

FROM READINESS TO RESULTS THE MEDIATING POWER OF DIGITAL MARKETING IN THE RELATIONSHIP BETWEEN SUSTAINABILITY AND SME PERFORMANCE

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Abstract: This study aims to examine the effect of sustainability orientation, digital readiness, and entrepreneurial orientation on the marketing performance of small and medium-sized enterprises (SMEs), with digital marketing acting as a mediating variable. The research is grounded in the view that strategic orientations and internal readiness must be effectively translated into digital marketing activities to achieve superior marketing outcomes. A quantitative approach was employed, and data were collected through a survey distributed to SME owners and managers. The collected data were analyzed to assess both direct and indirect relationships among the research variables. The findings reveal that sustainability orientation, digital readiness, and entrepreneurial orientation positively influence marketing performance. Moreover, digital marketing serves as a key mechanism that strengthens the impact of these strategic factors on marketing performance. These results indicate that sustainability values, digital capabilities, and entrepreneurial initiatives generate greater marketing benefits when implemented through effective digital marketing strategies. This study contributes to the literature on SME marketing by highlighting the integrative role of digital marketing in enhancing performance and offers practical insights for SME practitioners and policymakers in developing competitive, digitally driven, and sustainable marketing strategies.

Keywords: *Sustainability Orientation, Digital Readiness, Entrepreneurial Orientation, Digital Marketing, Marketing Performance*

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1. Introduction

The development of the global business environment indicates a growing emphasis on sustainability as a long-term strategy to maintain competitiveness and business continuity. Organizational performance is determined by valuable and difficult-to-imitate internal capabilities, such as sustainability orientation, digital readiness, and entrepreneurial orientation, which have the potential to create sustainable competitive advantage (Barney, 1991). Namun, dalam lingkungan bisnis yang dinamis, kepemilikan sumber daya saja tidak cukup, sehingga Dynamic Capability Theory menekankan pentingnya kemampuan organisasi untuk mengonfigurasi ulang dan memanfaatkan kapabilitas tersebut agar relevan dengan

perubahan pasar, termasuk melalui pemanfaatan digital marketing (Teece et al., 1997). Furthermore, Entrepreneurial Orientation Theory explains that innovation, proactivity, and risk-taking encourage business performance, but their influence is contextual and requires appropriate implementation mechanisms to have an impact on marketing performance (Lumpkin & Dess, 1996). From a sustainability perspective, Sustainability Orientation, which is rooted in the Triple Bottom Line concept, emphasizes the creation of economic, social, and environmental value, which needs to be communicated effectively to the market in order to improve SME performance (Elkington, 1997).

Sustainability orientation has evolved into a strategic approach that encourages businesses to produce innovative, efficient, and environmentally friendly products, while responding to changing consumer preferences and increasingly competitive market pressures (Bechtel et al., 2025). For micro, small, and medium enterprises (MSMEs), sustainability is super important because they need to not only survive but also create economic and social value in a sustainable way.

MSMEs play a strategic role in the global and national economy. Globally, MSMEs account for more than 90% of business units and employ around 60–70% of the workforce, making them the backbone of global economic growth (Foundation, 2025). In Indonesia, MSMEs contribute around 61–62% to the Gross Domestic Product (GDP) and employ nearly 97% of the workforce. Despite their significant contribution, MSMEs still face various structural challenges, such as limited innovation, weak marketing capacity, low digital literacy, and a lack of sustainability orientation and digital readiness (KADIN Indonesia, 2025).

Digital transformation is seen as one of the main solutions to improve the competitiveness of MSMEs. The Indonesian government is encouraging the digitization of MSMEs through various programs, and by the end of 2024, around 27 million MSMEs will be connected to the digital ecosystem (Roosdhani et al., 2023). However, the adoption rate of digital marketing in various regions is still relatively low. This indicates that the digital transformation of MSMEs is not yet fully supported by internal readiness, particularly digital readiness, which includes human resource competencies, technological mastery, and digital literacy, so that its impact on marketing performance is not yet optimal.

Jepara Regency is one of the regions with a large number of MSMEs and is the mainstay of the regional economy, particularly in the creative, handicraft, and culinary industries (Kustanti, 2022). Despite their high economic potential, MSMEs in Jepara are generally still micro-scale, use simple technology, apply traditional marketing strategies, and are highly dependent on local markets. Various coaching programs and digital platform development by the local government have opened up opportunities for market expansion, but low digital readiness and utilization of digital marketing remain major obstacles.

Table 1. Number of MSMEs and Large Businesses in Jepara Regency 2021–2025 (July)

Number of MSMEs					
Business Sector	2025	2024	2023	2022	2021
Agriculture, Livestock, Forestry, and Fisheries	19,635	19,635	19,635	19,635	19,635
Mining and Quarrying	81	81	81	81	81
Manufacturing Industry	32,195	31,235	30,585	30,212	30,152

Electricity, Gas, and Clean Water	1,750	1,750	1,750	1,750	1,750
Construction	208	208	208	208	208
Trade, Hotels, and Restaurants	28,314	28,314	28,314	28,314	28,314
Transportation and Communication	277	277	277	277	277
Finance, Leasing, and Business Services	21	21	21	21	21
Private Services	528	528	528	528	528
Total	83,009	82,049	81,399	81,026	80,966

Source: (Department of Cooperatives, SMEs, Manpower and Transmigration, Jepara Regency, 2025)

Based on Table 1, the number of MSMEs in Jepara Regency during the 2021–2025 period shows a largely stagnant trend across almost all business sectors. The limited growth in the number of MSME units indicates the weak capability of business actors to expand markets and improve marketing performance. This condition reflects that the marketing performance of MSMEs in Jepara has not yet been optimal, which is partly influenced by the low adoption of digital marketing, limited knowledge of modern marketing practices, and minimal innovation in promotional strategies.

Changes in consumer behavior that increasingly shift toward digital platforms make the strengthening of marketing strategies an urgent necessity for MSMEs (Austin et al., 2025). In this context, sustainability orientation, digital readiness, and entrepreneurial orientation are viewed as key internal capabilities that determine the ability of MSMEs to adapt to dynamic market conditions. Sustainability orientation encourages the creation of sustainable product value, digital readiness ensures preparedness in utilizing digital technologies, while entrepreneurial orientation drives innovation, proactiveness, and risk-taking in capturing market opportunities (Bechtel et al., 2025; Yi, Amenuvor, & Boateng, 2021; Zheng, 2024).

Previous research on MSME marketing performance has shown inconsistent results. A number of studies have found that entrepreneurial orientation has a positive and significant effect on MSME marketing performance, both directly and through specific marketing capabilities (Setiadi et al., 2025), (Hidayati et al., 2025). However, other studies show that the influence of entrepreneurial orientation and sustainability practices on MSME performance is not always significant, especially in micro-scale MSMEs that have limited resources and immature marketing strategies (Kasim & Martana, 2024). In addition, most research on MSMEs still focuses on the level of technology adoption or general use of digital media, without distinguishing between digital readiness and the implementation of digital marketing as a strategic mechanism that bridges internal capabilities with marketing performance (Asmawati et al., 2024). Research examining the role of digital marketing generally places it as an independent variable, rather than as a mediating variable that explains how sustainability orientation and entrepreneurial orientation translate into improved marketing performance (Juliani & Nuvriasari, 2024). Thus, there are still limitations in research that simultaneously integrates sustainability orientation, digital readiness, and entrepreneurial orientation and tests the mediating role of digital marketing in improving the marketing performance of MSMEs, especially in the context of regional MSMEs. Research that integrates sustainability

orientation, digital readiness, and entrepreneurial orientation with digital marketing as a mediating variable is still relatively limited, especially in the context of regional MSMEs.

Although various studies have examined the role of digital marketing in the performance of MSMEs, there are still a number of gaps that need to be further explored. The study (Sapthiarsyah & Junita, 2024) focuses on the direct influence of social media and digital marketing on MSME performance, but does not consider the role of strategic orientations such as sustainability orientation and entrepreneurial orientation, as well as mediation mechanisms in the form of digital readiness. Furthermore, the study (Al-Atsari et al., 2025) has included the aspect of entrepreneurship, but has not integrated the dimensions of sustainability and digital readiness as internal factors that influence the effectiveness of digital marketing. The study (Mangifera et al., 2023) focusing on the financial performance of MSMEs through digital innovation, so there are still opportunities to expand the analysis on marketing performance by incorporating sustainability and entrepreneurship orientation into one integrative model. Meanwhile, (Halik & Halik, 2024) limited the research context to culinary MSMEs in certain regions, so that the generalization of findings is still limited and does not consider sustainability orientation as a long-term strategy. The study (Anugrah et al., 2023) used a relatively simple model with a limited sample size, so it was unable to comprehensively explain the role of internal strategic capabilities such as sustainability orientation, entrepreneurial orientation, and digital readiness in improving the marketing performance of MSMEs.

Based on the foregoing discussion, this study offers novelty by integrating sustainability orientation, digital readiness, and entrepreneurial orientation as internal capabilities of MSMEs in explaining marketing performance through the mediating role of digital marketing. Furthermore, this study focuses on MSMEs in Jepara Regency, which have experienced stagnant business growth, and is therefore expected to provide both theoretical contributions to the development of MSME marketing literature and practical contributions to the formulation of strategies for strengthening the competitiveness of regional MSMEs.

Relationship between Sustainability Orientation and Digital Marketing

Sustainability orientation (SO) reflects a firm's strategic orientation in integrating environmental, social, and economic considerations into its business practices. For MSMEs, sustainability orientation is not merely associated with ethical responsibility but also serves as a strategic foundation for building long-term competitiveness and brand reputation (Bechtel et al., 2025). Firms that adopt sustainability-oriented strategies tend to seek innovative approaches to communicate these values to stakeholders.

Digital marketing provides an effective platform for MSMEs to convey sustainability values, such as environmental concern, social responsibility, and ethical business practices, to consumers. Through digital channels, MSMEs are able to communicate sustainability initiatives transparently and strengthen customer trust. Previous studies indicate that firms with a strong sustainability orientation are more likely to adopt digital technologies that support sustainable business communication and innovation (Bechtel et al., 2025; Munandar et al., 2025).

This study argues that MSMEs with a higher level of sustainability orientation are more likely to utilize digital marketing as a strategic tool to communicate sustainability values and enhance customer engagement. Therefore, the proposed hypothesis is as follows:

H1: Sustainability Orientation has a positive effect on Digital Marketing among MSMEs in Jepara Regency.

Relationship between Digital Readiness and Digital Marketing

Digital readiness (DR) refers to the extent to which an organization is prepared to adopt and utilize digital technologies in its business operations and marketing strategies. In the MSME context, digital readiness encompasses technological infrastructure, digital skills of owners and employees, and access to digital resources, all of which play a crucial role in the effective implementation of digital marketing (Zheng, 2024).

MSMEs with a high level of digital readiness possess greater capability to implement digital marketing strategies through social media, e-commerce platforms, and digital analytics tools. Adequate digital capabilities enable MSMEs to manage online content, interact with customers, and optimize promotional activities efficiently. Previous research emphasizes that digital readiness significantly influences the successful adoption of digital marketing practices, particularly for MSMEs facing resource constraints (Zheng, 2024).

This study argues that a higher level of digital readiness enhances MSMEs' ability to adopt and implement digital marketing strategies effectively. Accordingly, the proposed hypothesis is formulated as follows:

H2: Digital Readiness has a positive effect on Digital Marketing among MSMEs in Jepara Regency.

Relationship between Entrepreneurial Orientation and Digital Marketing

Entrepreneurial orientation (EO) reflects a firm's tendency toward innovation, proactiveness, and risk-taking in responding to market dynamics (Yi et al., 2021). For MSMEs, entrepreneurial orientation plays a crucial role in encouraging the adoption of new marketing approaches and digital technologies in order to remain competitive amid rapid market changes.

MSMEs with a strong entrepreneurial orientation are more willing to experiment with innovative digital marketing strategies, introduce new products through online platforms, and proactively engage with customers via digital channels. Entrepreneurial orientation motivates firms to explore digital marketing as a means of expanding market reach, enhancing customer engagement, and creating product differentiation. Previous studies indicate that entrepreneurially oriented firms tend to adopt digital marketing more intensively to support innovation and market responsiveness (Yi et al., 2021).

This study argues that entrepreneurial orientation has a positive effect on the adoption and utilization of digital marketing by MSMEs. Therefore, the proposed hypothesis is stated as follows:

H3: Entrepreneurial Orientation has a positive effect on Digital Marketing among MSMEs in Jepara Regency.

Relationship between Sustainability Orientation and Marketing Performance

Sustainability orientation (SO) represents a firm's strategic commitment to integrating environmental, social, and economic considerations into business activities. For MSMEs, sustainability orientation can serve as a source of competitive advantage by enhancing brand reputation, strengthening customer trust, and creating product differentiation based on social and environmental values (Khan et al., 2023).

MSMEs that consistently implement sustainability-oriented practices are more likely to attract consumers who are increasingly concerned with ethical and environmentally friendly products. By emphasizing sustainability values, MSMEs can enhance customer loyalty and perceived product value, which ultimately contributes to improved marketing performance. Previous research has shown that sustainability orientation positively influences firm

performance, particularly through improved market perceptions and increased customer engagement (Bechtel et al., 2025).

This study argues that a stronger sustainability orientation enables MSMEs to improve their marketing performance through enhanced brand image, customer loyalty, and market differentiation. Accordingly, the proposed hypothesis is formulated as follows:

H4: Sustainability Orientation has a positive effect on Marketing Performance of MSMEs in Jepara Regency.

Relationship between Digital Readiness and Marketing Performance

Digital readiness (DR) reflects the capability of MSMEs to adopt and utilize digital technologies to support business operations and marketing activities. Digital readiness enables MSMEs to optimize marketing processes, expand market reach, and enhance customer interaction through digital platforms (Zheng, 2024).

MSMEs with a high level of digital readiness are in a better position to implement data-driven marketing strategies, manage online customer relationships, and efficiently utilize digital channels for promotional activities. These capabilities enhance marketing effectiveness and allow MSMEs to respond more rapidly to market changes. Previous studies indicate that digital readiness contributes significantly to improved marketing performance, particularly for MSMEs operating in competitive and technology-driven environments (Zheng, 2024).

This study argues that a higher level of digital readiness leads to better marketing performance through the implementation of more effective and efficient marketing strategies. Therefore, the proposed hypothesis is stated as follows:

H5: Digital Readiness has a positive effect on Marketing Performance of MSMEs in Jepara Regency.

Relationship between Entrepreneurial Orientation and Marketing Performance

Entrepreneurial orientation (EO) reflects a firm's strategic posture characterized by innovation, proactiveness, and risk-taking in responding to market opportunities (Yi et al., 2021). For MSMEs, entrepreneurial orientation plays an important role in shaping adaptive and market-oriented marketing strategies.

MSMEs with a high level of entrepreneurial orientation tend to introduce innovative products, proactively explore new market opportunities, and adopt creative marketing approaches. Firms with these characteristics are better able to align their offerings with changing customer preferences, thereby enhancing market acceptance and marketing performance (Campaka et al., 2024). Previous research suggests that entrepreneurial orientation positively influences firm performance through innovation and proactive market engagement (Yi et al., 2021).

This study argues that entrepreneurial orientation positively affects marketing performance through strengthened innovation and proactive marketing strategies. Accordingly, the proposed hypothesis is formulated as follows:

H6: Entrepreneurial Orientation has a positive effect on Marketing Performance of MSMEs in Jepara Regency.

Relationship between Digital Marketing and Marketing Performance

Digital marketing refers to the use of digital platforms and technologies to promote products, engage customers, and support marketing activities (Riyoko, 2022). For MSMEs,

digital marketing has become an essential tool for enhancing market visibility, strengthening customer engagement, and influencing purchase decisions (Phuong Dung et al., 2023).

The effective implementation of digital marketing enables MSMEs to reach a broader audience, interact directly with customers, and apply more cost-efficient promotional strategies. By leveraging digital marketing channels such as social media and e-commerce platforms, MSMEs can improve sales performance, strengthen customer relationships, and increase market share (Setyanto et al., 2023). Previous studies have confirmed that digital marketing has a significant positive effect on marketing performance, particularly in enhancing sales growth and customer engagement (Wu et al., 2025).

This study argues that the effective implementation of digital marketing enhances the marketing performance of MSMEs. Therefore, the proposed hypothesis is stated as follows:
H7: Digital Marketing has a positive effect on Marketing Performance of MSMEs in Jepara Regency.

The Mediating Role of Digital Marketing in the Relationship between Sustainability Orientation and Marketing Performance

Sustainability orientation (SO) may influence marketing performance both directly and indirectly. MSMEs that adopt sustainability-oriented strategies tend to communicate environmental and social values to consumers, thereby enhancing brand image and strengthening customer trust (Arda et al., 2023). However, the effectiveness of sustainability orientation in improving marketing performance largely depends on how well these values are communicated to the market.

Digital marketing provides an effective mechanism for conveying sustainability values through various digital platforms, such as social media and online marketplaces. By utilizing digital marketing, MSMEs can highlight sustainable business practices, actively engage consumers, and strengthen market perceptions (Prakoso, 2025). Previous research suggests that digital marketing plays an important role in translating firms' strategic orientations into improved marketing performance (Abbu & Gopalakrishna, 2021; Phuong Dung et al., 2023).

This study argues that sustainability orientation enhances marketing performance through the effective implementation of digital marketing. Accordingly, digital marketing serves as a mediating variable that strengthens the relationship between sustainability orientation and marketing performance. Therefore, the proposed hypothesis is formulated as follows:

H8: Digital Marketing mediates the effect of Sustainability Orientation on Marketing Performance of MSMEs in Jepara Regency.

The Mediating Role of Digital Marketing in the Relationship between Digital Readiness and Marketing Performance

Digital readiness (DR) enables MSMEs to effectively adopt and manage digital technologies, which directly supports the implementation of digital marketing activities (Zheng, 2024). Although digital readiness may contribute to marketing performance, its impact becomes more substantial when these digital capabilities are actively utilized in marketing practices.

Digital marketing serves as a channel that transforms digital readiness into improved marketing performance. MSMEs with a high level of digital readiness possess stronger capabilities to implement digital marketing strategies, manage online customer interactions, and analyze market data. Previous studies indicate that digital marketing functions as a

mediating variable linking digital capabilities to marketing outcomes (Abbu & Gopalakrishna, 2021; Zheng, 2024).

This study argues that digital readiness enhances marketing performance through the implementation of digital marketing strategies. Accordingly, digital marketing is expected to mediate the relationship between digital readiness and marketing performance. Therefore, the proposed hypothesis is formulated as follows:

H9: Digital Marketing mediates the effect of Digital Readiness on Marketing Performance of MSMEs in Jepara Regency.

The Mediating Role of Digital Marketing in the Relationship between Entrepreneurial Orientation and Marketing Performance

Entrepreneurial orientation (EO) encourages MSMEs to innovate, act proactively, and undertake calculated risks in marketing activities (Soto-Acosta et al., 2020). Although entrepreneurial orientation may directly influence marketing performance, its impact is often realized through the adoption of innovative marketing approaches, particularly digital marketing.

Digital marketing enables entrepreneurially oriented MSMEs to introduce new products, experiment with creative promotional strategies, and expand market reach. By leveraging digital platforms, MSMEs can translate entrepreneurial initiatives into measurable marketing outcomes. Previous research emphasizes that digital marketing plays a crucial role in channeling entrepreneurial orientation toward improved marketing performance (Yi et al., 2023; Bachri et al., 2023).

This study argues that entrepreneurial orientation enhances marketing performance through the implementation of digital marketing. Thus, digital marketing functions as a mediating variable in the relationship between entrepreneurial orientation and marketing performance. Accordingly, the proposed hypothesis is stated as follows:

H10: Digital Marketing mediates the effect of Entrepreneurial Orientation on Marketing Performance of MSMEs in Jepara Regency.

2. Research Method

This study uses a quantitative approach with an explanatory design to test the causal relationship between variables. The research variables consist of three independent variables (Sustainability Orientation, Digital Readiness, and Entrepreneurial Orientation), one mediating variable (Digital Marketing), and one dependent variable (Marketing Performance). The research population is 80,966. Jepara MSMEs. The sample size was determined using the formula (Ferdinand, 2014) which is the number of indicators multiplied by 5–10. With 27 indicators in the study, the minimum sample size required was 135 respondents. Therefore, this study used 135 respondents selected using purposive sampling based on the criteria of MSMEs using digital marketing. Data was collected using a closed questionnaire with a 10-point Likert scale as the primary data source, supplemented by secondary data in the form of official documents. Data analysis was performed using the PLS-SEM method with SmartPLS 4, including testing the measurement model (validity and reliability), structural model (R^2 , Q^2 , and predictive effects), and mediation analysis using the Variance Accounted For (VAF) approach to see the direct and indirect effects through digital marketing.

3. Results and Discussion

3.1. Results

Based on the results of Table 2, the majority of respondents were in the 34–44 age range (39.26%), indicating that MSME entrepreneurs are predominantly of productive age with a relatively good level of business experience. In terms of gender, respondents were predominantly male (64.44%), although female participation in MSME activities was also significant. In terms of education level, most respondents had a high school/vocational school education (50.37%), followed by a bachelor's degree (22.96%), indicating that MSME entrepreneurs generally have a secondary to higher education background in running their businesses.

Table 2. Respondent Characteristics

Age	Frequency	Percentage (%)
< 25 years old	9	6,67
25–34 years old	32	23,70
34–44 years old	53	39,26
45–54 years old	32	23,70
> 54 years old	9	6,67
Gender		
Male	87	64,44
Female	48	35,56
Highest Level of Education		
SD	6	4,44
SMP	27	20,00
SMA/SMK	68	50,37
Diploma	3	2,22
Bachelor	31	22,96
Total	135	100

Based on Figure 1, respondents were dominated by MSME players in the crafts/furniture/carving sector with a percentage of 54%. The dominance of this sector reflects the local economic characteristics of Jepara Regency, which has long been known as a center for wood-based furniture and handicraft industries. This condition shows that most MSMEs in this study are engaged in sectors that rely on creativity, production skills, and product quality, thus requiring marketing strategies that are able to highlight the added value, uniqueness, and sustainability of the products.

In addition to the handicraft sector, MSMEs in the fashion/apparel (18%), culinary (12%), and trade (13%) sectors also made significant contributions. These sectors generally have a high level of competition and are greatly influenced by market trends and changes in consumer preferences, thus requiring more intensive adoption of digital marketing to expand market reach and improve marketing performance. Meanwhile, the service sector has a relatively small proportion (3%), indicating that the focus of MSMEs in the research area is still greater on the production and sale of goods than on services.

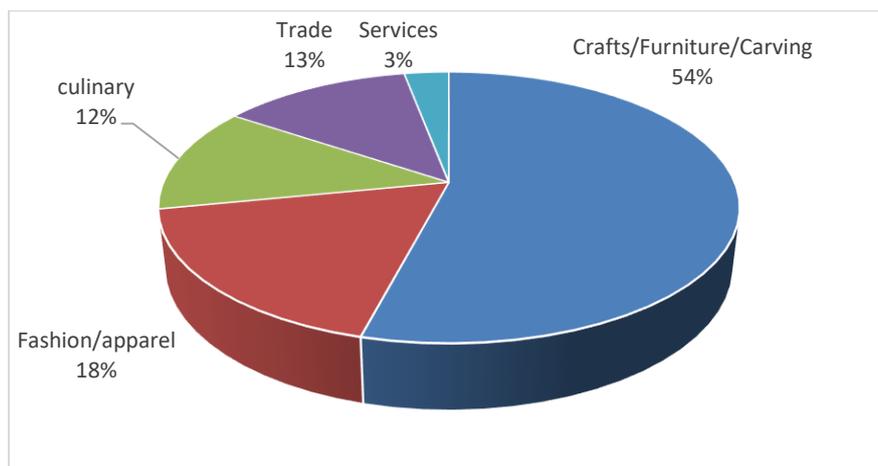


Figure 1. Respondent Characteristics Based on MSME Business Type

The majority of respondents in Table 3 have been running their businesses for more than 10 years (33.33%), followed by respondents with businesses that have been running for 5–10 years (26.67%). These findings indicate that most MSMEs have a relatively good level of business sustainability. Meanwhile, respondents with businesses operating for less than 1 year (8.15%) constituted the smallest group, indicating that the number of new businesses is relatively limited. Most MSMEs have 1–3 employees (46.67%), confirming that the respondents are predominantly micro-scale MSMEs. In addition, 20.00% of respondents run businesses without employees, indicating family businesses or self-employed businesses. Meanwhile, MSMEs with more than 10 employees (8.89%) are still relatively few. Furthermore, most respondents (94.81%) stated that they had participated in Disperindag training. This condition shows that most MSME players have received capacity building support from the local government, which is expected to improve the digital readiness, business competence, and marketing performance of MSMEs.

Table 3. Characteristics of MSMEs

Business Period	Frequency	Percentage (%)
< 1 years old	11	8,15
1–3 years old	20	14,81
3–5 years old	23	17,04
5–10 years old	36	26,67
> 10 years old	45	33,33
Number of Employees		
No employees	27	20,00
1–3 people	63	46,67
4–10 people	33	24,44
> 10 people	12	8,89
Training by the Department of Trade and Industry		
Yes, I have	128	94,81
Never	7	5,19

The evaluation results show that all constructs have met the criteria required for convergent validity and reliability. All indicators have adequate loading values, and the Average Variance Extracted (AVE) value for each construct has exceeded the acceptable limit, so that the measurement model is declared valid and reliable for further analysis.

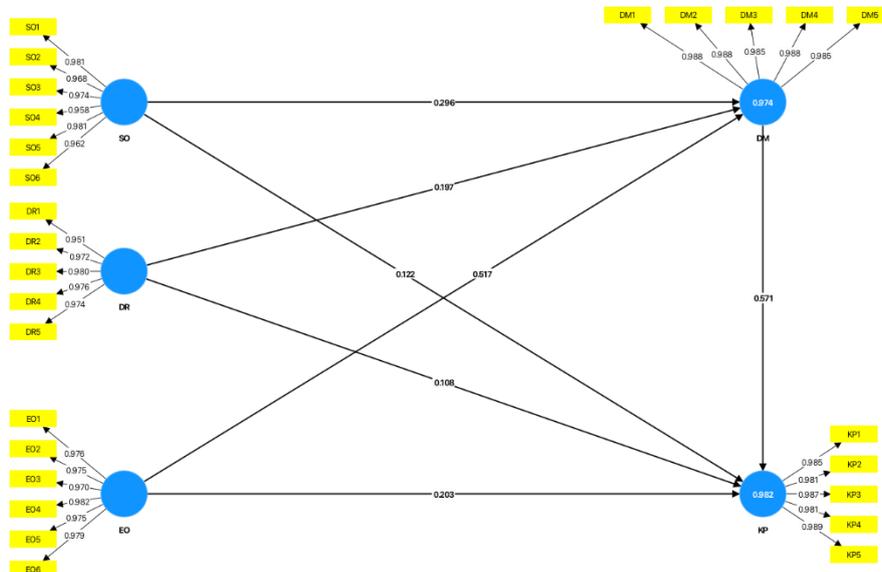


Figure 2. Empirical Research Method
 Source: Authors (2025)

Table 4. Confirmatory factor analysis on measures

Variable	Factor Loading	Percentage of variance explained	Composite reliability coefficient
Sustainability Orientation	0.981	0.942	0.988
	0.968		
	0.974		
	0.958		
	0.981		
	0.962		
Digital Readiness	0.951	0.942	0.985
	0.972		
	0.980		
	0.976		
	0.974		
Entrepreneurial Orientation	0.976	0.953	0.990
	0.975		
	0.970		
	0.982		
	0.975		
0.979			
Digital Marketing	0.988	0.974	0.993

Variable	Factor Loading	Percentage of variance explained	Composite reliability coefficient
	0.988		
	0.985		
	0.988		
	0.985		
Marketing Performance	0.985	0.970	0.992
	0.981		
	0.987		
	0.981		
	0.989		

Source: Processed Data (2025)

Based on Table 4, the overall outer loading value is > 0.70 and the AVE value is > 0.50 . These results indicate that all items of the Sustainability Orientation, Digital Readiness, Entrepreneurial Orientation, Digital Marketing, and Marketing Performance variables used in this study are valid. Cronbach's alpha and composite reliability values are > 0.70 . This means that all variables or instruments used as research measurement tools in this study are reliable or consistent.

Table 5. R-Square

Variable	R-Square	R-Square Adjusted
DM	0,974	0,973
MP	0,982	0,982

Source: Processed Data (2025)

Based on the results in Table 5, the R-square value for Marketing Performance is 0.982, while the adjusted R-square value is 0.982. This indicates that all exogenous constructs together have an impact of 98.2% on Y, which can be considered a strong influence. Meanwhile, the remaining 1.8% can be explained by other variables and indicators that are not described in this study.

Table 6. Cronbach's Alpha and Composite Reliability

Variable	Cronbach's Alpha	rho_A
SO	0,988	0,988
DR	0,985	0,985
EO	0,990	0,990
DM	0,993	0,993
MP	0,992	0,992

Source: Processed Data (2025)

Table 6 above shows that all latent variables in this study meet the Cronbach's alpha and composite reliability values of > 0.70 . This means that all variables or instruments used as research measurement tools in this study are reliable or consistent.

Table 7. Mediation Analysis

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
SO -> DM -> MP	0,169	0,171	0,041	4,103	0,000
DR -> DM -> MP	0,112	0,110	0,050	2,223	0,026
EO -> DM -> MP	0,295	0,299	0,059	4,963	0,000

Source: Processed Data (2025)

Based on Table 7, the results of the indirect effect test show that Digital Marketing (DM) acts as a significant mediating variable in the relationship between the independent variable and Marketing Performance (MP).

The indirect effect of Sustainability Orientation (SO) on Marketing Performance (MP) through Digital Marketing (DM) shows positive and statistically significant results ($\beta = 0.169$; $T = 4.103$; $p = 0.000$). These findings indicate that Digital Marketing plays an important role in translating the sustainability orientation of MSMEs into improved marketing performance.

Furthermore, the mediation path of Digital Readiness (DR) → Digital Marketing (DM) → Marketing Performance (MP) was also found to be significant ($\beta = 0.112$; $T = 2.223$; $p = 0.026$). These results indicate that the digital readiness of MSMEs contributes to improved marketing performance through the use of effective digital marketing strategies.

In addition, the indirect effect of Entrepreneurial Orientation (EO) on Marketing Performance (MP) through Digital Marketing (DM) showed the strongest coefficient value among the three mediation paths ($\beta = 0.295$; $T = 4.963$; $p = 0.000$). This finding confirms that Digital Marketing significantly channels the influence of entrepreneurial orientation on the marketing performance of MSMEs. Compared to other mediation paths, the role of Digital Marketing in the EO–MP relationship shows a relatively more dominant influence.

Table 8. Hypothesis Test Results

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
SO → MP	0.122	0.124	0.060	2.029	0.043
DR → MP	0.108	0.105	0.050	2.169	0.030
EO → MP	0.203	0.201	0.070	2.902	0.004
SO → DM	0.296	0.297	0.047	6.321	0.000
DR → DM	0.197	0.189	0.077	2.567	0.010
EO → DM	0.517	0.523	0.067	7.744	0.000
DM → MP	0.571	0.573	0.103	5.566	0.000

Source: Processed Data (2025)

The mediation test results show a consistent relationship pattern. Digital Marketing has been proven to play a positive and significant role in mediating the influence of Sustainability

Orientation, Digital Readiness, and Entrepreneurial Orientation on Marketing Performance. These findings indicate that MSMEs with a strong sustainability orientation, high digital readiness, and good entrepreneurial orientation are able to translate these strategic capabilities into improved marketing performance through the implementation of effective digital marketing. Among the three mediation paths, the indirect effect of Entrepreneurial Orientation through Digital Marketing shows relatively greater strength, confirming that digital marketing is highly effective in channeling entrepreneurial initiatives into more optimal marketing outcomes. Overall, the results of this study confirm that Digital Marketing serves as a key mechanism that strengthens the relationship between strategic orientation and the marketing performance of MSMEs.

3.2. Discussion

The findings of this study confirm that the strategic orientation and internal capabilities of MSMEs do not automatically improve marketing performance, but rather work through the mechanism of digital marketing capabilities. These results reinforce the view that sustainability orientation, digital readiness, and entrepreneurial orientation function as strategic resources that create value when integrated into more operational marketing processes, particularly digital marketing.

Directly, sustainability orientation, digital readiness, and entrepreneurial orientation have been proven to have a positive and significant effect on marketing performance. These findings are consistent with (Bechtel et al., 2025; Yi et al., 2021; Zheng, 2024) which emphasize that sustainability orientation, digital readiness, and entrepreneurial orientation play an important role in building reputation, marketing efficiency, and the competitive advantage of MSMEs. MSMEs that internalize sustainability values, have adequate digital competencies, and are innovative and proactive tend to be able to respond to market dynamics more adaptively, thereby directly impacting increased marketing effectiveness and customer loyalty.

However, the results of this study indicate that the influence of these three variables becomes stronger when channeled through digital marketing. This finding supports the capability-based view logic, which states that strategic resources will only generate performance when operationalized in concrete marketing activities. Digital marketing enables MSMEs to communicate sustainability values, leverage technological readiness, and channel entrepreneurial innovation into tangible and measurable market interactions (Phuong Dung et al., 2023).

Furthermore, digital marketing has been proven to have a positive and significant impact on marketing performance, confirming its role as a key marketing capability in the context of MSMEs. Through the use of social media, e-commerce, and other digital channels, MSMEs can increase their market reach, customer engagement, and promotional cost efficiency. These findings are in line with (Phuong Dung et al., 2023) which emphasizes that digital marketing not only functions as a promotional tool, but also as a means of building long-term relationships with customers.

The mediation test results provide a deeper understanding of the mechanisms of the relationship between variables. Digital marketing significantly mediates the influence of sustainability orientation, digital readiness, and entrepreneurial orientation on marketing performance. This shows that the values of sustainability, digital readiness, and entrepreneurial innovation will have a more optimal marketing impact when communicated and implemented through effective digital marketing strategies. Among the three mediation pathways, the influence of entrepreneurial orientation through digital marketing shows relatively greater

strength, indicating that innovative ideas and risk-taking are most effectively translated into marketing performance through the use of digital channels.

Overall, the findings of this study confirm that digital marketing serves as the main connecting mechanism that integrates the strategic orientation and internal capabilities of MSMEs into the achievement of marketing performance. These results reinforce the view that the marketing excellence of MSMEs is determined not only by resource ownership, but by the ability to combine sustainability orientation, digital readiness, and entrepreneurial orientation into coordinated and sustainable digital marketing practices.

4. Conclusion

This study concludes that sustainability orientation, digital readiness, and entrepreneurial orientation have a positive and significant effect on the marketing performance of MSMEs, both directly and indirectly through digital marketing as a mediating variable. These findings indicate that the strategic orientation and internal readiness of MSMEs will only result in optimal marketing performance when implemented through effective digital marketing strategies. Theoretically, these research results reinforce the MSME marketing literature by emphasizing the role of digital marketing as a connecting mechanism that integrates sustainability values, digital competencies, and entrepreneurial innovation in improving marketing performance.

In practical terms, MSMEs are advised to improve their digital readiness and entrepreneurial orientation, and to consistently communicate their sustainability values through digital platforms. Strengthen sustainability orientation on an ongoing basis by integrating sustainability principles into product development, production processes, and digital marketing strategies, so that improvements in marketing performance are not only short-term, but also capable of maintaining the sustainability and competitiveness of the business in the long term. The government and MSME support institutions need to support these efforts through training and guidance on digital marketing. This study has limitations in the use of perception data and the limited scope of the research object, so further research is recommended to add other variables and use a broader research approach and context to enrich the empirical findings.

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