

# **The Influence of Entrepreneurial Innovativeness Orientation and Service Driven Market Orientation (SERVMO) on Organizational Performance Hospitality Industry in Balikpapan, Indonesia.**

Sonny Cristian, Syarifah Hudayah, Herning Indriastuti  
*Mulawarman University, Samarinda*

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## **ABSTRACT:**

*The Growth of hospitality Industries has challenges to manage with appropriate management, This study aims to analyze the influence of Entrepreneurial Innovativeness Orientation, Service Driven Market Orientation (SERVMO) and Organizational Performance of hospitality Industries in Balikpapan, Indonesia. Data were collected using a questionnaire distributed to 48 stars hotels in Balikpapan Indonesia with technique purposive sampling directly to hotel top management such as hotel manager, department head, and hotel owner as respondents. Analysis data proceed by statistics tools of Partial Least Square (PLS) with conclusion of this study are: (1) Entrepreneurial Innovativeness Orientation has a positive and significant effect on Service Driven Market Orientation (SERVMO). (2) Service Driven Market Orientation (SERVMO) has a positive and significant effect on Organizational Performance. (3) Entrepreneurial Innovativeness Orientation has a positive and significant effect on Organizational Performance. (4) Entrepreneurial Innovativeness Orientation has a positive and significant effect on Organizational Performance through Service Driven Market Orientation (SERVMO) as mediation.*

**KEY WORD:** *Entrepreneurial Innovativeness Orientation, Service Driven Market Orientation (SERVMO), Organizational Performance*

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## **I. INTRODUCTION**

The existence of a hotel in hospitality Industries depends on how it has a strategy to run its business, including how the management improve its internal scope, as well as the point of view to customers, competitors and and adaptation to technology. hotel entrepreneurs are required to find solutions in order to increase occupancy rates, including by improving organizational performance, variables are considered to influence organizational performance in hospitality industry are Entrepreneurial Innovativeness Orientation and Service Driven Market Orientation, these variables subject to have further research in order to find solution for this problem. Hospitality is a service industry that combines products and services. Building exteriors, hotel room interiors, restaurants, and food and beverage and more of product innovation, while the best service will come from the ability of hotel leaders and management to have good performance to create sales and retain customers.

## **II. LITERATURE REVIEW**

Entrepreneurial orientation has several dimensions, Hernández-Perlines et al., (2020) in their research shows that the three dimensions of innovation, proactiveness and risk taking have a positive and significant influence on entrepreneurial orientation, where innovation is the most important dimension of entrepreneurial orientation. Empirical evidence by Indriastuti, (2019) in his research on the clothing industry SMEs shows that entrepreneurial innovation has a positive and significant effect on Relational Capabilities, then Relational Capabilities have a positive and significant impact on Value Co-creation and marketing performance.

Confirming the previous research Shan, Song and Ju, (2016) conducted research on 153 new entrepreneurs and showed that innovation is the missing link between entrepreneurial orientation and performance, where innovation has a significant influence between the relationship between entrepreneurial orientation and performance. In addition, Chege, Wang and Suntu, (2020) in their research on 240 companies showed that innovation and information technology had a significant effect on company performance.

Runyan, Droge dan Swinney, 2008 in their study of many entrepreneurial companies in Ghana compared entrepreneurial orientation and small business orientation to company performance. Then, Stam,

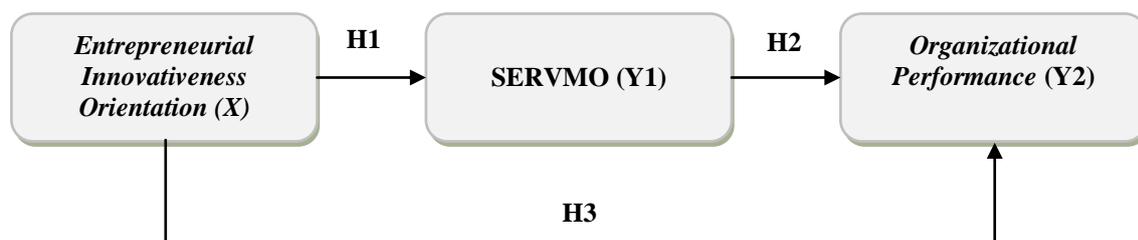
(2008) in his research on 90 new companies in the software field, he stated that companies that have few Bridging Ties and a centralized network will weaken the relationship between entrepreneurial orientation and company performance, in other words, this condition shows that entrepreneurial orientation has a negative effect. or not significant to organizational performance

The literature review above shows that there are differences in research results between entrepreneurial orientation or entrepreneurial innovation on organizational performance, where research by Indriastuti, (2019), Shan, Song and Ju, (2016), and Chege, Wang and Suntu, (2020) shows a strong relationship, positive and significant, while research other from Runyan, Droge and Swinney, (2008) and Stam, (2008) showed a negative or insignificant relationship. this is a research gap will be developed by add a new variable, namely service-based market orientation, this terms called for SERVMO which is the development of the concept of market orientation or market orientation by (Voon, 2007).

### III. METHODOLOGY

Data were collected using a questionnaire distributed to 48 stars hotels in Balikpapan Indonesia with technique purposive sampling directly to hotel top management such as hotel manager, department head, and hotel owner as respondents. The answers of respondents are measured based on a 5-point likert scale. The relationship between variables in this study was analyse using the Partial Least Square Structural Equation modeling method (PLS-SEM). Our research model to explain Entrepreneurial Innovativeness Orientation (EIO), Service Driven Market Orientation (SERVMO) and Organizational Performance (OP) of hospitality Industries in Balikpapan, Indonesia. EIO include four dimensions: (1) Product Innovation, (2) Service Innovation, (3) Technological Innovation and (4) Administrative Innovation. SERVMO include four dimensions: (1) Customer Orientation, (2) Competitive Orientation, (3) Long-Term Orientation and (4) Employee Orientation. OP include five dimensions: (1) Profitability, (2) Hotel room occupancy rate, (3) Visitor Growth, (4) Customer satisfaction and (5) Customer retention

**Figure 1. Research Framework**



Source: Processed Data, (2021)

- H1: Entrepreneurial Innovativeness Orientation (EIO) has a significant effect on Service Driven Market Orientation (SERVMO).
- H2: Service Driven Market Orientation (SERVMO) has a significant effect on Organizational Performance (OP).
- H3: Entrepreneurial Innovativeness Orientation (EIO) has a significant effect on Organizational Performance (OP).
- H4: Entrepreneurial Innovativeness Orientation (EIO) has a significant effect on Organizational Performance (OP) Through Service Driven Market Orientation (SERVMO).

### IV. RESULTS

Study is necessary to have an object to be studied, namely the population. According to Sugiyono, (2014), population is a generalization area consisting of objects / subjects that have certain qualities and characteristics that are determined by researchers to be studied and then drawn conclusions. In this case the total population is all star hotel in Balikpapan, Indonesia. amounting to 48 people who are in several position related to top management of the hotels. Based on the answers from questionnaire, we found the detail data that given by the respondents in this study, and it can be explained several criteria in the table of Sample Characteristics below:

**Table 1. Sample Characteristics**

<i>Demography</i>	<i>n</i>	<i>%</i>
<i>Number of Respondents (n=48)</i>		
<i>Hotel Class.</i>		
<i>1 Star Hotel</i>	<i>12</i>	<i>25.0%</i>
<i>2 Stars Hotel</i>	<i>8</i>	<i>16.7%</i>
<i>3 Stars Hotel</i>	<i>16</i>	<i>33.3%</i>
<i>4 Stars Hotel</i>	<i>9</i>	<i>18.8%</i>
<i>5 Stars Hotel</i>	<i>3</i>	<i>6.3%</i>
<i>Operation Duration</i>		
<i>1 - 5 Years</i>	<i>8</i>	<i>16.7%</i>
<i>6 - 10 Years</i>	<i>13</i>	<i>27.1%</i>
<i>11 - 15 Years</i>	<i>11</i>	<i>22.9%</i>
<i>16 - 20 Years</i>	<i>10</i>	<i>20.8%</i>
<i>&gt; 20 Years</i>	<i>6</i>	<i>12.5%</i>
<i>Types of Position</i>		
<i>Operational manager</i>	<i>21</i>	<i>43.8%</i>
<i>General manager</i>	<i>8</i>	<i>16.7%</i>
<i>Hotel Owner</i>	<i>3</i>	<i>6.3%</i>
<i>Head of Department</i>	<i>9</i>	<i>18.8%</i>
<i>Hotel Leader</i>	<i>6</i>	<i>12.5%</i>
<i>Sales Manager</i>	<i>1</i>	<i>2.1%</i>
<i>Years of Service</i>		
<i>&lt; 5 Years</i>	<i>5</i>	<i>10.4%</i>
<i>10 - 15 Years</i>	<i>23</i>	<i>47.9%</i>
<i>5 - 10 Years</i>	<i>12</i>	<i>25.0%</i>
<i>&gt; 15 Years</i>	<i>8</i>	<i>16.7%</i>

Source: Data Processing Results, (2021)

## V. DISCUSSION

### 5.1. Convergent Validity

Convergent validity is fulfilled if the scores obtained with two different instruments measuring the same concept show a high correlation. Indicators that have convergent validity are having an outer loading factor above 0.70, but the loading factor value of 0.50-0.60 can still be tolerated with a t-statistic value above 1.96 or a p-value <0.05. The discriminant validity is intended to test that a construct precisely measures only the construct to be measured, not other constructs. The discriminant validity testing method can use a cross-loading approach between the indicator and the extract and use the root of average variance extracted (AVE)

From the Smart-PLS report (Ringle et al., 2015), the AVE test results are shown in the following table:

**Table 2. AVE Test**

<i>Variable</i>	<i>AVE</i>	<i>Remarks</i>
<i>Entrepreneurial Innovativeness Orientation (X1)</i>	<i>0.664</i>	<i>Valid</i>
<i>Service Driven Market Orientation (Y1)</i>	<i>0.824</i>	<i>Valid</i>
<i>Organizational Performance (Y2)</i>	<i>0.687</i>	<i>Valid</i>

Source: Data Processing Results, (2021)

### 5.2. Reliability Test

Composite reliability and Cronbach alpha are used to test the value of reliability or reliability between the indicators of the constructs that make it up. The composite reliability and Cronbach alpha values are said to be good, if the value is above 0.70 is recommended, but the factor value of 0.50-0.60 can still be tolerated. In other words, good composite reliability and cronbach alpha values indicate that discriminant validity has been achieved :

**Table 3. Reliability Test**

<i>Variable</i>	<i>Cronbach's Alpha</i>	<i>Composite Reliability</i>	<i>Remarks</i>
<i>Entrepreneurial Innovativeness Orientation (X1)</i>	<i>0.830</i>	<i>0.887</i>	<i>Reliable</i>
<i>Service Driven Market Orientation (Y1)</i>	<i>0.928</i>	<i>0.949</i>	<i>Reliable</i>
<i>Organizational Performance (Y2)</i>	<i>0.887</i>	<i>0.916</i>	<i>Reliable</i>

Source: Data Processing Results, (2021)

### 5.3. Inner Model Evaluation

In assessing the model with PLS, it starts by looking at the R-square for each dependent latent variable. Table 5.18 is the estimation result of R-Square using Smart-PLS. In this study, the structural model was evaluated by considering the R-square (R<sup>2</sup>) and stone-Geisser's Q<sup>2</sup> (predictive relevance model). Q<sup>2</sup> (predictive relevance model) which measures how well the observation value is generated by the model. Q<sup>2</sup> is based on the coefficient of determination (R<sup>2</sup>) of all endogenous variables. Quantity Q<sup>2</sup> has a value range of 0 < Q<sup>2</sup> < 1, the closer to the value 1, the better the model. The formula for Q<sup>2</sup> Predictive relevance testing is as follows:

**Table 4. R Square**

Variable	Nilai R Square	Adjusted R Square
<i>Service Driven Market Orientation (Y1)</i>	<i>0.511</i>	<i>0.5</i>
<i>Organizational Performance (Y2)</i>	<i>0.839</i>	<i>0.832</i>

Source: Data Processing Results, (2021)

### 5.4. Hypothesis Test Results

#### 5.4.1. Direct Influence Hypothesis Testing

After ensuring that the construct measurement model is reliable and valid, then hypothesis testing is carried out. Hypothesis testing in this study is carried out on a structural model or inner model which shows a direct or indirect relationship between exogenous and endogenous latent variables. Hypothesis testing is based on the significance value of the path coefficient after re-sampling or bootstrapping 5,000 times. The statistical test used is the t test with a confidence level of 95% or a significance level of 5%. The hypothesis is accepted if the t value is greater than the t table value for the two-sided test, namely 1.96. The results of the bootstrapping procedure are as shown in Table 3.10

Based on Table 3.10, the results of hypothesis testing can be interpreted as follows:

**Table 5. Effect of Exogenous (X) and Endogenous (Y) Variables**

Exogenous	Endogenous	Original Sample (O)	Sample Mean (M)	Standart Deviation	T Statistik ((O/STDEV))	P Value
<b>EIO (X1)</b>	<b>SERVMO (Y1)</b>	<b>0.715</b>	<b>0.716</b>	<b>0.070</b>	<b>10.183</b>	<b>0.000</b>
<b>EIO (X1)</b>	<b>OP (Y2)</b>	<b>0.256</b>	<b>0.246</b>	<b>0.083</b>	<b>3.099</b>	<b>0.002</b>
<b>SERVMO (Y1)</b>	<b>OP (Y2)</b>	<b>0.715</b>	<b>0.726</b>	<b>0.079</b>	<b>9.085</b>	<b>0.000</b>

Source: Data Processing Results, (2021)

Refer to Path Coefficients, T statistics, and P Value table and Path Diagram of the PLS Bootstrapping Structural Model, the results of hypothesis can be summarized as follows

**H1:** The influence of Entrepreneurial Innovativeness Orientation (EIO) on Service Driven Market Orientation (SERVMO) through a path coefficient value of 0.715 and a T-statistic of 10.183 and a P value of 0.000. The T-statistic value is greater than T table (1.96) while the P value is smaller than <0.05. It can be concluded that the Entrepreneurial Innovativeness Orientation (EIO) has a significant positive effect on Service Driven Market Orientation (SERVMO). Based on these results, it can be concluded that hypothesis 1 is accepted. The implementation of an Entrepreneurial Innovativeness Orientation (EIO) is able to improve and make a good contribution to the implementation of the Service Driven Market Orientation (SERVMO) of the hospitality industry in Balikpapan, Indonesia. This means the implementation of an Entrepreneurial Innovativeness Orientation (EIO) is internally influenced by four dimensions: product innovation, service innovation, technological innovation and also administrative innovation. The results of this study are in line with research conducted by Hernández-Perlines et al., (2020) in their research which shows that three dimensions of innovation have a positive and significant influence on entrepreneurial orientation, and Lee et al., (2015) in their research shows that the orientation of market has a significant effect on financial and non-financial business performance.

**H2:** The influence of Entrepreneurial Innovativeness Orientation (EIO) on Organizational Performance (OP) through a path coefficient value of 0.256 and a T-statistic of 3.099 and a P value of 0.002. The T-statistic value is greater than T table (1.96) while the P value is smaller than <0.05. It can be concluded that the Entrepreneurial Innovativeness Orientation (EIO) has a significant positive effect on Organizational Performance (OP). Based on these results, it can be concluded that hypothesis 2 is accepted. The implementation of an Entrepreneurial Innovativeness Orientation (EIO) is able to improve and make a good

contribution to the Organizational Performance (OP) of the hospitality industry in Balikpapan, Indonesia. Where the Entrepreneurial Innovativeness Orientation (EIO) referred to in this study is the ability of hotel entrepreneurs or hotel management to develop product innovation, service innovation, technological innovation and also administrative innovation. The results of this study are in-line with research conducted by Chege, Wang and Suntu, (2020) where his research shows that innovation and information technology have a significant effect on company performance. and also in accordance with research conducted by Indriastuti, (2019) where the research shows that entrepreneurial innovation has a positive and significant effect on Relational Capabilities, then Relational Capabilities have a positive and significant influence on Value Co-creation and marketing performance.

**H3:** The influence of Service Driven Market Orientation (SERVMO) on Organizational Performance (OP) through a path coefficient value of 0. 715 and a T-statistic of 9.085 and a P value of 0.000. The T-statistic value is greater than T table (1.96) while the P value is smaller than <0.05. It can be concluded that the Service Driven Market Orientation (SERVMO) has a significant positive effect on Organizational Performance (OP). Based on these results, it can be concluded that hypothesis 3 is accepted. The implementation of an Service Driven Market Orientation (SERVMO) is able to improve and make a good contribution to the Organizational Performance (OP) of the hospitality industry in Balikpapan, Indonesia. Main priority of Service Driven Market Orientation (SERVMO) which is reflected in customer orientation, competitor orientation, employee orientation and long-term orientation that will improve competitiveness and hotel performance in order to facing a volatile market. results of this study support several previous studies conducted by Aziz et al., (2019) in their research showing that entrepreneurial orientation and market orientation have a good relationship and have a significant effect on company performance. and also research by Tricahyadinata et al., (2015) which shows that SERVMO has a significant effect on entrepreneurial orientation and then SERVMO is also a mediation that has a significant influence between entrepreneurial orientation on organizational performance. And also Hilman and Kaliappen, (2014) in their research confirmed the positive and significant influence of market orientation on organizational performance.

**5.4.2. Hypothesis Testing of Indirect Effects**

**H4:** The indirect effect hypothesis testing is carried out with the aim of testing the indirect effect of exogenous variables on endogenous variables through moderating variables. The test criteria state that if the p value ≤ level of significance (alpha = 5%) then it is stated that there is a significant effect of exogenous variables on endogenous variables through intervening variables. The results of hypothesis testing of indirect effects can be seen through the summary in the following table:

**Table 6. Effect of Exogenous (X) and Endogenous (Y) Variables**

Exogenous	Mediation	Endogenous	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistik (IO/STDEVI)	P Value
EIO (X1)	SERVMO (Y1)	OP (Y2)	0.511	0.521	0.083	6.145	0.000

Source: Data Processing Results, (2021)

The results of the analysis in the table show the influence of Entrepreneurial Innovativeness Orientation (EIO) on Organizational Performance (OP) moderated by Service Driven Market Orientation (SERVMO) can be seen from the path coefficient value of 0. 511, and the t-statistical test results of 6.145 and p-value with a value of 0.000. The measurement results show that the t-statistic > t-table is 1.96 and the p-value < 0.05. From these results. It can be concluded that variable Service Driven Market Orientation (SERVMO) is able to moderate the influence of Entrepreneurial Innovativeness Orientation (EIO) on Organizational Performance (OP), or in other words the Service Driven Market Orientation (SERVMO) has a significant effect on the relationship between the variable Entrepreneurial Innovativeness Orientation (EIO) and Organizational Performance (OP) in hospitality industry at Balikpapan, Indonesia.

**VI. CONCLUSIONS**

Based on the results of the analysis and hypothesis testing and discussion, several conclusions can be presented as follows: (1) The results of data analysis state that Entrepreneurial Innovativeness Orientation (EIO) has a positive and significant effect on Driven Market Orientation (SERVMO). This means that the existence of a good innovation implementation, especially adapted with innovation of technology, will be able to increase SERVMO, related with fact that indicator has a dominant influence on the variable of EIO in hospitality industry at Balikpapan Indonesia is innovation of technology.(2) The second results of data analysis state that Driven Market Orientation (SERVMO) has a positive and significant effect on Organizational Performance (OP). This means that the existence of a good SERVMO implementation, will be able to increase Organizational

Performance (OP), especially implementation of employee orientation, related with fact that indicator has a dominant influence on the variable of SERVMO in hospitality industry at Balikpapan Indonesia is employee orientation. (3) The third results of data analysis state that Entrepreneurial Innovativeness Orientation (EIO) has a positive and significant effect on Organizational Performance (OP). This means that the existence of a good innovation implementation, will be able to increase Organizational Performance (OP), the indicator Performance has a dominant in hospitality industry at Balikpapan Indonesia is customer retention. And the indirect relationship is found in this study is Entrepreneurial Innovativeness Orientation (EIO) positive and significant effect on Organizational Performance (OP) through SERVMO as mediation variable.

## VII. SUGGESTIONS

Hospitality industry in Balikpapan Indonesia or hotel management should be improve behavior of Innovativeness Orientation (EIO) in all conditions, both in good and difficult economic conditions, the way should be improve such as (1) creating attractive product innovation breakthroughs such as unique room designs or luxury, restaurants with international food standards, or promotional packages such as wedding packages. (2) Service innovation must also be improved by providing friendly service to customers, customer pick-up service, wifi service with a good connection, as well as providing good service in hotel restaurants and cafe. (3) Innovation and adaptation to technological advances should also be improved by utilizing websites and social media for product marketing promotions, and utilizing travel agent platforms to facilitate the room reservation process. One of important must be developed is (4) innovations in administration such as implementing KPI (Key Performance Indicators) in each section, developing procedures House Keeping and also hotel security procedures.

Other recommendation is hotel management should be applied behavior of Driven Market Orientation (SERVMO) to achieve high performance, this can be achieved by (1) having customer orientation by providing Excellent Service, (2) orientation towards competitors is also important to apply by trying to find out competitors' products and trying to adapt to create similar and better products. In addition, (3) the hotel is also recommended to have a long-term plan by developing facilities and systems. And the most important thing is (4) there is an employee orientation by providing skills and knowledge development training, then providing incentives, bonuses and awards to employees as appreciation for maintaining employee performance.

Business performer and hotel management are advised to always improve organizational performance, such as: (1) increasing profitability by entering into work contracts with corporate including companies or government in order to maintain the profits. (2) increasing room occupancy rate, especially during the covid-19 pandemic, to keep the occupancy rate from decreasing significantly by turn the hotel for COVID-19 quarantine place. (3) Maintaining customer growth by holding many events and MICE (Meetings, Incentives, Conventions, and Exhibitions). (4) increase customer satisfaction by providing Excellent Service, Knowing the customer needs. And (5) always maintains customer retention by having consistency in service, providing special rates for members, and always providing update information regarding new products and interesting promotions.

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