

THE ROLE OF DIGITAL MARKETING STRATEGY MEDIATES THE INFLUENCE OF DIGITAL ORIENTATION ON SUSTAINABLE BUSINESS PERFORMANCE

Putu Laksmi Dewi Rahmayanti¹, I Wayan Suartina², Ni Nyoman Kerti Yasa³, I Gusti
Ayu Tirtayani⁴

^{1,2}Fakultas Ekonomi, Bisnis dan Pariwisata, Universitas Hindu Indonesia

³Fakultas Ekonomi dan Bisnis, Universitas Udayana, Bali

⁴Fakultas Ekonomi dan Bisnis, Universitas Pendidikan Nasional, Denpasar

Corresponding author: kertiyasa@unud.ac.id

Abstract

This study aims to examine and explain the role of digital marketing strategy in mediating the effect of digital Orientation on sustainable business performance. The population of this study is Endek MSMEs business actors in Bali who have adopted digital strategies within the last three years. The sample size used was 65 people using the purposive sampling method. The analysis technique used is Path Analysis using SEM-PLS. The results showed that digital Orientation affects sustainable business performance, digital Orientation affects digital marketing strategy, and digital marketing strategy also affects sustainable business performance. Digital marketing strategy can partially mediate the effect of digital Orientation on sustainable business performance. Therefore, endek MSME need to pay attention and increase the intensity of adopting digital marketing strategies to improve sustainable business performance.
Keywords: digital Orientation, digital marketing strategy, sustainable business performance, endek MSMEs.

INTRODUCTION

Sustainable business performance is a condition desired by all business sectors in an industry. The business performance achieved by a company should be maintained for a relatively long period. Several studies examining sustainable business performance have been researched by several previous researchers, including Tze et al. (2022), Shah et al. (2023), Hossain et al. (2023), Abrokwah-Larbi (2024), Ahmad et al. (2024). Sustainable business performance is more dominant in highlighting business performance that considers environmental aspects. However, some examine sustainable business performance from economic, socio-cultural, institutional, and environmental aspects. This study uses business performance measurements from these four aspects. Sustainable business performance can be influenced by several variables, namely external factors and internal factors. External factors that can affect sustainable business performance include government support, government regulations, and changes in market tastes, and internal factors that affect sustainable business performance can come from company resources. One of the Company's resources that can affect sustainable business performance is

the Orientation of the business people themselves. The Orientation of business people that is trending now is digital. This is because business people must be quickly adaptive to the massive development of digital technology if they want to survive in the industry. From tracing the results of previous research, it is found that digital Orientation has a positive effect on sustainable business performance (Ismail, 2023a; Nakabuye et al., 2023; Vo et al., 2024). The research results on digital Orientation's effect on sustainable business performance do not all show harmonized results. Some research results show that digital Orientation cannot improve sustainable business performance (Yasa et al., 2024). This shows that more research is needed on the effect of digital Orientation on sustainable business performance. Therefore, it is necessary to find a solution by adding a suitable mediating variable. The suitable mediating variable used is the adoption of digital marketing strategies. This variable was chosen because it has a reason: digital marketing strategies can be more intensively implemented if business people have a digital orientation (Ismail, 2023b; Nugroho, 2023). That is, if the digital Orientation of business actors is higher, the adoption of digital marketing strategies will increase. Likewise, an increasingly intensive digital marketing strategy can increase sustainable business performance. (Zoppelletto et al., 2020; Fayos et al., 2023; Liu et al., 2024; Zheng, 2024). Therefore, this study aims to explain the role of digital marketing strategy in mediating digital Orientation to sustainable business performance.

LITERATURE REVIEW, CONCEPTUAL MODEL AND HYPOTHESIS DEVELOPMENT

Digital Orientation

According to Nugroho (2023) and Nasiri et al. (2022), a digital orientation is a form of transformation of technology orientation in the present. A company's digital Orientation significantly influences its ability to innovate in the management world, which is seen as leverage in business competition because it can bring the organization better business performance. According to Wahyuningtyas et al. (2023), digital Orientation is the Company's commitment to adopting digital technology to prepare innovative products, services and solutions. Dedication to technological development and adopting relevant digital technology allows a company to develop innovatively following current business trends. Digitally oriented companies are more likely to produce digital innovations (Khin et al., 2012). Supported by Resources-based Theory, companies with superior technology orientation achieve greater levels of innovation because the Company's vision can be improved through the Company's commitment to the use of new technology to develop innovative products.

Digital marketing strategy

Digital marketing uses digital technology to acquire customers and build customer preferences, promote brands, retain customers and increase sales (Kannan and Li, 2017; Giantari et al., 2022). Previously, Yasmin et al. (2015) defined digital marketing as a series of the most essential elements of digital technology in the marketing field. The influence of digital marketing consists of online advertising, email marketing, social media, text messaging, affiliate marketing, and Search Engine Optimisation (SEO). Conti et al. (2023) and Deb et al. (2024) stated that digital marketing strategies can indeed be used to improve sustainable business performance. The American Marketing Association (A.M.A.) defines Digital Marketing as the use of digital channels to promote a brand or reach consumers. Digital marketing can be done through the Internet, social media, search engines, mobile devices, and other channels. This requires a new way of marketing to consumers and understanding the impact of consumer behaviour. Therefore, digital marketing involves managing a company's online presence using various technological tools to achieve marketing objectives and generate value for customers and other stakeholders. Digital marketing also provides a more effective way to reach a broader market and expand the customer base by engaging existing and potential customers (Ros ario and Dias, 2022).

Sustainable business performance

Agyabeng-Mensah et al. (2021) stated that sustainability business performance is a challenging task for companies (Agyabeng-Mensah et al., 2020; Agyabeng-Mensah et al., 2019). Business performance is mainly measured from a financial perspective as the primary goal of the Company and pays less attention to non-financial performance (Agyabeng-Mensah et al., 2020; Acquah et al., 2020), but some have paid balanced attention to financial and non-financial performance in achieving their business performance (Yasa et al., 2020a; Yasa et al., 2020b; Yasa et al., 2021; Muna et al., 2022). Nowadays, business performance is also associated with paying attention to environmental factors that lead to sustainable business performance. The introduction of sustainability initiatives has expanded traditional initiatives on measuring business performance to include non-financial performance, such as social and environmental performance (Agyabeng-Mensah et al., 2021). This research defines sustainable business performance as the degree of positive influence of corporate policies and practices towards improving environmental, social and business performance. Svensson et al. (2018) state that it is essential for companies to consider economic, social and environmental performance aspects in measuring sustainability.

Conceptual Framework

Sustainable business performance includes a company's financial and non-financial performance that should pay attention to the development of environmental changes. The most massive environmental change today is the development of digital technology. In general, business people always adopt these changes in the Company. One way to do this is to build a digital orientation culture. Through a digital orientation culture, it is expected to increase the adoption of business strategies, including digital marketing strategies. In such a way, the Company's performance will undoubtedly increase and be sustainable.

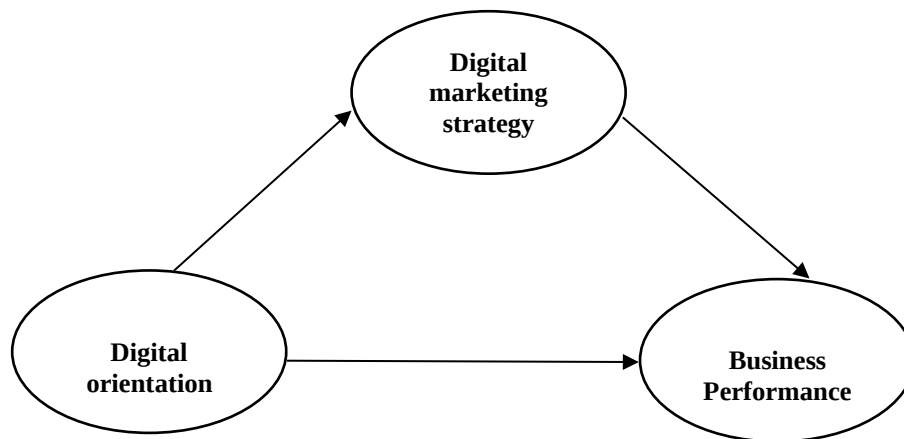


Figure 1
Research Conceptual Framework

Research Hypothesis

- H1 : Digital Orientation has a positive and significant effect on sustainable business performance.
- H2 : Digital Orientation has a positive and significant effect on digital marketing strategy.
- H3 : Digital marketing strategy has a positive and significant effect on sustainable business performance.
- H4 : Digital marketing strategy can significantly mediate the effect of digital Orientation on sustainable business performance.

RESEARCH METHODS

The research was conducted on endek MSMEs in Bali, which have adopted digital marketing strategies in the last three years. Data collection was conducted using a questionnaire as the research instrument. A preliminary survey was conducted on 30 respondents to assess the construct measurement instrument. The results showed that the research constructs were valid because the correlation value was above 0.30 and reliable because Cronbach's Alpha value was above 0.6. The sample size studied was 90 endek MSMEs in Bali (using the formula 5 x the number of indicators). Still, after the data was collected, 25 MSMEs needed to fill in completely, so the number of respondents whose data was analyzed was only 65 MSMEs. The sample size in the study was 65 MSMEs business people in Bali filling out questionnaires and providing perceptual assessments of statements representing each research construct (digital Orientation, digital marketing strategy, and sustainable business performance). A rating scale from 1 (strongly disagree) to 5 (strongly agree) was used to assess respondents' responses to the research constructs. The model was tested using SEM-PLS analysis.

Table 1.
Results of Instrument Validity and Reliability Testing

Variable	Item	Correlation of r	Cronbach's Alpha α
Digital orientation (X)	X1		0,938
Our Company uses digital technology to understand consumers	X1.1	0,906	
Our Company sells products through digital channels	X1.2	0,871	
Our Company uses digital channels to provide customer service	X1.3	0,702	
Technology enables the Company to connect consumers with operational processes in new ways.	X1.4	0,879	
Our Company has an integrated view of consumer information	X1.5	0,793	
The Company uses analytics to make operational decisions	X1.6	0,871	

We use digital technology to add value to our services to consumers	X1.7	0,882	
The Company has new business models based on digital technology	X1.8	0,819	
Digital marketing strategy (Y1)	Y1		0,903
Our Company always uses social media in marketing products	Y1.1	0,921	
Our Company always makes video marketing.	Y1.2	0,886	
Our Company creates a customer database for email communication	Y1.3	0,869	
Our Company uses search engine optimization.	Y1.4	0,706	
Our Company is trying to have a marketing website	Y1.5	0,862	
Sustainable business performance (Y2)			0,926
Our Company can create work safety	Y2.1	0,832	
Our Company can provide welfare for the surrounding community	Y2.2	0,860	
Our Company can reduce environmental damage.	Y2.3	0,909	
Our Company can increase customer satisfaction through digital technology.	Y2.4	0,907	
Our Company can increase profits through the use of digital technology.	Y2.5	0,907	

Source: data processed, 2024

RESEARCH RESULTS AND DISCUSSION

Characteristics of respondents

The profile of 65 respondents is presented in general with several characteristics, including gender, age, and education level of respondents. The characteristics of the respondents in this study can be described as follows. There are more female respondents than male respondents, namely 45 women and 20 male respondents. The age range of 38 - 47 years dominated the filling out of the questionnaire by 25 people. Respondents with high school / vocational high school level education dominate, namely 41 people. The characteristics of respondents are presented in Table 2.

Table 2
Characteristics of Respondents

No	Variables	Classification	Number (Person)	Percentage (%)
1	Gender	Men	20	30,77
		Women	45	69,23
		Total	65	100
2	Age	18-27 years old	5	7,69
		➤ 28-37 years old	18	27,69
		➤ 38 -47 years old	25	38,47
		➤ 48 - 57 years old	17	26,15
		Total	65	100
3	Education	High School	41	63,0
		Diploma	5	7,69
		Bachelor	15	23,08
		Postgraduate	4	6,15
		Total	65	100

Source: data processed, 2024

Hypothesis Test Results

The Tstatistics value is used partially on each direct influence path to test the hypothesis. In this study, it is known that all dimensions of each variable have a t-statistic value > 1.660, which indicates that the variables can be used to measure each construct. The results of the relationship between constructs/variables and dimensions are shown in Figure 2 and Table 3.

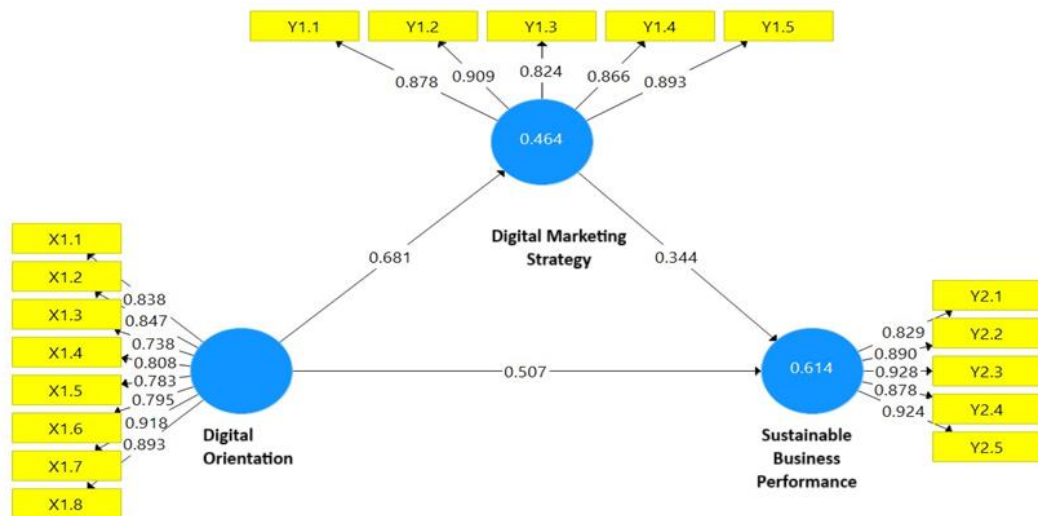


Figure 2
SEM results

Table 3
Path Coefficient

Hypot hesis	Correlation between variables	Path Coefficient	t- statistic	p-value	Info.
H1	Digital Orientation → sustainable business performance	0,507	3,688	0,000	Accepted
H2	Digital Orientation → digital marketing strategy	0,681	4,742	0,000	Accepted
H3	Digital marketing strategy → sustainable business performance	0,344	2,695	0,007	Accepted

Source: data processed, 2024

Hypothesis testing is done using t-statistics and looking at the p-value. If the p-value ≤ 0.05 , the hypothesis is accepted.

Based on Table 3, it can be explained that the effect of digital Orientation on sustainable business performance has a t-statistic value of 3.688 with a p-value of $0.000 \leq 0.05$, so hypothesis 1 is accepted. This means that digital Orientation positively and significantly affects sustainable business performance. This is in line with the results of research conducted by Shah et al. (2024) and Tariq et al. (2024), which state that digital Orientation affects sustainable business performance. Likewise, the reality in the field, with confirmation by several endek MSMEs business

actors in Bali, stated that using digital marketing, such as social media, has increased the Company's sales performance.

Furthermore, digital Orientation also affects the adoption of digital marketing strategies with a t statistic value of 4.742 with a p-value of $0.000 \leq 0.05$, so hypothesis 2 is accepted. The results of this study align with the results of research conducted by Ismail (2023b), which shows that digital orientation intensifies the use of digital marketing.

Likewise, the digital marketing strategy on sustainable business performance has a t-statistic value of 2.695 with a p-value of $0.007 \leq 0.05$, so hypothesis 3 is accepted. This means that the more intensive the use of digital marketing strategies, the higher the sustainable business performance of endek MSMEs in Bali. This is supported by the results of research conducted by Fayos et al. (2023) and Liu et al. (2024), where the results show that digital marketing strategies can improve sustainable business performance.

Indirect Effect Test Results

Test the role of digital marketing strategy on the effect of digital Orientation on sustainable business performance by examining the indirect effects, which is the output of Smart PLS as presented in Table 4.

Table 4
Indirect Effects

Correlation between Variables	Path Coefficient	t-Statistic	p-Values	Info.
Digital orientation (X) → Digital marketing strategy (Y1) → Sustainable business performance (Y2)	0,234	2,114	0,035	Accepted

Source: data processed, 2024

Based on Table 4, it can be explained that the t-statistic value is greater than the t-table value ($2.114 > 1.96$), then the digital marketing strategy significantly partially mediates the effect of digital Orientation on sustainable business performance.

CONCLUSION

The results of this study are: 1) Digital Orientation has a positive and significant effect on sustainable business performance. This result means that the higher the digital Orientation, the better the sustainable business performance of endek MSMEs in Bali. 2) Digital Orientation has a positive and significant effect on digital marketing strategies. This result means that, the higher the digital Orientation, the more the

adoption of digital marketing strategies of endek MSMEs in Bali will increase. 3) Digital marketing strategy has a positive and significant effect on sustainable business performance. This result means that, the better the adoption of digital marketing strategies, the more sustainable business performance of endek MSMEs in Bali will increase. 4) Digital marketing strategies are able to partially mediate the effect of digital Orientation on the sustainable business performance of endek MSMEs in Bali.

LIMITATIONS AND FUTURE RESEARCH

This research was only conducted on endek MSMEs that have adopted digital marketing in Bali, so the research results cannot be generalized to other business sector MSMEs that have not adopted digital marketing strategies. In addition, the data was taken cross-sectionally, so environmental changes occur at any time, so in the future longitudinal research is needed. Likewise, the mediating variable only adds to the digital marketing strategy variable and in the future it can be added with other relevant business strategy variables, such as innovation strategy, differentiation strategy, and service strategy.

REFERENCES

- Abrokwah-Larbi, K. (2024), The impact of customer-focus on the performance of business organizations: evidence from S.M.E.s in an emerging West African economy, *African Journal of Economic and Management Studies*, Vol. 15 No. 1, pp. 31-59. <https://doi.org/10.1108/AJEMS-04-2022-0167>
- Agyabeng-Mensah, Y., Afum, E., Acquah, I.S.K., Dacosta, E., Baah, C. and Ahenkorah, E. (2021), The role of green logistics management practices, supply chain traceability and logistics ecocentricity in sustainability performance, *The International Journal of Logistics Management*, Vol. 32 No. 2, pp. 538-566. <https://doi.org/10.1108/IJLM-05-2020-0187>
- Ahmad, M., Wu, Q. and Ahmed, S. (2024), Does C.S.R. digitalization improve the sustainable competitive performance of S.M.E.s? Evidence from an emerging economy, *Sustainability Accounting, Management and Policy Journal*, Vol. 15 No. 1, pp. 119-147. <https://doi.org/10.1108/SAMPJ-03-2023-0169>
- Conti, E., Camillo, F. and Pencarelli, T. (2023), The impact of digitalization on marketing activities in manufacturing companies, *The TQM Journal*, Vol. 35 No. 9, pp. 59-82. <https://doi.org/10.1108/TQM-11-2022-0329>
- Deb, S.K., Nafi, S.M. and Valeri, M. (2024), Promoting tourism business through digital marketing in the new normal era: a sustainable approach, *European Journal of Innovation Management*, Vol. 27 No. 3, pp. 775-799. <https://doi.org/10.1108/EJIM-04-2022-0218>

- Fayos, T., Calderón, H., Cotarelo, M. and Frassetto, M. (2023), The contribution of digitalization, channel integration and sustainability to the international performance of industrial S.M.E.s, *Management of Environmental Quality*, Vol. 34 No. 3, pp. 624-646. <https://doi.org/10.1108/MEQ-06-2022-0159>
- Giantari IGAK., Yasa, N.N.K., Suprasto, HB., Rahmayanti, PLD., (2022), The role of digital marketing in mediating the effect of the COVID-19 pandemic and the intensity of competition on business performance, *International Journal of Data and Network Science*, 6(1), pp. 217–232
- Hossain, M.I., Kumar, J., Islam, M.T. and Valeri, M. (2023), The interplay among paradoxical leadership, industry 4.0 technologies, organizational ambidexterity, strategic flexibility and corporate sustainable performance in manufacturing S.M.E.s of Malaysia, *European Business Review*,. <https://doi.org/10.1108/EBR-04-2023-0109>
- Ismail, I.J. (2023a), Speaking to the hearts of the customers! The mediating effect of customer loyalty on customer orientation, technology orientation and business performance, *Technological Sustainability*, Vol. 2 No. 1, pp. 44-66. <https://doi.org/10.1108/TECHS-03-2022-0016>
- Ismail, I.J. (2023b), I have to apply this strategy! Understanding the mediating effect of digitalization on strategic orientations and sustainable competitive advantage among small enterprises in Tanzania, *Management Matters*, Vol. 20 No. 1, pp. 53-73. <https://doi.org/10.1108/MANM-01-2022-0019>
- Kannan, P., & Li, H. (2017). Digital marketing: a framework, review and research agenda. *International Journal of Research in Marketing*, Vol. 34, No. 1, 22-45
- Liu, Y., Guo, M., Han, Z., Gavurova, B., Bresciani, S. and Wang, T. (2024), Effects of digital Orientation on organizational resilience: a dynamic capabilities perspective, *Journal of Manufacturing Technology Management*, Vol. 35 No. 2, pp. 268-290. <https://doi.org/10.1108/JMTM-06-2023-0224>
- Muna, N., Yasa, N.N.K., Ekawati, NW., Wibawa, IMA., (2022), Market entry agility in the process of enhancing firm performance: a dynamic capability perspective, *International Journal of Data and Network Science*, 6(1), pp. 99–106
- Nakabuye, Z., Mayanja, J., Bimbona, S. and Wassermann, M. (2023), Technology orientation and export performance: the moderating role of supply chain agility, *Modern Supply Chain Research and Applications*, Vol. 5 No. 4, pp. 230-264. <https://doi.org/10.1108/MS CRA-01-2023-0006>

- Nasiri, M., Saunila, M. and Ukko, J. (2022), Digital Orientation, digital maturity, and digital intensity: determinants of financial success in digital transformation settings, *International Journal of Operations & Production Management*, Vol. 42 No. 13, pp. 274-298. <https://doi.org/10.1108/IJOPM-09-2021-0616>
- Nugroho,, Robertus Adi (2023), Pengaruh Orientasi Digital Dan Pembelajaran Organisasi Terhadap Inovasi Digital Di Lembaga Pelayanan Publik, *CAKRAWALA – Repositori IMWI*, Volume 6, Nomor 1.
- Rodrigues, D. and Martinez, L.F. (2020), The influence of digital marketing on recruitment effectiveness: a qualitative study, *European Journal of Management Studies* , Vol. 25 No. 1, pp. 23-44. <https://doi.org/10.1108/EJMS-09-2020-002>
- Shah, N., Moawad, N.F., Bhatti, M.K., Abdelwahed, N.A.A. and Soomro, B.A. (2023), Orientation and absorptive capacity towards sustainability: a missing link between sustainability and performance, *International Journal of Productivity and Performance Management*,. <https://doi.org/10.1108/IJPPM-01-2022-0018>
- Shah, N., Zehri, A.W., Saraih, U.N., Abdelwahed, N.A.A. and Soomro, B.A. (2024), The role of digital technology and digital innovation towards firm performance in a digital economy, *Kybernetes*, Vol. 53 No. 2, pp. 620-644. <https://doi.org/10.1108/K-01-2023-0124>
- Tariq, A., Sumbal, M.S.U.K., Dabic, M., Raziq, M.M. and Torkkeli, M. (2024), Interlinking networking capabilities, knowledge worker productivity, and digital innovation: a critical nexus for sustainable performance in small and medium enterprises, *Journal of Knowledge Management*,. <https://doi.org/10.1108/JKM-09-2023-0788>
- Tze San, O., Latif, B. and Di Vaio, A. (2022), GEO and sustainable performance: the moderating role of G.T.D. and environmental consciousness, *Journal of Intellectual Capital*, Vol. 23 No. 7, pp. 38-67. <https://doi.org/10.1108/JIC-10-2021-0290>
- Vo Thai, H.C., Hong-Hue, T.-H. and Tran, M.-L. (2024), Dynamic capabilities and digitalization as antecedents of innovation and sustainable performance: empirical evidence from Vietnamese S.M.E.s, *Journal of Asia Business Studies*, Vol. 18 No. 2, pp. 385-411. <https://doi.org/10.1108/JABS-08-2023-0325>
- Wahyuningtyas, R., Disastra, G. and Rismayani, R. (2023), Toward cooperative competitiveness for community development in Economic Society 5.0, *Journal of Enterprising Communities: People and Places in the Global Economy*, Vol. 17 No. 3, pp. 594-620. <https://doi.org/10.1108/JEC-10-2021-0149>

- Yasa, N.N.K., Adnyani, IGA., Rahmayanti, PLD., (2020a), The influence of social media usage on the perceived business value and its impact on business performance of silver craft smes in celuk village, Gianyar-Bali, *Academy of Strategic Management Journal*, Vol. 19, Issue 1, pp. 1-10
- Yasa, N.N.K., Giantari, IGAK., Setini, M., Sarmawa, W., Rahmayanti, P.L.D., Dharmanegara, IBAD., (2020b), Service Strategy Based On Tri Kaya Parisudha, Social Media Promotion, Business Values, and Business Performance, *Management Science Letters*, Vol. 10, No. 13, pp. 2961-2972
- Yasa, N.N.K., Giantari, IGAK., Sukaatmadja, IPG., Sukawati, TGR., Ekawati, NW., Nurcaya, N., Rahanatha, GB., Astari, AAE., (2021), The role of relational and informational capabilities in mediating the effect of social media adoption on business performance in fashion industry, *International Journal of Data and Network Science*, Vol. 5, No. 4, pp. 569-578
- Yasa, N.N.K., Ekawati, NW., Rahmayanti, P.L.D., Tirtayani, IGA., (2024), The role of Tri Hita Karana-based business strategy and digital marketing to improve sustainable business performance, *International Journal of Data and Network Science*, Vol. 8, No. 1, pp. 629-640.
- Yasmin, A., Tasneem, S., & Fatema, K. (2015). Effectiveness of digital marketing in the challenging age: An empirical study. *The International Journal of Management Science and Business Administration*, Vol. 1, No. 5, 69-80
- Zheng, X. (2024), How does a firm's digital business strategy affect its innovation performance? An investigation based on knowledge-based dynamic capability, *Journal of Knowledge Management*,. <https://doi.org/10.1108/JKM-05-2023-0410>
- Zoppelletto, A., Bullini Orlandi, L. and Rossignoli, C. (2020), "Adopting a digital transformation strategy to enhance business network commons regeneration: an explorative case study", *The TQM Journal*, Vol. 32 No. 4, pp. 561-585. <https://doi.org/10.1108/TQM-04-2020-0077>