Effects of Customer Orientation and Service Innovation through Dynamic Marketing Capability: Resource-Based View & Dynamic Capability Theory Approach

Andreas[1]; Lauw Sun Hiong[2]
[1,2]Faculty of Economics and Business Widya Dharma University Pontianak, Indonesia
[1]andreasming77@gmail.com; [2]hiongsun@gmail.com

Abstract—**One of the problems experienced by micro, small, and medium enterprises is ignoring the importance of creating a sustainable marketing strategy and adapting to economic developments in the era of globalization. This study uses Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis to reveal the relationship between customer orientation and dynamic capability theory, which aims to improve marketing performance in the Small and Medium Enterprise Food and Beverage sector. The population in this study consisted of MSME entrepreneurs in Pontianak city, West Kalimantan, Indonesia with a total sample size of 134 in the food and beverage business sector. The results of the analysis show that the adoption of dynamic capability theory can provide insight to business people to determine marketing strategies that are sustainable and adaptive to economic development.**

Keywords—Customer Orientation; Service Innovation; Dynamic Marketing Capability; Marketing Performance

I. INTRODUCTION

During the era of globalization, the global economy has experienced rapid and fluctuating development. The impact of globalization is felt worldwide, including in the Asia-Pacific region, which is particularly strategic for economic interests. This region connects Southeast Asia, East Asia, Australia, the American continent, and even South Asia. As a result, the impact on micro, small, and medium enterprises (MSMEs), particularly in the Asia-Pacific region, is characterized by increased business competition.

The role of MSMEs is significant for economic growth in a country, especially in Indonesia, considering that most are household business activities that can absorb a large amount of labor. According to data from the Ministry of Cooperatives and SMEs, by 2023, micro, small, and medium enterprises in Indonesia will reach around 66 million, absorbing approximately 117 million workers (97% of the total workforce) and contributing 61% of Indonesia's gross domestic product (GDP), which is equivalent to Rp9,580 trillion.

The food and beverage sector is one of the sectors most undertaken by micro, small, and medium business owners at this time, especially in Pontianak City, which is a strategic area because it is a transit area for local people who want to travel outside the West Kalimantan area. This kind of thing requires business actors to be able to create sustainable and adaptive business strategies in responding to changes in the fluctuating economic environment. Companies and businesses often operate within limited resources, and implementing a service transition strategy may require inputting resources for core product and manufacturing competencies [1]. In this context, this is especially true for micro, small, and medium business owners with less than 200 employees, who due to their limited size and resources will continuously face pressure from larger competitors, larger in terms of size and resources [2], [3].

It should be noted that the culinary sector does not only need to focus on the quality of the products offered, but business owners are also required to be able to adjust to market trends and needs as well as the creation of innovative services. This statement is also supported by research [4] which states that to enhance company performance and remain competitive in the future, companies must shift from a goods-centered paradigm to a service-centered view. In terms of improving company performance, marketing performance is one of the factors that has an important role and need to be highlighted because the performance of a company can be seen in general from marketing performance so far and is a factor that can be used to measure the impact of strategies implemented by the company, which is indicated by evaluating the increase in the number of sales, number of customers, company profits, market share, and popularity of the products offered [5], [6], [7].

In discussing marketing performance, important factors such as understanding information about customers cannot be ignored because companies that focus on customer needs tend to have a competitive advantage accompanied by better marketing capabilities [8]. Further studies on the importance of customer orientation show that understanding and fulfilling customer needs can create a competitive advantage as well as good marketing performance. However, despite the positive trend, customer-oriented businesses often overlook the dynamic ability to adapt to customer wants and needs. For this reason, an understanding of customer information and dynamic adaptability are considered essential for the sustainability of the company.

Searching for information about customers and utilizing information from customers in developing strategies to meet customer needs is considered one of the most crucial factors in supporting company performance including marketing performance itself [9], [10]. However, the role of customer orientation in improving marketing performance is still inconsistent, marked by several previous studies showing that there is no significant effect between organizational strategy and marketing performance because excessive focus on customer needs makes companies tend to be less innovative and slow to respond to volatile market changes [11], [12], [13], [14]. Therefore, customer orientation must be balanced with a sustainable and flexible marketing strategy. The inconsistency of the research results is what underlies the researcher's proposal of a new conceptual model by adopting dynamic capability theory to bridge the relationship between customer orientation and marketing performance and the resource-based view theory approach for companies to maximize the use of their resources to create competitive advantage.

II. RESEARCH METHODS

A. Data Source and Sample

In evaluating this research model, researchers invited business activity managers to voluntarily participate in this study. This study obtained 134 samples and was collected through distributing questionnaires online and direct surveys by applying a sampling method using non-probability sampling techniques with purposive sampling techniques where the sample must meet the criteria so that not all populations can be sampled to obtain valid and reliable data according to the research objectives. The sampling criteria set by researchers are 1) engaged in food and beverage, 2) located in Pontianak city, and 3) status as a manager or business owner. The scale used in the questionnaire is a numerical scale with values from 1 to 10, value 1 represents a strongly disagree answer while value 10 represents a strongly agree answer.

B. Measurement Instrument and Hypothesis Development

1) Customer Orientation

The origin of customer orientation is a business philosophy or policy statement that states that the goal of an organization is to meet customer needs with the aim of maximizing the profitability of the business being run [9]. Customer orientation is defined as the extent to which an organization obtains and utilizes information from customers to develop and implement strategies that are responsive to customer needs and wants [10], [15].

In research [16], it is said that customer orientation departs from the initial theory of market orientation which contains three components, namely customer orientation, competitor orientation, and coordination between functions in the organization. Companies that focus on customer needs tend to be in the best position to achieve long-term success compared to those that do not focus on customer needs because the main goal of market-oriented companies is to create customer retention and satisfaction. In research by [17], customer orientation is defined as an adequate understanding of target customers to create superior value for buyers on an ongoing basis. Therefore, customer orientation is considered a crucial factor that companies and businesses can utilize in decision-making. Based on research by [18], it reveals that several indicators of customer orientation can be used, namely searching for information about customers, understanding customer needs, and evaluating customer desires.

The relationship between customer orientation and dynamic capabilities and marketing performance has also been highlighted because of its positive influence on firm performance. In the micro, small, and medium enterprise sectors [19], it is stated that market orientation has a positive and significant influence on firm performance. Several previous studies have also shown that there is a positive effect of strategic orientation and customer knowledge management on adaptive marketing capability [20], [21]. Based on the description above, the following hypothesis is formulated

$H_{1:}$ customer orientation has a positive influence on dynamic marketing capability.

$H_{2:}$ customer orientation has a positive influence on marketing performance.

2) Dynamic Marketing Capability

Dynamic marketing capability is an adoption of the initial theory of dynamic capability, namely, the company's ability to respond rapid external market changes efficiently and quickly and is also defined as the company's ability to integrate, build, and reconfigure internal and external competencies to overcome environmental change problems quickly [22], [23]. Furthermore [24], concluded that dynamic capability is the process of a company using resources, especially in the process of integrating, reconfiguring, acquiring, and releasing resources to adjust and even create market changes.

The further developed concept shows that dynamic capabilities are supported by micro-foundations in the form of different skills, processes, and organizational activities and can be described as the basic capacity of the business to respond to rapid changes in the business environment, to create businesses with competitive advantages such as being able to perceive and shape opportunities and threats, being able to take maximum advantage of existing opportunities, and being able to maintain competitiveness [25]. Some dynamic capability indicators are formulated from the definitions by [23], [26], namely new products with up-to-date concepts, potential customer databases, good customer relationship quality, and attractive promotions.

In addition, research on the effect of dynamic marketing capabilities on marketing performance is still an interesting topic for some management experts. Some research on capabilities shows that capabilities have a significant effect on business performance in the form of brand performance, new customer acquisition, customer loyalty, and financial performance [27]. Based on some of the descriptions above, the following hypothesis is developed

$H_{3:}$ dynamic marketing capability has a positive influence on marketing performance.

3) Service Innovation

Innovation is the development of products or services that provide a variety of new options and the implementation of new combinations that can then generate profits and allow the organization to achieve a leadership position in the market [28], [29], [30]. Then a follow-up study by [31], defines service science as a combination of technological innovation, business model innovation, social organization innovation, and demand innovation to improve pre-existing service systems.

A study of service innovation is still of great interest to marketing and management experts in proving the positive relationship between service innovation in improving marketing performance. The positive relationship of service innovation can be seen in several ways such as increasing sales volume and market performance [32], [33], utilizing service innovation in meeting customer needs and adapting to market changes [3], as well as a positive influence on company value [34].

Based on previous research by [35], [36], [37], it is known that several indicators can be used to measure service innovation and have been summarized in several points, namely service changes according to needs, adaptation to technological changes, not easy to imitate, and the ability to improve quality services. The relationship of service innovation to the dynamic capabilities of the company has been an interesting subject, researchers have identified important capabilities to successfully manage external relationships for service innovation, with a particular focus on dynamic capabilities [38], [39], [40]. Based on the description above, the following hypothesis is formulated

$H_{4:}$ service innovation has a positive influence on dynamic marketing capability.

4) Marketing Performance

Marketing performance is defined as a concept to assess the extent of the influence of the strategy used as a form of marketing activity and consists of three dimensions, namely company effectiveness, sales growth, and profitability [41], [42]. In running a business, marketing performance is one of the crucial factors because marketing performance is one of the benchmarks for success in running a business including customer growth, sales growth, and profit growth [43]. Then a follow-up study by [44], states that marketing performance is the total accumulation of the final results of all activities and work processes of the company or a complete state view of the company during a certain period, which is the result or achievement influenced by the company's operational activities in utilizing the resources owned. Based on the definition of previous research by [35], [42], [45], regarding customer orientation, several marketing performance indicators are formulated consisting of customer growth, sales growth, profit growth, and broad marketing coverage.

5) Mediating Hypotheses

Based on previous research by [46], which states that companies that can collect information about the market well and have integration capabilities in their internal and external structures are effectively considered to be able to significantly improve business performance. Other studies by [40], [47], also reveal that dynamic capabilities play an important role in helping companies to break away from unfavorable path dependencies, as well as assisting in adapting and innovating according to changes in the market environment, which in turn will improve overall company performance. Based on some of the descriptions above, the hypothesis is formulated as follows.

$H_{5:}$ dynamic marketing capability has a mediating influence between customer orientation and marketing performance.

$H_{6:}$ dynamic marketing capability has a mediating influence between service innovation and marketing performance.

C. Analysis Method

The form of research is quantitative and applies component-based structural equation modeling (PLS-SEM) to investigate the predictive capacity of research models and is a statistical technique that allows modeling tan symbol equations that have several paths in a conceptual model consisting of more than one independent variable and has been successfully carried out in social science research for a long period [48]. This analysis was conducted using SmartPLS 4 software. Based on previous research guidelines by [49], researchers analyzed the data in two stages, namely measurement model assessment and structural model assessment.

Based on the procedure proposed by [50], this study evaluated reliability, convergent validity, and discriminant validity. In addition, the researcher checked the construct validity in terms of evaluating discrimination validity by applying the Fornell and Larcker methods. The statistical significance of the paths of the model was evaluated using the bootstrapping technique with 5000 resamples. This study also evaluated the goodness of fit of the model with several measures such as R Square, Q Square, SRMR, and Gof Index.

III. RESULT AND DISCUSSION

A. Result

According to the guidelines from previous research by [50], the loading factor, composite reliability (CR), and average variance extracted (AVE) should exceed 0.70, 0.70, and 0.50, respectively. In Table 1, all loading factors, CR, and AVE show values exceeding the recommended limits. Thus, both the reliability index and convergent validity in the sample have been achieved.

Discriminant validity is a form of evaluation to ensure that the variables in the study are theoretically distinct and empirically proven or statistically evaluated. As shown in Table 1, the correlation between variables is smaller in value than the square root of the AVE value in the corresponding row or column. These results indicate that the discriminant validity of the variables is met.

After evaluating the reliability and validity of the outer model, the researcher then examines the inner model. In this study, there are several steps of the method used and commonly followed as recommended by [48] to run structural models with PLS-SEM.

This study first addresses the issue of multicollinearity before conducting structural path analysis. It is recommended that the variables evaluated are free from multicollinearity issues between variables with the Inner VIF (Variance Inflated Factor) size recommended by [51] should be lower than 3.3. As in Table

2, it is known that the VIF (Variance Inflated Factor) value is lower than 3.3 which indicates that there is no multicollinearity problem in this study.

Table 1. Measurement model evaluation

Construct	Item	Loadings	CR	AVE	1	2	3	4
Customer Orientation (1)	Information about customers	0.809	0.703	0.628	**0.792**			
	Understanding customer needs	0.822						
	Customer desire evaluation	0.744						
Service Innovation (2)	Improving high-quality services	0.820	0.786	0.609	0.610	**0.748**		
	Technological adaptation	0.773						
	Not easily imitated	0.770						
	More attractive than competitors	0.758						
Dynamic Marketing Capability (3)	Products with updated concepts	0.768	0.739	0.560	0.576	0.705	**0.826**	
	Database of potential customers	0.786						
	High-quality customer relationships	0.724						
	Appealing promotions	0.715						
Marketing Performance (4)	Customer growth	0.829	0.845	0.683	0.613	0.667	0.716	**0.781**
	Sales growth	0.846						
	Profit Growth	0.834						
	Extensive marketing coverage	0.796						

Note. CR = composite reliability; AVE = average variance extracted

Source: SmartPLS 4 (2024)

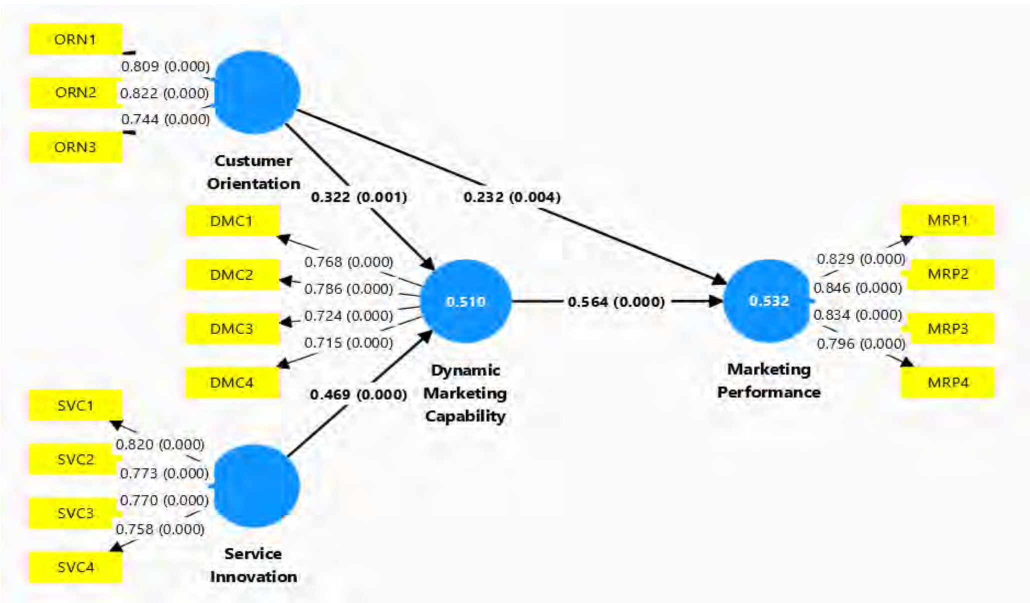

Figure. 1. Path analysis resource
Source: SmartPLS 4 (2024)

Table 2. Measurement model evaluation

H	Beta	SE	*t*-value	*p*-value	*F*^{2}	VIF	Decision
Direct effects							
H1	Customer Orientation -> Dynamic Marketing Capability						
	0.322	0.094	3.423	0.001	0.132	1.603	Supported
H2	Customer Orientation -> Marketing Performance						
	0.171	0.087	1.971	0.004	0.030	1.593	Supported
H3	Dynamic Marketing Capability -> Marketing Performance						
	0.592	0.088	6.694	0.000	0.357	1.593	Supported
H4	Service Innovation -> Dynamic Marketing Performance						
	0.469	0.093	5.027	0.000	0.280	1.603	Supported
Mediating effects							
H5	Customer Orientation -> Dynamic Marketing Capability -> Marketing Performance						
	0.191	0.059	3.253	0.001			Supported
H6	Service Innovation -> Dynamic Marketing Capability -> Marketing Performance						
	0.278	0.078	3.575	3.575			Supported

Goodness of fit test	Variable	Cut-off value	Result	Decision
R Square	Dynamic Marketing Capability	< 0.19	0.502	Fit
	Marketing Performance		0.524	
Q Square	Dynamic Marketing Capability	< 0	0.474	Fit
	Marketing Performance		0.463	
SRMR		0.08 – 0.10	0.091	Acceptable Fit
GoF Index		< 0.10	0.565	Large Fit

Source: SmartPLS 4 (2024)

In the next step, this study conducted hypothesis testing using the bootstrapping technique with 5000 resamples. As presented in Table 2, it is known that all hypothesized relationships are significant. Customer orientation ($\beta = 0.322$, $t = 3.423$, $p < 0.05$), and dynamic marketing capability ($\beta = 0.592$, $t = 6.694$, $p < 0.01$) have a positive and significant influence on marketing performance within the research framework and support H_2 and H_3. In line with research by [52], which also explains that understanding and meeting customer needs is the key to achieving good and optimal business results and at the same time explaining that customer orientation is a critical component of market orientation in supporting company performance. According to [53] also states the importance of the company's ability to reconfigure its resources to adapt and create a competitive advantage.

Similarly, customer orientation ($\beta = 0.171$, $t = 1.971$, $p < 0.05$), and service innovation ($\beta = 0.469$, $t = 5.027$, $p < 0.01$) also have a positive and significant influence on dynamic marketing capability within the research framework and support H_1 and H_4. In line with the research [54], which states that there is a mediating effect of dynamic capabilities between resources and performance, which indicates that customer orientation is a factor that can affect dynamic capabilities. In [55], it is said that technology adoption and the implementation of new infrastructure influence increasing dynamic capabilities, which also explains how service innovation can affect the dynamic capabilities of a company.

In addition, dynamic marketing capability has a partial mediating effect in the relationship between customer orientation and marketing performance ($\beta = 0.191$, $t = 3.253$, $p < 0.05$; VAF = 0.447 > 0.20), as well as the relationship between service innovation and marketing performance ($\beta = 0.278$, $t = 3.575$, $p < 0.01$; VAF = 0.278 > 0.20), which supports H_5 dan H_6. Based on previous research by [56], a partial mediation effect is shown when the variance accounted for (VAF) exceeds 0.2, and full mediation is shown when VAF exceeds 0.8. These results explain that there is a relationship between strategic orientation and innovation in influencing firm performance through adaptive marketing capabilities, in line with the views of [20] in his study emphasizing the importance of the firm's dynamic capabilities in managing the relationship between strategic orientation and innovation to create an adaptive marketing strategy. Based on research by [46], it is also emphasized that dynamic capabilities allow companies to manage market information optimally, which directly impacts company performance. This statement also supports the Resource-Based Advantage theory that companies that can utilize their dynamic capabilities will create superior business advantages over competitors.

Furthermore, R^2 evaluation is to determine how well the PLS-SEM model is in explaining and understanding the relationship between variables in the model. As presented in Table 2, it is known that each R^2 value shows 0.502 and 0.528 which indicates that the two constructs have a moderate coefficient of determination, and the model has a moderate explanatory power [56].

Furthermore, to evaluate the predictive power of the model on the endogenous variables in the model, this study calculates the magnitude of the F^2 effect of each variable. Based on guidance from [57], F^2 values of 0.02, 0.15, and 0.35 are interpreted as small, medium, and strong influences, respectively. As in Table 2, it is known that customer orientation has a small to medium effect on dynamic marketing capability variables and customer orientation has a small effect on marketing performance. In addition, dynamic marketing capability has a large effect on marketing performance, as well as service innovation on dynamic marketing capability.

In the last step, this study evaluates the predictive ability of the model by looking at the (Q^2) value. Based on guidance from previous research by [48], the model is considered to have predictive relevance if the value ($Q^2 > 0$). As presented in Table 2, the Q^2 value of dynamic marketing capability and marketing performance shows a value of 0.474 and 0.463, respectively, which indicates that the predictive relevance or predictive ability of the model is moderate.

B. Discussion

The results of this study indicate that dynamic capabilities play a significant role in improving overall firm performance. The findings in this study also support the Resource-Based View theory following previous research by [24], [58], which states that dynamic capability is the company's process of using the resources owned by the company to adjust to market changes, and explains that the resources owned by the company are one of the factors that can create competitive advantages, such as the use of technology to develop marketing models.

In addition, the findings in this study also have managerial implications where entrepreneurs are expected to focus on investing their resources through the development of dynamic capabilities within the internal and external company to improve the ability to respond to market changes.

An important implication for future research in this study is that there should be further exploration of the impact of dynamic capabilities on various aspects of firm performance and deeper knowledge of the evolving dynamic capabilities and their effects on overall firm performance. This study also contributed methodologically with the use of PLS-SEM software, where we emphasized the importance of predictive relevance to ensure the reliability of the findings of this study.

IV. CONCLUSION

The main purpose of this study is to examine a new conceptual model by adopting dynamic capability theory to bridge the relationship between orientation strategies and marketing performance in micro, small, and medium enterprises motivated by the gap in previous research on the effect of customer orientation on marketing performance, raising the question of how efforts need to be made so that the role of customer orientation can be maximized to achieve company goals, namely good and optimal marketing performance.

This study concludes that dynamic marketing capabilities to changes in the market environment are a key dimension in creating optimal marketing performance. Therefore, adaptability in marketing is crucial because by utilizing dynamic capabilities, companies and MSMEs can achieve a marketing model that constantly adapts to changes and needs.

The projected research model is a conceptual model that has been evaluated and investigated quantitatively to check the predictability of the model. Based on the structure of the proposed conceptual model, the optimal performance of micro, small, and medium enterprises can be realized through the utilization of information from customers as well as the formulation of business strategies that are sustainable and able to adapt to changes that occur.

This research also provides useful insights for micro, small, and medium enterprises to guide the formulation of new strategies aimed at improving marketing performance and provides useful information for professionals when using the framework.

V. ACKNOWLEDGMENTS

The researchers would like to express their deepest gratitude to every individual and organization that has supported this research. We express our deep appreciation to Dr. Hadi Santoso, S.E., M.M., and Genrawan Hoendarto, S.T., M.Kom. as the Rector and Vice Rector of Widya Dharma University Pontianak, for their support. Our thanks also go to Dr. M. Lauw Sun Hiong, S.E., M.M., the Head of the Management Study Program of Widya Dharma University Pontianak as well as the supervisor in this research, for his valuable guidance.

We would also like to express our deepest gratitude to our family and friends for their constant support and encouragement. Finally, our appreciation goes to the reviewers for their thorough review and valuable suggestions, which have helped improve the quality of this research. The support and contributions from all parties are very meaningful to the success of this research.

VI. REFERENCES

[1] L. J. Bourgeois, "On the measurement of organizational slack," *The Academy of Management Review*, vol. 6, no. 1, pp. 29–39, 1981, doi: 10.2307/257138.

[2] C. M. McDermott and D. I. Prajogo, "Service innovation and performance in SMEs," *International Journal of Operations and Production Management*, vol. 32, no. 2, pp. 216–237, Feb. 2012, doi: 10.1108/01443571211208632.

[3] T. Blommerde, "Service innovation and performance in micro, small, and medium-sized organizations," *European Journal of Business and Management Research*, vol. 7, no. 4, pp. 46–54, Jul. 2022, doi: 10.24018/ejbmr.2022.7.4.1510.

[4] S. L. Vargo and R. Lusch, "Evolving to a new dominant logic," 2004. [Online]. Available: https://www.researchgate.net/publication/272566759

[5] A. Puspaningrum, "Market orientation, competitive advantage and marketing performance of small medium enterprises (SMEs)," *Journal of Economics, Business, & Accountancy Ventura*, vol. 23, no. 1, pp. 19–27, Sep. 2020, doi: 10.14414/jebav.v23i1.1847.

[6] T. A. Ferdinand, "Social capital and competitive advantage (Modal sosial dan keunggulan bersaing)," 2005.

[7] Sefnedi and M. F. Julio, "The influence of market orientation, learning orientation and entrepreneurial orientation on marketing performance (Pengaruh orientasi pasar, orientasi pembelajaran dan orientasi kewirausahaan terhadap kinerja pemasaran)," 2023.

[8] T. J. Christian and Y. Yoestini, "The influence of customer orientation, entrepreneurial orientation, and industrial environment on sharia marketing performance through competitive advantage in seafood processed food umkm in Sidoarjo Regency (Pengaruh orientasi pelanggan, orientasi kewirausahaan, dan lingkungan industri terhadap kinerja pemasaran syariah melalui keunggulan bersaing pada umkm olahan pangan seafood di Kabupaten Sidoarjo)," *Jurnal Ilmiah Ekonomi Islam*, vol. 9, no. 3, p. 4316, Nov. 2023, doi: 10.29040/jiei.v9i3.11410.

[9] K. Appiah-Adu and S. Singh, "Customer orientation and performance: a study of SMEs," *Management Decision*, vol. 36, no. 6, pp. 385–394, 1998.

[10] R. W. Ruekert, "Developing a market orientation: an organizational strategy perspective," *International Journal of Research in Marketing*, vol. 9, no. 3, pp. 225–245, Aug. 1992, doi: 10.1016/0167-8116(92)90019-H.

[11] Pardi, Suharyono, S. Imam, and A. Zainul, "The effect of market orientation and entrepreneurial orientation toward learning orientation, innovation, competitive advantages and marketing performance," *European Journal of Business and Management*, vol. 6, no. 21, 2014, [Online]. Available: www.iiste.org

[12] R. Grewal and P. Tansuhaj, "Organizational capabilities for managing economic crisis / 67 building organizational capabilities for managing economic crisis: the role of market orientation and strategic flexibility," *J Mark*, vol. 65, pp. 67–80, 2001, doi: 10.1509/jmkg.65.2.67.18259.

[13] L. Harris, "Market orientation and performance: objective and subjective empirical evidence from UK Companies," *Journal of Management Studies*, vol. 38, pp. 17–43, 2001, doi: 10.1111/1467-6486.00226.
[14] R. Zulfikar, "Marketing performance influenced by market orientation thro-ugh value creation," 2018, doi: 10.2991/icobest-18.2018.64.
[15] Kohli and B. J. Jaworski, "Market orientation: the construct, research propositions, and managerial implications," *J Mark*, vol. 54, no. 2, pp. 1–18, 1990, doi: https://doi.org/10.2307/1251866.
[16] Helmi and A. Tengku, "Customer orientation as an organizational culture (Orientasi pelanggan sebagai budaya organisasi)," vol. 3, no. 1, 2014.
[17] M. Uncles, "Market orientation," *Autralian Journal Of Management*, vol. 25, no. 2, 2000, doi: 10.1177/031289620002500201.
[18] F. N. Hibatullah and E. Tjahjaningsih, "The effect of customer orientation and service quality on satisfaction and its impact on loyalty," *Management Studies and Entrepreneurship Journal*, vol. 4, no. 5, pp. 7179–7186, 2023, [Online]. Available: http://journal.yrpipku.com/index.php/msej
[19] Ó. González-Benito, J. Benito, and P. Muñoz-Gallego, "Role of entrepreneurship and market orientation in firms' success," *Eur J Mark*, vol. 43, pp. 500–522, Apr. 2009, doi: 10.1108/03090560910935550.
[20] A. E. Akgün and V. Polat, "Strategic orientations, marketing capabilities and innovativeness: an adaptive approach," *Journal of Business & Industrial Marketing*, vol. 37, no. 4, pp. 918–931, Jan. 2022, doi: 10.1108/JBIM-09-2020-0435.
[21] M. Falasca, J. Zhang, M. Conchar, and L. Li, "The impact of customer knowledge and marketing dynamic capability on innovation performance: an empirical analysis," *Journal of Business & Industrial Marketing*, vol. 32, no. 7, pp. 901–912, Jan. 2017, doi: 10.1108/JBIM-12-2016-0289.
[22] E. Fang and S. Zou, "Antecedents and consequences of marketing dynamic capabilities in international joint ventures," *J Int Bus Stud*, vol. 40, no. 5, pp. 742–761, Jun. 2009, doi: 10.1057/jibs.2008.96.
[23] D. J. Teece, G. Pisano, and A. Shuen, "Dynamic capabilities and strategic management," *Strategic Management Journal*, vol. 18, no. 7, pp. 509–533, 1997, doi: 10.1002/(SICI)1097-0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z.
[24] K. M. Eisenhardt and J. A. Martin, "Dynamic capabilities: what are they?," *Strategic Management Journal Strat. Mgmt. J*, vol. 21, pp. 1105–1121, 2000.
[25] P. Elf, A. Werner, and S. Black, "Advancing the circular economy through dynamic capabilities and extended customer engagement: Insights from small sustainable fashion enterprises in the UK," *Bus Strategy Environ*, vol. 31, no. 6, pp. 2682–2699, Sep. 2022, doi: 10.1002/bse.2999.
[26] A. Geyda, "Dynamic capabilities indicators estimation of information technology usage in technological systems," in *Studies in Systems, Decision and Control*, vol. 199, Springer International Publishing, 2019, pp. 379–395. doi: 10.1007/978-3-030-12072-6_31.
[27] M. Song, A. Di Benedetto, and R. Nason, "Capabilities and financial performance: the moderating effect of strategic type," *J Acad Mark Sci*, vol. 35, pp. 18–34, Mar. 2007, doi: 10.1007/s11747-006-0005-1.
[28] E. E. Akpan and O. I. Ogbogu-Asogwa, "Enabling service innovation through dynamic capabilities: insight from telecommunication firms," 2021. [Online]. Available: https://api.semanticscholar.org/CorpusID:251063400
[29] S. Fatonah, T. Haryono, and N. N. I. Sari, "The role of customer orientation in improving the marketing performance of restaurant MSMEs in Sragen Regency (Peran orientasi pelanggan dalam meningkatkan kinerja pemasaran UMKM rumah makan di Kabupaten Sragen)," *EKUITAS (Jurnal Ekonomi dan Keuangan)*, vol. 5, no. 1, pp. 78–97, May 2021, doi: 10.24034/j25485024.y2021.v5.i1.4750.
[30] H. Snyder, L. Witell, A. Gustafsson, P. Fombelle, and P. Kristensson, "Identifying categories of service innovation: a review and synthesis of the literature," *J Bus Res*, vol. 69, no. 7, pp. 2401–2408, Jul. 2016, doi: 10.1016/j.jbusres.2016.01.009.
[31] S. Durst, A. L. Mention, and P. Poutanen, "Service innovation and its impact: what do we know about?," *Investigaciones Europeas de Direccion y Economia de la Empresa*, vol. 21, no. 2, pp. 65–72, May 2015, doi: 10.1016/j.iedee.2014.07.003.
[32] C. Feng, R. Ma, and L. Jiang, "The impact of service innovation on firm performance: a meta-analysis," *Journal of Service Management*, vol. 32, no. 3, pp. 289–314, 2020, doi: 10.1108/JOSM-03-2019-0089.

[33] S. J. Grawe, H. Chen, and P. J. Daugherty, "The relationship between strategic orientation, service innovation, and performance," *International Journal of Physical Distribution & Logistics Management*, vol. 39, no. 4, pp. 282–300, Jan. 2009, doi: 10.1108/09600030910962249.

[34] E. Fang, R. W. Palmatier, and J. B. E. M. Steenkamp, "Effect of service transition strategies on firm value," *J Mark*, vol. 72, no. 5, pp. 1–14, Sep. 2008, doi: 10.1509/jmkg.72.5.1.

[35] L. Heng, A. T. Ferdinand, N. Afifah, and R. Ramadania, "Service innovation capability for enhancing marketing performance: an SDL perspectives," *Business: Theory and Practice*, vol. 21, no. 2, pp. 623–632, Jun. 2020, doi: 10.3846/btp.2020.12163.

[36] C. T. Prakoso, "Public service innovation in the population and civil registration office of kutai kartanegara district in the perspective of digital government (Inovasi layanan publik di dinas kependudukan dan catatan sipil kabupaten kutai kartanegara dalam perspektif digital government)," *Jurnal Paradigma*, vol. 9, no. 2, 2020, [Online]. Available: http://disdukcapil.kutaikartanegarakab.go.id/layanan_online/.

[37] O. Valentino and M. Agung Surianto, "The effect of service quality service innovation and customer value on customer satisfaction at Dulin Diluk travel (Pengaruh kualitas layanan inovasi layanan dan nilai pelanggan terhadap kepuasan pelanggan pada travel Dulin Diluk)," *Jurnal AKMAMI*, vol. 3, no. 1, pp. 87–96, 2022.

[38] T. Fischer, H. Gebauer, M. Gregory, G. Ren, and E. Fleisch, "Exploitation or exploration in service business development?," *Journal of Service Management*, vol. 21, no. 5, pp. 591–624, Jan. 2010, doi: 10.1108/09564231011079066.

[39] H. Lütjen, C. Schultz, F. Tietze, and F. Urmetzer, "Managing ecosystems for service innovation: a dynamic capability view," *J Bus Res*, vol. 104, pp. 506–519, Nov. 2019, doi: 10.1016/j.jbusres.2019.06.001.

[40] D. J. Teece, "Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance," *Strategic Management Journal*, vol. 28, no. 13, pp. 1319–1350, Dec. 2007, doi: 10.1002/smj.640.

[41] N. Cahyaningati, E. Handayanto, and C. Sa'diyah, "The effect of dynamic capability and market orientation on MSME marketing performance in Malang City," *Jamanika (Jurnal Manajemen Bisnis dan Kewirausahaan)*, vol. 3, no. 01, pp. 1–12, Mar. 2023, doi: 10.22219/jamanika.v3i01.25450.

[42] N. Rizky, A. Rosulin, M. F. Sidiq, and M. Panaroma, "The effect of market orientation and customers convection business marketing performance in the City of Palembang," *BISNIS : Jurnal Bisnis dan Manajemen Islam*, vol. 11, no. 1, p. 111, Jun. 2023, doi: 10.21043/bisnis.v11i1.17979.

[43] Lady Faerrosa, H. Sudiartha Athar, and H. Widiana, "Market orientation and product innovation as an msme marketing strategy," *Amwaluna: Jurnal Ekonomi dan Keuangan Syariah*, vol. 6, no. 2, pp. 362–378, 2022, doi: 10.29313/amwaluna.v6i1.10044.

[44] M. V. A. Karinda, L. Mananeke, and F. Roring, "The influnce of marketing strategy and product innovation on marketing peformance of Indihome product of PT.TELKOM Indonesia," *Pengaruh Strategi…… 1568 Jurnal EMBA*, vol. 6, no. 3, pp. 1568–1577, 2018.

[45] S. Suprapti, "Improving marketing performance through business agility and market orientation in micro, small, and medium enterprises in Semarang City," *Arthatama Journal of Business Management and Accounting*, vol. 6, no. 1, pp. 26–43, 2022.

[46] R. J. Correia, J. G. Dias, and M. S. Teixeira, "Dynamic capabilities and competitive advantages as mediator variables between market orientation and business performance," *Journal of Strategy and Management*, vol. 14, no. 2, pp. 187–206, Jan. 2021, doi: 10.1108/JSMA-12-2019-0223.

[47] S. S. Zhou, A. J. Zhou, J. Feng, and S. Jiang, "Dynamic capabilities and organizational performance: The mediating role of innovation," *Journal of Management and Organization*, vol. 25, no. 5, pp. 731–747, Sep. 2019, doi: 10.1017/jmo.2017.20.

[48] J. Hair, G. T. M. Hult, C. Ringle, and M. Sarstedt, "A primer on partial least squares structural equation modeling (PLS-SEM)," 2017.

[49] J. Anderson and D. Gerbing, "Structural equation modeling in practice: a review of recommended two-step approach," *Psychological Bulletin - PSYCHOL BULL*, vol. 103, pp. 411–423, May 1988, doi: 10.1037/0033-2909.103.3.411.

[50] J. Hair, G. T. M. Hult, C. Ringle, M. Sarstedt, N. Danks, and S. Ray, "Partial least squares structural equation modeling (PLS-SEM) using r: a workbook," 2021.

[51] N. Kock and G. S. Lynn, "Lateral collinearity and misleading results in variance-based SEM: an illustration and recommendations," *J Assoc Inf Syst*, vol. 13, no. 7, pp. 546–580, 2012, doi: 10.17705/1jais.00302.
[52] S. Tuominen, H. Reijonen, G. Nagy, A. Buratti, and T. Laukkanen, "Customer-centric strategy driving innovativeness and business growth in international markets," *International Marketing Review*, vol. 40, no. 3, pp. 479–496, Aug. 2023, doi: 10.1108/IMR-09-2020-0215.
[53] S. Sarkar, D. M. Coelho, and J. Maroco, "Strategic orientations, dynamic capabilities, and firm performance: an analysis for knowledge intensive business services," *Journal of the Knowledge Economy*, vol. 7, no. 4, pp. 1000–1020, 2016, doi: 10.1007/s13132-016-0415-3.
[54] A. P. Monteiro, A. M. Soares, and O. L. Rua, "Linking intangible resources and export performance," *Baltic Journal of Management*, vol. 12, no. 3, pp. 329–347, Jan. 2017, doi: 10.1108/BJM-05-2016-0097.
[55] B. Ziyae, H. Sadeghi, and M. Golmohammadi, "Service innovation in the hotel industry: the dynamic capabilities view," *Journal of Enterprising Communities: People and Places in the Global Economy*, vol. 16, no. 4, pp. 582–602, Jan. 2022, doi: 10.1108/JEC-12-2020-0205.
[56] J. Hair, C. Ringle, and M. Sarstedt, "PLS-SEM: indeed a silver bullet," *Journal of Marketing Theory and Practice*, vol. 19, no. 2, pp. 139–152, Apr. 2011, doi: 10.2753/MTP1069-6679190202.
[57] J. Cohen, "Statistical power analysis for the behavioral sciences second edition," 2nd ed. New York: LAWRENCE ERLBAUM ASSOCIATES, 1988.
[58] J. Barney, "Firm resources and sustained competitive advantage," *J Manage*, vol. 17, no. 1, pp. 99–120, 1991.