Journal of Advanced Research in Business and Management Studies

Journal homepage:
https://karyailham.com.my/index.php/arbms
ISSN: 2462-1935

From Local to Global: The Determinants of Export Performance in Java's Furniture Industry

Etmawati Bulkia Abdul Munaf[1,2], Suhaila Abd Hanan[2,*]

[1] Industrial Human Resource Development Agency (BPSDMI), Ministry of Industry of Republic of Indonesia, Jalan Jenderal Gatot Subroto Kav. 52-53, Jakarta Selatan 12950, Jakarta, Indonesia
[2] School of Technology Management and Logistics, UUM College of Business, Universiti Utara Malaysia, 06010 Kedah, Malaysia

ARTICLE INFO

Article history:
Received 21 February 2025
Received in revised form 14 May 2025
Accepted 20 May 2025
Available online 30 June 2025

Keywords:
Entrepreneurial orientation; innovation capabilities; government support; export performance; Indonesia; logistics management

ABSTRACT

This study examines the factors influencing export performance (EP) among small and medium-sized enterprises (SMEs) in Java's furniture industry. It evaluates the impact of entrepreneurial orientation (EO), innovation capability (INNO), and government support (GS) on EP. A cross-sectional quantitative approach was used, gathering 136 valid responses from furniture-exporting SMEs in Central Java. Data analysis through SPSS and SmartPLS assessed the relationships among EO, INNO, GS, and EP. Findings indicate that INNO significantly enhances EP, underscoring its role in global competitiveness. However, EO and GS showed no direct significant impact, suggesting their influence may be context-dependent or mediated by other factors. This highlights the need for SMEs to prioritize innovation strategies, such as sustainable production and advanced manufacturing, to enhance export success. For policymakers, the study suggests refining support mechanisms by reducing bureaucratic inefficiencies, providing targeted financial incentives, and fostering public-private partnerships. The findings challenge assumptions about EO's universal relevance and emphasize the need for tailored government policies in resource-intensive industries. By demonstrating INNO's dominant role over EO and GS, this study provides a nuanced perspective on SME export performance in emerging economies.

1. Introduction

Natural resource-rich nations can leverage their assets to drive economic growth through global trade, transforming raw materials into competitive, high-quality products. However, emerging economies often face challenges such as resource management, skilled labor shortages, and adapting to technological advancements, which hinder their competitiveness in global markets [5]. Strategic approaches like differentiation and cost efficiency are essential for success, particularly for Small and Medium-Sized Enterprises (SMEs), which play an important role in job creation, economic development, and export performance.

* *Corresponding author.*
E-mail address: suhai@uum.edu.my

https://doi.org/10.37934/arbms.39.1.7088

Indonesia's Small and Medium Enterprises (SMEs) have played an essential role in driving the country's economic development, particularly in the furniture industry [7,9]. These enterprises have been a significant source of job creation, output growth, and export revenue[2,10] According to the Ministry of Cooperatives and Small and Medium Enterprises, SMEs account for over 98% of all business units in Indonesia and employ more than 95% of the workforce [1,20].

The furniture industry in Indonesia is dominated by small businesses, with large-scale enterprises playing a relatively minor role [10]. This makes the development of SMEs in the furniture sector crucial for the country's overall economic growth and export performance.

The Indonesian government has recognized the strategic importance of SMEs and has implemented various policies to support their development [1,7]. However, SMEs in the furniture industry face several challenges, including limited access to financing, lack of managerial and technological skills, and intense competition from both domestic and international players [1,7].

Export performance is shaped by internal strategies and external support systems. Entrepreneurial orientation (EO), defined by innovation, risk-taking, and proactive strategies, enables firms to adapt to market trends and enhance competitiveness [9]. Innovation capability (INNO) drives product differentiation and operational efficiency, essential for meeting global standards and sustainability goals [2]. Government support (GS), through subsidies, financing, and training, helps SMEs navigate international markets and meet stringent global standards [3].

This study examines the combined impact of EO, INNO, and GS on export performance in Java's furniture industry, addressing the limited empirical research on their interplay. The findings aim to provide actionable insights for enhancing export competitiveness and sustainable growth in this vital sector.

2. Literature Review

The export performance (EP) of firms has been a focal point of scholarly research, especially in emerging economies where exports significantly contribute to economic growth. Several variables have been identified as key determinants of export performance, including entrepreneurial orientation (EO), innovation capability (INNO), and government support (GS). This section reviews the existing literature on these variables, with a specific focus on their relationships with export performance.

2.1 Export performance (EP)

EP is a multifaceted construct that reflects the success of a firm’s internationalization efforts. It is typically measured through financial indicators (such as export sales growth and profitability) and non-financial indicators (such as market share, market diversification, and customer satisfaction in foreign markets) [8]. The determinants of export performance have been widely studied, with factors like firm size, market orientation, and external support being considered alongside internal strategic resources like EO and INNO. Studies suggest that EO and INNO positively influence export performance by enabling firms to enter new markets and sustain competitiveness [2]. GS further enhances export performance by providing firms with the necessary infrastructure and incentives to thrive in international markets [27]. Nevertheless, research indicates that the interplay of these factors is complex and often context-specific. The effectiveness of EO, INNO, and GS is contingent upon the firm’s ability to align its internal capabilities with external opportunities, highlight the need for further research on the distinctions within specific industries and regions, such as the furniture sector in Java Province.

2.2 Entrepreneurial Orientation (EO)

EO represents a firm's strategic orientation, defined by its propensity for innovation, risk-taking, and proactive behaviour. The framework consists of three dimensions: innovativeness, risk-taking, and proactiveness [9]. These dimensions collectively determine a firm's ability to identify opportunities, adapt to change, and achieve competitive advantages. Entrepreneurial Orientation (EO) is a multidimensional construct that captures a firm's strategic posture toward innovation, risk-taking, and proactiveness. Each dimension contributes uniquely to a firm's ability to identify and capitalize on opportunities, adapt to market dynamics, and sustain competitive advantages.

Innovativeness reflects a firm’s capacity to foster creativity, experimentation, and the development of novel products or processes. Firms that prioritize innovativeness are better positioned to differentiate themselves in the market, enabling them to achieve a competitive edge. This dimension is particularly significant in industries such as furniture manufacturing, where product innovation—such as integrating eco-friendly materials or sustainable designs—caters to the growing global demand for environmentally responsible solutions [32]. By continuously exploring new ideas, firms enhance their ability to respond to dynamic consumer preferences, ultimately improving their export performance.

Risk-taking entails a company's readiness to allocate substantial resources to ventures with unpredictable results. This dimension reflects the organization’s ability to operate outside its comfort zone, pursuing ventures that could yield high returns despite inherent risks. In the context of international markets, risk-taking is critical for entering untested regions or investing in innovative products without guaranteed success. However, its relevance varies by industry. For example, industries characterized by stable demand and high capital requirements, such as furniture manufacturing, may exhibit a more conservative approach to risk-taking [32].

Proactiveness signifies a firm’s forward-looking orientation and its ability to anticipate future market needs. Proactive firms act ahead of competitors, positioning themselves advantageously to exploit emerging trends. In export markets, proactiveness enables firms to identify and adapt to opportunities, such as the growing demand for sustainable or customized furniture designs. By staying ahead of market trends, firms enhance their competitive positioning and improve their chances of success in global markets [25,32].

Together, these dimensions shape a firm's ability to navigate complex environments, identify opportunities, and achieve sustainable growth. However, the relative importance and application of each dimension depend on the industry and cultural context in which the firm operates. For instance, in emerging economies like Indonesia, EO dimensions must align with the specific characteristics of the furniture industry to effectively drive export performance.

2.3 Innovation Capability (INNO)

Innovation capabilities implies a firm's proficiency in generating, executing, and maintaining novel ideas, products, processes, or business models that augment its competitive advantage. This capability is crucial for enabling businesses to adjust to market dynamics, satisfy customer needs, and maintain long-term growth in intensely competitive settings [6]. In the context of export performance, innovation capability enables firms to respond to international market demands, improve operational efficiency, and achieve sustainable competitive advantages [11]. Innovation capability is not a single-dimensional concept but a multifaceted construct encompassing various types of organizational competencies. These encompass learning capability, research and development capability, resource exploitation capability, manufacturing capability, marketing

capability, organisational capability, and strategic capability [12]. Together, these facets enable firms to harness internal resources and external opportunities to achieve sustainable innovation outcomes.

Learning capability lies at the heart of innovation, as it reflects a firm's ability to acquire, process, and apply new knowledge. Firms with strong learning capabilities are better equipped to recognize emerging trends, adapt to market shifts, and develop novel solutions that address customer needs. This capability also enables firms to foster a culture of continuous improvement, where employees and teams consistently seek ways to enhance products and processes [21]. Learning capability is particularly crucial in dynamic industries, where rapid technological advancements demand agility and adaptability.

Research and development (R&D) capability represents a firm's capacity to innovate by investing in scientific research and technological development. It involves not only generating new ideas but also transforming these ideas into tangible outcomes, such as patents, prototypes, or commercialized products. Firms with robust R&D capabilities can create cutting-edge solutions, differentiate themselves from competitors, and cater to niche markets with unique needs [25]. However, the success of R&D efforts often depends on other complementary capabilities, such as resource exploitation and manufacturing. Resource exploitation capability and manufacturing capability are integral to transforming innovation into practical outputs.

Resource exploitation capability refers to a firm's efficiency in utilizing its physical, human, and financial resources to maximize value [34]. On the other hand, manufacturing capability focuses on operational efficiency, quality control, and scalability in production processes. Firms with strong manufacturing capabilities can produce innovative products at competitive costs while ensuring high quality, which is essential for maintaining customer satisfaction and market share [13]. Lastly, marketing, organizational, and strategic capabilities ensure that innovation is effectively implemented and aligned with a firm's overall objectives.

Marketing capability involves understanding and responding to customer needs, developing promotional strategies, and positioning innovative products effectively in target markets [16]. Whereas, the organizational capability are focuses on creating a supportive environment for innovation through effective leadership, collaboration, and resource allocation. Strategic capability on the other hand, enables firms to align innovation efforts with long-term business goals, ensuring that innovation contributes to sustained competitive advantage [18]. By integrating these capabilities, firms can achieve a holistic approach to innovation that fosters growth and resilience.

2.4 Government Support (GS)

Government support is a critical external factor influencing the success of export-oriented businesses, particularly in developing economies. By providing financial assistance, infrastructure development, policy facilitation, and training programs, governments play a pivotal role in helping firms overcome barriers to entry and thrive in competitive international markets [27]. For Small and Medium-Sized Enterprises (SMEs), which often face resource and capability constraints, government support can be a decisive factor in achieving export success. This support is provided in various forms, each addressing specific challenges faced by SMEs in competitive global markets.

One significant form of government support is financial assistance, which includes grants, subsidies, and tax incentives. These resources enable firms to invest in critical areas such as innovation, research and development, and market entry strategies. For example, export financing programs allow SMEs to manage cash flow challenges, particularly when expanding into new international markets where upfront costs can be prohibitive [31]. By offsetting these financial

burdens, governments help firms allocate resources more effectively, fostering growth and enhancing their competitiveness abroad [31].

Another essential form of support is export promotion programs, which aim to facilitate market access and build international networks. These initiatives include organizing trade fairs, buyer-seller meetings, and marketing assistance programs. Such programs are particularly valuable for SMEs that lack the resources to independently establish a global presence. By participating in trade fairs, firms gain exposure to foreign buyers and establish partnerships that can lead to long-term export opportunities [23].

Additionally, marketing assistance initiatives help SMEs adapt their promotional strategies to meet the preferences and expectations of target markets. Training and capacity-building programs are also pivotal in improving the technical and managerial skills of SME owners and employees. These programs equip firms with knowledge about international market requirements, export regulations, and operational efficiencies. By aligning products with global standards, training initiatives ensure that SMEs are well-prepared to navigate the complexities of foreign trade [18].

Furthermore, managerial training enhances decision-making capabilities, enabling firms to develop effective export strategies and respond proactively to market challenges. Lastly, regulatory support simplifies the procedural and compliance requirements associated with international trade. Governments facilitate access to trade agreements, streamline export-related documentation, and provide guidance on meeting international standards. This support reduces transaction costs and minimizes the administrative burden on SMEs, making it easier for them to enter foreign markets [17]. For instance, regulatory support helps firms align with sustainability certifications or product safety requirements, which are often prerequisites for exporting to developed markets.

These various forms of government support collectively create an enabling environment for SMEs, allowing them to overcome resource constraints and compete effectively in global markets. However, the effectiveness of these initiatives depends on how well they are tailored to the specific needs of different industries and regions. By addressing challenges such as financial limitations, skill gaps, and regulatory complexities, government support significantly contributes to the international success of SMEs [26].

2.5 Linking Entrepreneurial Orientation, Innovation Capability, and Government Support to SMEs' Export Performance

The export performance of Small and Medium-sized Enterprises (SMEs) is significantly influenced by the relationship between Government Support (GS), Innovation Capability (INNO), and Entrepreneurial Orientation (EO). In an economy that is becoming more globalised, small and medium-sized enterprises (SMEs) are essential for the advancement of economic development and innovation [4]. Comprehending the interplay of these three aspects could provide significant insights for improving the export potential of SMEs.

Previous study highlighted that firms with high EO are better equipped to navigate international markets by innovating, adapting to preferences, and overcoming barriers [33]. However, the strength of this relationship depends on factors such as resource availability, institutional support, and cultural norms [14]. In emerging economies like Indonesia, EO is most effective when combined with internal capabilities like innovation and external enablers such as government support [6]. Moreover, INNO drives export performance by enabling firms to adapt to diverse market demands and comply with stringent regulations [6]. It is especially valuable in developing economies, where it helps firms overcome structural challenges like limited resources and skills shortages. Sustainability-oriented innovation has also emerged as a key driver, helping firms secure long-term

market access and maintain competitiveness [22]. Additionally, GS directly impacts export performance by providing critical resources and reducing barriers. However, its effectiveness often depends on firms' internal capacities, such as EO and INNO [6]. In emerging economies, GS helps address systemic issues like financing gaps and infrastructure deficits, levelling the playing field for SMEs [17,26].

In summary, the literature suggests that entrepreneurial orientation, innovation capability, and government support are all important factors influencing export performance. EO drives firms to take proactive and innovative approaches in their international ventures, while innovation capability equips them with the necessary tools to remain competitive. Government support further enhances these capabilities by providing resources and reducing barriers to export. These variables form the basis of the research framework for examining export performance, with entrepreneurial orientation, innovation capability, and government support posited as independent variables that affect export performance as the dependent variable. This framework enables an empirical analysis of how each factor contributes individually and collectively to enhancing export outcomes. Previous studies have demonstrated positive correlations among these variables, yet this study will further explore their interplay, particularly within emerging economies and specific industries where market conditions and export challenges are unique. Figure 1 shows the research framework for this study. This study presents the research model illustrated in Figure 1 and proposes the following hypotheses:

H1: Entrepreneurial orientation (EO) is positively correlated with export performance (EP)
H2: Innovation capability (INNO) is positively correlated with export performance (EP)
H3: Government support (GS) is positively correlated with export performance (EP)

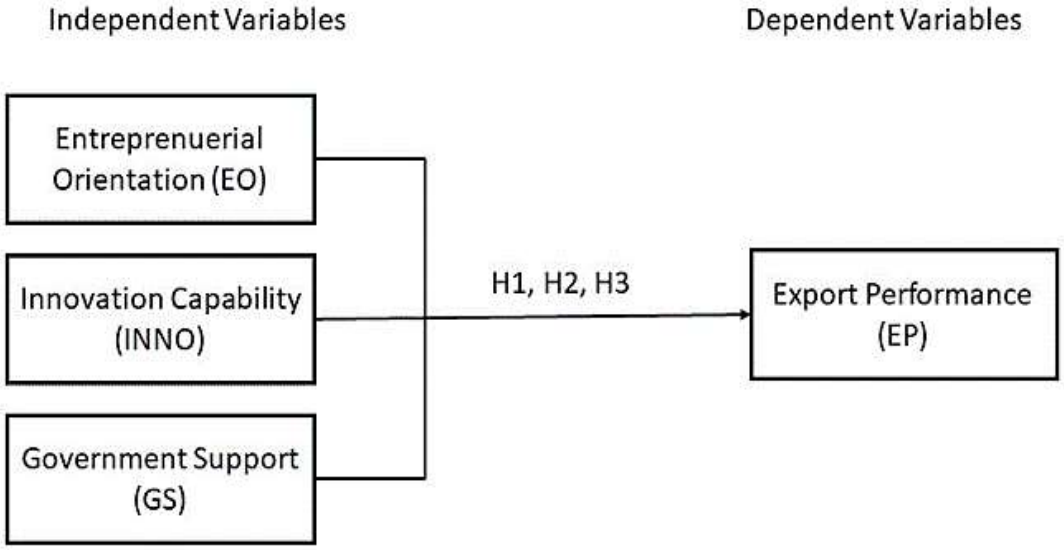

Fig. 1. Research framework

3. Methodology

3.1 Research Design

This research utilised a cross-sectional quantitative design to examine the effects of entrepreneurial orientation (EO), innovation capability (INNO), and government support (GS) on export performance (EP) within the furniture industry in Java. A quantitative approach was selected to facilitate the measurement of relationships among variables and to offer statistical insights into

the direct and indirect effects of independent variables on the dependent variable. The cross-sectional design enabled data collection at one specific time, allowing for a concentrated analysis of prevailing trends and practices in the industry.

3.2 Population, Sampling Approach, and Sample Size

The target population for this study comprised Small and Medium-Sized Enterprises (SMEs) engaged in furniture export activities within Central Java, Indonesia. Central Java was selected as the focus area because it contributes approximately 33% of Indonesia's total furniture exports [28]. These SMEs play a vital role in the regional economy and are central to understanding the export dynamics of Java's furniture industry.

A purposive sampling technique was employed to ensure that participants met specific eligibility criteria:

i. Active involvement in exports: Firms must actively export furniture to international markets.
ii. Geographic location: SMEs must be based in Central Java.
iii. Experience: Firms must have at least five years of export experience to ensure they have sufficient operational maturity to provide valuable insights.

Using consolidated databases from the Ministry of Industry, Central Java Government Bureau, and Central Statistics Bureau, 350 SMEs were identified as meeting these criteria. This sample size was deemed adequate to ensure generalizability and statistical robustness, aligning with recommendations from Hair *et al.,* [15] for survey-based research.

3.3 Measurement

A structured questionnaire was created to collect data on key constructs: entrepreneurial orientation, innovation capability, government support, and export performance. The questionnaire comprised five sections:

i. Demographic Information: Included questions about firm size, export experience, and respondent roles.
ii. Entrepreneurial Orientation (EO): Measured dimensions such as proactiveness, innovativeness, and risk-taking using items adapted from Shehu and Mahmood [30].
iii. Innovation Capability (INNO): Assessed firms' ability to implement new products and processes, based on items derived from Nur [24].
iv. Government Support (GS): Evaluated the perceived impact of regulatory frameworks, subsidies, and trade facilitation programs, referencing measures from Kharub and Sharma [19].
v. Export Performance (EP): Captured both financial (e.g., profitability) and non-financial (e.g., customer satisfaction) indicators using items adapted from Njinyah [23].

Responses for sections 2–5 were recorded on a seven-point Likert scale (1 = strongly disagree, 7 = strongly agree) to capture nuanced perceptions and attitudes.

3.4 Data Collection Procedure

The questionnaire was pilot tested with a subset of target demographic respondents to verify clarity and relevance. Minor language and question structure changes from the pilot research improved the instrument's reliability and validity.

Data collection was conducted via self-administered online surveys. The survey link was distributed via email to the identified sample, followed by reminders through WhatsApp and phone calls to improve response rates. Participation was voluntary, and respondents were assured of confidentiality and anonymity. The survey included an informed consent section, ensuring transparency regarding the study's purpose and use of the data. Of the 350 distributed questionnaires, 136 valid responses were received, yielding a response rate of 38.8%. This rate is consistent with the threshold of 30% recommended by Sekaran [29] for survey research.

3.5 Statistical Analysis Techniques

The collected data were analyzed using SPSS (version 24) and SmartPLS (version 4.0) to ensure a robust examination of the relationships between variables. The analysis process included descriptive statistics where it summarized demographic characteristics of respondents and provided a clear overview of the sample. Measurement Model Assessment evaluated the reliability and validity of constructs using composite reliability (CR) and average variance extracted (AVE). Items with loadings below the threshold of 0.708 were removed to enhance indicator reliability [15]. Finally, the Structural Equation Modeling (SEM) where it tested hypothesized relationships between EO, INNO, GS and EP. SEM enabled the analysis of both direct and indirect effects, providing a comprehensive view of the interplay among variables.

4. Results

4.1 Firms' characteristics

Summary of survey furniture firms' characteristics. The study examined a furniture manufacturer. The total number of employees, the period of their furniture exporting experience, and the places to which they ship were used to profile these organisations.

Tables 1 and 2, together with Figure 2, provide the background of the companies featured in this research. Within the total sample, 71.3% of enterprises employ fewer than 100 staff members, while only 2.9% have a headcount exceeding 500. 31.6% of the furniture company has engaged in furniture exportation for duration of 11 to 20 years, but merely 16.2% have been involved in exporting furniture for over 20 years. Table 2 indicates that 28.7% of other companies have participated in furniture exporting for less than 5 years, whilst 23.5% have been involved in this endeavor for 6 to 10 years.

Table 1
Total number of employees

	Frequency	Percentage
1–49 employees	52	38.2
50-100 employees	45	33.1
101-300 employees	29	21.3
301-500 employees	6	4.4
> 500 employees	4	2.9

Table 2
Years of export experience

	Frequency	Percentage
<5 years	39	28.7
6-10 years	32	23.5
11-20 years	43	31.6
>20 years	22	16.2

Figure 2 illustrates the nations to which the company exports its furniture. Asia and Europe constitute the predominant recipients of furniture exports, at 25% and 19.1% respectively.

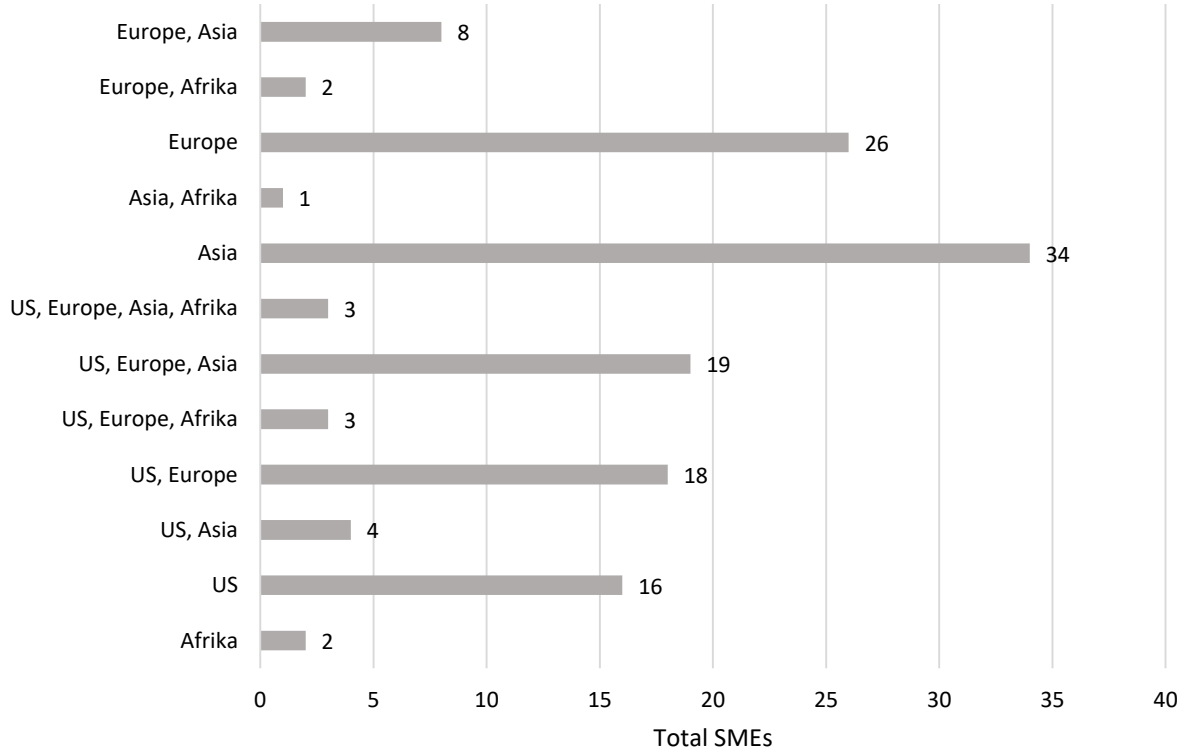

Fig. 2. Country of export

4.2 Measurement Model Assessment

This study's reflective measurement model assesses each latent component using internal consistency reliability, indicator reliability, convergent validity, and discriminant validity. Composite reliability is advised for assessing internal consistency reliability. Table 1 presents the outer loading, Cronbach's alpha, composite reliabilities, and average variance extracted (AVE) for each construct examined in this study. The outer loadings of reflective structures should above the acceptable level of 0.708, as suggested by [15]. The results demonstrate that EPS4, EOI1, GVS14, MAF3, MAF5, and REC4 do not surpass the threshold value. Therefore, it is essential to remove the EPS4, EOI1, GVS14, MAF3, MAF5, and REC4 components from the model to attain sufficient indication reliability. Subsequently, the analysis was re-executed, resulting in the acquisition of the updated loadings and cross-loadings. The results are presented in Table 3 alongside composite reliability (CR) and average variance extracted (AVE). The research confirms the presence of conceptual validity, since all items have a value greater than 0.708, indicating their reliability and quality.

Table 3
Outer loading, cronbach's alpha, composite reliabilities (CR) and average variance extracted (AVE) result

CONSTRUCT	ITEM	LOADINGS	Cronbach's alpha	CR	AVE
EO	EOI2	0.706	**0.952**	**0.957**	**0.6**
	EOI3	0.808			
	EOI4	0.807			
	EOI5	0.768			
	EOI6	0.777			
	EOP1	0.804			
	EOP2	0.784			
	EOP3	0.702			
	EOP4	0.814			
	EOR1	0.808			
	EOR2	0.820			
	EOR3	0.824			
	EOR4	0.717			
	EOR5	0.713			
	EOR6	0.750			
EP	EPF1	0.709	**0.950**	**0.956**	**0.646**
	EPF2	0.799			
	EPF3	0.844			
	EPF4	0.798			
	EPK1	0.862			
	EPK2	0.834			
	EPK3	0.758			
	EPK4	0.802			
	EPK5	0.818			
	EPS1	0.821			
	EPS2	0.787			
	EPS3	0.806			
GS	GVS1	0.786	**0.966**	**0.97**	**0.695**
	GVS2	0.869			
	GVS3	0.872			
	GVS4	0.806			
	GVS5	0.783			
	GVS6	0.808			
	GVS7	0.849			
	GVS8	0.822			
	GVS9	0.871			
	GVS10	0.877			
	GVS11	0.835			
	GVS12	0.799			
	GVS13	0.822			
	GVS15	0.864			
INNO	LCR1	0.726	**0.981**	**0.982**	**0.604**
	LCR2	0.781			
	LCR3	0.756			
	LRC4	0.781			
	MAF1	0.738			
	MAF2	0.792			
	MAF4	0.744			
	MAF6	0.722			
	MRC1	0.737			
	MRC2	0.734			
	MRC3	0.743			
	MRC4	0.710			
	MRC5	0.744			
	MRC6	0.715			
	ORG1	0.742			
	ORG2	0.802			
	ORG3	0.827			
	ORG4	0.759			
	ORG5	0.778			
	REC1	0.790			
	REC2	0.761			
	REC3	0.853			
	REC5	0.783			
	REC6	0.798			
	RND1	0.768			

RND2	0.828
RND3	0.838
RND4	0.775
RND5	0.818
STC1	0.807
STC2	0.812
STC3	0.765
STC4	0.807
STC5	0.842
STC6	0.779

Hair *et al.,* [15] define convergent validity as the phenomenon when specific items measuring a particular concept have a high degree of shared variance. Moreover, the author contended that the factor loadings and the average variance extracted (AVE) must exceed a threshold of 0.50 for all items. The AVE values in Table 3 of this study range from 0.600 to 0.762, indicating that the concept accounts for at least 50% of the variance of its components. Consequently, our investigation has confirmed the existence of convergent validity.

Hair *et al.,* [15] indicate that a composite reliability rating between 0.60 and 0.69 is considered minimally acceptable. One hundred percent or greater is permitted .80 is acceptable. Table 1 displays the composite reliability coefficients for each construct. Based on Table 3, it can be concluded that the composite reliability values, ranging from 0.926 to 0.957, are all adequate and acceptable. Consequently, the reliability of each measurement item may be verified.

4.3 Discriminant Validity

Discriminant validity refers to the extent to which a construct is clearly differentiated from other constructs, as articulated by Hair *et al.,* [15]. In this investigation, the Heterotrait-monotrait ratio (HTMT) was employed. The HTMT ratios must remain below 0.900, a benchmark established by Hair *et al.,* [15]. The HTMT ratios reveal the constructs that exhibit the strongest associations with their corresponding indicators, in relation to other constructs, within the framework of the Structural Equation Model [15]. Table 4 illustrates the successful establishment of discriminant validity, as none of the HTMT ratios surpassed the threshold of 0.900. Figure 3 illustrates the PLS measurement model.

Table 4
Heterotrait-monotrait ratio (HTMT) – Matrix

	Entreprenurial Orientation (EO)	Export Performance (EP)	Government Support (GS)	Innovation Capability (INNO)
Entreprenurial Orientation (EO)				
Export Performance (EP)	0.561			
Government Support (GS)	0.519	0.45		
Innovation Capability (INNO)	0.854	0.679	0.611	

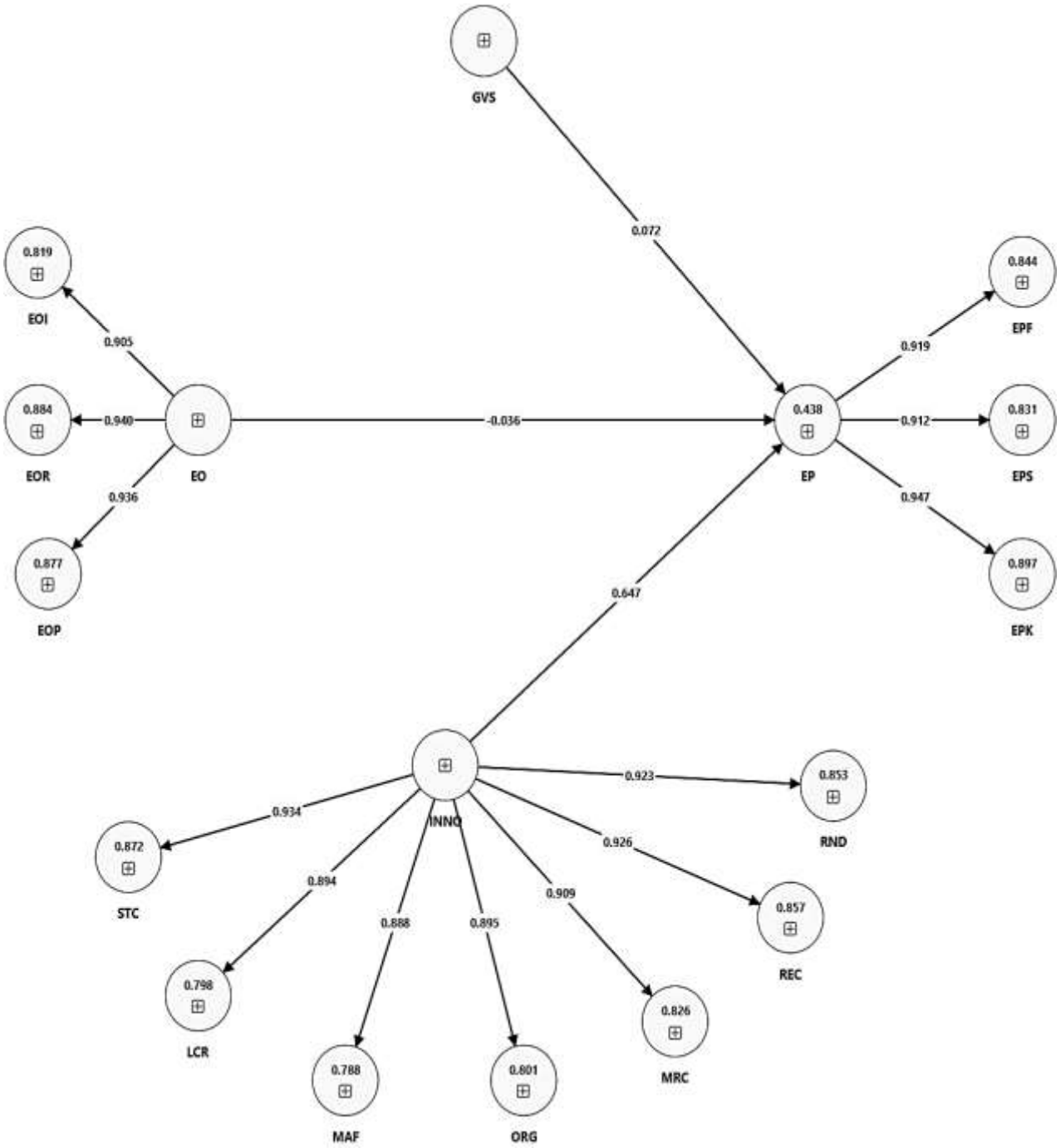

Fig. 3. PLS measurement model

4.4 Structural Equation Modelling

Figure 4 demonstrates that the R2 value for export performance was 0.438, indicating a significant degree of explained variance. This figure suggests that 43.8% of the variation in export performance (EP) can be attributed to the fundamental elements of innovation capability (INNO). Upon examining the collective influence of all independent variables, it was evident that EO did not exert a significant effect on EP (β = -0.036, t = 0.347, p = 0.364). Similarly, GS did not exhibit a significant impact on EP (β = -0.072, t = 0.885, p = 0.188), whereas INNO contributed significantly to EP (β = 0.647, t = 5.313, p = 0.000). Consequently, H1 and H2 have been dismissed, while H3 has been affirmed.

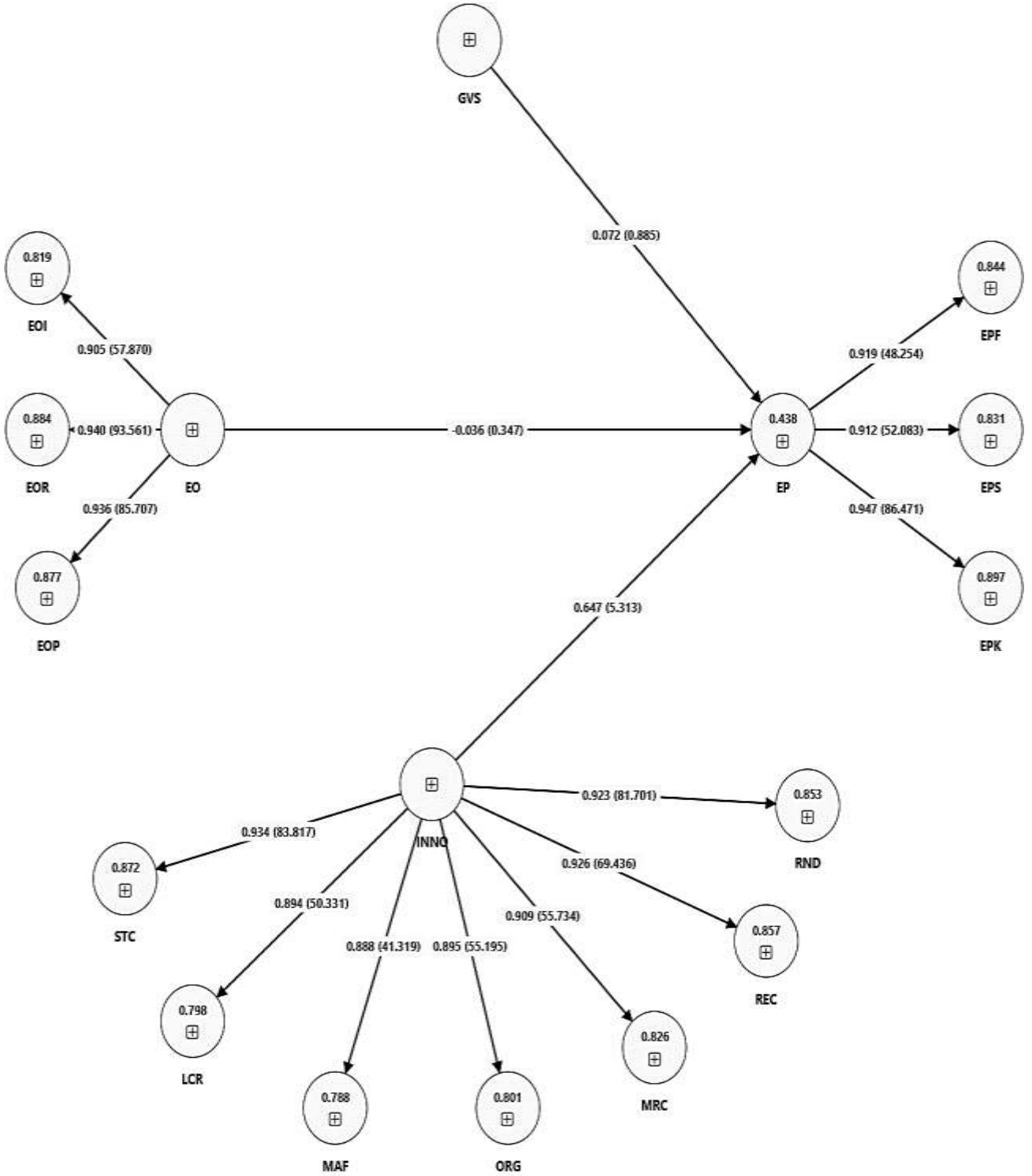

Fig. 4. PLS Structural Equation Model

In order to ascertain the extent to which a particular exogenous construct—namely, entrepreneurial orientation, government support, and innovation capability—exerts a significant influence on the endogenous construct of export performance, the effect size was calculated employing the subsequent formula: $f^2 = (R^2\text{included} - R^2\text{excluded}) / (1 - R^2\text{included})$. The alteration in R^2 values is determined by executing the PLS path model on two separate occasions. The initial analysis incorporates a distinct exogenous construct, resulting in R^2 included, whereas the subsequent analysis omits a specific exogenous construct, leading to R^2 excluded [15]. As noted by

Cohen (1988) [33], an effect size (f^2) of less than 0.02 signifies no effect, a range of 0.02 to 0.149 denotes a small effect, 0.15 to 0.349 reflects a medium effect, and values exceeding 0.35 represent a substantial effect of the exogenous latent variable. The findings indicated that both EO (f^2 = 0.001) and GS (f^2 = 0.006) exerted no influence on export performance. Nonetheless, the findings from INNO suggest a moderate effect size (f^2 = 0.203). Table 5 presents the direct path coefficients and effect sizes.

Table 5
Direct Paths and effect sizes of each construct

#	Path	Path Coefficient	t-Value	F^2	R^2	Q^2
1	Entrepreneur Orientation (EO)➔ Export performance (EP)	-0.036	0.347	0.001	0.438	0.276
2	Government Support (GS))➔ Export performance (EP)	0.072	0.885	0.006		
3	Innovation Capability (INNO) ➔ Export performance (EP)	0.647	5.313	0.203		

Note: **p < 0.05 (t > 1.645) (based on one-tailed test)

5. Discussion

This study provides key insights into the relationship among entrepreneurial orientation (EO), innovation capabilities (INNO), government support (GS), and export performance (EP) in Java's furniture industry. These findings hold significance for practitioners, policymakers, and scholars focused on export success determinants in developing economies. The discussion below examines each variable's role and interconnectedness, highlighting their practical and theoretical relevance.

5.1 Entrepreneurial Orientation and Export Performance

The findings indicate a minimal relationship between entrepreneurial orientation (EO) and export performance in Java's furniture industry. This result challenges the conventional view that EO is a critical driver of international success [33]. The possible explanation lies in the sector's characteristics. Furniture manufacturing in Java emphasizes traditional craftsmanship and operational efficiency, often prioritizing product quality and cost stability over aggressive market expansion or innovation. Additionally, the entrepreneur often gets contract jobs making furniture based on specific designs provided by the client. As such, EO dimensions like risk-taking and proactivity may not align with the prevailing industry dynamics [32].

Additionally, cultural factors may play a role. In many developing economies, including Indonesia, SMEs tend to adopt conservative business practices, focusing on maintaining existing relationships with clients and minimizing risks associated with international markets. This is especially true in industries where standardized production processes dominate, leaving little room for the proactive behaviors typically associated with EO [33]. Future research could explore how cultural dimensions and industry-specific traits mediate the EO-export performance relationship.

5.2 Innovation Capability and Export Performance

Innovation capability stands out as the most significant factor influencing export performance, consistent with previous research emphasizing its role in competitive advantage [25]. In the context

of Java's furniture industry, innovation could be manifested in two primary forms: product innovation and process innovation.

i. Product Innovation. Companies leveraging product innovation by introducing eco-friendly designs or incorporating local cultural elements into furniture pieces have successfully differentiated themselves in global markets. For instance, firms integrating recycled or sustainably sourced materials address the growing consumer demand for environmental responsibility, enhancing their appeal in high-value markets like Europe and North America [13].
ii. Process Innovation. Process innovations, such as adopting automated production technologies or optimizing supply chain logistics, enable firms to reduce costs, improve product consistency, and scale production. This is critical for SMEs facing competition from countries like Vietnam and Malaysia, which benefit from lower labor costs and more efficient resource management [25].

By prioritizing innovation, firms can meet diverse consumer preferences while maintaining cost-effectiveness. Policymakers should incentivize innovation by funding research and development (R&D) initiatives and fostering collaborations between industry and academia. The government could also promote knowledge-sharing platforms where SMEs can learn best practices in product and process innovation.

5.3 Government Support and Export Performance

The study's findings reveal that government support has a limited direct impact on export performance, aligning with mixed evidence in existing literature [16]. While government programs such as export subsidies, trade fairs, and training workshops provide valuable resources, their efficacy is often constrained by bureaucratic inefficiencies and misalignment with SMEs' specific needs.

For example, many government initiatives focus on broad-based export promotion, which may not address the unique challenges faced by furniture SMEs in accessing sustainable raw materials or navigating international certification requirements. Moreover, firms with strong internal capabilities, such as innovation and entrepreneurial orientation, are better positioned to capitalize on government support [27]. This suggests that the effectiveness of such programs depends on firms' ability to leverage external resources effectively.

To enhance the impact of government support, policymakers should adopt a more targeted approach, tailoring interventions to industry-specific needs. Establishing public-private partnerships could also bridge gaps between policy design and implementation, ensuring that resources reach the intended beneficiaries.

5.4 Interplay between Determinants

The interaction between EO, innovation capability, and government support offers additional insights. Firms with robust innovation strategies are more likely to benefit from government programs, as these initiatives often facilitate access to funding and international markets. However, the lack of a strong EO foundation may hinder firms' ability to proactively seek out and utilize these opportunities [6]. Similarly, while innovation capability directly influences export performance, its

impact could be amplified by an entrepreneurial mindset that encourages risk-taking and adaptation to market trends.

5.5 Practical and Theoretical implication

This study provides a nuanced understanding of the factors influencing export performance in Java's furniture industry, highlighting the pivotal role of innovation capability while identifying limitations in the contributions of entrepreneurial orientation (EO) and government support. These findings carry significant implications for both theory and practice, offering a foundation for future research and actionable recommendations for industry stakeholders.

Innovation capability emerged as the most significant determinant of export performance, underscoring its critical role in enabling firms to adapt to dynamic global market demands. Firms that embrace product differentiation, eco-friendly materials, and advanced manufacturing processes are better equipped to secure competitive advantages. Conversely, EO and government support demonstrated limited direct effects, suggesting contextual factors such as industry characteristics and cultural norms may mediate their impact.

Therefore, Java's furniture exporters should prioritize developing robust innovation strategies. This includes investing in research and development (R&D), adopting sustainable production methods, and fostering a culture that encourages continuous improvement and adaptation. As for the policymakers - The findings call for a more tailored approach to government support programs. Policies should focus on reducing bureaucratic inefficiencies, providing targeted financial incentives for innovation, and facilitating collaborations between academia and industry to enhance technology adoption and skill development. Finally, as for industry associations, by strengthening knowledge-sharing platforms and providing technical training could empower SMEs to integrate innovation into their operations effectively. Collaborative efforts to address common challenges, such as sustainable raw material sourcing and international certification, could bolster the industry's competitiveness.

This study also adds to the growing body of literature on export performance by emphasizing the contingent nature of determinants like EO and government support. It challenges the assumption of their universal applicability, demonstrating that their effectiveness depends on industry-specific dynamics and firm-level strategies. The research also reinforces the critical importance of innovation capability as a driver of success in export markets, particularly in resource-intensive industries.

5.6 Limitation

The selection process for a subset of small and medium-sized enterprises (SMEs) within a singular national context, particularly Indonesia, is constrained by various limitations. Additional empirical research examining the relationship between the entrepreneurial orientation profiles of SMEs, government support, and innovation capability within comparable national contexts will contribute to the validation and enhancement of current findings. Future considerations may include conducting longitudinal studies to explore the enduring effects of innovation capability on the competitiveness of firms for example, exploring the relationship between governmental frameworks and corporate strategies to uncover synergies that enhance export performance. In conclusion, the sample is confined exclusively to the realm of furniture manufacturing. Future enquiries ought to explore the relationships examined in this study within industries that extend beyond the realm of furniture manufacturing. Ultimately, in addition to EO, GS, and INNO, it is

crucial to consider other elements that can contribute to a more thorough comprehension of export performance such as competitive advantage, cultural influences, and institutional elements.

6. Conclusion

The global furniture industry is undergoing rapid transformation, driven by evolving consumer preferences, technological advancements, and increasing demands for sustainability. Java's furniture SMEs, with their rich heritage of craftsmanship and access to abundant natural resources, are uniquely positioned to capitalize on these trends. However, achieving sustained success in export markets requires a strategic recalibration that balances traditional strengths with modern demands.

The findings of this study emphasize the critical role of innovation capability in enabling firms to remain competitive in international markets. By adopting eco-friendly materials, streamlining production processes, and creating distinctive designs, SMEs can cater to the growing demand for sustainable and differentiated products. These strategies not only enhance export performance but also align with global regulatory trends and consumer expectations, ensuring long-term market relevance.

Entrepreneurial orientation, while traditionally viewed as a key determinant of export success, may require re-contextualization within Java's furniture industry. Firms should consider adapting entrepreneurial strategies to better align with the specific characteristics of the industry, such as a focus on quality, consistency, and stability. This adjustment could involve adopting calculated risk-taking behaviors or fostering proactivity in niche markets where their expertise and cultural heritage are valued.

Similarly, government support, though essential, must evolve to address the unique challenges faced by furniture exporters. Policymakers should focus on creating a more enabling environment by reducing bureaucratic hurdles, improving infrastructure, and offering targeted incentives for innovation and sustainability. Collaborative public-private partnerships could further enhance the effectiveness of these efforts, fostering a cohesive ecosystem where SMEs thrive.

Acknowledgement

This study forms part of the doctoral research conducted by the first author, who gratefully acknowledges the scholarship support received from the Industrial Human Resource Development Agency (BPSDMI), Ministry of Industry, Republic of Indonesia. The views and interpretations presented in this work are solely those of the authors and do not necessarily reflect those of the funding agency.

References

[1] Wicaksono, Purnawan Adi, Wiwik Budiawan, Chaterine Alvina Prima Hapsari, and Aprilia Dwi Lestari. "Strategic Design to Increase Indonesian Furniture Industry Export Competitiveness." In *E3S Web of Conferences*, vol. 448, p. 02066. EDP Sciences, 2023. https://doi.org/10.1051/e3sconf/202344802066

[2] Alegre, Joaquín, José Luis Ferreras-Méndez, Anabel Fernández-Mesa, and Roger Strange. "Innovation capabilities and export performance in manufacturing SMEs." *Tec Empresarial* 16, no. 3 (2022): 55-71. https://doi.org/10.18845/te.v16i3.6367

[3] Ammal, Ammani, and Mohammed Al-Sakiti. "Impact of Innovation and Government Support on the Business Performance of SMEs in Oman." *The Implementation of Smart Technologies for Business Success and Sustainability: During COVID-19 Crises in Developing Countries* (2022): 215-224. https://doi.org/10.1007/978-3-031-10212-7_19

[4] Amoah, John, Jaroslav Belas, Raymond Dziwornu, and Khurram Ajaz Khan. "Enhancing SME contribution to economic development: A perspective from an emerging economy." *Journal of International Studies* (2022). https://doi.org/10.14254/2071-8330.2022/15-2/5

[5] Anand, Jaideep, Gerald McDermott, Ram Mudambi, and Rajneesh Narula. "Innovation in and from emerging economies: New insights and lessons for international business research." *Journal of International Business Studies* 52 (2021): 545-559. https://doi.org/10.1057/s41267-021-00426-1

[6] Arifin, Samsul. "Building of export performance through product innovation, trust, technology capability and partnerships (a study on furniture industry in Jepara Regency of Indonesia)." *Економічний часопис-XXI* 187, no. 1-2 (2021): 131-138. https://doi.org/10.21003/ea.V187-13

[7] Badar, M., and A. Alim. 2021. "The Effect Of Innovation, Organizational Culture And Entrepreneurial Orientation On Business Performance: A Study on Small and Medium Enterprises In Makassar City, Indonesia." *Proceedings on Engineering Sciences* 3 (4): 372–82. https://doi.org/10.24874/PES03.04.001

[8] Calheiros-Lobo, Nuno, Jose Vasconcelos Ferreira, and Manuel Au-Yong-Oliveira. "SME internationalization and export performance: A systematic review with bibliometric analysis." *Sustainability* 15, no. 11 (2023): 8473. https://doi.org/10.3390/su15118473

[9] Christine Riante and Louis Utama. 2023. "The Influence of Entrepreneurial Orientation on SME's Performance Through Entrepreneurial Competency In Pasar Jambi." *International Journal of Application on Economics and Business*. https://doi.org/10.24912/v1i2.79-89

[10] Dewanti, Made Amanda, Ni Made Dwi Ariani Mayasari, I. Nengah Suarmanayasa, and Ni Nyoman Yulianthini. "Competitive Strategies of Trade Sector SMEs in Buleleng District." In *6th International Conference on Tourism, Economics, Accounting, Management, and Social Science (TEAMS 2021)*, pp. 370-376. Atlantis Press, 2021. https://doi.org/10.2991/aebmr.k.211124.053

[11] Sandi, Donn, Budi Susanto, and Rismi Juliadi. "The Impact of Export Capabilities and Competitive Advantage on SME's International Performance." In *ICEBE 2020: Proceedings of the First International Conference of Economics, Business & Entrepreneurship, ICEBE 2020, 1st October 2020, Tangerang, Indonesia*, p. 82. European Alliance for Innovation, 2021. https://doi.org/10.4108/eai.1-10-2020.2305561

[12] Okangi, Fred Phanuel. "Organisational capabilities influencing SMEs' export performance in Tanzania." *Business management review* 26, no. 2 (2023): 36-52. https://doi.org/10.56279/bmrj.v26i2.3

[13] Falahat, Mohammad, Thurasamy Ramayah, Pedro Soto-Acosta, and Yan-Yin Lee. "SMEs internationalization: The role of product innovation, market intelligence, pricing and marketing communication capabilities as drivers of SMEs' international performance." *Technological forecasting and social change* 152 (2020): 119908. https://doi.org/10.1016/j.techfore.2020.119908

[14] Fang, Gu Gui, Sikandar Ali Qalati, Dragana Ostic, Syed Mir Muhammad Shah, and Manzoor Ali Mirani. "Effects of entrepreneurial orientation, social media, and innovation capabilities on SME performance in emerging countries: a mediated–moderated model." *Technology analysis & strategic management* 34, no. 11 (2022): 1326-1338. https://doi.org/10.1080/09537325.2021.1957816

[15] Hair Jr, Joseph F., G. Tomas M. Hult, Christian M. Ringle, Marko Sarstedt, Nicholas P. Danks, and Soumya Ray. *Partial least squares structural equation modeling (PLS-SEM) using R: A workbook*. Springer Nature, 2021. https://doi.org/10.1007/978-3-030-80519-7

[16] Han, Jeong Hugh, and Hyun-Yong Park. "Sustaining small exporters' performance: capturing heterogeneous effects of government export assistance programs on global value chain informedness." *Sustainability* 11, no. 8 (2019): 2380. https://doi.org/10.3390/su11082380

[17] Kang, S.-C., Y.-Y. You, S.-B. Kim, and J.-R. Kim. 2018. "A Study on the Government Support Program on Innovative Activity and Business Performance in SMEs." *Journal of Advanced Research in Dynamical and Control Systems* 10 (14 Special Issue): 165–72.

[18] Sudarti, Ken, and Putri Wira Paramita Dewi. "Improving Marketing Performance and Product Innovation Capability through Digital Knowledge Sharing: A Case Study in SMEs Food Processing." *Journal The Winners* 23, no. 2 (2022): 121-130. https://doi.org/10.21512/tw.v23i2.8060

[19] Kharub, Manjeet, and Rajiv Kumar Sharma. "Framework to assess competitive positioning in manufacturing industries." *International Journal of Business Excellence* 12, no. 2 (2017): 139-174. https://doi.org/10.1504/IJBEX.2017.083565

[20] Lestari, Hanna, Rifky Ismail, and Agus Mansur. "Organizational Culture in Manufacturing Company: Study Case of Small and Medium Sized Enterprises in Central Java, Indonesia." *Applied Mechanics and Materials* 493 (2014): 486-491. https://doi.org/10.4028/www.scientific.net/AMM.493.486

[21] López Rodríguez, José, and Bill Serrano Orellana. "Human capital and export performance in the Spanish manufacturing firms." *Baltic Journal of Management* 15, no. 1 (2020): 99-119. https://doi.org/10.1108/BJM-04-2019-0143

[22] Arshad, Muhammad Zulqarnain, Darwina Arshad, Hendrik Lamsali, Ahmad Said Ibrahim Alshuaibi, Mohammad Said Ibrahim Alshuaibi, Gadah Albashar, Awais Shakoor, and Lai Fatt Chuah. "Strategic resources alignment for sustainability: The impact of innovation capability and intellectual capital on SME's performance. Moderating role of external environment." *Journal of Cleaner Production* 417 (2023): 137884. https://doi.org/10.1016/j.jclepro.2023.137884

[23] Njinyah, Sam Zisuh. "The effectiveness of government policies for export promotion on the export performance of SMEs Cocoa exporters in Cameroon." *International Marketing Review* 35, no. 1 (2018): 164-185. https://doi.org/10.1108/IMR-05-2016-0103

[24] Nur, Sofyan Ashari. "Innovation capability, absorptive capacity and supply chain integration in smes performance: case study of creative industry in yogyakarta, Indonesia." *Proceedings on Engineering Sciences* 1, no. 2 (2019): 203-218. https://doi.org/10.24874/PES01.02.018

[25] Piñera-Salmerón, José, Raquel Sanz-Valle, and Daniel Jiménez-Jiménez. "Product and business process innovation, competitive advantage and export performance." *Multinational Business Review* 31, no. 4 (2023): 545-564. https://doi.org/10.1108/MBR-03-2022-0045

[26] Prasannath, Vanitha, Rajendra P. Adhikari, Sarel Gronum, and Morgan P. Miles. "Impact of government support policies on entrepreneurial orientation and SME performance." *International Entrepreneurship and Management Journal* 20, no. 3 (2024): 1533-1595. https://doi.org/10.1007/s11365-024-00993-3

[27] Vo, Quy T., Tho V. Nguyen, Tin H. Ho, Hien TT Bui, and Khoa NA Le. "Supportive Policies of Government as the Drivers of SMEs' Export Performance: A Study in Ho Chi Minh City, Vietnam." *SAGE Open* 13, no. 4 (2023): 21582440231210122. https://doi.org/10.1177/21582440231210122

[28] Salim, Zamroni, and Ernawati. Munadi. 2017. "Info Komoditi Furnitur." Badan Pengkajian dan Pengembangan Perdagangan Kementerian Perdagangan Republik Indonesia.

[29] Sekaran, U. *Research methods for business: A skill building approach*. John Wiley & Sons, 2016.

[30] Shehu, Aliyu Mukhtar, and Rosli Shehu. "The Moderating Role of Business Environment in the Relationship between Entrepreneurial Orientation and Business Performance among Nigerian SMEs." *Jurnal Pengurusan* 43 (2015).

[31] Ванг, Данг Куанг, and Нгуєн Кхак Хіеу. "Government support and financial performance post-Covid-19: Evidence from small and medium enterprises." *Financial and credit activity problems of theory and practice* 3, no. 56 (2024): 382-392. https://doi.org/10.55643/fcaptp.3.56.2024.4435

[32] Wach, Krzysztof, Marek Maciejewski, and Agnieszka Głodowska. "Inside entrepreneurial orientation: do risk-taking and innovativeness influence proactiveness?." *Economics & Sociology* 16, no. 1 (2023): 159-175. https://doi.org/10.14254/2071-789X.2023/16-1/11

[33] Wahyuni, Ni Made, and I. Made Sara. "The effect of entrepreneurial orientation variables on business performance in the SME industry context." *Journal of Workplace Learning* 32, no. 1 (2020): 35-62. https://doi.org/10.1108/JWL-03-2019-0033

[34] Walukow, Yosua Giovani, Willem JFA Tumbuan, and Emilia M. Gunawan. "THE INFLUENCE OF INNOVATION CAPABILITY AND HUMAN CAPITAL TO THE BUSINESS PERFORMANCE OF LEILEM FURNITURE SME'S UNITS." *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis dan Akuntansi* 11, no. 4 (2023): 1276-1286. https://doi.org/10.35794/emba.v11i4.52359