

The Role of Product Innovation Mediates the Effect of Market Orientation and Entrepreneurial Orientation on Marketing Performance

I Wayan Ricky Putra Duwalang¹, I Wayan Santika²

^{1,2}Udayana University

^{1,2}Faculty of Economics and Business, Bali, Indonesia

ABSTRACT: Small and Medium Industries (SMIs) have a strategic role in the national economy, especially in absorbing labor, increasing people's income and growing economic activity in the region. The development of SMIs is an integral part of efforts to develop democratic economy and poverty alleviation by applying the concept of efficiency. The purpose of this study was to analyze the role of product innovation mediates the effect of market orientation and entrepreneurial orientation on marketing performance, using saturation sampling, so that the number of samples used in this study were 34 *Songket* woven fabric industries. Data collection methods used in this study through questionnaires. Data analysis techniques used are descriptive statistics, path analysis test, and sobel tests.

The results showed that market orientation, entrepreneurial orientation, and product innovation had a positive and significant effect on marketing performance. Market orientation and entrepreneurial orientation have a positive and significant effect on product innovation. Product innovation is a mediating variable of the effect between market orientation and entrepreneurial orientation on marketing performance.

Keyword: *Product Innovation, Marketing Performance, Entrepreneurial Orientation, Market Orientation.*

I. INTRODUCTION

Marketing performance is a factor that is often used to measure the impact of strategies implemented by companies (Ferdinand, 2000). According to Basuki and Widayanti (2014), marketing performance is a measure of the success of a company measured every predetermined time period. This result can be said as the value of each activity that has been compiled and implemented to be able to identify whether the strategies made and their implementation are appropriate or even vice versa. Doing market orientation is important for companies in line with increasing global competition and changes in customer needs where companies realize that they must always be close to their markets (Baktiet *al.*, 2011). Market-oriented companies will follow every change in the market. According to Altuntas (2013), that market orientation consists of three components, namely: customer orientation, competitor orientation, interfunctional coordination. Market-oriented companies will retain existing customers by maintaining customer satisfaction and loyalty, attracting new customers, achieving desired growth rates and market share.

The reality of the development of the *Songket* industry and the modification process of the *Songket* Bali in Denpasar itself is inseparable from the fact that there is a development of the fashion creative industry and an increase in the number of the Balinese middle class which is positively correlated with an increase in public consumption. The tendency is seen with the lively fashion sector and the many boutiques or fashion houses and the appearance of Balinese designers who are interested in traditional fabrics. The rise of the fashion creative industry in Bali has caused traditional woven fabrics such as the *Songket* Bali to become an object of creativity that continues to be explored by designers, so there is a need for product innovation. In addition to market orientation, innovation can also be used as a strategy to improve marketing performance (Guspul, 2016). Larsen (2007) states that one of the most important characteristics of entrepreneurs is the ability to innovate. Without innovation, the company will not last long. This is because customer needs, desires, and demands change. Customers will not always consume the same product. Customers will look for other products from other companies that are considered satisfying their needs.

Some cities in Bali that have *Songket* weaving are Singaraja, namely in Jinengdalem Village which is famous for its *Songket* cloth, Jembrana city which is famous for its *Songket* cloth, in Klungkung city which is famous for its Gelgel *Songket* fabric. A similar phenomenon was also found in Karangasem precisely in Sidemen

Village, Karangasem Regency. Based on the data in Sidemen Village there are several *Songket* weaving businesses which are spread in Sidemen Village which are famous for Sidemen *Songket*. *Songket* weaving is identical to traditional cloth which is bound by certain provisions or values that bind the *songket* craftsmen themselves, but in reality, the *Songket* weavers in Sidemen Village in producing *Songket* cloth do not always follow the provisions or rules of tradition.

Ningsih and Indrajaya (2015) stated that the success of economic development was influenced by labor factors. Labor is one of the main production factors in the production process which greatly affects production efficiency. Labor is an important factor in the production process because humans are able to move other factors of production to produce goods. Labor factor is one of the factors that play an important role in production activities. The role of the workforce will be even greater in small industries that are general in nature, where the accuracy of the skills of the employees handling the production process has a direct impact on the production produced (Priyonggo, 2008). This indicates not only labor as a support for production results but capital as the most important factor in the production process from the purchase of raw materials to the final completion process. The number of workers, the number of producers, and the production value of the *Songket* fabric industry in Sidemen Village, Karangasem Regency in 2014-2018 can be seen in Table 1.

TABLE 1: NUMBER OF LABOR, NUMBER OF PRODUCTION, AND PRODUCTION VALUE OF SONGKET CLOTH INDUSTRY IN SIDEMEN VILLAGE, KARANGASEM REGENCY IN 2014-2018

Year	Number of Labor (person)	Number of Production (unit)	Production Value (Rp. 000)
2014	225	223.787 m	1.744.061
2015	240	223.907 m	1.143.031
2016	220	222.703 m	1.073.531
2017	221	221.732 m	1.016.761
2018	208	208.514 m	916.960

Source: Department of Industry and Commerce Bali Province, 2019

Table 1 shows from 2014 - 2015 the number of laborers and the number of industrial production of *Songket* cloth in Sidemen Village, Karangasem Regency has increased, this shows that the development of *Songket* fabric production in Sidemen Village, Karangasem Regency continues to increase as market demand is received. In 2016 - 2018 Sidemen *Songket* woven cloth industry experienced a decrease in the amount of production which was affected by a decrease in the number of workers due to the difficulty of regeneration among the weavers. The existence of the *Songket* fabric industry in Sidemen Village, Karangasem Regency faces many obstacles including reaching out to direct buyers, the difficulty of regeneration among the weavers, the limited appreciation of the community for *Ikat* weaving and the low use of *Ikat* as daily wear (Riki.Z, 2019). The main key to increase the strength of the existence of Sidemen *Songket* fabric industry is to bring up new designs through product innovation which is an important strategy to increase market share and business performance and regenerate *Songket* weavers to preserve *Songket* woven cloth especially Sidemen *Songket* so as not to become extinct by the times.

Based on research conducted by Utamaningsih (2016) states that market orientation has a positive and significant effect on marketing performance, with these results it can be concluded that a better market orientation can affect marketing performance improvement. Different results are found in research on the influence of market orientation and entrepreneurial orientation on marketing performance with product innovation as an intervening variable that has been studied by Yusriet *et al.*, (2017) showing that entrepreneurial orientation has no positive and significant effect on marketing performance. Research conducted by Narastika and Yasa (2017) states that market orientation influences product innovation and obtains positive and significant results. This shows that the market orientation that has been carried out by the company can directly influence the creation of innovation. The results of research from Djayadiningrat *et al.*, (2017) showed that the entrepreneurial orientation variable had a positive and significant effect on marketing performance.

II. CONCEPTUAL MODEL AND HYPOTHESES

Literature Review

a) Market Orientation

Market orientation focuses on markets that include customers and the factors or forces that influence it (Tjiptono and Gregorious, 2017).

b) Entrepreneurial Orientation

Entrepreneurial orientation is a creative and innovative ability that is used as a basis, and resources to find opportunities for success (Syukron and Ngatno, 2016).

c) Product Innovation

According to Hassan *et al.* (2013) product innovation is one of the key factors for organizational success and is an important strategy for increasing market share and business performance.

d) Marketing Performance

Marketing performance is the key to business success as a result of this market strategy for customers, markets and financial organizations, market performance such as sales growth, market share and market development in marketing performance studies (Saekoet *al.*, 2012).

Hypothesis

The Effect of Market Orientation on Marketing Performance

Research conducted by Utamaningsih(2016) states that market orientation has a positive and significant effect on marketing performance, with these results it can be concluded that a better market orientation can affect marketing performance improvement. Research conducted by Jayaningrum and Sanawiri (2018) states that market orientation has a significant effect on marketing performance. The higher the market orientation, the higher the degree of marketing performance. In line with the research of Dewi and Ekawati (2017) which states that market orientation has a positive and significant effect on marketing performance. This means that the higher the influence of market orientation, it will improve marketing performance. If the company wants to improve marketing performance, it must conduct market orientation which is a fundamental corporate culture in establishing the principles of organizational behavior regarding customers, competitors, and internal functions.

H₁: Market orientation has a positive and significant effect on marketing performance.

The Effect of Entrepreneurial Orientation on Marketing Performance

Research conducted by Mega Usvita (2014) states that entrepreneurial orientation has a positive and significant influence on marketing performance. This means that with a high entrepreneurial orientation, it will be easier to improve marketing performance at the Padang SMIs. Based on the results of research from Djayadinigratet *al.*, (2017) shows that the entrepreneurial orientation variable has a positive and significant effect on marketing performance. This means that the higher the entrepreneurial orientation the company has, the higher the level of SMIs marketing performance in the food industry sector in the city of Denpasar. In line with research conducted by Musrifah and Murwatningsih (2017), the entrepreneurial orientation has a positive and significant effect on the marketing performance of *empingmelinjo* home industry in Ambal District, Kebumen Regency. That is, an increase from an entrepreneurial orientation would certainly improve the marketing performance of the *empingmelinjo* home industry in Ambal District, Kebumen Regency.

H₂: Entrepreneurial orientation has a positive and significant effect on marketing performance.

The Effect of Market Orientation on Product Innovation

Based on the results of research conducted by Narastika and Yasa (2017) states that market orientation influences product innovation and obtains positive and significant results. This shows that the market orientation that has been carried out by the company can directly influence the creation of innovation. Research on market orientation towards product innovation was conducted by Suliyanto& Rahab (2012: 138), the results of this study stated that market orientation has a positive and significant influence on innovation. In line with research Mulyani and Mudiantono (2015) states market orientation has a positive and significant effect on product innovation.

H₃: Market orientation has a positive and significant effect on product innovation.

The Effect of Entrepreneurial Orientation on Product Innovation

Research conducted by Dewi and Suparna (2017) states that the results of an analysis of the effect of entrepreneurial orientation on innovation suggest that entrepreneurial orientation has a positive and significant effect on innovation. In line with Destari and Harjanti's research (2014) in his research, it is argued that entrepreneurial orientation has a positive and significant effect on innovation in the *Batik* Industry in Jember Regency. Research conducted by Killa (2014) found a positive effect of entrepreneurial innovation orientation on product innovation which means that the higher level of entrepreneurial innovation orientation of companies in the creative industries also increases product innovation.

H₄: Entrepreneurial orientation has a positive and significant effect on product innovation.

The Effect of Product Innovation on Marketing Performance

Based on the results of research conducted by Juliana and Artha Kusuma (2017) which states that product innovation has a significant positive effect on marketing performance. This means that the better and optimal product development to maintain product excellence with competitors, the better the marketing performance. According to the research of Lapianet *al.* (2016), there is a positive and significant influence on the product innovation variables on marketing performance at PT. BPR Prisma Dana Amurang. These results indicate that new products that meet customer needs will make consumers continue to use existing products. Research conducted by Asahi and Sukaatmadja (2017) found that product innovation had a positive and significant effect on marketing performance in wood carving SMEs in Ubud District, Gianyar Regency.

H₅: Product innovation has a positive and significant effect on marketing performance.

The Role of Product Innovation Mediates Market Orientation on Marketing Performance

Putri *et al.*, (2018) stated that product innovation positively and significantly mediated the effect of market orientation on the performance of *Endek* handicraft SMEs in Klungkung Regency. This shows that market orientation in *Endek* handicraft SMEs will have a significant impact on SMEs performance if mediated by innovation, which means that the marketing performance of *Endek* handicraft SMEs in Klungkung Regency is highly dependent on the level of product innovation as well as the level of market orientation. This research was also supported by previous research which obtained similar results, namely research conducted by Asahi and Sukaatmadja (2017), Putra and Rahanatha (2017). Research conducted by Altuntaset *et al.*, (2013) states that innovation is highly dependent on market orientation and will play a role as a mediator to drive organizational performance in private health organizations in Turkey.

H₆: Product innovation significantly mediates the effect of market orientation on marketing performance.

The Role of Product Innovation Mediates Entrepreneurial Orientation on Marketing Performance

Research conducted by Ndubisi and Iftikhar (2012) states that innovation mediates between risk-taking and performance where risk-taking is an indicator of entrepreneurial orientation in small and medium businesses, a business will have greater ability by combining resources existing and will be more successful in responding to all kinds of changes that occur in the business environment. Djayadinigratet *et al.*, (2017) revealed the results of research conducted using the Sobel Test showed that product innovation was able to mediate entrepreneurial orientation significantly. This means that the entrepreneurial orientation possessed by each entrepreneur will have an impact on his ability to innovate on products so as to improve marketing performance. Similarly Priatinet *et al.*, (2017) research that states product innovation mediates the effect of entrepreneurial orientation on marketing performance.

H₇: Product innovation significantly mediates the effect of market orientation on marketing performance.

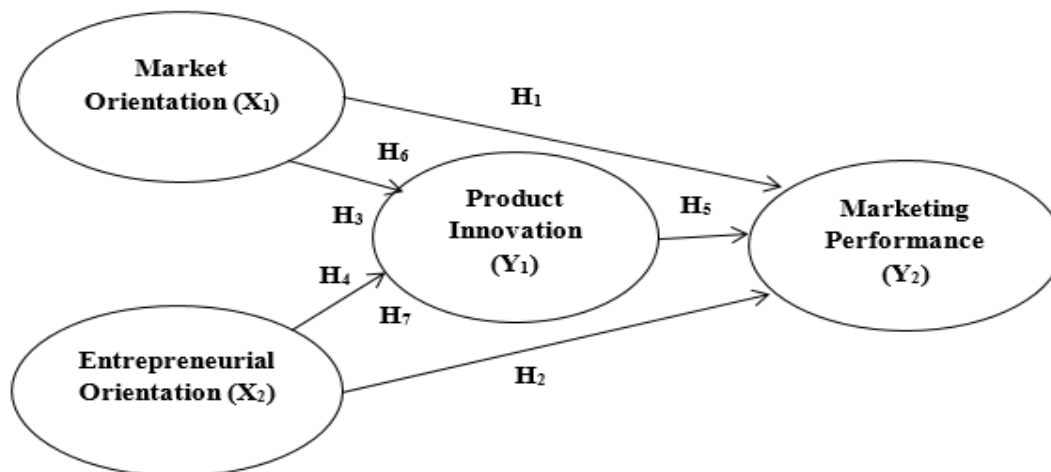


FIGURE 1: CONCEPTUAL MODEL

III. RESEARCH METHODS

This research was conducted at the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency. This location was chosen because Sidemen Village is well-known as a village inhabited by many *Songket* craftsmen and Sidemen weaving craftsmen, so that Sidemen Village is one of the centers of the traditional *Songket* fabric craft industry in Bali. The research object in this study is the *Songket* woven fabric industry in Sidemen Village, Karangasem Regency with a focus on marketing performance, product innovation, market orientation, and entrepreneurial orientation. The population in this study were 34 *Songket* woven fabric industries in Sidemen Village, Karangasem Regency in 2018. The sampling method used in this study was census or saturation sampling. So that the number of samples used in this study is as much as the population, namely 34 *Songket* woven fabric industries in Sidemen Village, Karangasem Regency. The data collection method used in this study was through distributing questionnaires to the owner or manager of the *Songket* woven Industry in Sidemen Village, Karangasem Regency. Data collection in this study used the questionnaire method. Respondents' answers were measured using a 5-point Likert scale. Data analysis techniques used are descriptive statistics, path analysis test, and sobel tests.

IV. RESULTS AND DISCUSSION

The respondents used in this study have different characteristics or identities according to Table 2 as follows.

TABLE 2: CHARACTERISTICS OF RESPONDENTS

Number	Variable	Classification	Amount (people)	Percentage (%)
1	Gender	Male	11	32.35
		Female	23	67.65
	Total		34	100
2	Age	30-35 years old	5	14.71
		36-41 years old	6	17.65
		42-47 years old	12	35.29
		48-53 years old	9	26.47
		>54 years old	2	5.88
Total		34	100	
3	Education	Senior High School	28	82.35
		Diploma	2	5.88
		Bachelor	4	11.76
Total		34	100	

Source: Primary data processed, 2019

Based on Table 2 respondents were mostly female as much as 67.65%. Based on age, 30 years to 35 years by 14.71%, age 36 years to 41 years by 17.65% and age 42 years to 47 years by 35.29%, age 48 years to 53 years by 26.47% and age above 50 years old by 5.88%. One's last education can reflect the level of knowledge and understanding of the business he has. Based on Table 2 it can be seen that respondents were mostly have senior high school education background of 82.35%.

TABLE 3: RESULTS OF PATH ANALYSIS IN STRUCTURE 1

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.545	0.615		0.887	0.382
Market Orientation	0.503	0.113	0.463	3.096	0.004
Entrepreneurial Orientation	0.347	0.107	0.310	2.074	0.047
R ² : 0,434					

Source: Data processed, 2019

Based on the results of the path analysis in Table 3, the structural equation can be formulated as follows.

$$Y_1 = 0,463 X_1 + 0,310 X_2 + e_1$$

The structural equation can be interpreted, namely:

- (1) Market orientation variable has a coefficient of 0.463 which means market orientation has a positive effect on product innovation, this means that if market orientation increases, product innovation will increase.
- (2) Entrepreneurial orientation variable has a coefficient of 0.310 means that entrepreneurial orientation has a positive effect on product innovation, this means that if the entrepreneurial orientation increases, product innovation will increase.

In this study, the effect of market orientation, entrepreneurial orientation and product innovation on marketing performance was calculated through SPSS 21.0 for windows. The following shows the results of the calculation of the second structure in Table 4.

TABLE 4: RESULTS OF PATH ANALYSIS IN STRUCTURE 2

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0.149	0.502		-0.297	0.769
Market Orientation	0.405	0.110	0.363	2.698	0.011
Entrepreneurial Orientation	0.315	0.114	0.276	2.193	0.036
Product Innovation	0.354	0.115	0.346	2.448	0.020
R ² : 0.661					

Source: Data processed, 2019

Based on the results of the path analysis in Table 4, the structural equation can be formulated as follows.

$$Y_2 = 0,363X_1 + 0,276X_2 + 0,346Y_1 + e_2$$

The structural equation can be interpreted, namely:

- (1) Market orientation variable has a coefficient of 0.363 which means market orientation has a positive effect on marketing performance, this means that if market orientation increases, marketing performance will increase.
- (2) Entrepreneurial orientation variable has a coefficient of 0.276 which mean entrepreneurial orientation has a positive effect on marketing performance, this means that if the entrepreneurial orientation increases, marketing performance will increase.
- (3) The product innovation variable has a coefficient of 0.346 which means that product innovation has a positive effect on marketing performance, this means that if product innovation increases, marketing performance will increase.

Test the value of the coefficient of determination (R2) and the error variable (e)

In calculating the value of the total determination coefficient obtained by 0.808, the conclusion is 80.8% of the marketing performance variable in the *Songket Woven Fabric Industry* in Sidemen Village, Karangasem Regency is influenced by market orientation, entrepreneurial orientation and product innovation, while the remaining 19.2% is influenced by other factors not included in the research model or outside the research model.

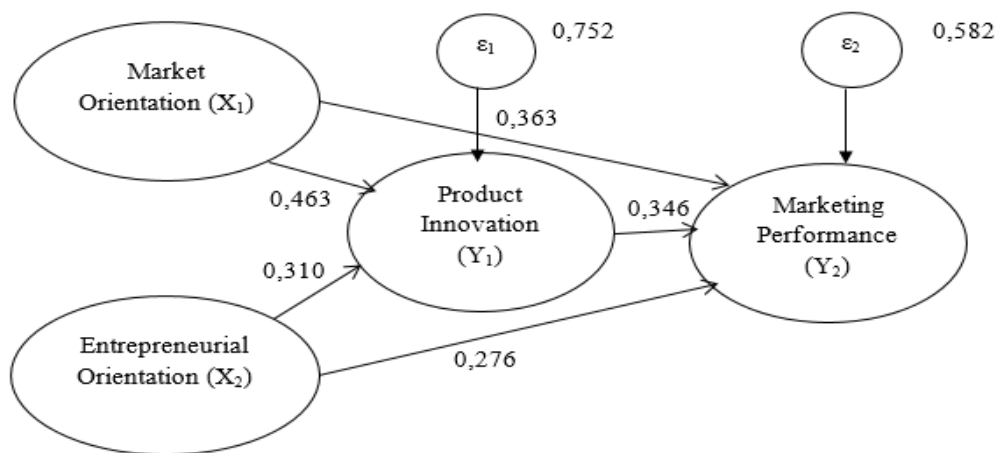


FIGURE 2: PATH ANALYSIS MODEL DIAGRAM

In Figure 2, the magnitude of the value of the influence of market orientation and entrepreneurial orientation on product innovation and marketing performance variables, and the value of the influence of product innovation variables on marketing performance, each value of the influence magnitude obtained from the standardized coefficient Beta and the value of each error variable from each structural equation.

Based on the path diagram in Figure 2, it can be summarized the calculation of direct effects, indirect effects and the total effect of each structural equation which will be presented in Table 5 below.

TABLE 5: DIRECT EFFECTS AND INDIRECT EFFECTS MARKET ORIENTATION (X1) ENTREPRENEURIAL ORIENTATION (X2) ON PRODUCT INNOVATION (Y1) AND MARKETING PERFORMANCE (Y2)

Effect of Variables	Direct Effect	Indirect Effect Through Y ₁	Total Effect
X ₁ →Y ₁	0,463		0,463
X ₂ →Y ₁	0,310		0,310
Y ₁ →Y ₂	0,346		0,346
X ₁ →Y ₂	0,363	0,160	0,523
X ₂ →Y ₂	0,276	0,107	0,383

Source: Data processed, 2019

Table 5 shows the summary results of the values of each direct and indirect effect path between variables and the error value of each structural equation generated through path analysis techniques.

1) Sobel test results

The Sobel Test is an analytical tool to test the significance of the indirect relationship between the independent variable and the dependent variable mediated by the mediator variable

- a) The effect of market orientation on marketing performance by mediating product innovation

Based on the results of the Sobel Test shows that the results of tabulation $Z = 2,379 > 1.96$ which means that market orientation variables have a positive and significant effect on marketing performance in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency with mediation of product innovation, so product innovation is a mediating variable of effect between market orientation and marketing performance in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency, so that the sixth hypothesis is accepted.

b) The effect of entrepreneurial orientation on marketing performance by mediating product innovation

Based on the results of the Sobel Test shows that the tabulated results $Z = 2.030 > 1.96$ which means that entrepreneurial orientation variables have a positive and significant effect on marketing performance in the *Songket* Woven Industry in Sidemen Village, Karangasem Regency with mediation of product innovation, so product innovation is a mediating influence variable between entrepreneurial orientation towards marketing performance in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency, so that the seventh hypothesis is accepted.

The Effect of Market Orientation on Marketing Performance

The results of the hypothesis in this study indicate that market orientation has a positive and significant effect on marketing performance in other words the more market orientation increases, the marketing performance of the *Songket* Weaving Fabric Industry in Sidemen Village, Karangasem Regency will increase. So the first hypothesis is accepted. This is in line with the results of research conducted by Utamaningsih (2016) stating market orientation has a positive and significant effect on marketing performance, with these results it can be concluded that a better market orientation can affect marketing performance improvement. Research conducted by Jayaningrum and Sanawiri (2018) states that market orientation has a significant effect on marketing performance. The higher the market orientation, the higher the degree of marketing performance. In line with the research of Dewi and Ekawati (2017) which states that market orientation has a positive and significant effect on marketing performance. This means that the higher the influence of market orientation, it will improve marketing performance. If the company wants to improve marketing performance, it must conduct market orientation which is a fundamental corporate culture in setting the principles of organizational behavior regarding customers, competitors, and internal functions.

The Effect of Entrepreneurial Orientation on Marketing Performance

The results of the hypothesis in this study indicate that entrepreneurial orientation has a positive and significant effect on marketing performance in other words, the entrepreneurial orientation increases, the marketing performance in the *Songket* Woven Industry in Sidemen Village, Karangasem Regency will increase. So the second hypothesis is accepted. This is in line with the results of research conducted by Djayadinigrat *et al.*, (2017) shows that the entrepreneurial orientation variable has a positive and significant effect on marketing performance. This means that the higher the entrepreneurial orientation the company has, the higher the level of SMIs marketing performance in the food industry sector in the city of Denpasar. In line with research conducted by Musrifah and Murwatiningsih (2017), the entrepreneurial orientation has a positive and significant effect on the marketing performance of *empingmelinjo* home industry in Ambal District, Kebumen Regency.

The Effect of Market Orientation on Product Innovation

The results of the hypothesis in this study indicate that market orientation has a positive and significant effect on product innovation, in other words increasing market orientation in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency, the higher the level of Product Innovation in the *Songket* Woven Fabric Industry in the Village Sidemen, Karangasem Regency. So the third hypothesis is accepted. This is in line with the results of research conducted by Narastika and Yasa (2017) stating that market orientation influences product innovation and obtains positive and significant results. This shows that the market orientation that has been carried out by the company can directly influence the creation of innovation. In line with research Mulyani and Mudiantono (2015) states market orientation has a positive and significant effect on product innovation.

The Effect of Entrepreneurial Orientation on Product Innovation

The results of the hypothesis in this study indicate that entrepreneurial orientation has a positive and significant effect on product innovation, in other words an increasing entrepreneurial orientation in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency, the higher the level of product innovation in the *Songket* Woven Fabric Industry in the Village Sidemen, Karangasem Regency. So the fourth hypothesis is accepted. This is in line with the results of research conducted by Dewi and Suparna (2017) stating the analysis results of the influence of entrepreneurial orientation on innovation states that entrepreneurial orientation has a positive and significant effect on innovation. In line with Destari and Harjanti's research (2014) in his research,

it is argued that entrepreneurial orientation has a positive and significant effect on innovation in the *Batik* Industry in Jember Regency. Research conducted by Killa (2014) found a positive effect of entrepreneurial innovation orientation on product innovation which means that the higher level of entrepreneurial innovation orientation of companies in the creative industries also increases product innovation.

The Effect of Product Innovation on Marketing Performance

The results of the hypothesis in this study indicate that product innovation has a positive and significant effect on marketing performance, in other words if product innovation increases, marketing performance in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency will increase. So the fifth hypothesis is accepted. The results of this study are consistent with research conducted by Juliana and Artha Kusuma (2017) which states that product innovation has a significant positive effect on marketing performance. This means that the better the optimal product development to maintain product excellence with competitors, the better the marketing performance. According to the research of Lapienet *al.* (2016), there is a positive and significant effect on the product innovation variables on marketing performance at PT. BPR Prisma Dana Amurang. These results indicate that new products that meet customer needs will make consumers continue to use existing products.

The Effect of Market Orientation on Marketing Performance by Mediating Product Innovation

The results of the hypothesis in this study indicate that market orientation has a positive and significant effect on marketing performance in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency with product innovation mediation, so product innovation is a mediating variable of the influence between market orientation on marketing performance in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency, so that the sixth hypothesis is accepted. The results of this study are in line with the results of a study conducted by Putri *et al.*, (2018) states that product innovation positively and significantly mediates the effect of market orientation on the performance of *Endek* handicraft SMEs in Klungkung Regency. This shows that market orientation in *Endek* handicraft SMEs will have a significant impact on SME performance if mediated by innovation, which means that the marketing performance of *Endek* handicraft SMEs in Klungkung Regency is highly dependent on the level of product innovation as well as the level of market orientation. This research was also supported by previous studies that obtained similar results, including research conducted by Asahi and Sukaatmadja (2017), Putra and Rahanatha (2017).

The Effect of Entrepreneurial Orientation on Marketing Performance by Mediating Product Innovation

The results of the hypothesis in this study indicate that entrepreneurial orientation has a positive and significant effect on marketing performance in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency with product innovation mediation, so product innovation is a mediating variable of the influence of entrepreneurial orientation on marketing performance in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency. So the seventh hypothesis is accepted. The results of this study are in line with the results of research conducted by Ndubisi and Iftikhar (2012) stating that innovation mediates between risk-taking and performance where risk-taking is an indicator of entrepreneurial orientation in small and medium businesses, a business will have the ability to greater by combining existing resources and will be more successful in responding to all types of changes that occur in the business environment. Djayadinigratet *al.*, (2017) revealed the results of research conducted using the Sobel Test showed that product innovation was able to mediate entrepreneurial orientation significantly. This means that the entrepreneurial orientation possessed by each entrepreneur will have an impact on his ability to innovate on products so as to improve marketing performance. Similarly Priatinet *al.* (2017) research that states product innovation mediates the effect of entrepreneurial orientation on marketing performance.

V. CONCLUSION AND SUGGESTIONS

Based on the results of empirical testing and discussion, the conclusion of this research is market orientation has a positive and significant effect on marketing performance in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency. Entrepreneurial orientation has a positive and significant effect on marketing performance in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency. Market orientation has a positive and significant effect on product innovation in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency. Entrepreneurial orientation has a positive and significant effect on product innovation in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency. Product innovation has a positive and significant effect on marketing performance in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency. Product innovation is a mediating variable of influence between market orientation on marketing performance in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency. Product innovation is a mediating variable of the influence between

entrepreneurial orientation on marketing performance in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency. So, all of the hypothesis are accepted.

Based on the research results and conclusions that have been described, there are some suggestions in terms of market orientation, the thing that companies must do is to find out more clearly about existing market conditions in order to increase market share of the company. In terms of entrepreneurial orientation, the thing the company must do is to make a new product before it is overtaken by the competitor who issued the product. In terms of product innovation, the thing that must be done by companies is to improve the quality of products made so that consumers feel interested in making purchases. In terms of marketing performance, the thing that must be done by the company is to maintain market orientation and entrepreneurial orientation within the company so that they feel compelled to increase their enthusiasm for work, thus increasing marketing performance in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency. For further research, it is expected to be able to increase the scope of the study, not only in the *Songket* Woven Fabric Industry in Sidemen Village, Karangasem Regency but in other sectors or can also replace research locations that are not only focused on one research location, thus providing a more capable and capable perspective implemented in general. Further research is also expected to be carried out in a sustainable manner because the environment and technological developments are always changing at all times.

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