and innovation has a positive impact on business performance (Wójcik-Karpacz et al., 2021). Technological innovation by utilizing social media is one of the things that Batik MSMEs can do. Social media itself is one of the technological innovations that provide convenience in marketing by providing personalized communication channels to make the audience feel closer and more relevant. Companies in technological innovation must be able to modify or redesign their business models to achieve a greater level of market access (Rianto et al., 2022); (Syarifah et al., 2020). Therefore, both market orientation, entrepreneurial Orientation and the use of social media are equally important for the performance of MSMEs. Market orientation helps MSMEs understand customer needs and entrepreneurial Orientation to improve business sustainability, while the use of social media provides a communication channel to approach consumers in the most impactful way on digital marketing strategies that will improve the company's business performance.

Marketing Capability as a Mediator of Market Orientation, Entrepreneurial Orientation and Use of Social Media on Business Performance

Marketing capability is a company's ability to use available resources that have been prepared to carry out marketing tasks optimally so that they can achieve the desired marketing results (Morgan et al., 2012); (Morgan et al., 2018). The concept of capability in marketing literature is not new (Morgan et al., 2018). In an organization, there are many factors that can influence the improvement of a business's performance, including effectiveness (Odoom et al., 2017), innovation (Mohammad et al.; Che Ha, 2009) and marketing capability (Merrilees et al., 2011). A study highlights the importance of relationship capabilities for marketing capability



in a business (Faroque et al., 2022). It has long been known that marketing capability is very important for the overall performance of a company, including MSMEs (Prasanna et al., 2021); (Royo-Vela et al., 2022). One of the important factors that can encourage companies to transform entrepreneurial Orientation and market orientation into superior business performance and competitive ability is the marketing capability of the company (Feng et al., 2017); (Arunachalam et al., 2018). Therefore, the standard for the distribution of entrepreneurial Orientation and market orientation will be determined from its marketing capabilities (Arunachalam et al., 2018). One of the important objectives of utilizing marketing capability as a research variable as a mediator is that entrepreneurial Orientation and marketing are generally recognized as two important parts of running a company that is able to improve its marketing capabilities (Drucker P., 1985) (Webb et al., 2011)).

Marketing capability is characterized as an integrative process intended to apply the resources needed by a company to meet its market needs, enabling the organization to add value and meet competitive demands ((Day, 2011); (Martin et al., 2020)). In order to meet market needs and increase value, companies can utilize technology digitally. Research has conducted a comprehensive literature study to investigate the capabilities that support digital marketing (Herhausen et al., 2020). One of the digital marketing is by utilizing existing social media. The ability to implement marketing using social media is crucial and relevant to an effort to facilitate an understanding of market needs, wants, and demands (Sudirman et al., 2021).

According to research by Prasanna et al. (2021), it is stated that in measuring the success of MSMEs, there are three components, namely: (1) survival, income, and growth; (2) philosophy and values ; and (3) public image. So, marketing capability is a determinant of the first component factor, namely in terms of what needs to be done in order to survive and grow an organization. With good marketing capability, it can lead to superior company business performance (Varadarajan, 2020). This is supported by a study that highlights the importance of the relationship between capability and marketing performance (Faroque et al., 2022). Marketing capability is very important for overall company performance, including MSMEs ((Langerac, 2003); (Kara & DeShields, 2005); (Royo-Vela et al., 2022)). So based on this analysis, this research model can be described in general as follows (Figure 1):



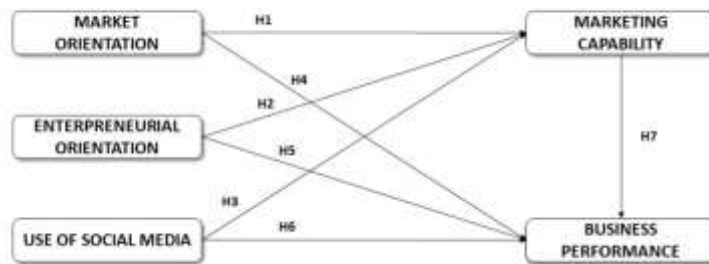


Figure 1. Research Model

Research Hypothesis:

- H1: Market Orientation has a positive and significant effect on Marketing Capability
- H2: Market Orientation has a positive and significant effect on Business Performance
- H3: Entrepreneurial Orientation has a positive and significant effect on Marketing Capability
- H4: Entrepreneurial Orientation has a positive and significant effect on Business Performance
- H5: Use of Social Media has a positive and significant effect on Marketing Capability
- H6: Use of Social Media has a positive and significant effect on Business Performance
- H7: Marketing Capability has a positive and significant effect on Business Performance

Method

The research design used in this study uses a quantitative research method with an associative problem formulation. The type of research used is explanatory research, namely, a type of research aimed at testing the relationship between hypothesized variables or explaining the relationship between two or more symptoms or variables (Leedy et al., 2018); the number of respondent samples was 250 owners or managers of various batik craft UMKM in the Special Region of Yogyakarta Province. Data collection was done by distributing questionnaires between respondents and researchers using a face-to-face method.

In this study, there are three groups of research variables: independent variables, mediating variables, and dependent variables. The independent variables consist of three, namely market orientation, entrepreneurial Orientation and use of social media. The mediating variable is capability marketing, and the dependent variable is MSME performance. Measurement of research construction uses an instrument with a 1-5 Likert scale. The scale represents a rating from 'strongly disagree' to 'strongly agree.' The analysis of this study uses the Structural Equation Modeling (SEM) method using AMOS. The indicators used in each variable consist of: market orientation, namely having a high commitment to serving customer needs, having a strategy in making quality products and the best service, having an understanding of



customer needs, creating customer satisfaction, evaluating satisfaction, serving after-sales, having competitor strategy information, being able to anticipate competitors, having competitive advantages and sharing market information (Nuvriasari et al., 2020); entrepreneurial orientation, namely having the willingness to try new ideas, looking for new ways to develop a business, having creativity, having the desire to be a product initiator, daring to take financially risky actions, believing that high financial risks can get high rewards, daring to look for new business ideas with the awareness that some of these ideas will fail, being able to aggressively respond to competitors' actions, taking advantage of new opportunities to support business activities, looking for opportunities in order to improve business performance (Nuvriasari et al., 2020); use of social media, namely being able to utilize social media in adjusting market tastes, social media is used to make promotions more effective, utilizing social media to save marketing costs, social media is used to find out customer responses, social media makes it easier to carry out sales activities, social media is able to attract more customers (Fang et al., 2022); marketing capability, namely making products according to customer desires, promotions are carried out effectively, being able to determine prices with careful consideration, setting fair prices according to quality, making aggressive efforts to make products easily available to customers, establishing good relationships with customers, maintaining, improving customer quality (Purnamasari et al., 2020); business performance, namely good regular business sales growth, good regular business profit level, good market share control, good business performance, having the ability to satisfy customers, having the ability to retain customers, having the ability to get new customers (Nuvriasari et al., 2020).

Result and Discussion

Respondent Profile Description

From the results of descriptive statistical analysis of respondents using SPSS, it can be seen that in this study of 250 respondents of Batik MSMEs in Yogyakarta, 87.6% of respondents are leaders/owners while 12.4% are responsible/managers. MSMEs, from the results of this study, have been operating for an average of more than five years, consisting of 27.2% operating for 6-10 years, 40% operating for 11-15 years, 14.4% operating for 15-20 years, and 18.4% operating for more than 20 years. While the scope of business based on the number of employees owned by Batik MSMEs in Yogyakarta in the results of this study is dominated by the number of employees between 5-10 people, as many as 44.4%, then followed by the number of employees below five people as many as 38.8% and the rest are the number of employees more than ten people. In addition to the number of employees, the scope of this business is also seen from the value of business assets dominated by Batik MSMEs with asset values between 50 million-500 million, as much as 86.4% and the remaining 13.6% below 50 million; this is in accordance with the scope of business at the MSME level. MSME respondents from this study have an average annual



turnover dominated by 63.6% worth between 100 million-500 million, while the rest are worth less than 100 million. The market coverage of Batik MSMEs in Yogyakarta is 73.6% domestic, while the rest covers domestic and foreign countries.

Validity and Reliability Test

Validity Test

The following are the results of the validity test using AMOS, which are presented in the following table:

Table 6. Validity Test Results

Variable	Indicator	Loading Factor	Limit	Description
Market Orientation	OP1	0.778	> 0.5	Valid
	OP2	0.756		Valid
	OP3	0.745		Valid
	OP4	0.742		Valid
	OP5	0.770		Valid
	OP6	0.723		Valid
	OP7	0.765		Valid
	OP8	0.740		Valid
	OP9	0.757		Valid
	OP10	0.742		Valid
Entrepreneurial Orientation	OK1	0.910	> 0.5	Valid
	OK2	0.855		Valid
	OK3	0.637		Valid
	OK4	0.943		Valid
	OK5	0.919		Valid
	OK6	0.876		Valid
	OK7	0.866		Valid
	OK8	0.810		Valid
	OK9	0.806		Valid
	OK10	0.687		Valid
Use of Social Media	PMS1	0.876	> 0.5	Valid
	PMS2	0.806		Valid
	PMS3	0.825		Valid
	PMS4	0.787		Valid
	PMS5	0.831		Valid
	PMS6	0.769		Valid
Marketing Capability	MC1	0.901	> 0.5	Valid
	MC2	0.910		Valid
	MC3	0.863		Valid
	MC4	0.857		Valid
	MC5	0.888		Valid
	MC6	0.869		Valid
	MC7	0.840		Valid
Business Performance	KB1	0.854	> 0.5	Valid
	KB2	0.761		Valid
	KB3	0.843		Valid



Variable	Indicator	Loading Factor	Limit	Description
	KB4	0.739		Valid
	KB5	0.769		Valid
	KB6	0.787		Valid
	KB7	0.807		Valid

Based on table 6, the results of the validity test above with 250 respondents and 40 questions show that all questions have a loading factor value of >0.50. Therefore, it can be concluded that all questions in the questionnaire can be said to be feasible.

Reliability Test

To test reliability, use the following formula:

$$\text{Construct Reliability} = \frac{(\sum \text{Factor Loading})^2}{(\sum \text{Factor Loading})^2 + \sum \text{Measurement Error}}$$

$$\text{Variance Extracted} = \frac{\sum \text{Factor Loading}^2}{\sum \text{Factor Loading}^2 + \sum \text{Measurement Error}}$$

$$\text{Measurement Error} = 1 - \text{Factor Loading}^2$$

Table 7. Reliability Test Results

Variable	CR	Limit	VE	Limit	Description
Market Orientation	0.929	> 0.7	0.565	> 0.5	Reliable
Entrepreneurial Orientation	0.958		0.699		Reliable
Use of Social Media	0.923		0.666		Reliable
Marketing Capability	0.958		0.767		Reliable
Business Performance	0.923		0.632		Reliable

The results of this test indicate that the CR and VE values in the five research variables where the value of each variable is greater than 0.7 and greater than 0.5. Based on these results, it can be concluded that the entire research instrument is reliable so that it can be used in this study.

SEM Analysis

In accordance with the model developed in this study, the data analysis tool used is SEM, which operates using the AMOS application. The steps taken refer to the SEM analysis process, according to Ghozali Imam (2017). The development of the model in this study is based on the concept of data analysis, which consists of three independent variables (exogenous), namely Market Orientation, Entrepreneurial Orientation, and Use of Social Media, and two dependent variables (endogenous), namely Marketing Capability and Business Performance. The model that has been stated in the flowchart is then stated in the structural equation (Figure 2):



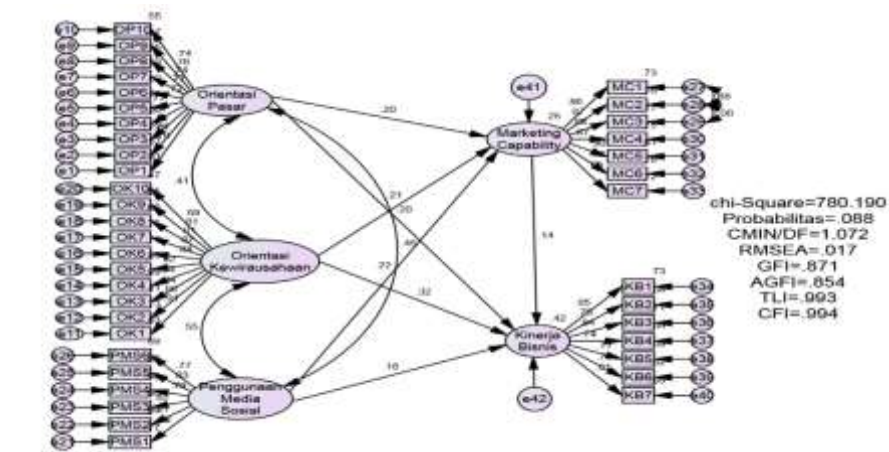


Figure 2. Structural Equation

From the structural equation, it can be explained in general that the chi-square result = 780.190, Probability = 0.088, RMSEA = 0.017, GFI = 0.871, AGFI = 0.854, CMIN / DF = 1.072, TLI = 0.993, CFI = 0.994. From Figure 2, it explains that the relationship between variables has a strong influence so that it is depicted with a solid line.

The input matrix used is covariance and correlation. The model estimation used is maximum likelihood (ML) estimation. ML estimation has been met with the following assumptions:

a. Sample and Data Normality Test

This study used a sample of 250 respondents. Suppose, referring to the provisions, the number of representative samples is around 100-200, according to Ghozali Imam (2017). So, the sample size used in this study has met the assumptions required by the SEM test. The data normality test is carried out using the z value (critical ratio or CR on the AMOS output) from the skewness and kurtosis values of the data distribution.

Table 8. Normality Test Results

Variable	min	max	skew	c.r.	kurtosis	c.r.
KB7	2.000	5.000	.112	.726	-.675	-2.177
KB6	2.000	5.000	.331	2.137	-.142	-.460
KB5	2.000	5.000	.266	1.716	-.283	-.915
KB4	2.000	5.000	.114	.739	-.617	-1.990
KB3	2.000	5.000	.183	1.182	-.522	-1.683
KB2	2.000	5.000	.188	1.212	-.468	-1.509
KB1	2.000	5.000	.344	2.222	-.181	-.586
MC7	1.000	5.000	-.688	-4.440	.402	1.296
MC6	1.000	5.000	-.702	-4.532	.308	.996
MC5	1.000	5.000	-.703	-4.537	.080	.257



Variable	min	max	skew	c.r.	kurtosis	c.r.
MC4	1.000	5.000	-.594	-3.833	-.063	-.202
MC3	1.000	5.000	-.751	-4.848	.292	.943
MC2	1.000	5.000	-.664	-4.284	.065	.209
MC1	1.000	5.000	-.773	-4.991	.353	1.139
PMS6	1.000	5.000	-.011	-.069	-.221	-.713
PMS5	2.000	5.000	.135	.871	-.430	-1.389
PMS4	2.000	5.000	-.137	-.886	-.476	-1.537
PMS3	1.000	5.000	-.065	-.418	-.208	-.671
PMS2	1.000	5.000	.035	.223	-.547	-1.765
PMS1	1.000	5.000	.084	.545	-.513	-1.655
OK10	1.000	5.000	-.280	-1.810	-.981	-3.165
OK9	1.000	5.000	.026	.167	-.434	-1.402
OK8	1.000	5.000	-.016	-.101	-.270	-.872
OK7	1.000	5.000	-.158	-1.019	-.504	-1.627
OK6	1.000	5.000	-.077	-.495	-.520	-1.679
OK5	1.000	5.000	-.097	-.625	-.317	-1.023
OK4	1.000	5.000	-.218	-1.405	-.241	-.777
OK3	1.000	5.000	.034	.217	-.745	-2.406
OK2	1.000	5.000	-.319	-2.060	-.295	-.953
OK1	1.000	5.000	-.148	-.956	-.349	-1.127
OP10	2.000	5.000	-.794	-5.123	.211	.680
OP9	2.000	5.000	-.066	-.427	-.276	-.891
OP8	2.000	5.000	-.028	-.182	-.261	-.843
OP7	2.000	5.000	-.245	-1.584	-.272	-.877
OP6	2.000	5.000	-.283	-1.828	-.177	-.573
OP5	2.000	5.000	.066	.429	-.382	-1.231
OP4	2.000	5.000	-.075	-.481	-.286	-.922
OP3	2.000	5.000	.017	.112	-.335	-1.081
OP2	2.000	5.000	-.027	-.173	-.368	-1.189
OP1	2.000	5.000	.082	.529	-.368	-1.188
Multivariate					-18.835	-2.569

The critical value is ± 2.58 at a significant level of 0.01, according to Ghozali Imam (2017). Based on table 8, the multivariate normality test shows that the data meets the normal assumption because the value of -2.569 is within the range of ± 2.58 .

b. Outlier Identification

Evaluation of multivariate outliers can be seen through the AMOS Mahalanobis Distance output. The criteria used at the p level <0.001 . The distance is evaluated using X^2 at degrees of freedom as many as the number of measured variables used in the study. In this study, there were 40 questions, then through the Excel program, the



Probability and number of measured variables were calculated and entered as follows:

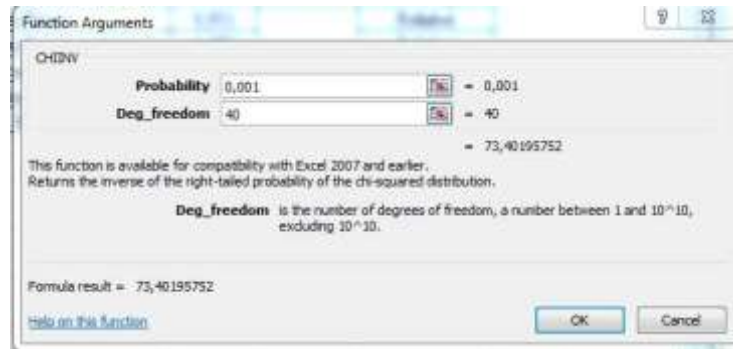


Figure 2. Mahalanobis Distance Limit Value

After the data was processed in AMOS, no values greater than 73.40 were detected. So, it can be concluded that there are no outliers in the data.

c. Identification of Structural Models

This identification is done by looking at the df value of the model created.

Table 9. Structural Model Identification

A number of distinct sample moments:	820
Number of distinct parameters to be estimated:	92
Degrees of freedom (820 - 90):	728

The AMOS output results show a model value of 728. This indicates that the model is included in the over-identified category because it has a positive df value.

d. Assessing the Goodness of Fit Criteria

The results of the goodness of fit are shown in the following data:

Table 10. Assessing Goodness of Fit

<i>The goodness of the fit index</i>	<i>Cut-off value</i>	Result	Evaluation Model
<i>Chi-square</i>	$\leq 791,880$ (df=730)	780,190	Fit
<i>Significant Probability</i>	≥ 0.05	0,088	Fit
RMSEA	≤ 0.08	0,017	Fit
GFI	≥ 0.90	0,871	Marginal
AGFI	≥ 0.90	0,854	Marginal
CMIN/DF	≤ 2.0	1,072	Fit
TLI	≥ 0.90	0,993	Fit
CFI	≥ 0.90	0,994	Fit

Overall, the Chi-Square value with a probability of $0.088 > 0.05$ indicates that the overall model is a fit. Ghazali Imam (2004) recommends a level of significance acceptance if $p > 0.05$, which indicates that the actual input matrix and the predicted



input matrix are not statistically different. This indicates that the model describes the influence of market orientation values, entrepreneurial Orientation, use of social media and marketing capability on business performance (fit) with empirical data in the field. The RMSEA value shows the expected goodness of fit if the model is estimated on the population. The RMSEA value in this research model is $0.017 < 0.08$, indicating that the model fits. The Goodness of Fit Index (GFI) shows the overall level of model suitability calculated from the squared residuals of the predicted model compared to the actual data. This GFI analysis measures non-statistics whose values range from 0-1.0. A value of 1 is stated as a poor fit, and if the value is getting better, approaching 1.0, it can be stated as a perfect fit. The GFI result in Table 10 is 0.871; this shows a marginal result because the value is close to 0.9. AGFI is GFI adjusted to the ratio between the proposed degree of freedom and the degree of freedom of the null model. According to Ghazali Imam (2017), recommends a value of > 0.90 . The greater the AGFI value, the better the model fit. From Table 10 above, the AGFI result is 0.854, which is a marginal result because the value is close to 0.9. The Minimum Sample Discrepancy Function (CMIN) divided by the degree of freedom (DF) will produce the CMIN/DF index, which is one indicator used to measure the level of model fit. In this research model, CMIN/DF has a value of $1.072 < 2$, which means that this model is said to be good. The TLI value is an alternative incremental fit index that compares a model being tested with the baseline model. In this research model, the TLI value is $0.993 > 0.90$, which indicates that the model fit is good. The CFI value shows the magnitude of the index used in measuring the level of model acceptance that does not depend on the number of samples used. The CFI value in this research model is $0.994 > 0.90$, which means the model is well accepted.

Hypothesis Testing

Hypothesis testing is done to answer questions in this study or analyze structural model relationships. Hypothesis data analysis can be seen from the standardized regression weight value, which shows the coefficient of influence between the following variables:

Table 11. Hypothesis Testing Results

No.	Hipotesis	Estimate	S.E.	C.R.	P	Result
H1	Market Orientation → Marketing Capability	0.265	0.095	2.790	0.005	Significant
H2	Market Orientation → Business Performance	0.224	0.073	3.074	0.002	Significant
H3	Entrepreneurial Orientation → Marketing Capability	0.185	0.064	2.869	0.004	Significant
H4	Entrepreneurial Orientation → Business Performance	0.229	0.050	4.600	0.000	Significant
H5	Use of Social Media →	0.230	0.082	2.799	0.005	Significant



No.	Hipotesis	Estimate	S.E.	C.R.	P	Result
	Marketing Capability					
H6	Use of Social Media → Business Performance	0.161	0.063	2.553	0.011	Significance
H7	Marketing Capability → Business Performance	0.114	0.051	2.210	0.027	Significance

The Influence of Market Orientation on Marketing Capability

Based on the results of the hypothesis testing, it can be concluded that market orientation has a positive and significant effect on marketing capability. This is indicated by the C.R value of 2.790 or > 1.96 and $p = 0.005$ or < 0.05; thus, hypothesis 1 is accepted. The results of this study support the results of previous studies, which show that high market orientation tends to increase the marketing capability of the business (Kristinae et al., 2019); (Wilden et al., 2019); (Purnamasari et al., 2020); (Ferawati, 2022); (Maryono et al., 2024)). Based on the study of Wilden et al (2019), found that the implications of implementing a company's marketing capabilities depend on the implementation of its market orientation. Market orientation is a philosophy in marketing strategy that assumes that sales do not depend on sales strategies but rather on consumer decisions in purchasing a product. Therefore, it requires proper attention to customer orientation and competitor orientation in order to provide consumer needs and desires by providing the best value. Therefore, building dynamic marketing capabilities in a company is an appropriate step to be able to improve the marketing performance of the business or business being run. This shows that every MSME business actor with a market orientation developed in craftsmen through the quality of existing batik products collects information from what customers need and always discusses customer needs and evaluates prices significantly so that this can also increase the marketing capability or marketing capability of the business so that it is also able to develop quality products and implement effective marketing communications.

The Influence of Market Orientation on Business Performance

Based on the results of hypothesis testing, it can be concluded that market orientation has a positive and significant effect on business performance. This is indicated by the C.R value of 3.074 or > 1.96 and $p = 0.002$ or < 0.05; thus, hypothesis 2 is accepted. This means that the better the market orientation of Batik MSMEs, the better the business performance of the business. The results of this study support the results of previous studies which show that high market orientation tends to improve the business performance of the business ((Hussain et al., 2017) (Hussain et al., 2017) (Heryadi et al., 2023); (Sudirman et al., 2021); (Eliona et al., 2022); (Wasim et al., 2024) (Maryono et al., 2024); (Maisirata, 2021); (Arifin & Ali, 2023), (Ferawati, 2022); (Purba et al., 2023) ; (Wasim et al., 2024)). The results of a study by Wasim et al (2024) stated that the application of market intelligence or rapid market orientation by SMEs in the decision-making process is indicated by the direct and positive



impact of marketing capability on business performance. SMEs by implementing market orientation can detect changes in a timely manner, allowing them to review the impact of possible changes, communicate insights quickly within the company and plan responses to changes, especially those related to meeting customer needs, thereby improving their business performance. From the results market orientation has a positive and significant effect on the marketing performance of MSMEs so the better MSMEs understand the market through a market orientation approach consisting of customers, competitors, and inter-functional coordination, the more the MSME business performance will increase. Understanding customer needs is one indicator of customer orientation in a business. Batik MSMEs understand customer needs well, which affects MSME performance.

The Influence of Entrepreneurial Orientation on Marketing Capability

Based on the results of hypothesis testing, it can be concluded that entrepreneurial Orientation has a positive and significant effect on marketing capability. This is indicated by the C.R value of 2.869 or > 1.96 and $p = 0.004$ or < 0.05; thus, hypothesis 3 is accepted. This means that the better the entrepreneurial Orientation in Batik MSMEs is, the higher the marketing capability is. The results of this study support the results of previous studies, which show that high entrepreneurial Orientation tends to increase marketing capability ((Purnamasari et al., 2020); (Ferawati, 2022); Susanto et al (2022); (Zahara et al., 2023); (Hendri et al., 2024); (Maryono et al., 2024)). In a study conducted by Zahara et al (2023), it was stated that SMEs must continue to improve their marketing capability and sharpen the implementation of marketing strategies oriented towards entrepreneurship, in order to utilize their resources to seek opportunities and create added value for customers so as to achieve sustainable marketing performance. To improve this marketing capability, SMEs can improve their skills in managing the implementation of entrepreneurial orientation by utilizing resources efficiently. This results shows that every Batik MSME actor, by implementing the entrepreneurial Orientation that has been owned so far by developing product innovations, services and new markets and daring to take risks in every strategic decision, is able to support and develop marketing capabilities in their business by having good product development and marketing communication as well as strategies in dealing with competitors.

The Influence of Entrepreneurial Orientation on Business Performance

Based on the results of hypothesis testing, it can be concluded that entrepreneurial Orientation has a positive and significant effect on business performance. This is indicated by the C.R value of 4.600 or > 1.96 and $p = 0.005$ or < 0.05; thus, hypothesis 4 is accepted. This means that the better the entrepreneurial Orientation in Batik MSMEs is, the better the business performance will be. The results of this study support the results of previous studies, which show that high entrepreneurial Orientation tends to improve business performance ((Putri et al.,



2020); (Maisirata, 2021); (Ferawati, 2022); (Purba et al., 2023); (Hendri et al., 2024); (Muhammad et al., 2024); (Pratiwi & Mariyanti, 2024)). Therefore, Batik MSME entrepreneurs need to adapt to a competitive environment as one of the entrepreneurial orientations. The stronger the entrepreneurial Orientation possessed by MSME actors, the more likely they are to achieve good performance. The entrepreneurial orientation indicator in the form of risk-taking in this study is shown through financial risk-taking and the risk of failure in trying new ideas. MSME business actors are willing to take financial risks by considering the returns or benefits obtained. Generally, business actors tend to carry out business activities that contain small financial risks. This is due to limited funds in MSMEs, and the allocation of funds is more intended to circulate the production process. Business actors are also aware of the failure to test new ideas, but they always try to develop ideas, especially those related to product innovation, in order to attract consumer interest. This risk-taking can encourage increased MSME performance. MSMEs that are oriented towards entrepreneurship tend to be more willing to take business risks, prioritize innovation and be more proactive in order to improve business performance.

The Influence of Social Media Use on Marketing Capability

Based on the results of hypothesis testing, it can be concluded that the use of social media has a positive and significant effect on marketing capability. This is indicated by the C.R value of 2.799 or > 1.96 and $p = 0.005$ or < 0.05 ; thus, hypothesis 5 is accepted. This means that the better the use of social media in Batik MSMEs, the more the marketing capability of the business will increase. The results of this study support the results of previous research by Kristinae Vivy and Sahay Meitiana (2019), which found that social media has an effect on the marketing capability of a business. Marketing media used through social media by MSME businesses are used to develop product sales, expand market networks, reach potential customers and marketing communications. Batik MSME entrepreneurs need to implement social media as a form of interactive communication media that allows two-way interaction that has an effect on increasing the marketing capability of the business.

The Influence of Social Media Usage on Business Performance

Based on the results of hypothesis testing, it can be concluded that the use of social media has a positive and significant effect on business performance. This is indicated by the C.R value of 2.553 or > 1.96 and $p = 0.011$ or < 0.05 ; thus, hypothesis 6 is accepted. This means that the better the use of social media in Batik MSMEs, the better the business performance of the business. The results of this study support previous studies ((Putri et al., 2020); (Sudirman et al., 2021); (Eliora et al., 2022); (J. et al., 2022); (D. Yadi Heryadi et al., 2023); (Prasetya, 2024); (Pratiwi & Mariyanti, 2024)). Overall, this study shows that the presence of social media can have a positive impact on the business performance of MSMEs, including increasing sales,



improving customer relationships, and customer satisfaction. This can be explained by the fact that social media provides a broad and effective platform to promote MSME products or services to a larger audience. Thus, MSMEs that are active and effective in using social media as a marketing tool have a greater chance of reaching potential consumers, increasing sales, and ultimately, improving their overall business performance.

The Influence of Marketing Capability on Business Performance

Based on the results of hypothesis testing, it can be concluded that marketing has a positive and significant effect on business performance. This is indicated by the C.R value of 2.210 or > 1.96 and $p = 0.027$ or < 0.05 ; thus, hypothesis 6 is accepted. This means that the better the marketing capability in MSMEs, the better the business performance of the business. The results of this study support previous studies ((Maisirata, 2021); (Ferawati, 2022); (Heng, 2022); (Arifin & Ali, 2023); (Hendri et al., 2024)) which show that the marketing capability of a business is able to determine business performance. Various forms of marketing capability are carried out by entrepreneurs, such as product development, building good marketing communications with customers and distributors, building business partners and relationships, strategies when setting competitive prices, understanding and knowing the needs and interests of buyers, and always making breakthroughs in determining new markets are able to improve business performance by looking at market expansion, adding new customers and meeting market needs.

Conclusion

The results of the study indicate that market orientation, entrepreneurship and the use of social media have a significant effect on the marketing capabilities and business performance of Batik MSMEs in Yogyakarta. Marketing capabilities also have a significant effect on business performance. Various forms of market orientation activities that can be carried out by Batik MSMEs in Yogyakarta are by always maintaining and improving product quality, providing characteristics for each batik, providing various designs and models of batik, increasing the quality level of raw materials for fabric products. In addition, business actors also collect every information needed by the market from what is done between business actors, customers, and retailers. This is certainly a significant resource for Batik MSME actors in Yogyakarta in improving their business marketing capabilities, which can be seen from the expanding sales area, the addition of new customers in several years, and the increase in production in order to meet market needs. Batik MSME entrepreneurs in Yogyakarta must also dare to take financial and non-financial risks by considering the returns or profits obtained. The risks that need to be taken by Batik MSME entrepreneurs in Yogyakarta in order to encourage marketing capabilities in their business. Batik MSME entrepreneurs also need to adapt to a competitive environment as one of the entrepreneurial orientations. Social media can



also help MSMEs overcome several barriers to market entry, such as limited resources and lack of brand recognition. Therefore, it is important for MSMEs to develop a social media strategy that is aligned with their business goals and target audience. Batik MSMEs in Yogyakarta need to innovate in order to improve their marketing capabilities by focusing on market orientation such as consumer needs and greater capabilities than competitors as a business strategy for the sustainability of their business.

This study has limitations, such as the use of a cross-sectional design that limits the ability to establish causality. In addition, this study only focuses on market orientation, entrepreneurial organization, social media use, and marketing capabilities that affect business performance, whereas there are other variables that may be more influential, such as intellectual capital, business excellence, and culture; This research can be further developed both on a larger business scale and in other industries.

Acknowledgement

The beginner Lecturer Research program is organized by BIMA Kemendikbudtistek.

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