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# The Effect of Entrepreneurial Marketing on Village-Owned Enterprises Performance Distribution

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## Abstract

**Purpose:** Specialized marketing strategies are needed by limited resources, such as Entrepreneurial Marketing (EM), a marketing activity based on specific conditions characterizing village-owned enterprises (VOEs). Therefore, this research aimed to examine the effect of EM on the financial and non-financial performance of VOEs in Indonesia. **Research design, data and methodology:** Data were collected by distributing questions on a 5-point Likert scale to 153 VOEs directors in Rokan Hulu District, Indonesia. The collected data were analyzed using the partial least squares structural equation model with SmartPLS 3.0. **Results:** The results showed that EM positively and significantly affected the financial and non-financial performance of VOEs, as well as on operational performance. **Conclusions:** EM played an important role in the improvement of many aspects of the performance of VOEs. The Indonesian government also need to consider EM various characteristics when recruiting directors. It is important to note that this research is the first to examine the impact of EM on VOEs.

**Keywords:** Entrepreneurial Marketing; Financial Performance; Non-financial Performance; Performance Distribution; Village-Owned Enterprises

**JEL Classification Code:** L25, M00, M31

## 1. Introduction

Village-owned enterprises (VOEs) are new approach aimed at improving the economy of rural communities based on their respective needs and capabilities. Despite the small size, VOEs are expected to play a significant role in contemporary development and effectively manage economic activities while operating as social and commercial enterprises. The number of VOEs in Indonesia tends to increase annually, with an estimated total of 57,273

in 2021, which comprised 45,233 and 12,040 active and inactive enterprises, respectively. The active VOEs used a large workforce of 2,036,9834 people, contributing to a turnover of Rp 4.6 trillion (Ministry of Villages, Development of Disadvantaged Regions, and Transmigration, of Indonesia, 2021). The primary goal of VOEs is to improve the economy of rural communities. They have the flexibility to select the type of business unit according to the potential of the village. These business options include social enterprises, leasing, brokerage, manufacturing, retail and financial services. Among these

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choices, most VOEs prefer to use savings and credit schemes. However, because the loan institutions generate low profits and entail high risks, many enterprises tend to go bankrupt. They also encounter competition from several other financial service providers catering to small and medium-sized enterprises (SMEs), namely Rural Credit Banks (BPR) and cooperatives. In view of the changing market dynamics, VOEs must be competitive while operating efficiently. Its existence is expected to stimulate economic growth in rural communities by conducting projects in line with their respective potentials. To fulfill set objectives, these enterprises must publicize their economic success and prosperity (Sari et al., 2019).

VOEs face several problems and challenges that directly affect their operations, development, and performance despite significant economic contributions. According to data from the Ministry of Villages, a concerning trend was observed more than half of VOEs in Indonesia experienced premature closure, specifically outside Java and Sumatra. This disparity in performance emphasizes an imbalance in the distribution of success and failure rates across the country. While many VOEs face difficulties and ultimately fail, there are also numerous instances of VOEs that have managed to thrive, achieving self-sustainability and significant success.

The poor distribution of enterprises performance has received less attention in scientific research. According to Wu and Makino (2020), enterprises inequality is defined as the disparity in the distribution of performance among different enterprises.

Marketing and business experts have suggested that the EM concept is a valuable strategy used to improve the performance of VOEs. However, small businesses need to be in line with their marketing goals, recognizing that no specific strategy works for every business (Sahid & Hamid, 2019). SMEs differ from large enterprises because they possess unique characteristics and limitations that go beyond conventional market theories (Ionita, 2012; Morris et al., 2002). The introduction of the EM domain was aimed to analyze market pressures on SMEs (Hansen & Eggers, 2010; Hills et al., 2008; Mort et al., 2012; Sahid & Hamid, 2019). This concept is characterized as unplanned, nonlinear, and forward-thinking, defined by a seven-dimensional framework related to proactiveness, opportunity focus, calculated risk-taking, innovation, customer focus, resource use, and value creation. It is also described as an entrepreneurial marketing (EM) activity that uses resources to create value (Morris et al., 2002). Becherer et al. (2012) and Eggers et al. (2020) stated that EM was the marketing process adopted by small businesses that wanted to grow through entrepreneurship, and reduce failures. This ideal approach was proposed to improve competence and ensure long-term growth and survival. Given the increasing

attention to EM adopted by SMEs in recent decades, a review of existing knowledge is crucial to examine how each aspect of EM affects SMEs performance, specifically in competitive environments. It offers a significant contribution to the understanding of measures to ensure economic expansion, growth, and survival. This present research also discusses aspects of EM that can improve the competitiveness and performance of VOEs. In addition, a model was proposed to assess the effect of this concept on improving the competitiveness and performance of these enterprises.

## **2. Literature Review**

### **2.1. The Concept of Entrepreneurial Marketing (EM)**

The EM concept was introduced in 1982 as a new paradigm aimed at integrating entrepreneurship and marketing. The activities comprise the attributes of both terms, with the origin traced to traditional EM (Kurgun et al., 2011). EM has evolved significantly over the years, thereby inciting several discussions regarding its definitions, conceptual models, dimensions, and empirical investigations. Morris et al. (2002) defined EM as the proactive identification of opportunities to attract and retain profitable customers through risk management, resource use, and innovative approaches. This concept entails unplanned, non-linear, and forward-thinking marketing efforts that resonate with entrepreneurial tenets, serving as a foundation for value creation. It also introduced a seven-dimensional framework based on entrepreneurial and marketing orientation and had since become a cornerstone in EM literature. The model forms the basis for subsequent research in this field, which focuses on entrepreneurial activities (Stokes, 2000), and it is closely related to investigations on marketing small businesses (Hill & Wright, 2000; Miles & Darroch, 2006). EM was also characterized as a marketing approach driven by small businesses, personalities of their owners and operators (Becherer et al., 2012). The classification of small businesses as EM is justified because it is a proactive, non-traditional approach that empowers entrepreneurs to achieve success, even in resource-constrained conditions (Eggers et al., 2013; Jones et al., 2013). Beverland and Lockshin (2004) also reported that EM was particularly suitable for SMEs. It was defined as the effective adaptation of marketing theory to address the specific needs of SMEs while simultaneously solving problems related to innovation, opportunities, risk, and resource constraints. The research further viewed SME marketing as a form of EM due to its aggressive and non-traditional approach, empowering entrepreneurs to ensure

business success, even under resource-constrained conditions. The previous research by Alqahtani and Uslay (2018) identified EM as an agile mindset that pragmatically used resources, leveraged networks, took acceptable risks, and proactively seized opportunities for innovative co-creation and value generation for stakeholders. This approach actively explores opportunities for innovative co-creation and value generation for stakeholders, including customers, employees and platform partners. Eggers et al. (2020) stated that EM comprised the spirit, orientation, and process of opportunities in the growth of businesses that create customer value through relationships. This is primarily achieved through innovation, creativity, effective sales strategies, and adaptability while leveraging innovation, creativity, distribution channels, go-to-market, networking, and flexibility.

## 2.2. Entrepreneurial Marketing (EM) Dimension

Since the inception of the EM concept, it has undergone a series of refinements, with efforts focused on identifying its constituent elements and underlying theories. In addition to its varied definitions, several suggestions have been made regarding the elements or dimensions that can be considered EM constructs. Morris et al. (2002) was the first to propose dimensions for EM theory. The EM structure was presumed to have seven dimensions, namely 1) Innovativeness is defined as the tendency of enterprises to explore fresh concepts and innovative methods (Lumpkin & Dess, 1996), potentially resulting in the production of new goods or services or technological developments (Li et al., 2008). 2) Proactiveness, according to Lumpkin and Dess (1996), refers to how enterprises take advantage of opportunities and respond to or develops new market demands. In order to reduce ambiguity and vulnerability, it also entails reevaluating external circumstances (Becherer et al., 2012). 3) Opportunity-driven is defined by Becherer et al. (2012) as a dimension revolving around spotting and seizing chances, which are essential for the success of SMEs. Gilmore (2011) stated that informal, opportunistic, and intuitive management is beneficial to SMEs struggling to survive. 4) Calculated Risk-taking is the tendency of a corporation to willingly engage in dangerous ventures, such as borrowing huge amounts of money, investing in unproven technology, or launching new products in untapped markets (Lumpkin & Dess, 1996). Becherer et al. (2012) reported that SMEs should be able to take proactive steps to minimize the risks associated with pursuing opportunities. 5) Customer intensity Based on numerous research, marketing efforts should revolve around understanding the requirements and demands of customers (Fard & Amiri, 2018; Jaworski & Kohli, 1993; Narver et al., 2004). It places a strong emphasis on adopting a customer-centric

perspective as the core of a business marketing approach (Becherer et al., 2012). 6) Leveraging resources, according to Becherer et al. (2012), entails finding a source that is not commonly known as well as successfully using the limited resources available. In EM, resources, which are perceived as one of the fundamental building blocks, are needed to boost customer value, typically realized through collaboration with partners (Bjerke & Hultman, 2002). 7) Value creation revolves around creating inventive value and is considered as the main tenet of EM. The generation of value is essential for both building relationships and performing certain transactions. This dimension emphasizes the ongoing task of exploring each marketing mix component to identify fresh consumer value sources (Morris et al., 2002).

Previous research reported a positive correlation between these dimensions and the performance of SMEs (Becherer et al., 2012; Fiore et al., 2013; Hacıoglu et al., 2012; Kurgun et al., 2011). Despite the existing constructs in EM, there is still room for further exploration through empirical research (Hansen & Eggers, 2010; Kilenthong et al., 2016). It is necessary to recommend and test potential EM models in order to propose valid and reliable constructs (Al-Zyadat et al., 2013; Hills et al., 2010; Ionita, 2012; Mort et al., 2012). Considering the insights earlier shared, Figure 1 shows the suggested research model.

## 2.3. Defining Village-Owned Enterprises (VOEs)

VOEs, known as BUMDesa in Indonesia, are legally established entities that collaborate with villages to manage various business operations. The primary goal is to efficiently use their properties or assets to promote investment, enhance productivity, provide services, and improve the welfare of villagers. The establishment of these village enterprises serves several key purposes: a) Carrying out economic business activities through business management, investment development, increasing productivity, and village potential. b) Providing goods and services, meeting the essential needs of the village community, and rendering important public services such as managing the village food barns. c) Generate profits or net income to increase the initial village revenue and maximize the benefits of its economic resources. d) Asset value creation entails the use of village property to enhance the value, thereby contributing to the prosperity of the area. e) Development of a digital economic ecosystem in the village (Government Regulation of the Republic of Indonesia Number 11 of 2021 on Village-Owned Enterprises, 2021).

## 2.4. Enterprises Performance

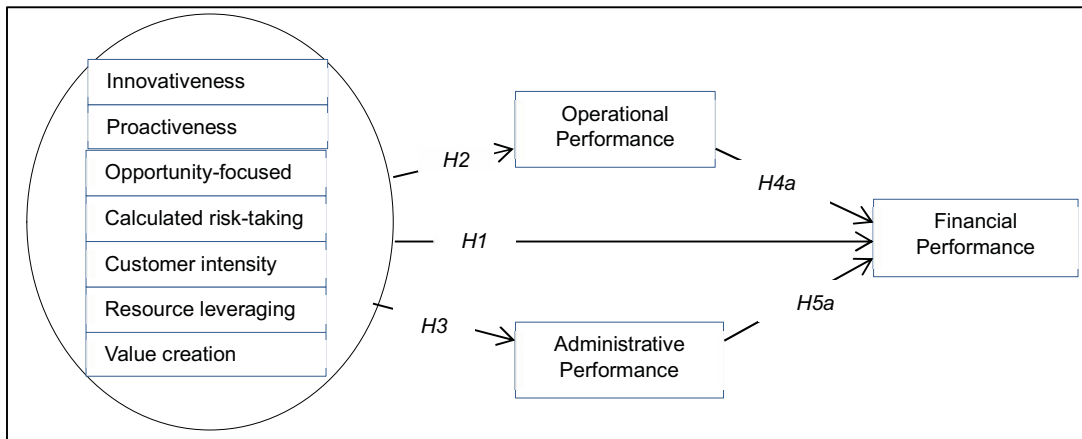
Enterprises performance is the ability of enterprises to meet its organizational objectives and meet the expectations of major stakeholders (Shuremo et al., 2021; Smith & Reece, 1999). understanding by defining business performance as the extent to which an organization attains its goals. For SMEs, achieving high performance in their business operations is crucial for long-term sustainability and taking advantage of opportunities in the global market (Aminu & Shariff, 2015). Performance assessment is important for efficient organizational management and process enhancement, as it is only possible to manage what can be measured. Consequently, to enhance business performance through organizational effectiveness, it is essential to measure and determine the impact level on enterprises performance (Al-Matari et al., 2014). This assessment is important for managing and enhancing performance. The evaluation of enterprises performance can be conducted through financial and non-financial operational indicators. Financial metrics pertain to economic aspects such as sales growth and profitability (e.g., return on equity, investment, and sales), while non-financial relate to success factors such as market share and effectiveness, product quality, customer satisfaction, and new product development (Venkatraman & Ramanujam, 1986). The primary objective of assessing performance is to enhance organizational effectiveness in order to cater to the diverse needs of customers, employees, stakeholders, and proprietors. The evaluation of management performance, including financial and non-financial aspects, is used to measure the performance of VOEs. Evaluating the performance of these enterprises covers a range of dimensions, including financial and non-financial components, such as operational and administrative aspects, for the fiscal year in question. In accordance with Regulation Number 3 of 2021, issued by the Ministry of Village, Development of Disadvantaged Regions and Transmigration of Indonesia, the performance of VOEs is evaluated based on three aspects, namely financial, operational, and administrative. In order to evaluate financial performance, three indicators were adopted (Rahman & Bhatt, 2016a), namely Return on equity (ROE), Return on assets (ROA), and Return on invested capital (RIC). These indicators were used as substitutes for performance measures based on accounting, as they are more pertinent in developing countries such as Malaysia. Operational performance comprises three essential elements (Santos & Brito, 2012; Shams et al., 2019), namely customer and employee satisfaction, including environmental performance. Lastly, administrative performance was evaluated based on the Regulations of the Ministry of Villages in Indonesia. This dimension includes a thorough

examination of annual calculation reports, work and budget plans, as well as partnership and environmental development programs. It allows for the assessment of the efficiency and compliance of VOEs in line with established guidelines and expectations.

## 2.5. The Conceptual Framework

### *The theory of resource-based view*

The research framework was established in accordance with prior literature on EM, enterprises performance, and the theory of resource-based view (RBV). According to RBV, competitive advantage and organizational performance depend on how enterprises use available resources, which are limited and difficult for competitors to replicate (Barney, 1991, 2014; Barney et al., 2001). Organizations can achieve superior performance and sustainable competitive advantage when competitors find it challenging to duplicate the unique resources of firm, often incurring substantial costs in the process (Amit & Schoemaker, 1993; Sari et al., 2019). Generally, marketing capabilities can be classified as functional ability-based (Fard & Amiri, 2018; Javidan, 1998). There are four distinct abilities, including market orientation, entrepreneurship, innovation, and learning organizations, that positively impact performance by establishing a favorable competitive position (Hult & Ketchen, 2001). EM dimension derived from entrepreneurship (with a focus on innovation, proactivity, opportunity-based, and calculated risk-taking), guerrilla marketing (resource use), and market orientation (customer intensity and value creation) significantly influences the capabilities of enterprises (Morris et al., 2002). These capabilities tend to have a significant impact on enterprises total performance. This research focuses on the seven dimensions of EM (Morris et al., 2002) as well as evaluates the performance of three VOEs with respect to three important dimensions, namely financial (Rahman & Bhatt, 2016a), operational (Santos & Brito, 2012), and administrative performances. This is in accordance with the Regulation Number 3 of 2021, issued by the Ministry of Village, Development of Disadvantaged Regions and Transmigration, of Indonesia. Several research reported that the financial performance of enterprises is influenced by its non-financial performance (Fard & Amiri, 2018). The proposed conceptual framework is similar to one designed by Fard and Amiri (2018), which investigated the effect of EM on financial, production, market, and innovative performances. It was also suggested that further research should focus on how EM activities can affect other measures of enterprises performance asides from mentioned previously. Based on the results, the research hypothesis is shown in Figure 1.



**Figure 1: Conceptual Framework**

- H1:** EM positively affects the financial performance of VOEs.
- H2:** EM positively affects the operational performance of VOEs.
- H3:** EM positively affects the administrative performance of VOEs.
- H4:** Operational performance results have a positive effect on the financial performance of VOEs.
- H4a:** Operational performance acts as a mediator, positively mediating the relationship between EM and the financial performance of VOEs.
- H5:** Administrative performance results have a positive effect on the financial performance of VOEs.
- H5a:** Administrative performance serves as a mediator, positively mediating the relationship between EM and the financial performance of VOEs.

### 3. Research Methods and Materials

This research was achieved by using a quantitative method, including the collection of data from relevant respondents within numerous VOEs located in the Rokan Hulu District, Indonesia. The majority of the quantitative data were collected through survey instruments, created using a number of measurement scales developed and verified in previous research. Respondents were assured of the confidentiality of their data, which was used to achieve the research objectives. Regarding the sample size, the entire population was considered, including all 153 VOEs registered with Rokan Hulu District Government of Indonesia. This approach was similar to previous research that focused on SMEs and used an identical sampling method. A total of 153 questionnaires were completed by directors and managers of VOEs, which were subsequently used for data analysis. In order to measure EM aspects and the performance of VOEs, a survey was conducted

comprising several questions. The questions selected to assess the performance of VOEs focused on financial performance (3 items) adapted from Rahman & Bhatt (2016b), operational performance (4 items) were taken from previous research (Santos & Brito, 2012; Shams, Mahmudul, & Awang, 2019), and administrative performance (4 items) modified from the Instrument used by Regulation of the Minister of Ministry of Village, Development of Disadvantaged Regions and Transmigration, of Indonesia Number 3, 2021. EM dimension in this research comprised the following sub-dimensions innovativeness (5 items), Proactiveness (5 items), Opportunity focus (5 items), Resource leveraging (5 items), Calculated risk-taking (5 items), Customer intensity (5 items), and Value creation (5 items). All selected measurement items for EM dimension were obtained from previous research (Becherer et al., 2012; Fard & Amiri, 2018; Sadiku-Dushi et al., 2019). These items were evaluated using a five-point Likert scale ranging from strongly disagree to strongly agree. The data collected were analyzed using the partial least squares method (PLS-SEM).

## 4. Results

### 4.1. Response Rate and Demographic Information

The questionnaire was self-administered, and all 153 VOEs in the sample were contacted. In order to clarify any uncertainties and increase response rates, VOEs management was personally engaged. During the data collection phase, a total of 139 completed questionnaires were gathered from respondents, and the screening procedure was then completed. Despite the request to double-check the completed copies of the questionnaire for missing data, 19 of the 139 responses were discovered to have some difficulties and were not included in the research. This left a total of 120 valid responses for analysis, equating



to a response rate of 78.43%. According to Sekaran and Bougie (2016), 30% of the response rate is presumed to be suitable for the survey investigation. In accordance with this recommendation, the response rate is considered adequate for this research, as shown in Table 1.

**Table 1:** Questionnaire Distribution and Collection.

Questionnaires	Frequency	Percentage %
1. Total questionnaires distributed	153	100
2. Completed and returned copies questionnaire	139	90,85
3. Rejected questionnaire due to incompleteness	19	12,42
4. Questionnaires analyzed	120	78,43

**Table 2:** Demographic Characteristics of the Respondents

Characteristics		Frequency	Percentage (%)
Gender	Male	99	82,5
	Female	21	17,5
Age	21-30 years	36	30
	31-40 years	65	54,17
	41 years and above	19	15,83
Highest Academic Qualification	High School	51	42
	Bachelor	69	58
	Higher Degree	0	0
Enterprises age	1-6 years	34	28,33
	7-11 years	86	71,67
	Above 11 years	0	0
Number of employees	1-5	63	52,5
	6-10	42	35
	Above 10	15	12,5
<b>Total</b>		<b>120</b>	<b>100</b>

The characteristics of respondents, as shown in Table 2, are an illustration of their diversity. According to the descriptive analysis, there were 82.5 and 17.5% of male and female respondents, respectively. In terms of age distribution, approximately 54.17%, were between 31 to 40 years. Based on the descriptive statistics, 58% held a

**Table 3:** Reliability and Validity of the Instrument

Constructs	Cronbach's Alpha (> 0.7)	Composite Reliability (> 0.7)	AVE (> 0.5)
Entrepreneurial marketing (EM)	0.795	0.859	0.553
Financial Performance (FIN)	0.895	0.935	0.827
Operational performance (OPE)	0.887	0.922	0.747
Administrative performance (ADM)	0.841	0.893	0.677

Source: PLS-SEM Algorithm output, 2023

### 4.3. Evaluation of Internal (Structural) Models

Convergent validity is a critical assessment conducted after ensuring the trustworthiness of the measurement scale. It determines whether elements that should theoretically be connected and measure a specific concept are indeed related in practice. Statistical calculations of factor loading, AVE,

bachelor degree as their highest level of education, followed by 42% with a Senior High School degree. Furthermore, 71.67% had been operating for 7 to 11 years, followed by the remaining 28.33%, which had been functioning for 1 to 6 years. Finally, in terms of the workforce size in the studied VOs, 52.5% employed 1 to 5 individuals, 35% had 6 to 10 employees, while the remaining 12.5% had more than 10 employees.

### 4.2. Analysis of the Model

The assessment of the model comprised testing its reliability and validity. In order to evaluate the validity, confirmatory factor analysis was conducted, including testing convergent and discriminant validity (Hoque et al., 2018). Convergence validity was measured by evaluating index loading. For this research model, the index loadings range from 0.627 to 0.944, all exceeding the 0.50 threshold. Additionally, the average extracted variance (AVE) ranges from 0.533 to 0.827, with all values exceeding 0.50, indicating that the indicators used can effectively explain each variable (Hair et al., 2017). Discriminant validity was assessed by comparing the  $R^2$  of the AVE for each configuration to its correlation with others in the model. The correlation between latent variables was also evaluated. The  $R^2$  AVE of each construct is greater than the correlation between one construct and the others in the model. This indicates that the research model has good discriminant validity based on the threshold proposed by Hair et al. (2017). In order to evaluate data reliability, both cronbach's alpha and composite reliability were used. In this research, cronbach's alpha and composite reliability range from 0.795 to 0.895 and 0.859 to 0.935, respectively, both of which are greater than the 0.70 threshold. The results indicate that all instruments used are error-free and consistent across constructs with high reliability, as shown in Table 3.

and composite reliability, according to Hair et al. (2013), can be used to evaluate convergent validity. Convergent validity is determined when the minimum tolerance value of each construct is met. In this case, the acceptable factor loading values fell within the range of 0.5 and 1. AVE is assigned a value greater than 0.5, while the combined reliability score is between the range of 0.7 and 1. According

to the statistical analysis shown in Table 3, this measure is higher than the recommended value, thereby confirming

convergence validity. Figure 2 shows that the factor loading of the remaining items was also within acceptable limits.

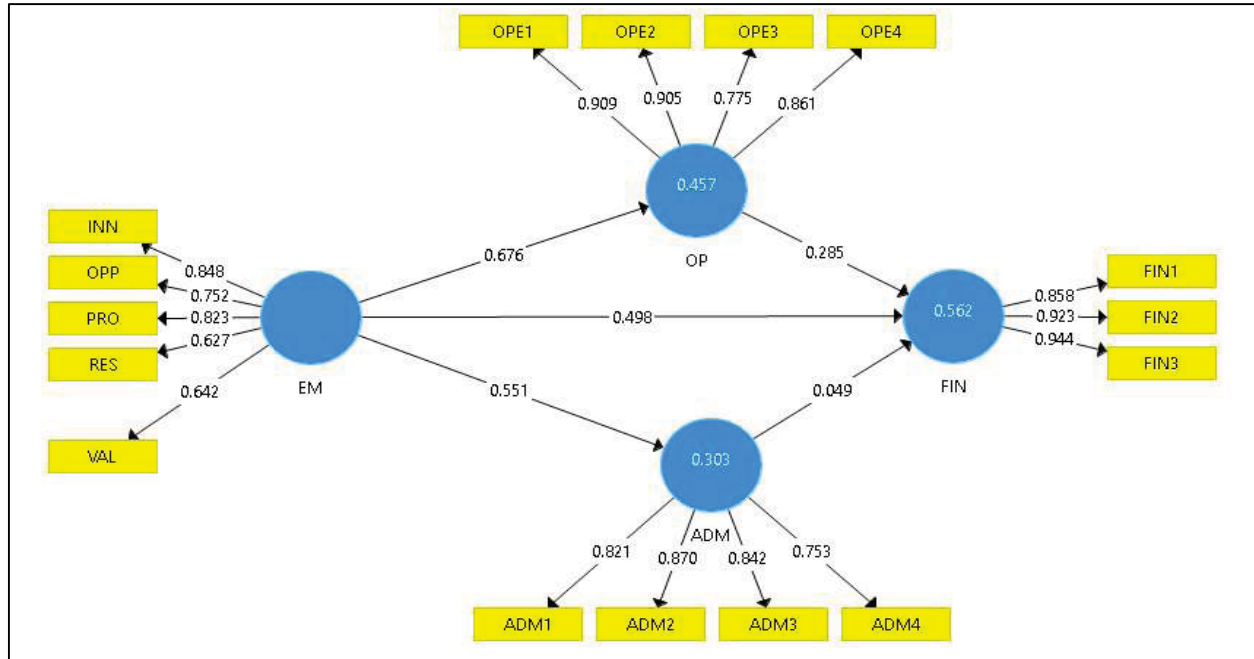


Figure 2: Measurement Model

4.4. Direct Effect

Based on Table 4, EM has a positive and significant effect on financial performance (FIN) ( $\beta = 0.0498$ ,  $PV < 0.000$ ). It also has a positive and significant effect on operational ( $\beta = 0.676$ ,  $PV = 0.000$ ) and administrative performances (ADM) ( $\beta = 0.551$ ,  $PV = 0.000$ ). Operational

performance (OPE) has a positive and significant effect on financial performance (FIN) ( $\beta = 0.285$ ,  $PV < 0.005$ ). Administrative performance (ADM) has a positive effect but lacks statistical significance on financial performance ( $\beta = 0.049$ ,  $PV < 0.538$ ). H1, H2, H3, and H4 were accepted, while H5 was rejected.

Table 4: Result of the PLS for Direct Effect

Hypothesis	Relations	B	STDEV	t-Stat	p-value	Decision
H1	EM -> FIN	0.498	0.087	5.730	0.000	Supported
H2	EM -> OPE	0.676	0.065	10.380	0.000	Supported
H3	EM -> ADM	0.551	0.064	8.586	0.000	Supported
H4	OPE -> FIN	0.285	0.101	2.813	0.005	Supported
H5	ADM -> FIN	0.049	0.080	0.616	0.538	Not Supported*

Source: PLS-SEM Output, 2023.

Note: EM: Entrepreneurial Marketing, FIN: Financial Performance, OPE: Operational Performance, ADM: Administrative Performance.

4.5. Mediation Effect

Operational performance plays a positive and significant mediating role between EM and the financial performance of VOs ( $\beta = 0.193$ ,  $PV < 0.006$ ), as shown in Table 5. Conversely, administrative performance did not exhibit a significant mediating effect between EM and the financial

performance of VOs ( $\beta = 0.027$ ,  $PV < 0.545$ ). In this research, it was observed that both operational and administrative performances act as partial mediators. Therefore, H4a and H5a were accepted and rejected, respectively.

**Table 5:** Result of the PLS Mediation Effect

Hypothesis	Relations	$\beta$	STDEV	t-Stat	p-value	Decision
H4a	EM -> OPE -> FIN	0.193	0.070	2.766	0.006	Supported
H5a	EM -> ADM -> FIN	0.027	0.045	0.605	0.545	Not Supported

Source: PLS-SEM Output, 2023.

Note: EM: Entrepreneurial Marketing, FIN: Financial Performance, OPE: Operational Performance, ADM: Administrative Performance.

## 5. Discussion, Limitations, and Future Research

Based on the resource-based view (RBV) proposition, this research successfully reported some interesting findings which are in accordance with its objective. The primary objective was to examine the effect of EM on the financial performance of VOEs in Rokan Hulu. The data analysis from the structural equation model showed that there is a positive and significant effect between EM and the financial performance of VOEs. The results are consistent with prior research conducted by Esmaeili and Ferdowsi (2021), Fard and Amiri (2018), Sadiku-Dushi et al. (2019), and Shams et al. (2019). Therefore, all direct and indirect paths related to the boundaries of EM and financial performance have a direct and significant influence. It was presumed that the directors of VOEs apply similar EM generalizations entailing the use of limited enterprises resources to improve financial performance and foster long-term business growth.

This present research is also aimed to investigate the effect of EM on the non-financial performance of VOEs. The empirical results obtained through the structural equation model showed a positive and significant relationship between EM and the non-financial performance of VOEs. The strength of EM influence on the non-financial performance of these enterprises follows a certain order. It strongly affects operational performance compared to administrative performance. This result was in line with previous research (Fard & Amiri, 2018), which empirically proved the strong influence of EM on various performance aspects of halal food SMEs. The effect of EM on operational performance is greater compared to administrative performance. The variations in the results of this research were attributed to the way EM was conceptualized (Morris et al., 2002).

The third objective of this research focused on examining the mediating effect of non-financial performance on the relationship between EM and the financial performance of VOEs. The results of the structural equation model show that operational performance has a positive and significant effect on mediating the relationship between EM and the financial performance of VOEs. This is in line with previous research (Fard & Amiri, 2018) that there is a positive and significant influence between non-financial performance (innovative and marketing performances) and the relationship between EM and

operational performance of halal food SMEs. Several preliminary research (Al-Zyadat et al., 2013; Becherer et al., 2012; Franco et al., 2014; Hacıoglu et al., 2012) identified a relationship between EM and various aspects of performance in different enterprises. The results were also in line with previous investigations (Bigliardi, 2013; Gunday et al., 2011; Kocak & Abimbola, 2009), which emphasized the role of strategic behavior in improving enterprises performance. However, the mediating role of administrative performance in the relationship between EM and the financial performance of VOEs was not verified. The results of testing this thesis are in line with the views of several experts in the field of analogy (Hashim et al., 2019). It was further reported that there was no significant relationship between commercial social responsibility and financial performance. For example, Williams and Siegel (2000) found a neutral relationship between CSR and financial performance. Similarly, Sun et al. (2010) investigated the influence of corporate governance and environmental factors on financial performance and reported a neutral statistically significant relationship between these dimensions. Another research by Soana (2011) explored ethical practices within the American banking sector as a proxy for CSR and also found no significant association with financial performance. These findings are in line with the ethical framework proposed by Garriga and Mele (2014), suggesting that CSR can be pursued for the common good of normative stakeholders and universal rights approaches. Administrative performance in VOEs is carried out with respect to three scopes, annual accountability meetings, work and commercial budget plans, partnership programs, and community development. However, it is considered socially irresponsible when enterprises do not implement CSR conditioning because the profits are at risk. Carrying out administrative performance shows that enterprises have good corporate governance (GCG). Finally, the results of this research confirm that the financial performance of VOE is predicted by non-financial performance, with administrative followed by operational performance having a significant impact. This is consistent with the findings of previous research (Abdel-Maksoud et al., 2005; Fard & Amiri, 2018; Fullerton & Wempe, 2009; Gunday et al., 2011; Hoque, 2005; Shams et al., 2019; Škrinjar et al., 2008).

In order to enhance the performance of VOEs, including the operational and management capabilities, it is essential



to effectively implement EM activities. This research reported that these enterprises need to exhibit proactive attitude, innovation, opportunity orientation, resource use, and value creation to achieve improved operational and management performance, resulting in increased profitability. VOs can apply various aspects of EM to successfully address environmental threats and seize opportunities within enterprises. To improve financial performance through enhanced operational efficiency, VOs should explore various methods and technologies that promote creativity and the generation of new ideas. Additionally, prudent allocation of enterprises resources for initiatives such as product launches or market expansion can significantly contribute to improved financial outcomes.

### 5.1. Research Limitations

The results obtained from this research, has certain limitations despite trying to make a valuable contribution to theory and practice. First, instead of using objective data from sources such as financial statements or other internal VOs records, it directly collected subjective information from the directors. This reliance on self-reported data introduces the possibility of response bias, as respondents may not always provide entirely accurate or truthful information. Second, this research used a set of seven EM dimensions established by Morris et al. (2002). However, there is no consensus in the literature regarding the number of dimensions, and its validity has not been widely confirmed in prior research. Third, due to the unavailability of objective data collection to measure performance, this research used easy-to-collect information such as the perceptions of directors regarding financial, operational, and administrative performance. This approach may not fully capture the actual performance of VOs, potentially leading to a skewed representation. Fourth, the sample was selected exclusively from one district, Rokan Hulu, Indonesia. This narrow geographical focus tends to limit the generalizability of the results to other provinces and cities, because the country comprises 33 provinces. Consequently, the results may not be directly applied to VOs in other countries outside of Indonesia. Due to these limitations, for future research need to expand its scope by conducting similar investigations across various provinces and districts within Indonesia and potentially exploring VOs in different countries for a broader perspective.

### 5.2. The Direction of Future Research

Further investigation should explore more complicated variables aimed at gaining a deeper understanding of the results. The incorporation of these additional variables aids in uncovering the nuances and complexities of this

connection. In order to enhance the applicability of the results, future research should consider a broader geographical region. There is a need to consider additional empirical research on the relationship between EM and performance. It is advisable to embrace a longitudinal research approach, allowing for the collection of data over an extended period. This approach, in contrast to the current cross-sectional research, would show performance trends and changes, offering deeper insights. Future research should extend beyond the perspectives of directors and managers and include feedback from employees at various organizational levels. This broader approach can provide a more holistic view of performance dynamics. Furthermore, a combination of quantitative and qualitative methods or employing a mixed-methods approach holds the potential for richer insights. Qualitative interviews, for instance, can uncover nuanced details regarding the interplay among the numerous constructs. Finally, as this current research was only conducted in one nation (Indonesia), it is impossible to extrapolate the results to other nations. Conducting cross-country investigations would not only enable comparisons but also introduce fresh research possibilities, contributing to the generalizability of the results. These proposed avenues for future research aim to deepen the understanding of the intricate relationship between EM and performance, offering valuable insights for both theoretical development and practical application.

This research, conducted solely in one Indonesian district, lacks the scope to fully understand the reasons behind the variations in the performance of VOs. Therefore, further research is necessary to explore the factors contributing to performance disparities within different regions in Indonesia and across diverse countries.

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