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DRIVING BUSINESS PERFORMANCE THROUGH ENVIRONMENTAL SUSTAINABILITY AND ENTREPRENEURIAL ORIENTATION IN LAKE TOBA

Riko Fridolend Sianturi¹, Ritha F. Dalimunthe², Yeni Absah³, Beby Karina Fauzee⁴
Sembiring⁴

^{1,2,3,4}Postgraduate Studies, Department of Management, Faculty of Economics and Business, Universitas Sumatera Utara

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Corresponding Author: Riko Fridolend Sianturi
(rikofridolend@students.usu.ac.id)

ABSTRACT

Sustainable tourism in Lake Toba has become the central mandate for the region's development as a UNESCO Global Geopark. By 2026, the strategic focus has shifted from high-volume tourism to high-value, low-impact experiences, creating significant business opportunities in sustainable sectors such as integrated eco-resorts, upscale glamping, and digital guiding services. This study examines the factors influencing the performance of homestay businesses in tourist villages surrounding Lake Toba, which are transitioning from traditional agricultural bases to a high-value service economy. Utilizing Structural Equation Modeling (SEM) with a sample of 192 homestay owners, the research evaluates the impact of entrepreneurial orientation (EO) and marketing capacity of tourist villages (MCTV) on business performance, with sustainable competitive advantage (SCA) and cultural values (CV) as mediating and moderating variables. Entrepreneurial orientation and marketing capacity both have positive and significant effects on homestay business performance. Sustainable competitive advantage successfully mediates the relationship between entrepreneurial orientation and business performance. Cultural values serve as a significant moderator that strengthens the influence of marketing capacity on business performance, highlighting the synergy between Toba Batak hospitality and service innovation. These findings underscore the importance of embracing sustainability practices and leveraging dynamic capabilities to achieve environmental sustainability alongside profitability in a competitive tourism environment. Based on the research findings from the manuscript, here is a summary of practical recommendations for homestay owners and stakeholders in the Lake Toba region to enhance business performance through sustainability and entrepreneurial strategy. Business performance is directly influenced by how owners manage their internal resources. Move beyond basic lodging by offering unique, low-impact experiences such as "farm-to-table" dining or organic orchard picking. Use modular or removable structures for expansions to maintain the landscape and meet the high demand for upscale glamping. Transitioning from traditional farming to tourism requires taking calculated risks to reconfigure internal assets for the service economy.

KEYWORDS: Entrepreneurial Orientation, Marketing Capacity Of Tourist Villages, Sustainable Competitive Advantage, Business Performance.

1. INTRODUCTION

Sustainable tourism in Lake Toba is the central mandate of the region's development as a UNESCO Global Geopark. In 2026, the focus has shifted from high-volume tourism to high-value, low-impact experiences that preserve the "Spirit of the Toba Caldera, high-potential business opportunities in sustainable tourism. The government is moving away from massive concrete hotels toward "integrated eco-resorts." High demand for upscale glamping units in the Toba Caldera Resort and Samosir. Investors are looking for modular, removable structures that don't permanently damage the landscape. Boutique stays that use solar energy, greywater recycling, and locally sourced building materials (like repurposed wood and stone). BPODT (Lake Toba Authority) actively seeks partners for the Exotic Lake View Resort lot, specifically targeting eco-friendly designs.

As a UNESCO Geopark, Lake Toba's 16 official "geosites" (like Sipiso-piso and Muara Sibandang) require specialized services. There is a gap in high-quality digital guiding. Developing AR (Augmented Reality) apps that explain the supervolcano's history in multiple languages is a priority for 2026. Starting a professional guiding agency that focuses on "The Trail of the Kings" or geological education is a high-demand service for European and Australian markets. Sustainable tourism relies heavily on community empowerment. Creating "experience packages" around Andaliman (Batak pepper) farms or organic coffee estates where tourists participate in the harvest. Investing in spaces that teach Ulos weaving or Batak traditional architecture. These are increasingly funded through public-private partnerships. As the government reduces industrial floating net cages (KJA) to improve water quality, there is a space for "Traditional Fishing Experiences" that use sustainable, small-scale methods.

Maintaining the lake's pristine air and water quality is a major policy goal for 2026. Traditional diesel boats are noisy and polluting. Opportunities exist for solar-powered or electric catamaran rentals for island hopping. Establishing bike-rental hubs for the "Toba Caldera Geobike" routes and managed trekking paths with professional safety standards. Tourism growth produces waste, and the "Green Tourism" mandate requires private solutions. Businesses that partner with hotels to collect organic waste for composting or plastic waste for upcycled souvenirs. Supplying the growing hotel industry with biodegradable toiletries and "plastic-free" supply chain solutions.

UNESCO recently issued recommendations for

Lake Toba to improve visibility and partnership. Businesses that help solve these (e.g., better signage, bilingual education, and community involvement) are more likely to receive government support and faster licensing. Lake Toba is currently one of Indonesia's five "Super Priority" Tourism Destinations, a designation that has unlocked massive government investment in infrastructure and tax incentives. This transformation is shifting the region from a traditional agricultural base toward a high-value service and tourism economy. Below are the key business opportunities in the Lake Toba region. There is a significant "room gap" in the region. While many budget homestays exist, there is a shortage of star-rated hotels and luxury resorts. Glamping (glamorous camping), boutique eco-resorts, and luxury hotels. Areas like the Toba Caldera Resort in Ajibata and Tuktuk Siadong in Samosir are prime for development. The government offers Tax Holidays for corporate investments over IDR 100 billion and significant tax reductions for smaller investments in designated zones.

Lake Toba's status as the world's largest volcanic lake makes it a natural hub for water-based recreation. Recent events like the F1H2O Powerboat and Aquabike World Championships have proven the region's capacity for international sports. Jet ski rentals, professional fishing charters, island-hopping cruise services, and diving centers (specifically in Sabang and deeper caldera zones). Aquabike racing schools and organized trekking/cycling tours around the Samosir mountains.

The Lake Toba region is historically agricultural, with 75% of the workforce in this sector. The opportunity lies in bridging farming with tourism. Investment in processing facilities for Andaliman (Indonesian lemon pepper) and world-class Batak Coffee. Establishing "farm-to-table" experiences, organic orchards where tourists can pick fruit, and specialty coffee stalls/roasteries catering to high-spending international visitors. With improved internet infrastructure and a push for digital promotion, there is a growing need for tech-enabled services. Digital marketing agencies for local SMEs, travel booking platforms tailored to North Sumatra, and co-working spaces for "digital nomads" who are increasingly looking for alternatives to Bali. A reported 60% of tourist interest in Lake Toba is now driven by digital marketing, creating a high demand for content creators and social media management.

The completion of the Medan-Toba Highway (reducing travel time to 2 hours) and the expansion of Silangit International Airport have created a need for supporting services. Private shuttle services, car

rentals, EV charging stations (as part of the "Green Tourism" initiative), and waste management solutions to maintain the lake's UNESCO Global Geopark status. Provides a powerful international brand that attracts eco-conscious travelers. The Lake Toba Tourism Authority (BPODT) acts as a one-stop coordinator to help investors with licensing and land acquisition. As North Sumatra's capital and the 7th largest provincial economy in Indonesia, Medan provides a constant stream of domestic weekend travelers.

In 2026, the Indonesian government has aggressively shifted its fiscal policy to favor "Green Investments," especially in Super Priority Destinations like Lake Toba. Investing in sustainability now offers not just moral value, but significant financial advantages through new regulations. Under the New Tourism Law of 2025 and current 2026 tax regulations, green investors can access: Corporate income tax reductions for investments in renewable energy (solar/hydro for resorts) and eco-friendly infrastructure. Large-scale green projects (over IDR 100 billion) can qualify for a tax holiday of up to 10 years. For 2026, the government is bearing the income tax for employees in the tourism sector who earn up to IDR 10 million per month. This significantly reduces your operational payroll costs. In 2026, the government provides exemptions on import duties for capital goods related to environmental protection, such as high-efficiency wastewater treatment systems or electric vehicle fleets for tour operators.

The government is currently finalizing the transition of parts of the Lake Toba region into a Special Economic Zone for Tourism and Agriculture. Once a KEK is fully operational, businesses within the zone enjoy even deeper fiscal perks, including 0% Value Added Tax on capital goods and streamlined building permits (PBG). The Toba Caldera Resort in Sibisa is the primary hub where these "Green KEK" incentives are being piloted. After regaining its UNESCO Green Card status in late 2025, the region has unlocked specific funding for sustainable development. Regional governments (Regencies like Samosir and Toba) now receive "Green Budgets" from the central government. Private partners who help restore the ecosystem—such as converting industrial fish cages into sustainable aquaculture or eco-tourism sites—can access local government grants and compensation schemes. Incentives are available for tourism businesses that implement smart-water monitoring or digital waste management systems to maintain UNESCO standards.

For 2026, Indonesia has expanded its use of Blended Finance—combining private investment with philanthropic or multilateral funds (like the World Bank or Asian Development Bank). If your project involves Community Empowerment (e.g., training Batak weavers or coffee farmers), you can apply for low-interest "Green Loans" specifically earmarked for Lake Toba's sustainable development.

Tabel 1: Investment Benefits 2026.

Feature	Traditional Investment	Green/Sustainable Investment
Income Tax (PPh)	Standard Corporate Rate	Potential 50-100% reduction (Tax Holiday)
Import Duties	Standard Rates	Exempt for eco-friendly machinery/EVs
Labor Costs	Full Payroll Tax	Government-borne PPh 21 (for 2026)
Land Use	Standard Leasing	Priority access in KEK/ Authority zones

Tourism is an important sector that has the transformative power to improve the economy and the welfare of the people in a country. If managed well, it results in sustainable tourism, providing economic value for the preservation of protected areas, forests, and biodiversity. For many countries, especially developing and island nations, tourism is a major source of foreign exchange that is very important for national development sustainable.

Flagstad and Hope's (2001) research of sustainable benefit development in winter holiday destinations, can be considered among the first reports on the role of collaboration for sustainable destinations. Sims (2009) examines regional food and sustainable tourism experiences and recognizes networks as tool used by locally based agents and manufacturers to jointly create a trademark to promote local market and upgrade tourists stay. Even though this is generally considered as a probable outcome of business networking, these finding scan not beseen as peculiar to sustainable tourism. Analyses examining networks for sustainable tourism from a destination perspective usually concentrate on distinct elements of destination management, commonly protected area management.

The performance of SMEs will depend on the business segments that have been successfully reached. Some obstacles to achieving success that entrepreneurs need to pay attention to include: lack of planning, lack of motivation, limited human resources, low entrepreneurial competence, high production costs, limited market access, low ICT skills, and limited capital (Kumar et al., 2020). The

success and sustainability of SMEs cannot be separated from the internal factors of business owners. Having confidence in one's own abilities can increase self-motivation in achieving business performance targets. A strong desire of business owners to develop their business can generate strong motivation to run the business successfully, which is the aspiration expected by business owners. Entrepreneurs with strong self-motivation in running a business will have the desire to achieve business success. (Srimulyani et al., 2023).

Relevant research theories and previous studies will be used to answer the research hypotheses and synthesize theories that will later be used as findings to further develop or improve scientific knowledge, thereby providing new or novel contributions to this research, focusing on the field of study being studied. Research gap Novianti and Marwan (2025) Marketing Capability has a significant effect on Business Performance. Kastelli (2024) shows that Entrepreneurial Absorptive Capacity has a significant effect on new venture performance, while research by Amrullah et al., (2023) shows that tourism village capability has no significant effect on tourism village management performance, while research by Amrullah et al., (2023) finds that competitive advantage has a significant effect on tourism village management performance, while tourism village capability has no significant effect on tourism village management performance. Zheng and Liang (2023) show that entrepreneurship has a significant effect on Entrepreneurial Performance. Research by Hamid et al., (2020) shows that sustainable business management and sustainable destination management have a significant effect on business performance.

The newest thing in research is using the marketing capacity of tourist villages as an independent variable. The tourism village marketing capacity variable is synthesized from the grand theory of Resources-Based View (Wernerfelt, 1984) which states that resources that are valuable, rare, cannot be imitated perfectly and cannot be replaced are a source of sustainable competitive advantage. The marketing capacity of tourist villages as novelty in this research is part of intangible assets derived from the theory of Mbima and Tetteh (2023), namely variables that cannot be imitated and are rare. Therefore, researchers use the tourism village marketing capacity variable as an independent variable to answer the hypothesis in this research.

2. LITERATURE REVIEW

2.1. Entrepreneurial Orientation

Entrepreneurial orientation is defined as the process, practice and decision-making that lead to new business ventures (Lumpkin and Dess, 1996). It is a set of behaviors including willingness to take risks, innovativeness, proactiveness, autonomy and competitive aggressiveness (Bolton and Lane, 2012). Unarguably, entrepreneurial orientation is an inherent trait for entrepreneurs with five dimensions (Richard et al., 2004; Beattie, 2016). According to Rauch et al. (2009), the dimensions of risk taking, innovativeness and proactiveness are widely cited by the researchers. In the present study, creativity and innovativeness, risk taking propensity, proactiveness and autonomy are the four dimensions of entrepreneurial orientation to associate with entrepreneurial competencies and enterprise performance. Besides that, it is also possible to fit other dimensions into the broad boundaries of entrepreneurial orientation (Al Mamun & Fazal, 2018).

2.2. Sustainable Competitive Advantage

The Sustainable competitive advantage construct is a multifaceted construct adapted from Cao et al. (2014), which consists of four dimensions on a seven-point scale, namely resource-based competencies (firm's specific resources that outperform competitors), transformational-based competencies (firms capabilities of transforming inputs into outputs, such as innovation), output-based competencies (value creating activities, which consist of reputation of product/service quality, networks for delivering value to consumers, etc.) and competitive positioning competencies (differential advantages offered to secure markets). A high score denotes firms' having gained strategic advantages over their competitors, while a low score reflects firms' competitors having gained the same strategic advantage.

2.3. Business Performance

A good amount of research measured business performance using various methods. Business performance can be evaluated in several ways, but the most popular methods involve financial and non-financial variables (Kerdpitak, 2022; San Ong & Teh, 2009). Given this fact, several notable researchers emphasized that both financial and non-financial variables are appropriate to consider in the context of business performance (Saranontawat, 2022).

2.4. Conceptual Structure and Hypotheses

The renascent entrepreneurs follow the latent strategies of the existing entrepreneurs to be successful. Renascent entrepreneurs learn business strategies through social networking and acquaint themselves with their business lines' new trends, challenges, and prospects. It has been witnessed that the renascent entrepreneurs learn from the formal set-up of the business organizations, and their business performance has increased tremendously (Singh et al., 2024).

The competitive advantage arises from a company's ability to value its customers more significantly than its expense. There are several things a firm may do to gain a competitive advantage that will last. Organizations must establish core skills

to acquire a lasting competitive edge. According to Information-Based Theory, knowledge is the essential resource for a company's long-term viability. According to proponents of this hypothesis, knowledge resources are pretty sophisticated and challenging to copy by competitors. The diversity of information and competencies determines corporate firms' performance and continuing competitive advantage (Hidayat et al., 2022).

The culture has significant implications in education and training that require a positive mindset from a one-size-fits-all approach to a more individualized approach by recognizing and valuing each unique characteristics and needs. To build innovation, innovators can actively transform into creative and innovative thinkers (Revano & Garcia, 2020).

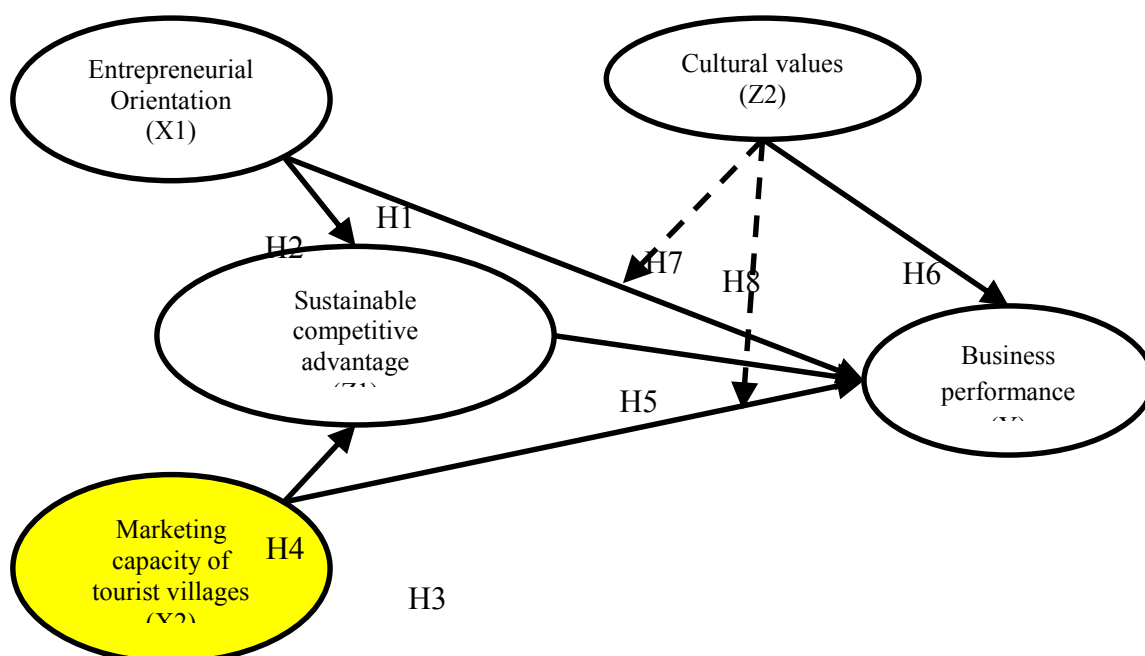


Fig. 1: Theoretical framework

3. METHODOLOGY

3.1. Sampling Technique and Sample Size

The study population consisted of homestay business owners. A list and information related to homestay owners were collected from the Tourism and Creative Industries Office in 2024, which had started homestay businesses in the tourism and hospitality sectors around Lake Toba. The unit of analysis consisted of homestay owners in tourist villages surrounding Lake Toba. A simple random sampling technique was used to select respondents. These homestay business owners were residents who

previously worked as farmers. Due to the strategic location, they opened new businesses in addition to farming.

The data collection technique in this study was conducted directly; the researcher took into account the aspect of geographical proximity, while data collection was carried out online through representatives of homestay owners located in tourist villages with a total of 192 homestay owners. Since the population size of homestay owners around Lake Toba is not precisely known, the sampling technique used was uncontrolled quota sampling, conducted without any restrictions in selecting research samples, meaning that within the

predetermined sampling period, the researcher determined a certain number. Limitations in obtaining samples: Data collection was conducted in two ways, namely online using Google Forms (distributed through WhatsApp Groups) and offline, distributed directly by involving groups of homestay business actors in Toba Regency, Simalungun Regency, Samosir Regency, Humbang Hasundutan, North Tapanuli, Dairi, and Karo Regency. All research variables were measured using a 5-point Likert scale.

3.2. Measurement Instrument

Following the relevant literature, the study questionnaire was designed by selecting exogenous and endogenous variables and the links among them. In the first section,

1. Exogenous variables are variables that explain or influence changes resulting in positive or negative values for endogenous variables. In this study, there are three exogenous variables: Entrepreneurial Orientation refers to a strategic tendency of enterprises actively pursuing innovation, taking risks, and proactively seeking growth opportunities to drive business development. The measurement of entrepreneurial orientation utilized a 5-item scale developed (Covin et al., 1989; Cheng et al., 2025). Marketing capability as involving important market-related mechanisms through which firms can implement their innovations based on better market knowledge and thus ensure the capacity to generate greater levels of market performance (Ngo & O'Cass, 2012; Rubio et al., 2024).
2. Endogenous variables are variables that are explained or influenced, resulting in positive or negative values for endogenous variables. In this study, there are four endogenous variables: Competitive Advantage (CA) is a business's ability to create more economic value than competitors. CAs can be sustainable or temporary. For most organisations, CA is achieved temporarily. However, if the organisation's competitors cannot imitate or replicate that advantage, it is possible to maintain it long-term (Mahdi et al., 2019; Abbasi et al., 2025). According to Gersick et al. (1997); Alves & Gama (2020) company culture may persist over a long period of time with few changes whenever there are norms in place for transferring its essence, in which the family represents one of the most reliable social

structures for conveying cultural values and practices down through generations. and business performance In organisations, performance constitutes a multidimensional concept, where both the economic-financial and non-economic factors need to be considered when measuring performance, particularly in FBs, in which non economic objectives are prominent (e.g., Basco, 2017; Madison et al., 2016; Williams, Pieper, Kellermanns, & Astrachan, 2018) antecedents. In these companies, there are concerns not only about financial aspects but also the needs of the family (Chua et al., 2018; Alves & Gama, 2020)

3.3. Data Analysis Method

The research method employed descriptive statistical analysis using SPSS and Structural Equation Modeling (SEM) with Smart PLS software. SEM is a regression-based approach to test an original research model with various constructs and measurements. SEM is used to test research hypotheses, as previous studies have done for theory quantification and testing, especially in management.

The evaluation of the measurement model is based on determining and establishing the reliability of indicators, internal consistency reliability, convergent validity, and discriminant validity when the constructs in a study are reflective (Henseler et al., 2009). All constructs in this study are reflective, so the reliability of individual items was maintained with factor loadings reaching .50 and/or higher (Hair, et al., 2014). To establish internal consistency reliability, composite reliability (CR) scores were examined. The CR scores for all latent variables in this study reached .70 or higher. Furthermore, convergent validity was assessed by considering the average variance extracted (AVE) scores; the AVE scores for all latent variables reached .50. Therefore, we conclude that indicator reliability, internal consistency reliability, and convergent validity have been successfully demonstrated in this study. (Ahmed et al., 2020).

PLS-SEM is a causal modeling approach which maximizes the explained variance of the latent constructs (Hair et al., 2011). As this study is exploratory nature with non-normality issue, PLS-SEM was used. The analysis was reported based on the approaches suggested by Hair et al. (2013). The approaches include the indicator reliability, internal consistency reliability, convergent validity, discriminant validity, average variance extracted (AVE), effect size, path coefficient estimates

and predictive relevance.

4. RESULTS

The green growth strategy will identify and target key entry points for green growth approaches, methods, and tools, particularly in spatial planning and investment decision-making. Lake Toba's green economy development policy needs to be aligned with other objectives and policies to ensure that it contributes to Indonesia's national and regional strategic objectives. The results of this study can be seen below.

Table 2: Measurement Mode.

Construct	Code	Loadings	AVE	CA	CR
Entrepreneurial Orientation	X1.1	0,8444	0,731	0,966	0,970
	X1.2	0,8729			
	X1.3	0,8134			
	X1.4	0,8591			
	X1.5	0,8606			
	X1.6	0,8560			
	X1.8	0,8674			
	X1.10	0,9063			
	X1.11	0,8784			
	X1.12	0,8841			
Marketing Capacity Of Tourist Villages	X2.1	0,8818	0,795	0,963	0,968
	X2.2	0,9189			
	X2.3	0,9039			
	X2.4	0,9095			
	X2.5	0,8620			
	X2.6	0,9193			
	X2.7	0,9095			
	X2.8	0,8279			
Sustainable Competitive Advantage	Z1.1	0,9022	0,828	0,958	0,966
	Z1.2	0,9135			
	Z1.3	0,8953			
	Z1.4	0,8922			
	Z1.5	0,9194			
	Z1.6	0,9029			
	Z1.7	0,8375			
Cultural values	Z2.1	0,9086	0,837	0,967	0,973
	Z2.2	0,9270			
	Z2.3	0,8889			
	Z2.4	0,9201			
	Z2.5	0,8989			
	Z2.6	0,9161			
Business Performance	Y1.1	0,7752	0,689	0,943	0,952
	Y1.2	0,8410			
	Y1.3	0,8641			
	Y1.4	0,8593			
	Y1.5	0,8699			
	Y1.6	0,7974			
	Y1.7	0,8339			
	Y1.8	0,8539			
	Y1.9	0,7689			

Note. AVE = average variance extracted;
CA=Cronbach's Alpha; CR = composite reliability.

Table 3: Discriminant Validity.

Latent variable	1	2	3	4	5
Marketing Capacity Of Tourist Villages	0,892				
Sustainable Competitive Advantage	0,818	0,910			
Business Performance	0,802	0,740	0,830		
Cultural values	0,802	0,836	0,785	0,915	
Entrepreneurial Orientation	0,835	0,828	0,814	0,834	0,854

Note: Entries shown in bold face represent the square root of the average variance extracted.

Table 4: Direct Effects Bootstrapping Results.

Hypothese	Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Outcome
H1	EO -> BP	0,2832	0,2855	0,0843	3,3603	0,009	Supported
H2	MCTV -> BP	0,2437	0,2384	0,0917	2,6585	0,085	Supported
H3	EO -> SCA	0,2667	0,2720	0,0650	4,1033	0,001	Supported
H4	MCTV -> SCA	0,1714	0,1613	0,0654	2,6218	0,094	Supported
H5	SCA -> BP	-0,1856	-0,1869	0,0702	2,6446	0,089	Supported

Note. EO = Entrepreneurial Orientation; BP = Business Performance; MCTV = Marketing Capacity Of Tourist Villages; SCA= Sustainable Competitive Advantage.
***p < 0.05.

Table 5: Indirect Effect of EO and MCTV on BP Through SCA.

Hypotheses	Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Outcome
H6	EO -> SCA -> BP	-0,0495	-0,0517	0,0246	2,0113	0,0457	Supported
H7	MCTV -> SCA -> BP	-0,0318	-0,0305	0,0180	1,7639	0,0793	Not Supported

Note. EO = Entrepreneurial Orientation; BP = Business Performance; MCTV = Marketing Capacity Of Tourist Villages; SCA= Sustainable Competitive Advantage. ***p < 0.05.

Table 6: Moderating Effect of CE and MCTV on BP Through CV.

Hypotheses	Variabel	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Statistics (t-value)	Significance (Sig.)
H8	CV -> BP	0,2325	0,2298	0,0800	2,997	0,004
H9	Moderating Effect EO -> BP	0,0579	0,0511	0,0719	2,621	0,012
H10	Moderating Effect MCTV -> BP	0,1494	0,1421	0,0688	2,172	0,034

Note: CV = Cultural values; BP = Business Performance; EO = Entrepreneurial Orientation; MCTV = Marketing Capacity Of Tourist Villages; *** $p < 0.05$.

The table 4,5 and 6 above shows the results of the hypothesis test as follows:

- Hypothesis 1 testing demonstrated that the calculated t-value for entrepreneurial orientation was 3.360, greater than the t-table value of 1.95, and the significant t-value for entrepreneurial orientation was 0.000, less than alpha (0.05). Therefore, this hypothesis is accepted. Therefore, entrepreneurial orientation has a positive and significant effect on homestay business performance, indicating that the field evidence indicates that entrepreneurial orientation contributes positively to improving homestay business performance in tourist villages around Lake Toba.
- Hypothesis 2 testing proves that the t-value for the marketing capacity of tourist villages is 2.658, which is greater than the t-table of 1.95, and the sig t-value for the marketing capacity of tourist villages is 0.008, which is smaller than alpha (0.05), so this hypothesis is declared accepted. Thus, the marketing capacity of tourist villages has a positive and significant effect on the performance of homestay businesses, meaning that the facts in the field show that the marketing capacity of tourist villages provides good results in improving the performance of homestay businesses in tourist villages around Lake Toba.
- Hypothesis 3 testing proves that the calculated t value for entrepreneurial orientation is 4.103, which is greater than the t table of 1.95, and the sig t value of entrepreneurial orientation is 0.000, which is smaller than alpha (0.05), so this hypothesis is declared accepted. Thus, entrepreneurial orientation has a positive and

significant effect on sustainable competitive advantage, meaning that the facts in the field

show that entrepreneurial orientation provides good results in increasing sustainable competitive advantage in Tourist Villages around Lake Toba.

- Hypothesis 4 testing proves that the t-value for the marketing capacity of tourist villages is 2.621, which is greater than the t-table of 1.95, and the sig t-value of the marketing capacity of tourist villages is 0.009, which is smaller than alpha (0.05), so this hypothesis is declared accepted. Thus, the marketing capacity of tourist villages has a positive and significant effect on sustainable competitive advantage, meaning that the facts in the field show that the marketing capacity of tourist villages provides good results in increasing sustainable competitive advantage in tourist villages around Lake Toba.
- Hypothesis 5 testing proves that the t-value for sustainable competitive advantage is 2.644, which is greater than the t-table of 1.95, and the sig t-value for sustainable competitive advantage is 0.008, which is smaller than alpha (0.05), so this hypothesis is accepted. Thus, sustainable competitive advantage has a positive and significant effect on business performance, meaning that the facts in the field show that sustainable competitive advantage provides good results in improving the performance of homestay businesses in tourist villages around Lake Toba.
- Hypothesis 6 testing proves that the t-value for sustainable competitive advantage as an intervening is 2.011, which is greater than the t-table of 1.95, and the sig t-value is 0.040, which is smaller than alpha (0.05), so this hypothesis is declared accepted. Thus, sustainable competitive advantage can mediate the influence of entrepreneurial orientation on business performance, meaning that facts in the field show that sustainable competitive advantage as an intervening provides good results in increasing the influence of entrepreneurial orientation on homestay business performance in tourist villages around Lake Toba.
- Hypothesis 7 testing proves that the t-value for sustainable competitive advantage as an intervening is 1.763 smaller than t-table 1.95 and the sig t value of the marketing capacity of tourist villages is 0.070 greater than alpha (0.05) so that this hypothesis is rejected. Thus,

sustainable competitive advantage cannot mediate the influence of the marketing capacity of tourist villages on the performance of homestay businesses, meaning that the facts in the field show that sustainable competitive advantage as a mediator cannot provide good results in increasing the influence of the marketing capacity of tourist villages on the performance of homestay businesses in tourist villages around Lake Toba.

8. Hypothesis 8 testing proves that the calculated t value for Cultural Value is 2.907 which is greater than the t table of 1.95 and the sig t value of Cultural Value is 0.004 which is smaller than alpha (0.05) so that this hypothesis is declared accepted. Thus, Cultural Value has a positive and significant effect on business performance, meaning that the facts in the field show that Cultural Value provides good results in improving the performance of homestay businesses in Tourism Villages around Lake Toba.
9. Hypothesis 9 testing proves that the t-value for Cultural Value as a moderating factor is 0.806, which is smaller than the t-table value of 1.95, and the sig t-value of 0.421 is greater than alpha (0.05), so this hypothesis is declared accepted. Thus, Cultural Value as a moderator cannot strengthen the influence of entrepreneurial orientation on business performance, meaning that the facts in the field show that Cultural Value cannot strengthen the influence of entrepreneurial orientation on the performance of homestay businesses in tourist villages around Lake Toba.
10. Hypothesis 10 testing proves that the t-value for Cultural Value as moderating is 2.172, which is greater than t-table 1.95, and the sig t-value for the marketing capacity of tourist villages is 0.030, which is smaller than alpha (0.05), so this hypothesis is declared accepted. Thus, Cultural Value as moderating can strengthen the influence of the marketing capacity of tourist villages on the performance of homestay businesses, meaning that facts in the field show that Cultural Value as a moderator can strengthen the influence of the marketing capacity of tourist villages on the performance of homestay businesses in tourist villages around Lake Toba.

4.1. Result Discussion

This research investigates the factors driving the success of small-scale homestay businesses in the

Lake Toba region as it transitions into a high-value, sustainable tourism economy by 2026. The study focuses on how entrepreneurial behaviors and collective marketing efforts contribute to business performance in a "Super Priority" destination. The study utilizes the Resource-Based View (RBV) and Natural Resource-Based View (NRBV) to explain how intangible assets lead to success. Measured by innovativeness, proactiveness, and risk-taking. The collective ability of a village to promote its unique local culture and nature. Sustainable Competitive Advantage (SCA), which arises when a firm's strengths cannot be easily imitated. Cultural Values (CV), specifically the synergy between service innovation and Toba Batak hospitality. Based on a sample of 192 homestay owners who transitioned from agricultural backgrounds, the data reveals several critical relationships. Both Entrepreneurial Orientation and Marketing Capacity significantly improve homestay business performance. Sustainable Competitive Advantage successfully mediates the link between EO and performance, showing that proactive and innovative owners create long-term value. Cultural Values significantly strengthen the relationship between a village's marketing capacity and its business performance.

The findings confirm that businesses can achieve profitability while maintaining environmental sustainability, which is essential for Lake Toba's UNESCO Global Geopark status. The research is framed within a massive shift in Indonesian fiscal policy toward "Green Investment". Large-scale green projects (over IDR 100 billion) qualify for tax holidays of up to 10 years. For 2026, the government bears the income tax for tourism employees earning up to IDR 10 million per month.

According to Barney (1991), the profit enhancement of a corporation through collaboration and the use of valuable resources is emphasized by the resource-based theory. According to RBV, important firm resources are frequently hard to come by, difficult to copy, and lacking in direct alternatives (Yadav et al., 2024). Management consultants have referred to quick decision-making as a source of competitive advantage. The fundamental idea of this theory is the action and actual Behaviour of strategic resources entrepreneurial orientation, so the task-oriented managers in the business organization begin with the workflow process and look to issue solutions with system management.

This study provides strong evidence of the positive effect of entrepreneurial orientation on the development of environmental sustainability orientation. It also reveals that both strategic

orientations contribute positively to performance. This study provides empirical evidence that, despite resource constraints, companies can implement environmentally sustainable commercial methods if they have an entrepreneurial orientation. (Yaghoubi et al., 2024).

The marketing capacity of tourism villages has been proven to significantly influence sustainable competitive advantage. The collective ability to promote the uniqueness of local culture and nature creates a differentiation that is difficult for other destinations to replicate. Marketing capacity is seen as a strategic intangible asset. Effective marketing helps tourism villages communicate their unique value and build a strong brand image among tourists. The capacity of a marketing company is a relevant factor that can moderate the relationship between innovation and market performance. In this sense, capabilities theorists seek to explain how different combinations of resources and capabilities can be developed and deployed in response to dynamic business environments (Teece et al., 1997). Capabilities are seen as 'know-how' deployment activities, which can be categorized into different functional areas, including marketing and innovation (Ngo & O'Cass, 2012). Based on the dynamic capabilities theory (Teece et al., 1997), it is argued that higher market performance can be achieved through the integration of those resources and capabilities that are associated with specific functional areas within firms (e.g., innovation and marketing) that provide greater complementarity.

Finally, the role of marketing capabilities in the relationship between innovation and SME market performance. Following Ngo and O'Cass (2012), researchers know that companies with superior market knowledge can generate higher profits, so empirical studies confirm this premise, and recommend that SME entrepreneurs strive to improve their marketing capabilities considering the special conditions of entrepreneurial SMEs, which have greater resource and management skill shortages compared to large companies (Lee et al., 2016; Rubio et al., 2024).

Based on these two things as empirical evidence to accept the hypothesis, which means a significant influence and a positive relationship between entrepreneurship orientation and sustainable

competitive advantage. The stronger the entrepreneurship orientation, the higher the sustainable competitive advantage in the Medium Enterprises.

Cultural values strengthen the relationship between entrepreneurial orientation and business performance. The synergy between service innovation and Toba Batak cultural hospitality significantly increases guest satisfaction. Cultural values do not significantly moderate the relationship between marketing capacity and business performance. This is because tourism village promotion has been working optimally and cultural values have become basic operational norms, so they are no longer an additional differentiating factor in increasing marketing effectiveness.

The results provide empirical evidence for the fundamental principle of the natural resource-based view (NRBV) (Hart, 1995), that a business can achieve environmental sustainability alongside profitability. Based on the NRBV, this study has indicated small businesses can improve their performance by embracing sustainability practices through leveraging their entrepreneurial orientation. Therefore, the study has made a substantial contribution to the theory and expanded the literature from the perspective of developing economies ("Supplementary Information"). (Yaghoubi et al., 2024).

5. CONCLUSION

In today's competitive tourism environment, homestay businesses require entrepreneurial orientation and village tourism marketing capacity to enhance sustainable tourism competitiveness and business performance. This study seeks to provide empirical evidence regarding village tourism marketing capacity leading to improved homestay business performance and the mediation of sustainable competitive advantage and cultural values as moderators in this relationship.

This study has broadened our knowledge and understanding of how entrepreneurial orientation and village tourism marketing capacity can benefit homestay business performance through sustainable tourism competitiveness around Lake Toba.

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