



The influence of market orientation and managerial capability on marketing performance with market innovation as a mediating variable

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ABSTRACT

The aim of this research is to analyze the influence of market orientation, managerial capability, and market innovation on the marketing performance of small and medium-sized enterprises (SMEs) in the city of Padang. The population of this study comprises all owners of small and medium-sized enterprises in Padang. The sample size for this research was determined to be 94 samples using the Slovin formula. The data analysis technique employed is Structural Equation Modeling (SEM) based on Partial Least Squares (PLS). The findings of this study indicate that (1) There is a significant influence of market orientation on marketing performance. (2) There is a significant influence of managerial capability on marketing performance. (3) There is no significant influence of market orientation on market innovation. (4) There is a significant influence of managerial capability on market innovation. (5) There is a significant influence of market innovation on marketing performance. (6) The market innovation variable cannot mediate the relationship between market orientation and marketing performance. (7) There is an indirect and significant influence of managerial capability on marketing performance through market innovation.

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INTRODUCTION

The Indonesian economy is supported by small businesses known as SMEs (Small and Medium Enterprises). Micro, small, and medium-sized enterprises play a crucial role in supporting both macro and microeconomic development in Indonesia, influencing the growth of other sectors. Given the vital role of SMEs, it is essential to ensure that they continue to contribute significantly to economic growth, both in terms of capital and resilience in various situations, thereby making a positive impact on the Indonesian economy. As a significant sector in the Indonesian economy, SMEs make a substantial contribution to national investment, accounting for a significant portion of the GDP and playing a crucial role in creating new employment opportunities (Warsono, 2010). SMEs absorb over 99.45% of the workforce and contribute approximately 30% to the GDP. A concerted effort to advance and develop the SME sector can lead to increased employment opportunities, thereby enhancing the well-being of those involved and reducing unemployment rates (Suci, 2017).

The importance of SMEs is evident from data released by the Central Statistics Agency (BPS), revealing the post-economic crisis development of SMEs. The number of SMEs experienced rapid

growth, employing between 85 million and 107 million workers by 2012. Out of a total of 56,539,560 business units in Indonesia, 99.99% consisted of SMEs, with the remaining 0.01% (4,968 units) being large-scale enterprises (LPPI & BI, 2015). However, data from LPPI and BI in 2015 indicate a significant decline in the number of SMEs in Padang City from 2018 to 2020 during the pandemic. The Department of Cooperatives and SMEs of Padang City explains that the performance of SMEs in Padang is suboptimal, indicating barriers and issues hindering their development. However, after 2020, there was a significant increase in the number of SMEs in Padang, attributed to government subsidies or assistance provided to SMEs that persisted during the pandemic. Government aid and regulations created a conducive environment, allowing micro-entrepreneurs to sustain and improve their operations, triggering the emergence of new businesses.

In the current era marked by intense competition, complexity, high acceleration, and crises, companies are required to have the capability to develop strategic choices in marketing management to adapt to dynamic environments. SMEs need systematic management to leverage the advantages of superior market performance (Narver & Slater, 1990). The existence and sustainability of SMEs are influenced by both internal and external factors. Internal factors include economic motives, while external factors encompass the environment and economic habitat where individuals or communities live and conduct their economic activities. SMEs are a strategically essential sector of the national economy, acting as the backbone of the national economy. They have proven to be a key stabilizer of the national economy during economic crises and a disseminator of post-crisis economic growth.

To build a robust economy, small businesses need to be empowered to become self-reliant, develop into medium-sized enterprises, and ultimately become resilient, superior, and independent. The presence of SMEs is expected to contribute significantly to community welfare, particularly in addressing challenges such as high poverty rates, extensive unemployment, income distribution inequality, and other adverse aspects. The development and growth of SMEs are crucial drivers for economic development in many countries worldwide. Several structural issues in SMEs need to be addressed to enhance their role in the national economy. These issues include the quality and continuity of production, access to markets, product packaging, the quality of human resources/entrepreneurs in managerial, financial, and production aspects. Local governments (regencies and cities) play a pivotal role in resolving these issues.

To succeed in competition and achieve good performance, SMEs must prioritize consumers in their business operations. Currently, SMEs focus not only on product quality but also on the strategies they employ. Two commonly used strategies are market orientation (Narver & Slater, 1995) and market innovation (Han et al., 1998). Market orientation is a business culture where organizations create behaviors to continuously create superior value for customers, focusing on long-term interests and profitability. Market orientation consists of three behavioral components: customer orientation, competitor orientation, and interfunctional coordination (Narver and Slater as cited by Sensi, 2006). In a highly competitive environment, only companies with added value will survive. The goal of market orientation is to meet market demands, making product innovation a competitive advantage for companies (Han et al., 1998).

Customers generally desire innovative products that align with their preferences. For companies, success in market innovation or product development means advancing one step ahead of their competitors. This demands the company's expertise in recognizing and understanding customer preferences, ensuring that innovations meet customer desires accurately. Market innovation must be well-planned and executed. Competition is not exclusive to large companies but is also intense at the SME level. To compete successfully, each business unit must have good management to handle innovation and determine the orientation that will lead to its growth and long-term sustainability. In the current global era characterized by intense competition, similar goals, complexity, and high acceleration, companies are required to have the ability to develop strategic choices in marketing management to adapt to a dynamic environment. In reality, the market must be managed systematically to leverage the benefits of superior market performance.

LITERATURE REVIEW

Marketing performance

Corporate performance is a commonly used factor to measure the impact of a company's strategy. Corporate strategies are always directed towards achieving good performance, whether in terms of marketing or financial performance (Ferdinand, 2000:6). In its application, these efforts become a necessity to be carried out in optimizing business performance. According to Tatik (2000), marketing performance is the growth of sales based on how well a company can retain existing customers or attract new customers (Gendut, 2005:7). In this research, the marketing performance variable will be measured based on three research indicators developed by Hidayatullah et al. (2019): sales volume, customer growth, and profit achievement.

Market orientation

Market orientation is based on certain considerations that classify the concept not as the responsibility of marketing functions alone but involve all departments in collecting, disseminating, and acting upon market intelligence (Tjiptono et al, 2008). Kohli and Jaworski (1990), as cited by Tjiptono et al (2008), define market orientation as the implementation of an organizational culture that places the customer at the core of the company's strategic management process. In this research, the market orientation variable will be measured based on research indicators developed by Li et al (2008) as follows: Customer Orientation, Competitor Orientation, and Interfunctional Coordination.

Managerial capability

Management is the process of planning, organizing, directing, and controlling the efforts of the members of organizational resources and the utilization of other organizational resources to achieve predetermined organizational goals (Handoko, 2009). Another definition related to management is expressed by Gulick, which is a field of science that systematically seeks to understand why and how people work together to achieve goals and make this cooperative system more beneficial for humanity (Handoko, 2009). In this research, the managerial capability variable will be measured using three research indicators developed by Orobia et al. (2020), namely: knowledge, abilities, and skills.

Market innovation

According to Porter and Ketels in Lestari et al. (2013), innovation is defined as the success in exploiting new ideas. Organizational innovation involves the adoption of new ideas or behaviors for use within the organization. The adoption of innovation includes the creation, development, and implementation of new ideas and behaviors. Generating successful innovation is a difficult and complex task (Lestari et al., 2013). Market innovation performance, on a broader level, refers to innovations related to market research, advertising and promotion, as well as identifying new market opportunities and entering new markets (Andrews and Smith, 2013). In this research, the market innovation variable will be measured using two research indicators according to Na et al. (2019): Product Innovation and Communication Innovation.

The influence of market orientation on marketing performance

The core principle of business orientation is to meet market needs in order to achieve company goals, ensuring consumer needs and desires are met while also considering the interests of all company stakeholders (Wang et al., 2012). The study conducted by Yunita Dwi Pertiwi and Bambang Banu Siswoyo (2015) showed that the market orientation variable has a positive and significant effect on marketing performance. As demonstrated in studies by Ahimbisibwe et al. (2013), Anggraini et al. (2014), and Nur et al. (2014), market orientation can significantly and positively enhance marketing performance. Sumiati (2015) presented different research findings. The following year, research conducted by Zainul et al. (2016) had positive results. The study by Alsinta Manambing et al. (2018)

noted that, partially, the market orientation of culinary SMEs in Tinutuan, Manado has a positive but not significant effect on marketing performance.

The influence of market orientation on market innovation

The study by Pardi et al. (2014) showed that market orientation in Batik SMEs in Central Java has a significant positive impact on innovation. Research by Tessa and Putu Gede (2017) noted that the more wood carving SMEs understand the market through a customer orientation approach, competitor orientation, and inter-functional coordination, the more these wood carving SMEs in Ubud District, Gianyar Regency can boost market innovation. Therefore, to influence market innovation of SMEs in Medan City, market orientation needs to be enhanced.

The influence of managerial capabilities on marketing performance

The subsequent study on the application of management capabilities in relation to business performance was conducted by Windi Astuti (2016). In her study, the management capability variable was used to influence business performance in Salak product processing SMEs in Banjarnegara Regency. The results showed a positive relationship between management capabilities and business performance. This proves that the size of a large business has a higher influence compared to the management capabilities of the business itself. The size of the business and privately obtained funds show a strong contribution to the business performance of SMEs. Essentially, if an entrepreneur applies entrepreneurial orientation, business environment, and management capabilities, the entrepreneur aims to improve business performance.

The role of market innovation in innovating market influence on marketing performance

Marketing performance, according to Ferdinand (2006), is something that can be used as a factor widely used to assess the impact of strategies implemented by each industry. Marketing strategies are often aimed at achieving marketing performance, such as sales volume, market share, and sales growth rate. In generating good value for customers, market orientation is the most effective and efficient business unit tradition, which will certainly result in sustainable superior output for the business (Idar and Mahmood, 2011). Market-oriented business units often pay attention to and monitor the goods made by their rivals and strive to find ways to develop by innovating from previous products (Putri, 2015). Research findings by Narastika and Kerti Yasa (2017) show that market orientation drives increased marketing performance when there is innovation. Pardi et al. (2014) revealed that market orientation in Batik SMEs positively and significantly affects marketing performance, which is innovated by market innovation, indicating that the marketing performance of Batik SMEs depends on the level of company innovation and also the extent to which market orientation influences innovation.

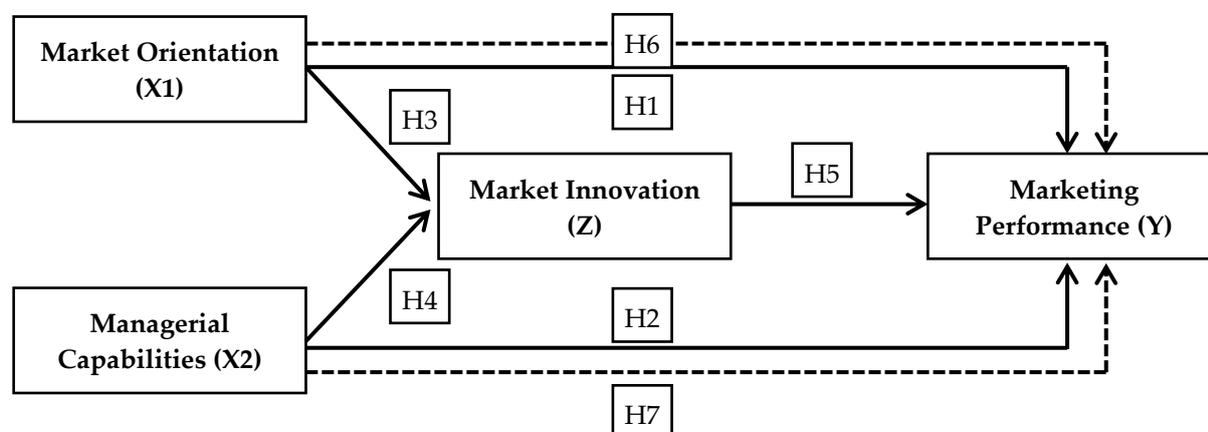


Figure 1. Conceptual Framework

METHOD

Based on the type of data and its analysis, this research is quantitative in nature. Quantitative data refers to information in the form of numbers or qualitative data that has been converted into numerical form (Sugiyono, 2010:14). The population in this study consists of Micro, Small, and Medium Enterprises (MSMEs) located in the city of Padang. To determine the sample size from a population, the researcher used the Slovin formula. According to the formula, the total sample size is 94 MSMEs in Padang. The data collected in this research is analyzed using Structural Equation Modeling (SEM) based on variance or PLS-Path Modeling.

RESULT AND DISCUSSION

Characteristics of respondents

The characteristics of consumers in this study are divided into several categories based on Gender, Age, Education, Number of Employees, and Business Age.

Table 1. Characteristics of Respondents

Characteristics	Category	Amount	Percentage
Gender	Male	56	59,57 %
	Female	38	40,43 %
Age	21-39 years	23	24,47 %
	40-56 years	61	64,89 %
	>56 years	10	10,64 %
Number of Employees	1-4 employees	59	62,77 %
	5-19 employees	35	37,23 %
Business Age	<3 years	2	2,13 %
	3-10 years	57	60,64 %
	11-20 years	24	25,53 %
	>20 years	11	11,70 %

Validity test

The validation assessment can be conducted by evaluating the Average Variance Extracted (AVE) value, which reflects the extent of variance among the manifest variables or indicators within the construct. According to Gozali and Latan (2012), utilizing the AVE value is imperative for executing validity testing. Additionally, a recommended AVE value of at least 0.5 is advised to signify strong validity. The subsequent table displays the AVE (Average Variance Extracted) values corresponding to each variable.

Table 2. Average Variance Extracted (AVE)

Variable	AVE
Market innovation	0,632
Managerial Capability	0,631
Marketing Performance	0,701
Market Orientation	0,666

These findings demonstrate that the AVE values for all variables satisfy the established rule of thumb, as the AVE values surpass the threshold of 0.50 ($AVE > 0.50$). Specifically, the AVE values for the four variables under investigation in this study surpass 0.5 (> 0.50). Consequently, it can be affirmed that each variable within this study has successfully fulfilled the criteria set forth by the validity test.

Reliability Test

The purpose of the reliability test is to demonstrate the instrument's suitability for use by showcasing consistent and dependable outcomes. Within this reliability assessment, two measures of reliability must be considered: composite reliability and Cronbach's alpha, as presented in the subsequent table:

Table 3. Cronbach Alpha and Composite Reliability

	Cronbach's Alpha	Composite Reliability
Market innovation	0,903	0,923
Managerial Capability	0,958	0,962
Marketing Performance	0,915	0,934
Market Orientation	0,970	0,973

From the outcomes of data analysis, it becomes evident that the composite reliability and Cronbach's alpha values for each construct surpass 0.7. By adhering to the rule of thumb, where both composite reliability and Cronbach's alpha values are expected to be above 0.7 (> 0.7), it can be confidently affirmed that all variables utilized in this study are deemed reliable.

Structural Model Measurement (Inner Model)

The evaluation of the inner model or structural model is conducted to examine the connections among constructs, the significance of values, and the R-square of the research model. The assessment of the structural model involves the utilization of R-square for the dependent construct in t-tests and the significance of coefficients related to the structural path parameters. When assessing the model using Partial Least Squares (PLS), it commences by examining the R-square for each latent dependent variable. Provided below are the outcomes of the R-square estimation conducted using SmartPLS.

Table 4. Results of R-square Analisis analysis

	R Square	R Square Adjusted
Market innovation	0,839	0,836
Marketing Performance	0,923	0,920

The coefficient of determination, using R-square, indicates the percentage of variation in the independent or dependent variable that can be explained by the variables hypothesized to influence it. The higher the R-square of a variable, the better the model. It is important to note that R-square is only found in endogenous constructs. In Table 4.15, it can be observed that the R-square value for the market innovation variable is 0.839. This result indicates that 83.9% of the market innovation variable can be influenced by market orientation and managerial capability variables. Then, for the SME performance variable, a value of 0.923 is obtained. This result indicates that 92.3% of the performance variable can be influenced by market orientation, managerial capability, and market innovation variables.

Hypothesis Testing

The significance of estimated parameters offers valuable insights into the interrelationships among the research variables. The criteria employed for hypothesis testing rely on the values presented in the output for inner weights. The ensuing output illustrates the estimations for assessing the structural model. Hypothesis testing is executed through the scrutiny of t-statistics yielded by the structural model (Inner model). The research hypotheses can be deemed valid when the t-statistic exceeds 1.96. Provided below are the outcomes of the hypothesis testing:

a. Direct influence hypothesis

The hypothesis test for direct effects is conducted through an examination of the t-statistics generated within the structural model (inner model). The acceptance of research hypotheses is

contingent upon the t-statistic surpassing the threshold of 1.96. Provided below are the outcomes of the hypothesis test for direct effects:

Table 5 the results of the analysis of the inner model

		Original sample	T statistics (o/stdev)	P values
1	Market Orientation -> Marketing Performance	0,465	6,281	0,000
2	Managerial Capability -> Marketing Performance	0,295	3,004	0,003
3	Market Orientation -> Market innovation	0,182	1,706	0,089
4	Managerial Capability -> Market innovation	0,745	7,329	0,000
5	Market innovation -> Marketing Performance	0,231	2,551	0,011

Source: Sem-PLS Data Processing Results

b. Indirect influence hypothesis

The indirect effect hypothesis can be accepted if it produces a t-statistic > 1.96.

Table 6: Specific indirect effects

	Original sample (o)	T statistics (o/stdev)	P values
Market Orientation -> Market innovation -> Marketing Performance	0,042	1,300	0,194
Managerial Capability -> Market innovation -> Marketing Performance	0,172	2,412	0,016

Source: sem-pls data processing results

Within PLS statistical analysis, the examination of each proposed effect is conducted through simulation. In this scenario, the bootstrap technique is implemented on the sample. The application of bootstrapping in testing aims to mitigate the challenges posed by anomalous research data.

1. Hypothesis Testing One: The Influence of Market Orientation on Marketing Performance

The results of the distribution analysis of the market orientation variable show a total average score of 4.04 with a TCR of 80.78%, which indicates the high category. This indicates that the level of market orientation in SMEs in Padang City can be considered high. Meanwhile, the results of the analysis of the distribution of SME marketing performance variables in Padang City show an average score of 4.02 with a TCR of 80.46%, also in the high category, indicating that the level of marketing performance in SMEs in Padang City is good but needs to be improved. Based on the results of the analysis, the market orientation variable has a significant positive influence on marketing performance in SMEs in Padang City. This is evident from the path coefficient value of 0.465 with a calculated t of 6.281, which exceeds the t table value (1.96). From these results, it can be concluded that there is a significant and positive influence between market orientation and marketing performance in SMEs in Padang City.

Thus, it can be concluded that the higher the level of market orientation possessed by SMEs in Padang City, the more significant it will have an impact on the level of marketing performance of SMEs in Padang City. These results indicate that business actors need to have a high market orientation in order to improve entrepreneurial performance. The results of this research are supported by research by Alsinta Manambing et.al (2018) which notes that partially the market orientation of Tinutuan Culinary SMEs in Manado has a positive and insignificant effect on marketing performance. The results of research conducted by Yunita Dwi Pertiwi and Bambang Banu Siswoyo (2015) show that the market orientation variable has a positive and significant effect on marketing performance. As shown in the study conducted by Ahimbisibwe et al. (2013), Anggraini et al. (2014), and Nur et al. (2014), that market orientation can improve marketing performance significantly and positively. Sumiati (2015) stated

different research findings. In the following year research conducted by Zainul et al. (2016) had positive results.

2. Hypothesis Testing Two: The Influence of Managerial Capability on Marketing Performance

The results of the analysis of the distribution of managerial ability variables provide a positive picture of the condition of Small and Medium Enterprises (UKM) in Padang City. The total average score was 4.08 with a TCR reaching 81.54%, in the high category. This value explains that managerial ability in SMEs in Padang City can be considered as one of the advantages, which is likely to have contributed significantly to the sustainability and success of business at the local level. Furthermore, the results of the distribution analysis of marketing performance variables in SMEs in Padang City show an average score of 4.02 with a TCR of 80.46%, also in the high category. Even though the level of marketing performance is considered good, this evaluation provides room for improvement and improvement in order to reach optimal potential.

Based on the analysis findings, the managerial ability variable has a significant positive influence on marketing performance in SMEs in Padang City. This is proven by the path coefficient value of 0.295 with a calculated t of 3.004, exceeding the t -table value (1.96). In other words, managerial ability has a real and positive impact on the effectiveness of marketing strategies implemented by SMEs in Padang City. From these findings, it can be concluded that a better level of managerial ability among business actors has significant positive implications for the marketing performance of SMEs in Padang City. Managerial skills are not only a solid foundation for daily operations, but are also the main driver in achieving success in reaching the market and increasing business competitiveness in an ever-changing era. Therefore, understanding and developing managerial skills is crucial in efforts to improve performance and sustainable growth for SMEs in Padang City.

The results of this research are supported by research by Windi Astuti (2016), where in her study, the research used management ability variables to influence business performance in SMEs processed Salak Products in Banjarnega Regency. The study results show that there is a positive relationship between management ability and business performance. This proves that large business size has a higher influence than management ability on the business. The large size of the business and the funds obtained privately show a strong contribution to SME business performance. In essence, if an entrepreneur applies an entrepreneurial orientation, business environment and management skills, the entrepreneur has a goal, namely to improve business performance.

3. Hypothesis Testing Three: The Influence of Market Orientation on Market innovation

The results of the analysis of the distribution of market orientation variables in Small and Medium Enterprises (UKM) in Padang City show a total average score of 4.04 with a Respondent Achievement Rate (TCR) of 80.78%, which explains that the level of market orientation in SMEs in that city can be considered high. Furthermore, the results of the analysis of the distribution of innovation capability variables in SMEs in Padang City also recorded an average score of 4.04 with a TCR of 80.85%, which is in the high category, indicating that the level of innovation capability in SMEs in Padang City is quite good, although it still needs improvement. However, based on the results of statistical analysis, it is known that the market orientation variable does not have a significant influence on the innovation capabilities of SMEs in Padang City. This can be seen from the t -count value of 1.706, which is lower than the t table value (1.96). These results imply that there is no significant relationship between market orientation and innovation capability in SMEs in Padang City.

Even though there is no measurable significant influence, it is important to note that market orientation and innovation capability remain two complementary factors in the business context. However, there may be other factors that influence the relationship between these two variables, and this could be the focus of further research. Therefore, although market orientation does not directly influence innovation capabilities, a deeper understanding of these dynamics can help SMEs in Padang City to optimize their innovative potential and strengthen their position in the market.

4. Hypothesis Testing Four: The Influence of Managerial Capability on Market innovation

Based on the results of the distribution analysis of the managerial ability variable, it is known that the total average score of the managerial ability variable is 4.08 with a TCR of 81.54% in the high category, which means that the level of managerial ability in SMEs in Padang City is in the good category and requires special attention from the management to improve managerial abilities. Meanwhile, the results of the analysis of the distribution of innovation capability variables in SMEs in Padang City with an average score of 4.04 with a TCR of 80.85% are also in the high category, which means the level of innovation capability of SMEs in Padang City is still in the good category.

Based on the results of variable analysis, it was found that managerial abilities have a significant and positive influence on innovation capabilities in Small and Medium Enterprises (SMEs) in Padang City. This is evident from the path coefficient value of 0.754 obtained from the calculation results, which is also supported by the t-statistic value of 7.329, this t-statistic value is greater than the specified t table value (1.96), indicating that the influence is significant. These findings provide an understanding that managerial abilities play a crucial role in increasing innovation capabilities in SMEs in Padang City. In other words, the better the managerial capabilities possessed by SMEs, the greater the positive impact on increasing innovation capabilities. This analysis details that managerial capabilities not only include aspects of the company's internal management, but also the ability to respond quickly to dynamic developments in market demand.

Thus, it can be concluded that increasing managerial capabilities in SMEs in Padang City is not only a proactive step to increase internal efficiency, but also as an effective strategy to respond to and exploit innovation opportunities that arise from market changes. This provides a basis for SME managers to focus and develop managerial capabilities as a concrete effort to strengthen their overall innovation capabilities. The results of this research are strengthened by research by Abdillah et al, (2019) which explains that managerial abilities significantly influence the performance of SMEs (Small and Medium Enterprises), including innovation capabilities. Research shows that managerial ability has a positive effect on SME performance, which includes innovation ability. Effective managerial capabilities can support the sustainability of SMEs and influence higher performance. This research reveals that managerial ability, business strategy and accounting knowledge jointly influence the performance of SMEs, including in the culinary sector. Innovation capability itself is not just a separate identification, but for SME managers or managers regarding strategies related to marketing capabilities, managing innovation capabilities and learning capabilities that can have a positive impact on SME performance.

5. Hypothesis Testing Five: The Influence of Market innovation on Marketing Performance of SMEs

The results of the variable distribution analysis show that the innovation capability of Small and Medium Enterprises (UKM) in Padang City has an average score of 4.04, with a Respondent Achievement Rate (TCR) reaching 80.85%, which is in the high category. This indicates that the level of innovation capability in SMEs in Padang City can be considered good. Furthermore, analysis of the distribution of marketing performance variables in SMEs in Padang City shows an average score of 4.02, with a TCR of 80.46%, also in the high category. Even though marketing performance is considered good, this evaluation provides opportunities for improvement and improvement to achieve optimal potential. Furthermore, the results of the analysis show that the innovation capability variable has a significant and positive effect on marketing performance in SMEs in Padang City. This can be seen from the path coefficient value of 0.231 resulting from the calculation, with a t-statistic of 2.551, which exceeds the significant t-table value (1.96). These findings indicate that there is a positive and significant influence between innovation capabilities and marketing performance of SMEs in Padang City.

Thus, it can be concluded that the higher the innovation capabilities possessed by SMEs in Padang City, the more significant the positive influence on marketing performance. Therefore, focusing on developing innovation capabilities can be an effective strategy to increase the competitiveness and marketing effectiveness of SMEs in Padang City. This evaluation provides a basis for improvement steps that can be implemented by business actors in order to achieve optimal potential and

sustainability of their business. The results of this research are strengthened by the research results of Fanreza and Kramadibrata (2022), which explain that there is a positive and significant relationship between marketing strategy and product innovation on marketing performance. These results indicate that innovation capabilities have an important role in driving SME marketing performance. Then Sain (2019) explained that innovation capabilities on SME marketing performance can be seen from various aspects, such as developing new products, developing new designs, and adding new technology. With high innovation capabilities, SMEs can create higher quality products and develop more effective marketing strategies.

6. Hypothesis testing six: The Influence of Market Orientation on SMEs Marketing Performance through Market innovation.

Based on the results of the analysis, it can be concluded that market orientation does not have a significant influence on Marketing Performance in Small and Medium Enterprises (SMEs) in Padang City through innovation capabilities. This finding is strengthened by the test results of the t-statistic value of 1.300, which turns out to be lower than the critical value set at 1.96. Therefore, it can be interpreted that there is no significant relationship between market orientation and marketing performance through innovation capabilities in SMEs in Padang City. Therefore, the indirect influence model of the market orientation variable on the marketing performance of SMEs in Padang City through innovation capabilities cannot be considered significant. These results indicate that market orientation does not have a large enough impact on improving the marketing performance of SMEs in Padang City through the innovation capability route.

7. Hypothesis testing seven: The Influence of Managerial Capability on SMEs Marketing Performance through Market innovation.

Managerial abilities have a significant influence on marketing performance in Small and Medium Enterprises (SMEs) in Padang City through innovation capabilities. This finding can be confirmed through the test results of the t-statistic value of 2.412, which substantially exceeds the critical value of 1.96. With a significant t-statistic value, it can be concluded that the managerial capability parameter has a statistically significant impact on improving marketing performance through the use of innovation capabilities. Thus, the conclusion that can be drawn is that the indirect influence model of managerial ability variables on marketing performance in SMEs in Padang City has relevance and statistical significance. This factor shows the central role of managerial ability in shaping innovation capabilities at the SME level, which in turn makes a significant contribution to improving marketing performance. In this case, the importance of managerial capabilities as a driver of innovation capabilities opens up opportunities for SME managers to increase the effectiveness of their managerial strategies. Investments in the development of managerial skills and a deep understanding of innovation can be strategic steps to achieve sustainable growth and competitive advantage in a dynamic market.

CONCLUSION

This research aims to analyze the influence of market orientation and managerial capability on marketing performance in SMEs in Padang City, mediated by market innovation. To analyze the relationships between these variables, this study employs Partial Least Squares (PLS). Based on the analysis and discussion in the previous sections, the following conclusions can be drawn:

1. There is a direct, significant, and positive influence between market orientation and marketing performance in SMEs in Padang City. This research indicates that a higher level of market orientation in SMEs significantly increases the level of marketing performance in Padang City.
2. There is a direct, significant, and positive influence between managerial capability and marketing performance in SMEs in Padang City. This finding suggests that good managerial capability has a significant positive impact on marketing performance in SMEs in Padang City.

3. There is no significant influence between market orientation and market innovation in SMEs in Padang City. This means that a high level of market orientation does not significantly affect the level of market innovation in SMEs in Padang City.
4. There is a direct, significant, and positive influence between managerial capability and market innovation in SMEs in Padang City. The research results show that good managerial capability significantly enhances the market innovation of SMEs in Padang City.
5. There is a direct, significant, and positive influence between market innovation and marketing performance in SMEs in Padang City. This indicates that SMEs with a high level of market innovation tend to achieve better marketing performance in Padang City.
6. The market innovation variable cannot mediate the relationship between market orientation and marketing performance. This means that, although market orientation can influence market innovation, market innovation does not significantly mediate the influence of market orientation on marketing performance.
7. There is an indirect, significant, and positive influence between managerial capability and marketing performance in SMEs in Padang City through market innovation. The research results show that market innovation serves as a significant mediator in the relationship between managerial capability and marketing performance in SMEs in Padang City.

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