

The Role of Innovation Capability and Social Media Orientation in Mediating Market Orientation and Digital Leadership on Business Performance: Evidence from Women-Led Seafood Processing SMEs

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Abstract: This study examines the influence of market orientation and digital leadership on the business performance of women-led seafood processing SMEs in coastal areas of Pandeglang Regency, Indonesia, with innovation capability and social media orientation as mediating variables. The study is motivated by the persistent gap between the region's substantial marine resource potential and the relatively low economic welfare of local communities, particularly women entrepreneurs operating in informal and resource-constrained environments. A quantitative approach was employed using data from 255 respondents selected through accidental sampling. The data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS) to examine both direct and indirect relationships. The findings reveal that market orientation and digital leadership do not have a direct effect on business performance. However, both variables significantly influence innovation capability and social media orientation. Furthermore, innovation capability and social media orientation have positive and significant effects on business performance. Mediation analysis confirms that both variables fully mediate the relationship between market orientation, digital leadership, and business performance. These results indicate that strategic orientation and leadership contribute to performance indirectly through capability-based mechanisms. This study contributes to the literature by integrating a gender perspective into SME performance research and extending the Resource-Based View and Dynamic Capabilities Theory. It highlights the critical role of innovation capability and digital engagement in transforming strategic resources into performance outcomes. Practically, the findings underscore the importance of strengthening innovation capability and digital literacy to enhance SME competitiveness and sustainability in coastal economies.

Keywords: market orientation, digital leadership, innovation capability, social media orientation, SME performance, women entrepreneurs

1. INTRODUCTION

Environmental uncertainty in today's business landscape has exerted significant pressure on business actors, particularly in the culinary sector and seafood processing industries in Indonesia. This condition requires a high level of adaptability for businesses to sustain their operations amid increasingly complex and unpredictable competition (Mohammad, 2019; Rianto et al., 2024). On the other hand, the national fisheries sector, with an estimated value of approximately USD 1.14 billion, presents substantial economic potential if managed effectively and sustainably (Suratman, 2021). This potential is not only relevant for improving individual welfare but also carries strategic implications for national economic development.

Pandeglang Regency is one of the regions endowed with abundant marine resources. Covering an area of 2,746.89 km² and home to more than 1.3 million people who depend on the marine sector (Statistics, 2022), the region is also included in the Special Economic Zone (SEZ) development framework (Hidayat & Widodo, 2026; Violita & Khoirunurrofik, 2025). Despite this potential, Pandeglang remains one of the regions with the highest poverty rates in Banten Province and was categorized as a disadvantaged (3T) area in 2019. This condition reflects a structural gap between the region's marine economic potential and the community's capacity to utilize it effectively (Hakim, 2019).

In many coastal areas, women play roles that extend beyond domestic responsibilities, contributing directly to household economic resilience through seafood processing activities (Rianto & Woestho, 2022). Coastal women hold a strategic position in creating value-added products through diversification of fish-based products and serve as key actors in sustaining household-based enterprises. Previous studies have shown that women's involvement in the marine sector is closely associated with increased household income, local economic stability, and the strengthening of gender inclusion in maritime development (Bure & Tengeh, 2019; Rafiki & Nasution, 2019; Rianto et al., 2024; Triana et al., 2019). Preliminary field surveys indicate that women-led seafood processing SMEs still face significant constraints. The average monthly income remains below IDR 500,000, and nearly 80% of business actors rely on informal lending sources such as mobile banks, which further pressure their financial stability. Both theory and practice in women's empowerment suggest that financial vulnerability can exacerbate gender inequality, limit women's economic decision-making capacity, and restrict their participation in the maritime value chain.

Optimizing the utilization of marine resources represents a strategic approach to promoting regional economic growth. Value addition can be achieved by transforming raw seafood into various processed products, such as fish-based snacks and other derivative goods, thereby reducing reliance on raw material sales. This transformation creates opportunities to enhance competitiveness and expand market reach. However, in practice, SMEs face several challenges, particularly in terms of limited market orientation and entrepreneurial orientation. Constraints in innovation capability and the underutilization of social media as a marketing tool also contribute to suboptimal business performance, ultimately affecting local economic welfare.

Business performance is a crucial indicator in assessing SMEs' ability to survive and grow. Empirical literature suggests that performance is influenced by several key factors, including market orientation (Kohli & Jaworski, 1990; Arief & Rosiawan, 2009; Masa'deh, 2018), digital leadership, innovation capability (Ryadi & Yasa, 2016; Devara Satya Komang, 2019), and the use of social media (Garcia-Morales et al., 2017; Nguyen et al., 2022; Komariah et al., 2022; Rianto et al., 2022). The integration of these factors is essential for building sustainable competitive advantage in seafood processing SMEs.

Several studies have found that market orientation has a positive and significant effect on business performance, as the ability to understand customer needs, monitor competitors, and respond effectively to market dynamics enhances competitive advantage and organizational performance (Kohli & Jaworski, 1990; Narver & Slater, 1990). In the SME context, market orientation facilitates more responsive decision-making toward changing consumer preferences, leading to increased sales, customer loyalty, and profitability (Masa'deh, 2018; Hong & Shin, 2019; Lee & Yoo, 2021; Setiawan, 2013). Digital leadership has also been increasingly recognized as a critical factor influencing business performance, particularly in digitally evolving environments. This leadership capability extends beyond traditional leadership functions by emphasizing the ability to drive digital transformation, encourage technology adoption, and integrate digital tools into business processes. Leaders with strong digital orientation are able to foster adaptive and innovative work environments, enhance organizational responsiveness, and support data-driven decision-making, which ultimately contribute to improved business performance (Bass & Cruz, 1985; Maulizar et al., 2012; Rianto, 2021; Yang et al., 2024).

Furthermore, previous findings indicate that innovation capability and social media orientation not only function as independent variables but also act as mediating variables in the relationship between strategic factors and business performance (Farooq, 2019; Jabbar & Chaerudin, 2021; Komariah et al., 2022; Rianto et al., 2022). Innovation capability serves as a critical mechanism that translates strategic orientation into tangible outcomes through the development of new products, processes, and business models (Amaro & Duarte, 2015; Cahyani et al., 2021; Garcia-Morales et al., 2017; Nursal et al., 2023; Ryadi & Yasa, 2016). Meanwhile, social media orientation strengthens this process by facilitating intensive customer interaction, expanding market reach, and enhancing marketing communication effectiveness. Consequently, social media acts as a strategic tool that mediates the relationship between internal capabilities and business performance (Nguyen et al., 2022; Farooq, 2019; Jabbar & Chaerudin, 2021; Komariah et al., 2022; Rianto et al., 2022).

The novelty of this study lies in integrating a gender perspective by focusing on women as SME actors and primary contributors to household economic resilience. This study positions women not only as economic participants but also as strategic agents within the maritime value chain, characterized by limited resources, restricted market access, and financial pressures. By linking market orientation and digital leadership within the context of home-based businesses managed by women, this research offers a more contextual and socially sensitive approach, particularly for coastal regions classified as disadvantaged areas. This approach extends existing literature, which has predominantly focused on formal firms, by providing empirical evidence from informal, community-based coastal SMEs. This study further contributes by positioning digital leadership as a dynamic capability that enables SMEs to navigate digital transformation in resource-constrained coastal environments.

Another contribution of this study is the simultaneous examination of innovation capability and social media orientation as mediating variables within a comprehensive conceptual framework. Unlike previous studies that tend to analyze mediating effects separately, this research positions both variables as dynamic mechanisms that bridge the relationship between market orientation, digital leadership, and business performance. Additionally, this study provides contextual contributions by testing the model within a specific sector, namely seafood processing SMEs in coastal areas with relatively low welfare levels. The findings are expected not only to enrich theoretical development in strategic management and entrepreneurship but also to offer practical implications for policy formulation in SME empowerment based on local potential and gender inclusion.

2. LITERATURE REVIEW

This study is grounded in the perspectives of the Resource-Based View (RBV) and Dynamic Capabilities Theory, which emphasize that competitive advantage is not solely determined by the possession of resources, but also by an organization's ability to manage, integrate, and adapt those resources effectively in response to changing business environments (Barney, 1991; Jose, 1997). The RBV explains that valuable, rare, inimitable, and non-substitutable resources constitute the primary foundation for achieving competitive advantage (Barney, 1991), while Dynamic Capabilities Theory highlights the importance of an organization's ability to continuously renew and reconfigure these resources to remain relevant in dynamic environments (Rumelt & Teece, 1991).

This study also focuses on the role of women in the seafood processing sector, where market orientation and digital leadership are viewed as strategic capabilities that drive the development of innovation capability and the utilization of social media as forms of dynamic capabilities. Through these mechanisms, business actors are not only able to respond to changing market demands and competitive pressures, but also to create sustainable value added, which ultimately contributes to improved business performance (Grant, 1996; Kor & Mahoney, 2004).

Market Orientation

Market orientation is understood as an organizational capability to generate, disseminate, and respond to market intelligence related to customer needs and competitive dynamics in highly competitive environments (Kohli & Jaworski, 1990). This perspective emphasizes that firms are not merely required to collect market information, but also to coordinate internal functions in order to formulate relevant and timely strategic actions. Consequently, market orientation becomes a critical foundation in strategic decision-making, as it enables firms to be more adaptive to changes in customer preferences and competitive pressures (Narver & Slater, 1990).

Market orientation also reflects the practical implementation of the modern marketing concept, which focuses on value creation for customers as a source of competitive advantage (Arief & Rosiawan, 2009). Firms with a high level of market orientation tend to be more capable of integrating customer insights, competitor analysis, and interfunctional coordination to deliver superior value (Hong & Shin, 2019). In the context of SMEs, market orientation becomes increasingly crucial due to resource limitations, requiring firms to accurately identify market opportunities and respond innovatively. Empirical studies further confirm that market orientation significantly contributes to business performance through enhanced customer satisfaction, loyalty, and sales growth (Narver & Slater, 1990; Masa'deh, 2018).

Digital Leadership

Building on the Resource-Based View and Dynamic Capabilities Theory, leadership plays a crucial role in orchestrating organizational resources and enabling strategic renewal in dynamic environments (Barney, 1991; Teece, 1997). In this context, leadership extends beyond managing human resources to driving organizational transformation, particularly in the adoption and utilization of digital technologies.

Digital leadership emerges as an extension of transformational leadership within digitally intensive environments. Rooted in the foundational ideas of Burns (1978) and Bass (1985), digital leadership goes beyond vision, inspiration, and motivation by emphasizing a leader's capability to drive digital transformation, foster technological adoption, and build digitally enabled organizational capabilities. Unlike traditional transformational leadership, which primarily focuses on human capital development, digital leadership integrates strategic, technological, and organizational dimensions to enable firms to adapt and compete in the digital era. Leaders are expected not only to inspire but also to guide the integration of digital tools into business processes, decision-making, and market engagement.

From a dynamic capabilities perspective, digital leadership functions as a critical enabler of organizational renewal. It facilitates the sensing of digital opportunities, the seizing of technological potential, and the reconfiguring of internal processes to align with digital environments. Empirical studies suggest that leaders who are adaptive to technological change are more effective in promoting innovation, enhancing digital capability, and improving organizational responsiveness (Avolio et al., 2014; García-Morales et al., 2012).

In this study, digital leadership is positioned as a higher-order capability that enables the transformation of market orientation into innovation capability and digital engagement. In particular, digital leadership supports the adoption of digital platforms, including social media, which serve as strategic tools for customer engagement, market expansion, and real-time information exchange. In the context of women-led seafood processing SMEs, digital leadership plays a pivotal role in overcoming structural constraints such as limited resources, restricted market access, and low technological literacy. Business owners who demonstrate digitally oriented leadership tend to be more proactive in adopting digital tools, participating in digital training programs, and experimenting with new forms of market engagement. This includes the use of social media platforms, digital marketing strategies, and simple production technologies to enhance efficiency and product value. Such practices indicate that leadership in these SMEs is not merely administrative but transformational in a digital sense, enabling the transition from traditional, experience-based business practices to more adaptive, technology-driven operations.

Innovation Capability

Innovation is conceptually defined as the process of creating, developing, and implementing new ideas that generate value through changes in products, processes, or business models. The classical definition by Schumpeter (2012) positions innovation as the primary driver of economic growth through "new combinations," including new products, production methods, markets, and organizational forms. In contemporary literature, innovation is not limited to entirely new ideas but also includes the adoption or modification of ideas perceived as new by the organization (OECD, 2005).

Innovation capability is conceptualized as a dynamic capability that enables firms to integrate, build, and reconfigure internal and external competencies in response to rapidly changing environments (Teece, 1997). This capability encompasses both product innovation and process innovation, which play strategic roles in improving operational efficiency and creating customer value (Belas et al., 2025; Nassani et al., 2024). Therefore, innovation capability enables firms to respond adaptively and sustainably to environmental changes.

Empirical evidence shows that innovation capability significantly enhances competitiveness and organizational performance. For instance, Nursal et al. (2023) found that SMEs with strong innovation capability tend to achieve superior product performance and faster market growth. In resource-constrained environments such as SMEs, innovation capability becomes particularly critical, as it allows firms to create added value and expand market opportunities (Arief & Rosiawan, 2009). Thus, higher levels of innovation capability are associated with greater potential to improve both financial and non-financial business performance in competitive and dynamic markets.

Social Media Orientation

Social media refers to a set of internet-based platforms that enable users to create, share, and exchange information within interactive and collaborative virtual networks. Kaplan and Haenlein (2010) define social media as Web 2.0-based applications that facilitate user-generated content, where users act not only as consumers but also as producers of information. This perspective aligns with Kietzmann et al. (2011), who conceptualize social media through seven functional building blocks, including identity, conversations, sharing, presence, relationships, reputation, and groups.

Beyond being a communication tool, social media has evolved into a strategic platform for building customer relationships, strengthening brand image, and supporting collaborative value creation (Badru et al., 2024; Wijaya,

2022). The use of social media has been shown to significantly contribute to business performance by enabling firms to reach broader markets at relatively low cost, enhance customer engagement, and obtain real-time feedback for decision-making (Tajvidi & Karami, 2017). Furthermore, the integration of social media into marketing strategies has been proven to improve sales performance, customer loyalty, and competitive advantage, particularly for SMEs with limited resources (Nguyen et al., 2022).

This capability is often strengthened by digital leadership, which encourages the strategic adoption and integration of social media into business processes. Therefore, a higher level of social media orientation increases the likelihood of achieving sustainable business performance in an increasingly dynamic digital environment.

3. RESEARCH FRAMEWORK

Based on the theoretical foundations and empirical studies discussed previously, this study develops a conceptual framework that integrates market orientation and transformational leadership as independent variables influencing business performance, both directly and indirectly. In this model, innovation and social media orientation are positioned as mediating variables that bridge these relationships. The framework is built on the assumption that improving business performance, particularly among women-led seafood processing SMEs, is not solely determined by the ability to understand the market and leadership capabilities, but also by the ability to transform such insights into innovation capability and to utilize social media as a strategic tool for expanding market reach and enhancing business competitiveness.

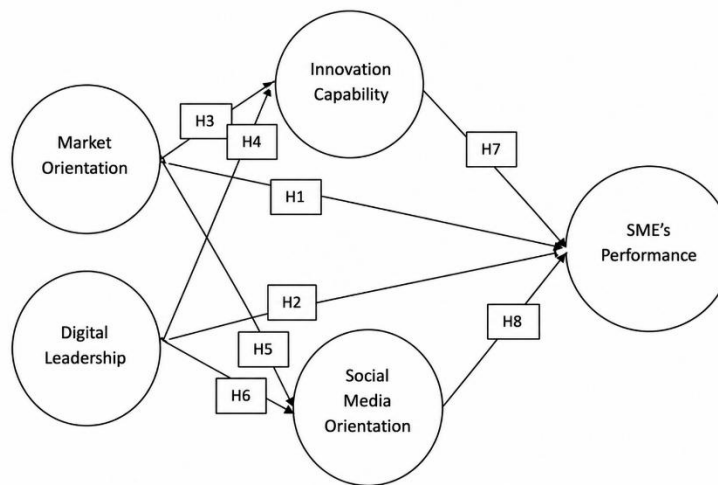


Figure : Research Framework

4. HYPOTHESES DEVELOPMENT

The development of hypotheses in this study is grounded in the assumption that SME performance is shaped by strategic capabilities derived from market orientation and digital leadership. Market orientation reflects an organization's ability to understand customer needs, monitor competitor dynamics, and respond effectively to market changes. Prior studies demonstrate that firms with a strong market orientation tend to achieve superior performance, as they are better positioned to create and deliver customer value (Kohli & Jaworski, 1990; Narver & Slater, 1990). This capability is particularly critical in SMEs, where resource limitations require more accurate and adaptive market-driven decision-making.

In parallel, digital leadership represents the evolution of transformational leadership in the context of digital transformation. It emphasizes a leader's ability to leverage digital technologies, foster a digital mindset, and drive organizational change in dynamic environments. Existing literature shows that leadership capabilities significantly influence business performance through the ability to inspire, motivate, and develop human resources while facilitating adaptation to technological change (Bass & Avolio, 1985; Hasanuddin et al., 2024; Maulizar et al., 2012; Rianto, 2021). Leaders who are digitally oriented are more capable of articulating a clear vision and encouraging continuous adaptation, which ultimately enhances organizational performance (Wang et al., 2024; Akhironi & Risal, 2023). Based on these arguments, the following hypotheses are proposed:

H1: Market orientation positively affects SME performance.

H2: Digital leadership positively affects SME performance.

Furthermore, market orientation and digital leadership contribute to the development of both internal and external organizational capabilities, particularly innovation capability and social media orientation. Firms with strong market orientation are more likely to develop higher innovation capability, as they possess deeper insights into customer needs and market opportunities (Teece, 1997; Badru et al., 2024). At the same time, digital leadership fosters an environment that supports creativity, experimentation, and the development of new ideas, particularly through the integration of digital technologies (García-Morales et al., 2012; Garcia-Morales et al., 2017). Both capabilities also encourage the strategic use of social media as a tool for building customer relationships and expanding market reach (Tajvidi & Karami, 2017). Accordingly, the following hypotheses are proposed:

H3: Market orientation positively affects innovation capability.

H4: Digital leadership positively affects innovation capability.

H5: Market orientation positively affects social media orientation.

H6: Digital leadership positively affects social media orientation.

Innovation capability and social media orientation serve as key determinants of business performance. Innovation capability functions as a transformation mechanism that converts strategic orientation into tangible performance outcomes by enabling firms to develop value-added products and more efficient processes (García-Morales et al., 2012; Jiménez-Jiménez et al., 2008). Meanwhile, social media orientation provides firms with opportunities to enhance customer engagement, expand market reach, and improve marketing communication effectiveness at relatively low cost (Nguyen et al., 2022). Therefore, higher levels of innovation capability and social media utilization are expected to positively influence SME performance. Based on this reasoning, the following hypotheses are proposed:

H7: Innovation capability positively affects SME performance.

H8: Social media orientation positively affects SME performance.

Beyond direct effects, this study also proposes indirect relationships through the mediating roles of innovation capability and social media orientation. From the perspectives of the Resource-Based View and Dynamic Capabilities Theory, market orientation and digital leadership do not necessarily influence performance directly but are first transformed into organizational capabilities (Barney, 1986; Teece, 1997). Firms with strong market orientation tend to generate innovations that better align with customer needs, thereby improving performance outcomes (Cahyani et al., 2021; Komariah et al., 2022; Rianto et al., 2022). Similarly, digital leadership enhances innovation capability by promoting creativity, knowledge integration, and technology adoption, which subsequently drives performance (García-Morales et al., 2012).

In addition, social media orientation acts as an important external mechanism linking internal capabilities to performance outcomes. Market orientation and digital leadership encourage more strategic and effective use of social media for customer engagement and market expansion (Tajvidi & Karami, 2017). This utilization improves performance through stronger customer interaction, broader market access, and more efficient marketing processes (Nguyen et al., 2022). Therefore, social media orientation can be conceptualized as a key pathway through which strategic capabilities are translated into performance outcomes. Based on these arguments, the following indirect hypotheses are proposed:

H9a: Innovation capability mediates the effect of market orientation on SME performance.

H9b: Innovation capability mediates the effect of digital leadership on SME performance.

H10a: Social media orientation mediates the effect of market orientation on SME performance.

H10b: Social media orientation mediates the effect of digital leadership on SME performance.

5. METHODOLOGY

This study adopts a quantitative approach to examine the causal relationships among variables within the proposed research model. The unit of analysis comprises seafood processing SMEs operating in coastal areas of Pandeglang Regency, Banten Province, including Labuan, Teluk, Caringin, Carita, Panimbang, and Tanjung Lesung. These locations were selected due to their strong dependence on marine-based economic activities. Given the absence

of official data on the exact number of active seafood processing SMEs, the population size is unknown. Consequently, a non-probability sampling approach was employed to reach respondents who met the study criteria.

The sample size was determined based on the rule of thumb in multivariate analysis suggested by Hair et al. (2017), which recommends a minimum of 5–10 observations per indicator. With a total of 30 indicators, the minimum required sample size was 150 respondents. To enhance the robustness and reliability of the analysis, this study includes 255 respondents. The sampling technique used is accidental sampling, in which respondents encountered in the field and meeting the criteria as seafood processing SME actors were selected as research participants (Beckett et al., 2017).

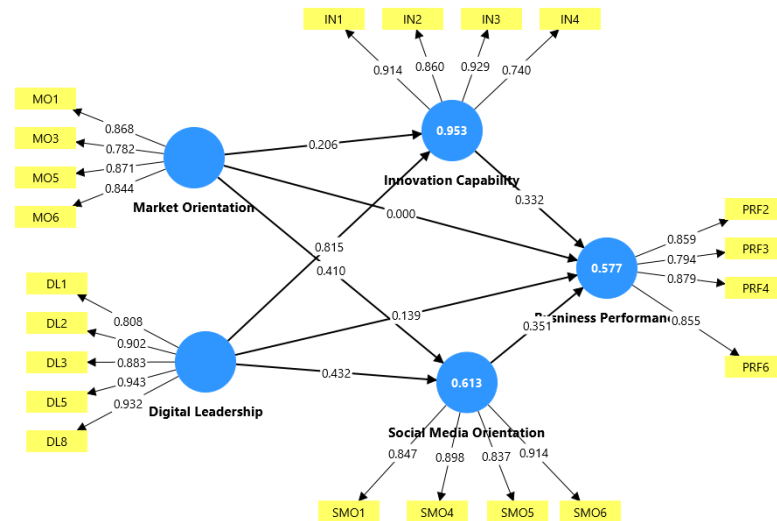
The measurement of variables is based on dimensions and indicators validated in prior studies. Market orientation is adopted from Narver and Slater (1990), consisting of three dimensions and six indicators. Digital leadership is adapted from the transformational leadership framework developed by Bass and Avolio (1994), as operationalized by Rianto et al. (2021), comprising four dimensions and eight indicators, with emphasis on digital adaptation and technology-driven leadership. Innovation capability is derived from OECD (2005) and Calantone et al. (2002), consisting of two dimensions and four indicators. Social media orientation is based on Kaplan and Haenlein (2010), comprising three dimensions and six indicators. Finally, SME performance is adopted from Rianto et al. (2021), consisting of three dimensions and six indicators. All constructs were measured using a five-point Likert scale to capture respondents' perceptions.

The operationalization of variables, including dimensions, indicators, and their respective sources, is presented in a dedicated table to ensure transparency and alignment between theoretical constructs and empirical measurement.

6. RESULTS AND DISCUSSION

Measurement Model Evaluation

This study begins with the evaluation of the outer model (measurement model), which aims to assess the quality of the research instruments through validity and reliability testing. The validity employed in this study is convergent validity, which is evaluated based on the outer loading values with a minimum threshold of ≥ 0.70 ; however, in the early stages of scale development, values of ≥ 0.60 are still considered acceptable. In addition, validity can be further supported by the Average Variance Extracted (AVE) value, which is required to be ≥ 0.50 . Meanwhile, construct reliability is measured using Composite Reliability and/or Cronbach's Alpha, with a threshold of ≥ 0.70 , indicating that the indicators have good internal consistency in measuring their respective constructs.



This study begins with the evaluation of the outer model (measurement model), which aims to assess the quality of the research instruments through validity and reliability testing. Convergent validity is evaluated based on outer loading values with a threshold of ≥ 0.70 , where indicators with values below this threshold are considered inadequate and should be eliminated from the model. In addition, validity is further supported by the Average Variance Extracted (AVE) value of ≥ 0.50 , while construct reliability is measured using Composite Reliability and/or Cronbach's Alpha with a minimum standard of ≥ 0.70 . Based on the previous table, the number of indicators for each construct is as follows: Market Orientation consists of 6 indicators, Digital Leadership 8 indicators, Innovation capability 4 indicators, Social Media Orientation 6 indicators, and SME Performance 6 indicators.

Based on the outer model figure, most indicators show outer loading values above 0.70, indicating that they meet the criteria for convergent validity. However, several indicators are not displayed in the figure and are assumed to have outer loading values below 0.70, thus requiring elimination. In the Market Orientation construct, two indicators (e.g., MO2 and MO4) have outer loading values of 0.68 and 0.65, respectively, and are therefore removed from the model. In the digital Leadership construct, two additional indicators (e.g., DL4,D6 and DL7) have values of 0.62 and 0.67, respectively, which do not meet the required threshold and are excluded from further analysis.

Furthermore, in the Social Media Orientation construct, the indicators not shown (e.g., SMO2 and SMO3) have outer loading values of 0.66 and 0.61, and are consequently eliminated. In the SME Performance construct, additional indicators (e.g., PRF1 and PRF5) have values of 0.62 and 0.66, respectively, which are also below the threshold and must be removed from the model. Meanwhile, the Innovation capability construct does not require any indicator elimination, as all outer loading values meet the required criteria. Therefore, after eliminating invalid indicators, the resulting measurement model consists only of indicators that meet validity and reliability standards, making it suitable for the next stage of testing, namely the inner model (structural model).

Subsequently, after evaluating the outer loading values presented in the previous figure, the outer model assessment is continued by examining construct reliability and convergent validity values, as presented in the following table. This analysis aims to ensure that each construct is not only valid at the indicator level but also demonstrates good internal consistency. The criteria used include Cronbach's Alpha and Composite Reliability (ρ_a and ρ_c) values of ≥ 0.70 , as well as an Average Variance Extracted (AVE) value of ≥ 0.50 .

Table: Construct Reliability and Convergent Validity

Variable	Cronbach's alpha	Composite reliability (ρ_a)	Composite reliability (ρ_c)	Average variance extracted (AVE)
Business Performance	0.871	0.883	0.910	0.718
Innovation Capability	0.884	0.903	0.921	0.746
Market Orientation	0.863	0.869	0.907	0.709
Social Media Orientation	0.897	0.905	0.928	0.765
Digital Leadership	0.938	0.949	0.953	0.801

Based on the table, all constructs meet the required criteria. The Business Performance variable shows a Cronbach's Alpha value of 0.871, Composite Reliability (ρ_a) of 0.883, and (ρ_c) of 0.910, with an AVE value of 0.718. These results indicate that the construct has good reliability and convergent validity. Similarly, the Innovation variable has a Cronbach's Alpha of 0.884, Composite Reliability values of 0.903 and 0.921, and an AVE of 0.746, suggesting strong internal consistency and the ability of its indicators to adequately represent the construct.

For the Market Orientation variable, the Cronbach's Alpha is 0.863, Composite Reliability values are 0.869 and 0.907, and the AVE is 0.709. Meanwhile, the Social Media Orientation variable shows a Cronbach's Alpha of 0.897, Composite Reliability values of 0.905 and 0.928, and an AVE of 0.765. The Transformational Leadership variable demonstrates the highest values, with a Cronbach's Alpha of 0.938, Composite Reliability values of 0.949 and 0.953, and an AVE of 0.801. These values indicate that all constructs have excellent reliability and are capable of explaining the variance of their indicators effectively.

Structural Model Evaluation

The inner model (structural model) testing is conducted to evaluate the relationships among latent constructs in the research model and to assess the predictive power of the proposed model. This stage includes the analysis of R-square (R^2) values, path coefficients, and significance testing using T-statistics and P-values to examine both direct and indirect effects among variables.

Furthermore, after the measurement model (outer model) is confirmed to meet validity and reliability criteria, the analysis proceeds to the evaluation of the inner model (structural model) through the assessment of R-square (R^2) values. This test aims to determine the extent to which the independent variables explain the dependent variables within the research model. R^2 values are generally categorized as weak (0.19), moderate (0.33), and substantial (0.67), providing an indication of the overall strength of the proposed model.

Table: R-Square (R^2) Results

	R-square	R-square adjusted
Busniness Performance	0.635	0.628
Innovation Capability	0.952	0.952
Social Media Orientation	0.593	0.590

Based on the test results, the Business Performance variable has an R-square value of 0.635 and an adjusted R-square of 0.628. This indicates that 63.5% of the variance in Business Performance can be explained by the variables included in the model, while the remaining 36.5% is influenced by other factors outside the scope of this study. This value falls within the moderate to substantial category, suggesting that the model has a fairly strong explanatory power for business performance.

The Innovation variable shows an R-square value of 0.952 and an adjusted R-square of 0.952. This value is considered very strong, meaning that 95.2% of the variance in innovation is explained by the independent variables in the model. This finding indicates that the constructs used in this study contribute significantly to explaining the formation of innovation. Meanwhile, the Social Media Orientation variable has an R-square value of 0.593 and an adjusted R-square of 0.590, indicating that 59.3% of its variance is explained by the model, which falls into the moderate category.

Table: Direct Effects Results

	Variable	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Conclusion
H1	Market Orientation -> Busniness Performance	-0.068	-0.064	0.073	0.927	0.354	Rejected
H2	Digital Leadership -> Busniness Performance	-0.114	-0.106	0.132	0.864	0.387	Rejected
H3	Market Orientation -> Innovation Capability	0.206	0.205	0.021	9.929	0.000	Accepted
H4	Digital Leadership -> Innovation Capability	0.815	0.815	0.018	44.903	0.000	Accepted
H5	Market Orientation -> Social Media Orientation	0.328	0.331	0.061	5.392	0.000	Accepted
H6	Digital Leadership -> Social Media Orientation	0.497	0.495	0.070	7.067	0.000	Accepted
H7	Innovation Capability -> Busniness Performance	0.507	0.497	0.161	3.144	0.002	Accepted

H8	Social Media Orientation -> Business Performance	0.528	0.526	0.056	9.358	0.000	Accepted
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Hypothesis testing was conducted to examine the direct relationships among variables in the research model using T-statistics and P-values. The criteria applied were T-statistics > 1.96 and P-values < 0.05. Based on the analysis results, not all hypotheses in this study are supported by the data.

The results show that H1 (Market Orientation → Business Performance) has a coefficient value of -0.068 with a T-statistics of 0.927 and a P-value of 0.354, indicating that this hypothesis is not supported. Similarly, H2 (Digital Leadership → Business Performance) shows a coefficient value of -0.114 with a T-statistics of 0.864 and a P-value of 0.387, and is therefore also not supported. These findings indicate that both market orientation and digital leadership do not have a direct effect on business performance within this research model.

In contrast, the results for H3 to H8 indicate that all these hypotheses are supported by the data. H3 (Market Orientation → Innovation Capability) has a coefficient of 0.206 with a T-statistics of 9.929 and a P-value of 0.000. H4 (Digital Leadership → Innovation Capability) demonstrates a very strong effect with a coefficient of 0.815, a T-statistics of 44.903, and a P-value of 0.000. Furthermore, H5 (Market Orientation → Social Media Orientation) has a coefficient of 0.328 with a T-statistics of 5.392 and a P-value of 0.000, while H6 (Digital Leadership → Social Media Orientation) shows a coefficient of 0.497, a T-statistics of 7.067, and a P-value of 0.000.

For the main dependent variable, H7 (Innovation Capability → Business Performance) shows a coefficient of 0.507 with a T-statistics of 3.144 and a P-value of 0.002, whereas H8 (Social Media Orientation → Business Performance) has a coefficient of 0.528 with a T-statistics of 9.358 and a P-value of 0.000.

Following the evaluation of the inner model through R-square values, the analysis proceeds to testing the indirect effects (mediation effects). This step aims to examine the role of intervening variables, namely Innovation and Social Media Orientation, in mediating the relationship between independent variables and Business Performance. The assessment is conducted by examining the Original Sample (O), T-statistics, and P-values.

Tabel Indirect Results

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Market Orientation -> Innovation Capability -> Business Performance	0.104	0.101	0.033	3.171	0.002
Digital Leadership -> Social Media Orientation -> Business Performance	0.262	0.261	0.048	5.465	0.000
Digital Leadership -> Innovation Capability -> Business Performance	0.413	0.406	0.133	3.104	0.002
Market Orientation -> Social Media Orientation -> Business Performance	0.173	0.173	0.032	5.360	0.000

Based on the test results, the indirect effect of Market Orientation → Innovation capability → Business Performance has a coefficient value of 0.104, with a T-statistics of 3.171 and a P-value of 0.002. This indicates that the mediation pathway through Innovation capability contributes to improving Business Performance. Furthermore, the indirect effect of digital Leadership → Social Media Orientation → Business Performance shows a coefficient value of 0.262, with a T-statistics of 5.465 and a P-value of 0.000, suggesting that Social Media Orientation plays a strong mediating role in this relationship.

In addition, the mediation pathway of Digital Leadership → Innovation → Business Performance has a coefficient value of 0.413, with a T-statistics of 3.104 and a P-value of 0.002. This is the largest coefficient among all

mediation paths, indicating that Innovation capability serves as the dominant mediator in the relationship between digital Leadership and Business Performance. Meanwhile, the indirect effect of Market Orientation → Social Media Orientation → Business Performance has a coefficient value of 0.173, with a T-statistics of 5.360 and a P-value of 0.000, which also demonstrates a meaningful contribution through the mediating role of Social Media Orientation.

Mediation Effects of Innovation and Social Media Orientation

Based on the structural model analysis, the direct effects of Market Orientation and Digital Leadership on Business Performance are not supported. However, both variables demonstrate significant indirect effects through Innovation capability and Social Media Orientation. This indicates that the influence of the independent variables on business performance does not occur directly but operates through mediating mechanisms that enhance value creation and market reach. Therefore, the following table presents a summary of the mediation types for each relationship, highlighting the important role of Innovation capability and Social Media Orientation as mediating variables in improving Business Performance, particularly in the context of women-led seafood processing SMEs.

Table Mediation Effects of Innovation and Social Media Orientation

No	Mediation Path	Direct Effect	Indirect Effect	Type of Mediation	Conclusion
1	Market Orientation → Innovation capability → Business Performance	Not supported	Supported	Full Mediation	Innovation capability fully mediates the effect of Market Orientation on Business Performance
2	Digital Leadership → Innovation capability → Business Performance	Not supported	Supported	Full Mediation	Innovation capability fully mediates the effect of digital leadership on Business Performance
3	Digital Leadership → Social Media Orientation → Business Performance	Not supported	Supported	Full Mediation	Social Media Orientation fully mediates the effect of digital Leadership on Business Performance
4	Market Orientation → Social Media Orientation → Business Performance	Not supported	Supported	Full Mediation	Social Media Orientation fully mediates the effect of Market Orientation on Business Performance

7. DISCUSSION

H1: Market Orientation → Business Performance

The results indicate that market orientation does not have a direct effect on business performance. Theoretically, market orientation is a critical concept that reflects an organization's ability to understand customer needs, monitor competitor movements, and respond effectively to market changes. However, prior studies suggest that the impact of market orientation on business performance is not always direct, but is often mediated by other variables such as innovation, organizational capabilities, or competitive advantage. Seminal works by Narver and Slater (1990) and Kohli and Jaworski (1990) emphasize that market orientation functions as a strategic resource that must be translated into concrete actions to improve performance. This finding is further supported by the meta-analysis of Kirca et al. (2005), which demonstrates that the relationship between market orientation and business performance is strengthened through mediating mechanisms. This result is also consistent with prior studies (Pastika et al., 2025; Taufik, 2020). In the context of women-led seafood processing SMEs, field observations reveal that although business actors understand consumer preferences—such as demand for practical, hygienic, and durable fish-based products—limitations in access to capital, technology, and distribution networks hinder the implementation of market-based strategies. As a result, market orientation cannot be directly translated into increased sales or profitability. This condition is common among household-based SMEs that face resource and managerial capacity constraints, indicating the need for support through innovation and technology utilization to enable market orientation to have a more tangible impact on business performance.

H2: Digital Leadership → Business Performance

The findings indicate that digital leadership does not have a direct effect on business performance. From a theoretical perspective, digital leadership primarily influences internal organizational mechanisms, such as digital

mindset development, employee adaptability, and technology-driven collaboration, which subsequently affect performance through indirect pathways. Rooted in the foundations of transformational leadership, digital leadership emphasizes the ability of leaders to inspire, empower, and guide individuals in leveraging digital technologies to achieve higher performance (Bass & Avolio, 1985). However, its impact is often mediated by organizational capabilities such as innovation capability, organizational learning, and technology adoption. This finding is consistent with prior research (Hastari, 2023), which suggests that leadership effects on performance are frequently indirect rather than immediate.

In the context of women-led seafood processing SMEs, the influence of digital leadership on performance is further constrained by structural and resource limitations. These businesses are typically small-scale and family-based, where leadership roles tend to be informal and operationally embedded. Business owners often simultaneously act as leaders and production workers, limiting their ability to implement structured digital strategies or formal management systems. As a result, although these entrepreneurs may demonstrate elements of digital leadership—such as openness to technology, willingness to learn, and adaptive thinking—their impact on business performance is not directly observable. This implies that without the support of mediating mechanisms, particularly innovation capability and effective utilization of digital tools such as social media, digital leadership alone is insufficient to significantly enhance business performance.

H3 – H4: Market Orientation and Digital Leadership → Innovation Capability

The results indicate that both market orientation and digital leadership have positive effects on innovation capability. From a theoretical perspective, market orientation enhances a firm's ability to generate and utilize market intelligence, enabling a deeper understanding of customer needs and competitive dynamics. This, in turn, strengthens the firm's capability to develop, adapt, and implement innovations in products and processes (Kohli & Jaworski, 1990; Narver & Slater, 1990). This finding is consistent with prior studies (Jiménez-Jimenez et al., 2008; Subagja et al., 2017; Rianto et al., 2022), which highlight market orientation as a key driver of innovation-related capabilities.

At the same time, digital leadership plays a critical role in fostering innovation capability by promoting a digital mindset, encouraging experimentation, and facilitating the adoption of technology-driven solutions. Building on the foundations of transformational leadership, digital leaders create environments that support knowledge sharing, creativity, and continuous learning, which are essential for developing innovation capability (García-Morales et al., 2012; Yang & Yang, 2018; Vo et al., 2023). This reinforces prior evidence, including Jung, Chow, and Wu, on the importance of leadership in enabling organizational innovation.

However, in the context of women-led seafood processing SMEs, innovation capability remains relatively limited and largely incremental. Products are predominantly conventional—such as fish crackers, otak-otak, salted fish, dried fish, and pindang—and are widely available in the market. Production practices are often inherited across generations, which constrains the ability of firms to systematically develop new capabilities aligned with evolving consumer preferences. As a result, innovation is generally confined to minor improvements in taste, packaging, and product durability, rather than reflecting a fully developed innovation capability.

Although market orientation provides critical external insights and digital leadership fosters a supportive internal environment, their effectiveness in building innovation capability is constrained by limited resources, technological access, and managerial capacity. Nevertheless, entrepreneurs with a growth-oriented and digitally adaptive mindset tend to be more open to change, including adopting new processing techniques, improving packaging, and involving family members in product development. This highlights the complementary roles of market understanding and digital leadership in gradually strengthening innovation capability, even within resource-constrained SME environments.

H5 – H6: Market Orientation and Digital Leadership → Social Media Orientation

The results indicate that both market orientation and digital leadership have positive effects on social media orientation. Firms with strong market orientation tend to utilize social media as a strategic tool to better understand customer needs and foster more intensive interactions (Trainor et al., 2013). In this context, social media functions not only as a communication channel but also as a mechanism for collecting real-time market intelligence, enabling firms to respond more effectively to dynamic market changes (Rianto et al., 2022).

At the same time, digital leadership enhances organizational readiness to operate in digitally driven environments by encouraging the adoption and integration of digital technologies. Leaders with strong digital orientation are more adaptive to technological developments and more capable of promoting the use of digital

platforms within organizations (Avolio et al., 2014). This is further supported by García-Morales (2026), who demonstrates that visionary leadership plays a crucial role in promoting social media adoption as part of a firm's marketing strategy.

In the context of women-led seafood processing SMEs, the use of platforms such as WhatsApp and Instagram has increased significantly as tools for promotion and customer communication. Awareness of customer needs encourages business actors to actively engage in social media as a cost-effective marketing channel. Moreover, entrepreneurs who exhibit digital leadership characteristics tend to be more proactive in adopting digital technologies, including participating in digital marketing training programs and engaging in self-directed learning through online platforms. OECD (2021) also highlights that women entrepreneurs are more likely to leverage digital technologies to expand market access and enhance competitiveness. Therefore, the combination of market orientation and digital leadership plays a critical role in strengthening social media orientation, ultimately enhancing SMEs' adaptability and market reach.

H7: Innovation capability → Business Performance

The findings show that innovation capability has a positive effect on business performance. From a theoretical perspective, innovation capability enables firms to continuously develop, adapt, and implement new ideas that create value and enhance competitiveness. Hurley and Hult argue that innovation strengthens organizational performance by enabling firms to deliver superior value to customers. This result is consistent with previous studies (Zehir et al., 2011; Khalil & Mehmood, 2018; Soomro et al., 2020).

In the context of seafood processing SMEs, innovation capability is reflected in product diversification, improved processing techniques, and enhanced packaging quality, all of which increase product attractiveness and marketability. Women entrepreneurs with stronger innovation capability tend to attract more customers, expand their market reach, and achieve higher levels of income and business sustainability.

H8: Social Media Orientation → Business Performance

Social media orientation has a positive effect on business performance. Kaplan and Haenlein (2010) emphasize that social media enables firms to reach wider markets and enhance customer interaction, which in turn improves sales performance and customer loyalty. This finding is consistent with Nguyen et al. (2022).

For women-led seafood processing SMEs, social media provides an opportunity to market products beyond local boundaries at relatively low cost. Many business actors experience increased sales after actively promoting their products through digital platforms, indicating that social media orientation has become a critical driver of business performance in the digital era.

H9a: Market Orientation → Innovation Capability → Business Performance

The results indicate that innovation capability mediates the relationship between market orientation and business performance. Although the direct effect of market orientation on performance is not supported, the indirect pathway through innovation capability provides a significant positive contribution. This finding is consistent with Han, Kim, and Srivastava, who argue that market orientation enhances performance through innovation capability as a mediating mechanism. It implies that market knowledge must be transformed into organizational capabilities before generating performance outcomes. This result is also supported by prior research (Rianto et al., 2022).

In the context of women-led seafood processing SMEs, entrepreneurs who understand customer needs—such as demand for practical, hygienic, and durable products—tend to develop innovation capability through product development initiatives, including fish floss, fish nuggets, and vacuum packaging. These capabilities enhance product value and marketability, ultimately improving business performance. Without innovation capability, market orientation remains at the level of knowledge and does not translate into economic value. Therefore, innovation capability acts as a critical bridge between market understanding and performance outcomes.

H9b: Digital Leadership → Innovation Capability → Business Performance

The findings also reveal that innovation capability mediates the relationship between digital leadership and business performance. This indicates that digital leadership does not directly improve performance but operates through its ability to foster innovation capability. Theoretically, digital leaders play a key role in articulating vision, encouraging experimentation, and creating an environment that supports creativity, learning, and technological adaptation.

This finding is consistent with García-Morales (2026), who demonstrates that leadership significantly influences organizational performance through innovation capability as an intervening variable. Furthermore, leadership is instrumental in driving both innovation capability and digital transformation, which ultimately enhance performance, particularly in SMEs.

In practice, among women-led seafood processing SMEs, this is reflected in business owners who demonstrate strong vision and adaptability. They are more willing to adopt new processing techniques, utilize modern equipment, improve packaging quality, and explore new product variants. Some entrepreneurs have also begun adopting simple technologies to improve production efficiency. These efforts strengthen innovation capability, increase value-added, expand market reach, and enhance competitiveness.

H10a: Market Orientation → Social Media Orientation → Business Performance

The results indicate that social media orientation mediates the relationship between market orientation and business performance. This suggests that market understanding does not directly enhance performance but must first be translated into strategic actions, particularly through the effective use of social media. Market-oriented firms are more responsive to changes in consumer behavior, including the shift toward digital platforms (Trainor et al., 2013). Kaplan and Haenlein (2010) further emphasize that social media serves as a strategic tool for enabling two-way interaction and expanding market reach. These findings are also supported by prior research (Rianto et al., 2022).

In the context of women-led seafood processing SMEs, this mediation mechanism is reflected in the ability of entrepreneurs to translate market insights into digital engagement strategies. Business actors who understand consumer preferences—such as accessibility, responsiveness, and visual appeal—tend to utilize platforms like WhatsApp, Instagram, and Facebook for promotion, communication, and customer service. As a result, social media orientation strengthens the effectiveness of market orientation in improving business performance.

H10b: Digital Leadership → Social Media Orientation → Business Performance

The findings also reveal that social media orientation mediates the relationship between digital leadership and business performance. This indicates that digital leadership enhances performance indirectly by encouraging the strategic use of social media. From a theoretical perspective, digital leadership plays a critical role in driving digital transformation and fostering the adoption of digital platforms within organizations (Avolio et al., 2014). Trainor et al. (2013) further demonstrate that effective social media utilization contributes significantly to performance through enhanced customer engagement and market expansion. Thus, social media orientation functions as a key mechanism linking digital leadership to performance outcomes.

In the context of women-led seafood processing SMEs, this is evident in the proactive role of leaders in adopting social media as a marketing and communication tool. Entrepreneurs with strong digital leadership characteristics tend to be more open to using digital platforms to promote products, build customer relationships, and enhance business visibility. OECD findings further confirm that digital adoption is a key driver of SME competitiveness. As a result, SMEs become more adaptive to market changes, capable of reaching broader customer segments, and able to improve performance through digital marketing strategies.

8. Conclusion

Based on the empirical findings, this study demonstrates that the relationship between the independent variables—market orientation and digital leadership—and business performance is not direct but operates through mediating mechanisms. Innovation capability and social media orientation play critical roles in bridging these relationships. This indicates that improving SME performance, particularly among women entrepreneurs in seafood processing, is largely driven by the ability to transform strategic orientation into dynamic capabilities, rather than relying solely on market orientation and leadership. More specifically, the results show that market orientation and digital leadership do not have a direct effect on business performance. However, both variables significantly and positively influence innovation capability and social media orientation. In turn, innovation capability and social media orientation have a positive and significant impact on business performance. Furthermore, the mediation analysis confirms that innovation capability fully mediates the relationship between market orientation and digital leadership on business performance. Similarly, social media orientation also fully mediates these relationships. These findings suggest that all effects on business performance in this study occur through capability-based mechanisms.

Theoretically, this study reinforces the perspectives of the Resource-Based View and Dynamic Capabilities Theory by demonstrating that strategic orientations and leadership must be translated into organizational capabilities

to generate performance outcomes. Innovation capability reflects the firm's ability to transform knowledge into value-creating outputs, while social media orientation represents the ability to leverage digital platforms for market engagement and expansion. Practically, the findings highlight that leadership in SMEs should be understood not merely as a managerial function, but as a driver of digital transformation. Digital leadership plays a crucial role in enabling innovation capability and facilitating the effective use of digital platforms, which ultimately determine business performance. Therefore, strengthening innovation capability and digital engagement becomes a key strategic priority for enhancing SME competitiveness and long-term sustainability.

Managerial Implications

The findings indicate that improving SME performance, particularly among women entrepreneurs in seafood processing, cannot rely solely on market orientation and digital leadership as standalone drivers. Instead, performance enhancement requires a strategic emphasis on strengthening innovation capability and optimizing social media utilization as key organizational capabilities. From a managerial perspective, SME actors need to systematically develop innovation capability not only through product diversification but also through continuous improvements in quality, processing techniques, and packaging. This capability should be treated as an ongoing, embedded organizational process that enables firms to consistently create value and respond to changing market demands.

Furthermore, social media should be managed strategically beyond basic promotional activities. Digital platforms can serve as tools for customer engagement, real-time market intelligence, and the expansion of distribution networks, enabling more adaptive and data-driven decision-making. From a policy perspective, governments and supporting institutions should prioritize capacity-building programs focused on digital marketing, seafood-based product innovation, and the development of digital leadership among women entrepreneurs. These initiatives should emphasize practical implementation, including the adoption of appropriate and affordable technologies to improve production efficiency and product quality. Strengthening innovation capability and digital engagement thus becomes a critical pathway for enhancing SME competitiveness and ensuring long-term sustainability.

Research Limitations

This study has several limitations that should be acknowledged. First, the sample is restricted to women-led seafood processing SMEs, which limits the generalizability of the findings to other sectors or contexts. Second, the study focuses only on innovation capability and social media orientation as mediating variables, without incorporating other potentially influential factors such as access to finance, digital literacy, and business networks. Third, the use of cross-sectional data limits the ability to capture dynamic changes in behavior and performance over time. Future research is therefore encouraged to expand the scope of analysis by including additional relevant variables and applying longitudinal approaches to better understand the evolution of SME performance.

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