

Market orientation and business performance: the mediating role of total quality management and service innovation among Moslem fashion macro, small and medium enterprises in Indonesia

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Market orientation and business performance

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Abstract

Purpose – The purpose of this study is to see the effect of market orientation (MO) on business performance with two intervening variables, namely, service innovation and total quality management (TQM) with Muslim fashion micro, small, and medium enterprises as the object of research.

Design/methodology/approach – This study uses a quantitative approach with structural equation modelling-partial least square analysis techniques. Data were collected using an online questionnaire that got 100 respondents. The respondents of this research are the owner, manager, human resource development, chief financial officer and chief operating officer of a business that is engaged in Muslim fashion.

Findings – This study found that MO has an effect on business performance either directly or through mediating variables, namely, service innovation and TQM.

Research limitations/implications – This study only focuses on the Muslim fashion business and does not pay attention to businesses operating in other sectors.

Practical implications – The results of the study highlight the need for Muslim fashion business owners/managers to pay more attention to customer feedback. This is by adopting modern ways of communicating, providing training for employees and starting to join the Muslim fashion business community. These things need to be highlighted because in the items measured, they get the smallest mean among other items that are in the same variable.



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Originality/value – To the best of the authors' knowledge, this research is the first to find out the effect of MO on business performance using mediating variables, namely, service innovation and TQM.

Keywords Market orientation, Service innovation, Total quality management, Business performance, Economic growth

Paper type Research paper

Introduction

The development of the Muslim fashion industry in recent years continues to show an increase. This is demonstrated by the rising popularity of Muslim fashion, with internet searches up 90% in 2019 and the widespread availability of Muslim fashion also reflected in mainstream brands such as Uniqlo and Banana Republic featuring hijab collections (Standard, 2020). Muslim fashion continued to attract mainstream players throughout 2019, including Banana Republic and Disney, where Disney collaborated with Malaysian hijab brand dUCK on their sold-out Frozen-2 collection within hours (State of the Global Islamic Economy, 2020). Indonesia itself has a fashion industry which is currently one of the subsectors of the creative economy sector, which plays an important role in driving the wheels of the Indonesian economy. The Ministry of Tourism and Creative Economy in 2020 noted that the fashion industry contributed about 17% of the GDP of the economy; apart from its contribution to GDP, the fashion sector also had a multiplier effect on output, national workforce and income (Ministry of National Development Planning, 2018). Globally, Indonesia is ranked in the top five Global Islamic Economy Indicator score and three top modest fashion.

The majority of Indonesia's population is Muslim. Indonesia has the largest Muslim population (Ratnasari, 2020). According to a survey conducted by The Pew Research Center (2020), Indonesian people are among the most religious in the world. Indonesia is very strategic for the growth of Sharia-based business activities (Ratnasari *et al.*, 2020a, 2020b). With many people who are now starting to compete to establish a Muslim fashion business, it will certainly experience complex competition. Moreover, the Muslim fashion business in Indonesia is in a dynamic climate and full of vulnerabilities (Riyoko *et al.*, 2021). The company must pay attention to market orientation (MO) because it is a strategic orientation toward being responsive to customer needs, which is rooted in organizational culture (Prajogo and Oke, 2016), in addition to trying to get and maintain good partnerships. Close relationship with customers is a viable and valuable strategy for most companies (Newman *et al.*, 2016). Furthermore, close relationships with customers must adhere to Sharia values because the perception of Muslim consumers is rooted in Islamic teachings (Ratnasari *et al.*, 2019a, 2019b), including in terms of the fashion business, so that companies must produce according to Allah's orders which must cover the genitals, halal and thayyib.

In particular, researchers who follow the resource-based view of firms argue that MO alone is not sufficient to produce better results (O'cass and Ngo, 2012). Innovation can be used as a strategy in achieving good business performance. As a "religion of entrepreneurship" (Kayed and Hassan, 2013) Islam empowers and encourages business activities such as opportunity seeking, risk-taking and innovation (Gümüşay, 2015). Companies that try harder to introduce innovations to improve existing services may be able to attract more customers, resulting in increased revenue (Prajogo and Oke, 2016). Allah SWT also commands us as Muslims to do innovative things to be able to achieve better conditions in the future. Things like this are in accordance with the word of Allah SWT contained in the QS. Al-Ra'd verse 11:

Meaning: "For him (humans) there are angels who always take turns guarding him, from front and behind. They guard it by Allah's command. Verily, Allah will not change the condition of a people until they change the condition of themselves. And if Allah wills evil

for a people, then none can resist it and there is no protector for them but Him.” (Translation of the Koran of the Ministry of Religion of the Republic of Indonesia)

Over time a company must improve its efficiency; there are many things that companies can do, one of which is by implementing a system that can be oriented to the quality of goods and services, namely, total quality management (TQM) (Khoviani and Izzaty, 2020). The concept of TQM is getting the company’s attention from day to day (Imran *et al.*, 2018a, 2018b, 2018c). Although the concept of TQM is not new, it still gets the attention of managers for constant organizational improvement processes. This concept has developed widely among the manufacturing and service industries in the past decade and has acquired significant importance from the industry as well as academia (Bajaj *et al.*, 2019). TQM is important in this study because with TQM, the Muslim fashion business can increase and add value to customers. In addition, TQM creates a sustainable future and harness people’s creativity to generate innovation (Chen *et al.*, 2022). In a highly competitive business environment, it is necessary to apply the best TQM practices and transfer the orientations of the company into appropriate strategic activities to meet the company’s goals and it becomes very important (Al-Dhaafri *et al.*, 2016).

The concept of TQM is based on the perspective of continuous improvement, with an impact on the different dimensions that can be found in the business. In contrast, the innovation strategy is based on a more disruptive perspective because placing a new product and/or service on the market, which is completely new to the customer, will always involve some risk (Antunes *et al.*, 2021). TQM practices are favorable conditions for innovation strategies, both for products and processes (Antunes *et al.*, 2017). Considering the TQM factor, the concept of innovation and continuous improvement leads the organization to know customer needs and be responsive to customer demands, as well as evaluate customer satisfaction. Finally, implementing this approach will lead to an increase in cash flow, revenue growth, profitability, market share and share price of an organization (Ershadi *et al.*, 2019).

This research is important because in the midst of increasingly competitive Muslim fashion business and consumers continue to want the best, every company in it if you want to survive and continue to improve its business performance needs to emphasize several aspects such as MO, service innovation and TQM. Especially considering the market potential of Muslim fashion which will continue to grow, it is important for every company to understand and pay attention to the importance of MO, service innovation and TQM.

Literature review

Resource-based theory

Resource-based theory (RBT) is the main controller of the company’s performance and competitiveness that comes from company resources. Company resources include all assets, capabilities, company processes, company attributes, information and knowledge (Barney, 1991). According to the relational view of RBT, a company’s competitive performance depends on the company’s internal resources as well as external resources (Prajogo and Oke, 2016). RBT provides the basis for identifying organizational orientation as a strategic ability to create value (Hart and Dowell, 2011). RBT is used to recognize the value of having strategic resources and the ability to understand how they are configured (Kirchoff *et al.*, 2016). RBT shows that firms have heterogeneous resource pools that are scarce, immovable and difficult to imitate control over resources; firms can be more profitable than their peers and enjoy the advantages of firms (Seddon, 2014; Turel *et al.*, 2017; Xu *et al.*, 2016). RBT suggests that firms will compete on the basis of ownership of unique capabilities and assumes that heterogeneity of capabilities among firms helps explain differences in performance (Barney, 1991; Sirmon *et al.*, 2007). In short, RBT is concerned with how companies acquire, deploy and reapply the factors needed to create

capabilities that form the basis for building and maintaining the competitiveness of companies (Oly and Agarwal, 2014).

Market orientation

MO is the foundation and central concept of a marketing discipline that impacts on company performance and a sustainable competitive environment and is also a series of activities involving competitor orientation, customer orientation and internal coordination (Gebhardt *et al.*, 2006; Kotler, 2000; Braunscheidel and Suresh, 2009). As underlined by Eng (2011), there is a consensus in the literature regarding the fact that MO is a source of substantial improvement for the company as a whole. Thus, MO is closely related to companies creating and maintaining superior customer value while still paying attention to other key stakeholders, in addition to the provisions of related norms and responsiveness to market information (Laukkanen *et al.*, 2013). In MO, you must still pay attention to Sharia values because Islam considers that not all goods and services can be consumed and produced. In today's dynamic business setting, MO can act as an important instrument in company performance (Buli, 2017).

Service innovation

Innovation is one of the basic components that can be used to increase production in productive processes, be able to compete in the market and build a good reputation to get a positive status in customer perception (Mustika *et al.*, 2020). Companies will innovate because of pressures from the external environment such as competition, deregulation, isomorphism, resource scarcity and customer demand or because of internal organizational choices, such as acquiring different competencies, achieving higher levels and increasing service range and quality (Damanpour *et al.*, 2009).

One form of innovation is service innovation which is an important business strategy for many companies (Zhang *et al.*, 2018). Service innovation can be called a new addition in an effort to offer the main service product for various factors to improve the main service product to make it more attractive to consumers (Ratny *et al.*, 2017). Companies provide something different from what consumers have ever gotten before (Tseng *et al.*, 2018). Service innovation can help give companies an advantage over their main competitors, which can be in the form of new service features, new processes, new technologies and new methods or ways of providing services that help give the company an edge (Den Hertog, 2000).

Total quality management

With intense competition, increasing awareness of quality and the need to reduce operational costs, many companies have adopted TQM practices (Bouranta *et al.*, 2019). TQM is an approach or tool for companies to continuously improve the total quality offered either from goods or services delivered through the participation of individuals at all levels of the organization (Bhaskar, 2020; Dubey *et al.*, 2015). Companies need to implement effective management strategies such as TQM to get the best position or best performance in their industry (Imran *et al.*, 2018a, 2018b, 2018c). Companies that implement TQM focus on providing superior value to their customers in an effort to increase revenue (Miguel *et al.*, 2016; Jyoti *et al.*, 2017). TQM has been defined as a holistic approach and management philosophy that continuously seeks continuous improvement across all functions and operations of an organization to produce and deliver products and services that meet customer needs and meet their expectations (Al-Dhaafri *et al.*, 2016). In addition, TQM is an approach that will improve performance and output quality to meet the wishes of customers (Kaur *et al.*, 2013).

Business performance

Business performance shows the results of a company (Saunila *et al.*, 2014). Measuring business performance allows companies to focus on areas that need improvement (Wahyuni and Sara, 2020; Skrinjar *et al.*, 2008). Every form of company, whether it is a small, medium or large scale company, even at the export and import stage, needs to measure how well its business performance is running. Companies will measure their business performance to check the company's position (compare positions or benchmarks or monitor progress), communicate company position (communicate performance within the internal scope and with stakeholders), confirm priorities (manage performance, costs, control and focus on investment and action) and forcing progress (as a means of motivation and reward) (Amaratunga and Baldry, 2000) in Dubihlela and Dhurup (2015). Business performance is usually conceptualized in two different dimensions: financial and operational (Kurniawan *et al.*, 2020; Venkatraman and Ramanujam, 1986). Financial performance includes accounting operations and financial measures. Operational performance is related to efficiency, namely, technological capabilities in managing company products and human assets (Campos *et al.*, 2022). The company will continue to try to improve performance by focusing on cost reduction and efficiency, as well as comply with regulations taking into account the stakeholders of good practice, and jointly lead to stakeholders and consumer attractiveness.

Market
orientation and
business
performance

Relationships between variables

Market orientation and service innovation

Competitor orientation, customer orientation and interfunctional coordination are dimensions in MO, and all of them affect service innovation. For example, the presence or threat of competition can be a driver for innovative service offerings and more efficient use of resources with the aim of matching if not exceeding competitors' strengths (Grawe *et al.*, 2009). Then, companies with a strong customer orientation will pursue competitive advantage by placing the highest priority on creating and maintaining customer value and service innovation can result from the company's ability to focus on thinking on behalf of the customer to achieve results above customer expectations (Grawe *et al.*, 2009). Furthermore, interfunctional coordination can facilitate the generation, collection and dissemination of market intelligence related to the development of service innovations across functional areas (Cheng and Krumwiede, 2012). Based on the aforementioned discussion, the following hypothesis is developed:

H1. Market orientation significantly influences service innovation.

Service innovation and business performance

In general, service innovation provides value to the company so that it generates strategic advantages for the company (Storey and Kahn, 2010); besides that new service innovation channels will create or attract more customers and will generate higher revenues (Ponsignon *et al.*, 2011) which leads to better business performance. This is, for example, due to reduced queues and waiting times for customers, for example, the introduction of independent check-out counters in retail stores can attract more customers to the store so that it will increase the company's revenue (Prajogo and Oke, 2016). Then, Prajogo and Oke (2016) say that the ability to offer service innovation leads to the creation of new market niches that can be exploited by the company, thereby enabling the company to attract more customers which leads to an increase in market share and an increase in company performance. Innovative

things are things that Allah SWT commands us as Muslims to do innovative things to be able to get better results (business performance) in the future. Based on the aforementioned discussion, the following hypothesis is developed:

H2. Service innovation significantly influences business performance.

Market orientation and total quality management

Process and product improvements are designed to focus on the needs of current and future MOs. To be able to achieve this, synergy comes from MO and TQM. There are many similarities between the concepts of TQM and MO (Morgan and Piercy, 1992). However, some researchers think that TQM implementation is an important mediator helping to strengthen the relationship between MO and performance (Demirbag *et al.*, 2006). MO shows a good contribution to business performance if TQM is used as a mediating variable. This is because MO requires a top-down approach and TQM requires a bottom-up approach, where these two approaches complement each other (Nikmah *et al.*, 2020). Market-oriented companies require unwavering top management commitment and bottom-up change, which can be facilitated by the effective implementation of TQM (Demirbag *et al.*, 2006). Based on the aforementioned discussion, the following hypothesis is developed:

H3. Market orientation significantly influences total quality management.

Total quality management and business performance

In research (Tortorella *et al.*, 2020) explains that TQM will have an impact on all dimensions of business performance and encourage quality improvements in all lines and processes in the company. If all lines provide the best, not only will the effect of customer satisfaction be obtained, but turnover will also increase (Ratnasari and Kurniawati, 2016). In addition, research conducted by Miguel *et al.* (2016) assumes that the impact of TQM on performance is by obtaining a reduction in production costs through process improvements, which means TQM improves production activities with good quality management processes, training for HR and focus on customers. Based on the aforementioned discussion, the following hypothesis is developed:

H4. Total quality management significantly influences business performance.

Market orientation and business performance

Market-oriented companies place emphasis on understanding customer needs by collecting, analyzing and distributing customer-related information throughout the company to generate higher value for their customers (Ishtiaque *et al.*, 2020). So it is said that MO improves business performance because it motivates companies to develop responsiveness to market information by prioritizing their customers (Deshpande *et al.*, 2013). MO, on the other hand, can improve company performance by meeting customer needs and by facilitating competitor information sharing and interface coordination (Amin *et al.*, 2016). So that customers will feel that what they want can be realized by the company. This will make customers come because the company knows what the customer wants and the customer will be loyal. Furthermore, with the large number of customers arriving, the company's business performance will improve. This means that superior business performance is

influenced by the MO of a company (Dubihlela and Dhurup, 2015). Based on the
aforementioned discussion, the following hypothesis is developed:

H5. Market orientation significantly influences business performance.

Market
orientation and
business
performance

The mediating role of total quality management and service innovation

Quality has become an attractive keyword and is considered a significant driver of success in the era of global competition during the past decades of the 20th century (Bhaskar and Singh, 2014). To compete for a good market position in today's challenging economic climate, organizations need to implement effective management strategies such as TQM. Wang *et al.* (2012) investigated the relationship between TQM, MO and organizational performance (OP) in the hospitality industry in Taiwan. The results showed that TQM made a significant and positive contribution to MO. Demirbag *et al.* (2006) tried to determine the impact of implementing TQM and MO on small and medium enterprises (SMEs) in Turkey. The results show that MO has a positive and significant effect on OP through the mediating role of TQM implementation. Fotopoulos and Psomas (2010) conducted a research project in 370 Greek companies and found that TQM factors significantly affect the performance of companies concerning their internal procedures, customers, market share and the natural and social environment. Imran *et al.* (2018a, 2018b, 2018c) conclude that TQM plays a major role between the export performance and entrepreneurial orientation of SMEs in Pakistan. Therefore, SME owners/managers need to realize the importance of TQM in improving the company's export performance. However, it is also important to give full concentration to the entrepreneurial orientation.

MO enables value creation for customers and continuous improvement of business performance (Narver and Slater, 1990). Although the MO is a coordinated response to customers, it must still pay attention to service. Therefore, the positive effect of MO on business performance must be considered through the positive effect of the mediating variable of service innovation. Sampaio *et al.* (2019) confirmed the positive mediating effect of service on the relationship between MO and business performance. Service innovation is seen among scholars and practitioners as an important feature in today's business landscape. Businesses focus their energies on bringing innovation to be competitive and sustaining the business in the long-term when industrial activity changes. There is also an increase in interest in trade and industry which is enviable because it serves as a catalyst to improve performance so that businesses will become competitive (Kim, 2003). Thus, service innovation must be introduced between MO and performance to facilitate business performance. An innovative business is considered competitive because it tends to adopt new work procedures, create solutions to problems faced by clients and create value by delivering unique products (Kocher *et al.*, 2011; Miettinen *et al.*, 2009). Thus, there is a need for businesses to adopt a market-oriented approach in their line of operations to look into considering innovation in their activities. Innovation is a mediator between customer orientation and business performance (Bamfo and Kraa, 2019). Based on the aforementioned discussion, the following hypothesis is developed:

H6. The relationship between market orientation and business performance is mediated by TQM.

H7. The relationship between market orientation and business performance is mediated by service innovation.

Method

Research design

This research is quantitative research with nonprobability sampling. The type and source of this research data are primary. The primary data obtained and used as a source in this study came from questionnaires distributed online. The questionnaire contains several questions that will be answered by respondents and will be processed. The process of collecting data in this study took approximately two semesters. Questionnaires were distributed to 100 Muslim fashion businessmen who directly understand the state of their business, such as owners, managers, Human Resource Development, chief financial officer, chief operating officer and the like. The criteria in this study are business actors engaged in Muslim clothing and people who act as owners or managers of Muslim fashion businesses. A five-point Likert scale was selected to examine each item, ranging from 1 (strongly disagree) to 5 (strongly agree). The analytical technique used is structural equation modelling-partial least square (SEM-PLS). The number of samples recommended by SEM-PLS, according to Chin (2000), is 30–100. The number of respondents used in this study was 100 respondents. This study uses four variables, namely, MO, service innovation, TQM and business performance (Figure 1).

The questionnaire and measurement of variables

The questionnaire was developed after reviewing the existing literature. The questionnaire is divided into three parts. Part A aims to determine the characteristics of the respondents, while Part B is a screening question that aims to determine the number of samples that match the criteria of the researcher's sample. Next is Part C which aims to capture responses to the main research variables. The MO variable adopts indicators from the research of Kajalo and Lindblom (2015) which consists of six items. The business performance variable adopts indicators from the research of Dubihlela and Dhurup (2015) and Murray et al. (2011) which consists of five items. Furthermore, the service innovation variable adopted from Prajogo and Oke (2016) and has been modified by the researcher to fit the research which consists of five items. The last is the TQM variable which adopts the indicators that have

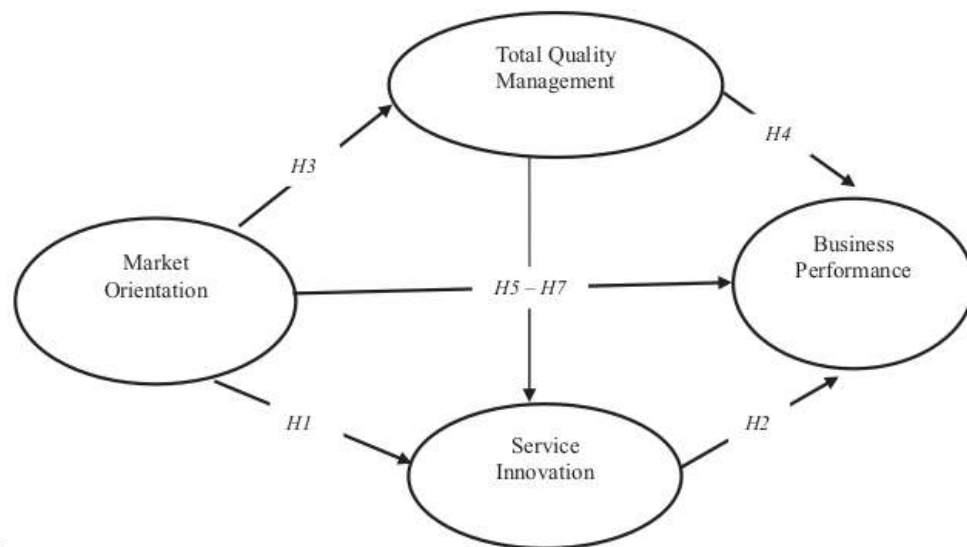


Figure 1.
Conceptual model

been used in research (Bouranta *et al.*, 2019; Sahoo and Yadav, 2017a, 2017b) which consists of seven items.

Data analysis

Various statistical methods were used for data analysis. First, the researcher tested the measurement model. The measurement model (outer model) was conducted to assess the validity and reliability of the model. The validity test is used to determine the ability of the research instrument to make measurements (Cooper and Schindler, 2009). Meanwhile, the reliability test is used to measure the consistency of the measuring instrument in carrying out its function or indicators can also be used to measure the consistency of respondents in answering the question items in the questionnaire. Second, the researcher tested the hypothesis with a direct influence between MO on service innovation, service innovation on business performance, MO on TQM, TQM on business performance and MO on business performance. Furthermore, the researcher also tested the mediator effect of TQM and service innovation.

Result

Before the researcher gives the real questions that will be used to test the hypothesis. The researcher first asked questions about the characteristics of the respondents (Table 1).

Based on gender, most of the respondents were female with a total of 86 respondents or 86%, while male respondents only amounted to 14 respondents or 14%. Based on age, the largest number of respondents were in the age range of 25 years to 54 years, namely, 54 respondents. Then for the age range 15 years to 24 years as many as 46 respondents or 46%. Based on the latest education, the majority of respondents are at the high school level, amounting to 55 respondents or 55%. Then at the undergraduate level, there were 45

Variable	Category	Frequency	(%)
Gender	Male	14	14
	Female	86	86
Age	15-24	46	46
	25-54	54	54
	>55	0	0
Education	Junior high school	0	0
	Senior high school	55	55
	Bachelor	45	45
	Magister	0	0
	Doctoral	0	0
Business age	<3 years	63	63
	3 years-6 years	31	31
	7 years-10 years	4	4
	>10 years	2	2
Labor	1 person-4 person	66	66
	5 person-19 person	32	32
	20 person-99 person	2	2
	>99 person	0	0
Turnover	<Rp. 300.000.000	80	80
	Rp. 300.000.000-Rp. 2.500.000.000	13	13
	Rp. 2.500.000.000-Rp. 50.000.000.000	7	7
	>Rp. 50.000.000.000	0	0

Table 1.
Characteristics of
respondents

respondents or 45%. Based on their business age, the majority of respondents' business age is less than three years as many as 63 respondents or 63%. Then for a period of three years to six years as many as 31 respondents. The time span of seven years to 10 years is four respondents, and the last is more than 10 years as many as two respondents.

Based on the number of workers, it can be concluded that 66% of the total respondents have 1 to 4 workers in their business. Then 32% is dominated by 5 to 19 workers, and the remaining two respondents have 20 to 99 workers in their business. Then based on business turnover, it is known that the majority of respondents' business turnover in this study is less than Rp. 300,000,000 as many as 80 respondents or by 80%.

In the measurement model test, factor loadings are useful for showing the correlation value, and the weight of the indicators studied. In addition, there is construct reliability (CR) which serves to provide a more precise estimation value with factor loadings in the research model. High reliability results indicate that each indicator is consistent with its measurement. The level of reliability that is generally accepted is 0.70 and the factor loading value is 0.70. Another measure of reliability, namely, average variance extracted (AVE) with a recommended AVE value of 0.50. If all the variables in this study have met the criteria, then the variable can be said to be valid. Based on the table above, the factor loadings of all variables are greater than 0.70, the AVE value is greater than 0.50 and the CR is greater than 0.70. Based on these results, it can be concluded that the value of all indicator variables can be said to be valid, reliable and the unidimensional level is good (Table 2).

In the discriminant validity test, a construct will be fulfilled when the square root of the resulting AVE is greater than the square of the correlation between the construct and other constructs (Table 3). Based on the table above, the discriminant validity of all these variables has been fulfilled because the square root of AVE has a higher value than the square of the correlation between constructs.

Then, the hypothesis testing is shown in the (Table 4):

From Table 4 above it can be concluded that:

- MO has a significant influence on service innovation because the t -statistics value of 3.341 is greater than 1.96 and the p -value of 0.001 is smaller than 0.05. Thus, $H1$ is accepted.
- Service innovation has a significant effect on business performance, having a t -statistics value of 2.499, which is greater than 1.96 and a p -value of 0.013, which is smaller than 0.05. Thus, $H2$ is accepted.
- MO has a significant influence on TQM because the t -statistics value of 16.293 is greater than 1.96 and the p -value of 0.000 is less than 0.05. Thus, $H3$ is accepted.
- TQM has a significant influence on business performance because the t -statistics value of 2.489 is greater than 1.96 and the p -value of 0.013 is smaller than 0.05. Thus, $H4$ is accepted.
- MO has a significant influence on business performance because the t -statistics value of 2.541 is greater than 1.96 and the p -value of 0.011 is smaller than 0.05. Thus, $H5$ is accepted.
- TQM significantly mediates the effect between MO and business performance because the t -statistic value of 2,428 is greater than 1.96 and the p -value of 0.016 is less than 0.05. Thus, $H6$ is accepted.
- Service innovation does not mediate the effect between MO and business performance because the t -statistic value of 1,558 is smaller than 1.96 and the p -value of 0.120 is greater than 0.05. Thus, $H7$ is not accepted.

Constructs	Item	Loading	CR	AVE	Market orientation and business performance
Market orientation	1. Our company can quickly respond to competitors' actions	0.719	0.889	0.573	
	2. Our company actively assesses the behavior of competitors	0.693			
	3. Our company often assess customer satisfaction	0.776			
	4. Our company's activities are driven by the creation of customer satisfaction	0.810			
	5. Our company maximizes all the functions it has to maximize customer satisfaction	0.778			
	6. Our company always listens to feedback from customers to improve product quality and service	0.760			
Service innovation	1. There is a novelty in our company's service features	0.815	0.919	0.694	
	2. There is a new way of communicating with our customers	0.866			
	3. There is a new way of providing service to our customers	0.815			
	4. There is a new way of doing transactions with our customers	0.844			
	5. There are new technologies used to provide services to our customers	0.824			
Total quality management	1. Top management actively participates in quality improvement efforts	0.771	0.900	0.563	
	2. There are quality training programs for our employees	0.785			
	3. Customer needs, requirements, wants and expectations are recorded and analyzed by our company	0.664			
	4. Company managers and employees are in close contact with customers	0.748			
	5. Information on product performance and quality is collected to identify the root cause of the problem	0.807			
	6. Our employees check their work for damage	0.761			
	7. The company continuously enforces product quality standards	0.710			
Business performance	1. Our company's sales development is better than competitors	0.808	0.908	0.664	
	2. The development of our company's profitability is better than competitors	0.855			
	3. Our customers often express satisfaction with our company	0.805			
	4. Many of our customers make repeat purchases	0.797			
	5. Our company releases more successful new products than competitors	0.807			

Table 2.
Convergent validity and reliability

Construct	1	2	3	4	Discriminant validity
Business performance	0.815				
Market orientation	0.612	0.757			
Service innovation	0.636	0.391	0.883		
Total quality management	0.665	0.772	0.478	0.751	

Discussion

The relationship between MO to service innovation. This is in accordance with the research of Tsotsou (2010) and Augusto and Coelho (2009), which found that all components of MO such as customer orientation, competitor orientation and

Hypothesis	Original sample (O)	t-statistics (O/STDEV)	P-values	Decision
<i>Direct effects</i>				
Market Orientation → Service Innovation	0.391	3.341	0.001	Supported
Service Innovation → Business Performance	0.406	2.499	0.013	Supported
Market Orientation → Total Quality Management	0.772	16.293	0.000	Supported
<i>Indirect/Mediating effects</i>				
Total Quality Management → Business Performance	0.297	2.489	0.013	Supported
Market Orientation → Business Performance	0.224	2.541	0.011	Supported
<i>Indirect/Mediating effects</i>				
Market Orientation → Total Quality Management	0.229	2.428	0.016	Supported
Market Orientation → Service Innovation → Business Performance	0.159	1.558	0.120	Not supported

Table 4.
Testing of hypothesis

interfunction coordination will become a mutually supportive unit to be able to improve service innovation. The results show that MO has an effect on service innovation, so *H1* is accepted. So that Muslim fashion companies that improve service innovation need to pay attention to the three components of MO because if they only emphasize customer orientation, for example, it will not lead to optimal service innovation. The dynamic nature of this MO is the driving force and makes it clear that by strengthening MO, namely, focusing on change (for example, the three components of MO) will result in variations in market-driven service innovation.

Service innovation has a significant influence on business performance. Service innovation has an effect on business performance according to research by [Prajogo and Oke \(2016\)](#) which says that the ability to offer service innovation leads to the creation of new market niches that can be exploited by the company, thus enabling the company to attract more customers which leads to an increase in market share and improvement of company performance. *H2* which states that service innovation has an effect on business performance is accepted. Service innovation is an important thing for Muslim fashion business performance, especially the Muslim fashion business in Indonesia is in a dynamic environment ([Riyoko et al., 2021](#)).

MO has a significant influence on TQM. MO has an effect on TQM, according to research by [Demirbag \(2006\)](#) which found that TQM is involved as a mediating variable in the relationship between MO and performance. TQM and MO complement each other. MO is top-down and TQM is bottom-up, where these two approaches complement each other. In addition, in research ([Bhaskar, 2020](#)) companies before implementing TQM, they must first develop a supportive culture, that culture is in the form of MO. The results of this study indicate that MO has an effect on TQM, so *H3* is accepted.

The results showed that the TQM variable had a significant influence on business performance. This is in line with research ([Tortorella et al., 2020](#)) which found there was a significant relationship between TQM and business performance, in this study explained that TQM will have an impact on all dimensions of business performance and encourage quality improvement in all functions and processes in the company. TQM helps companies to maintain commitment in focusing on the needs of clients or customers. TQM has an effect on business performance, so *H4* is accepted. TQM improves production activities with good quality management processes, training for HR and focusing on customers ([Tortorella et al.,](#)

2020). As a result, customers will be satisfied resulting in an increase in revenue and customer satisfaction which leads to business performance.

MO has a significant influence on business performance. MO has a significant effect on business performance, according to research by Buli (2017), which finds MO has a positive influence on business performance. The strength and weakness of the influence of MO on business performance is caused by the intensity of competition and market changes. *H5* which states that MO has an effect on business performance is accepted. According to Ketchen and Hult (2011), MO has a direct effect on business performance not only on marketing results but also MO has become an important element that has bridged research between marketing and management.

TQM significantly mediates the influence between MO and business performance. Imran *et al.* (2018a, 2018b, 2018c) conclude that TQM plays a major role between the export performance and MO of SMEs in Pakistan. Therefore, SME owners/managers need to realize the importance of TQM in improving company performance. However, it is also important to give full concentration to MO. Demirbag *et al.* (2006) tried to determine the impact of implementing TQM and MO on the OP of SMEs in Turkey. The results show that MO has a positive and significant effect on OP through the mediating role of TQM implementation.

Service innovation does not mediate the influence between MO and business performance. This is supported by D'souza *et al.* (2021) which shows that there is no mediator effect of innovation on the relationship between MO and business performance. Innovation does not have a mediator role because Muslim fashion businesses can naturally achieve success in business performance, even if they decide not to use any innovation in their business in terms of MO. Thus, this study confirms that those concerning innovation, including in terms of services, do not have a mediator role in the relationship between MO and business performance.

Conclusion

This study examines the effect of MO on business performance with service innovation and TQM as intervening variables. Based on the results of the discussion, it can be concluded that MO has an effect on service innovation, TQM and business performance. Service innovation affects business performance, and TQM affects business performance.

This research has the following implications, Muslim fashion business owners are expected to further improve MO, service innovation and TQM to improve business performance in the future. Muslim fashion owners can listen more to input from customers because it has the lowest mean in the MO variable. Then, start implementing updated ways of communicating in this day and age because the way to communicate with customers is at the lowest mean in service innovation. Then, providing training for employees because there is a quality training program for employees which is at the lowest mean in the TQM variable. Then, many began to join the Muslim fashion entrepreneur communities so that they can always monitor the development of company profitability because our company's profitability development is better than competitors, which is at the lowest mean in the business performance variable.

The results of the study contribute to increasing the literature on MO, service innovation, TQM and business performance. In addition, this research is expected to be able to fill the lack of literature on business performance from the Muslim fashion industry sector and also become literature in Islamic economics, especially in Sharia marketing.

This research has been carried out optimally in accordance with scientific procedures and specified standardization; however, the following limitations of this research are that this research only focuses on businesses engaged in Muslim fashion and respondents who are difficult to find because of their busy lives as owners or managers of a Muslim fashion business.

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