

Accelerating Homestay Business Performance in Lake Toba: Transforming Entrepreneurial Competence into Sustainable Competitive Advantage

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Abstract

Sustainable tourism in Lake Toba, a UNESCO Global Geopark, has shifted toward high-value, low-impact experiences by 2026. This study examines the factors influencing the business performance of homestays in tourist villages transitioning from agriculture to a service economy. Utilizing Structural Equation Modeling with a sample of 192 homestay owners, the research evaluates the impact of entrepreneurial orientation (EO) and marketing capacity of tourist villages (MCTV) on business performance (BP). It also analyzes sustainable competitive advantage (SCA) as a mediator and cultural values (CV) as a moderator. The results demonstrate that both entrepreneurial orientation and marketing capacity have positive and significant effects on homestay business performance. Sustainable competitive advantage successfully mediates the relationship between entrepreneurial orientation and business performance. Furthermore, cultural values serve as a significant moderator that strengthens the influence of marketing capacity on business performance, highlighting the vital synergy between Toba Batak hospitality and service innovation. These findings underscore the importance of embracing sustainability practices and leveraging dynamic capabilities to achieve environmental sustainability alongside profitability in a competitive tourism environment. The study provides practical insights for stakeholders to enhance competitiveness through collective marketing and proactive entrepreneurial strategies within Indonesia's "Super Priority" destinations.

Keywords: Entrepreneurial Orientation, Marketing Capacity of Tourist Villages, Sustainable Competitive Advantage, Business Performance

1. Introduction

Human resources in the tourism sector represent a vital force in business activities, driving economic growth and enhancing the welfare of a nation's people. When managed effectively, these resources provide significant economic value to tourism regions. For many countries, especially developing and archipelagic nations like Indonesia, tourism serves as a primary source of foreign exchange and is essential for national development. Currently, the tourism industry has become Indonesia's second-largest foreign exchange contributor after Crude Palm Oil (CPO), with revenues reaching US\$ 7.46 billion as of July 2024.

The period between 2021 and 2024 has marked a significant revival of the Indonesian tourism sector. This resurgence presents a strategic opportunity for homestay business actors around Lake Toba to enhance their competitiveness and collaborate toward sustainable tourism. The government has prioritized the development of Lake Toba as a world-class destination by accelerating infrastructure projects, such as toll roads, airports (Silangit and Sibisa), and the revitalization of tourist attractions, including ecotourism and tourist villages.

Despite these developments, the homestay business in the Lake Toba region faces several critical challenges. Preliminary surveys of 30 homestay owners revealed issues such as a lack of innovative architectural ideas, inadequate basic facilities, and limited human resource skills in management and service. Many owners still struggle with limited capital and a lack of specific skills required to develop existing resources. Furthermore, there is a noted inconsistency in previous research regarding the factors influencing business performance in this sector.

To address these gaps, this study utilizes the Resource-Based View (RBV) framework to examine the role of entrepreneurial competence and sustainable competitive advantage as mediating variables. Additionally, cultural values are integrated as a moderating variable to strengthen the understanding of factors driving homestay business performance in the Lake Toba area. By synthesizing new variables such as "Tourist Village Marketing Capacity," this research aims to provide both theoretical and practical contributions to the field of strategic management and sustainable tourism.

In the context of Lake Toba's tourist villages, Business Performance is the measurable outcome of a homestay's strategic and operational activities over a specific period. It is evaluated through two main lenses. This includes indicators such as occupancy rates (rooms sold), total revenue, net profit margins, and RevPAR (Revenue Per Available Room). This focuses on long-term viability, measured by guest satisfaction, business reputation (online reviews/word-of-mouth), social responsibility towards the local community, and guest loyalty.

Entrepreneurial Competence serves as a critical antecedent (driver) for business success. For homestay owners around Lake Toba, this involves a combination of: The ability to coordinate hospitality services, maintain facilities, and manage digital booking platforms. Identifying new trends in tourism, such as the shift toward ecotourism or "workations" (working from a vacation spot). Creating unique guest experiences that blend modern comfort with traditional Simalungun or Batak cultural elements. The willingness to invest in facility upgrades or marketing efforts despite the seasonal nature of tourism.

In a crowded market like Lake Toba, where many homestays offer similar lodging, Sustainable Competitive Advantage is the ability to stay ahead of competitors over the long term. Drawing from the Resource-Based View (RBV), a homestay achieves SCA when it possesses resources that are Offering something guests truly want (e.g., direct lake views or authentic local culinary experiences). Features not found in every homestay (e.g., specialized knowledge of local "hidden gem" trekking paths). Hard for others to copy (e.g., deep-rooted cultural hospitality or a unique architectural style). Providing an experience that a standard hotel cannot replicate.

The core argument of this research is that Entrepreneurial Competence does not always impact Business Performance directly. Instead, it often works *through* Sustainable Competitive Advantage. A highly competent entrepreneur (owner) uses

their skills to create a unique value proposition (Competitive Advantage). Because the homestay offers something superior or unique compared to others in the village, it attracts more guests and achieves higher satisfaction, which ultimately leads to superior Business Performance.

Within the Lake Toba region, these relationships are further influenced by: Local wisdom and traditions (such as those from the Simalungun culture) act as a moderating force that can strengthen the impact of entrepreneurial efforts on the homestay's reputation. The ability to promote the "Tourist Village" brand effectively ensures that the individual homestay's competitive advantage is visible to international and domestic travelers. In summary, for homestays around Lake Toba, Business Performance is the end goal, driven by the Competencies of the owner and sustained by a unique Competitive Advantage that respects and utilizes the local cultural landscape.

2. Literature Review

2.1. Entrepreneurial Orientation

Entrepreneurial orientation is defined as the process, practice and decision-making that lead to new business venture [1]. It is a set of behaviors including willingness to take risks, innovativeness, proactiveness, autonomy and competitive aggressiveness [2]. Unarguably, entrepreneurial orientation is an inherent trait for entrepreneurs with five dimensions [3,4]. According to, the dimensions of risk taking, innovativeness and proactiveness are widely cited by the researchers [5]. In the present study, creativity and innovativeness, risk taking propensity, proactiveness and autonomy are the four dimensions of entrepreneurial orientation to associate with entrepreneurial competencies and enterprise performance. Besides that, it is also possible to fit other dimensions into the broad boundaries of entrepreneurial orientation [6].

2.2. Sustainable Competitive Advantage

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

2.3. Business Performance

A good amount of research measured business performance using various methods. Business performance can be evaluated in several ways, but the most popular methods involve financial and non-financial variables [7,8]. Given this fact, several notable researchers emphasized that both financial and non-financial variables are appropriate to consider in the context of business

performance [9].

3. Conceptual Structure and Hypotheses

The renascent entrepreneurs follow the latent strategies of the existing entrepreneurs to be successful. Renascent entrepreneurs learn business strategies through social networking and acquaint themselves with their business lines' new trends, challenges, and prospects. It has been witnessed that the renascent entrepreneurs learn from the formal set-up of the business organizations, and their *business performance has increased tremendously* [10].

The competitive advantage arises from a company's ability to value its customers more significantly than its expense. There are several things a firm may do to gain a competitive advantage

that will last. Organizations must establish core skills to acquire a lasting competitive edge. According to Information-Based Theory, knowledge is the essential resource for a company's long-term viability. According to proponents of this hypothesis, knowledge resources are pretty sophisticated and challenging to copy by competitors. The diversity of information and competencies determines corporate firms' performance and continuing competitive advantage [11].

The culture has significant implications in education and training that require a positive mind-set from a one-size-fits-all approach to a more individualized approach by recognizing and valuing each unique characteristics and needs. To build innovation, innovators can actively transform into creative and innovative thinker.

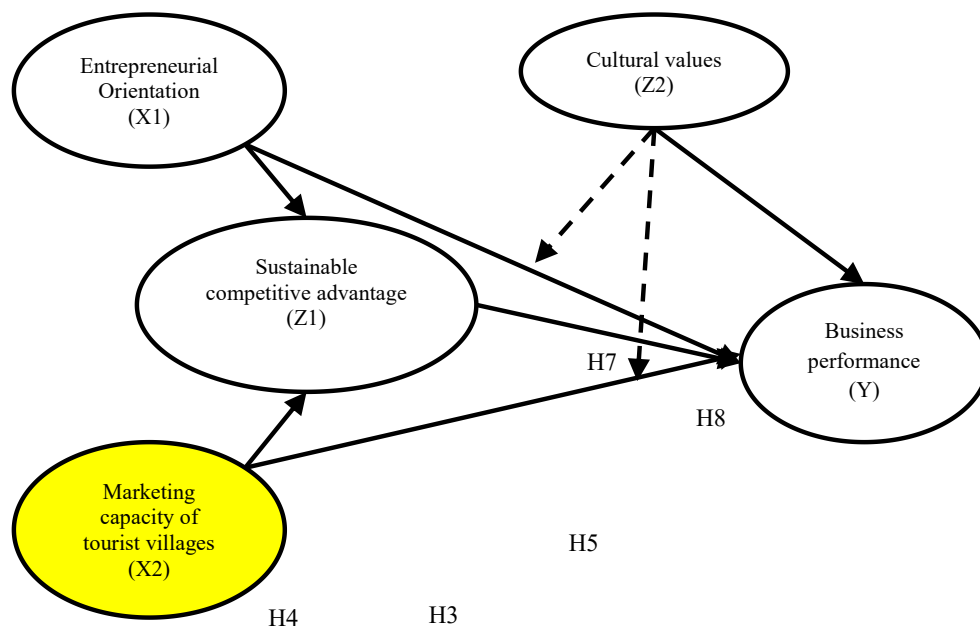


Figure 1: Theoretical Framework

4. Methodology

4.1. Sampling Technique and Sample Size

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

The data collection technique in this study was conducted directly; the researcher took into account the aspect of geographical proximity, while data collection was carried out online through

representatives of homestay owners located in tourist villages with a total of 192 homestay owners. Since the population size of homestay owners around Lake Toba is not precisely known, the sampling technique used was uncontrolled quota sampling, conducted without any restrictions in selecting research samples, meaning that within the predetermined sampling period, the researcher determined a certain number. Limitations in obtaining samples: Data collection was conducted in two ways, namely online using Google Forms (distributed through WhatsApp Groups) and offline, distributed directly by involving groups of homestay business actors in Toba Regency, Simalungun Regency, Samosir Regency, Humbang Hasundutan, North Tapanuli, Dairi, and Karo Regency. All research variables were measured using a 5-point Likert scale.

4.2. Measurement instrument

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

- Exogenous variables are variables that explain or influence changes resulting in positive or negative values for endogenous variables. In this study, there are three exogenous variables: Entrepreneurial Orientation refers to a strategic tendency of enterprises actively pursuing innovation, taking risks, and proactively seeking growth opportunities to drive business development. The measurement of entrepreneurial orientation utilized a 5-item scale developed [12,13]. Marketing capability as involving important market-related mechanisms through which firms can implement their innovations based on better market knowledge and thus ensure the capacity to generate greater levels of market performance [14,15].
- Endogenous variables are variables that are explained or influenced, resulting in positive or negative values for endogenous variables. In this study, there are four endogenous variables: Competitive Advantage (CA) is a business's ability to create more economic value than competitors. CAs can be sustainable or temporary. For most organizations, CA is achieved temporarily. However, if the organization's competitors cannot imitate or replicate that advantage, it is possible to maintain it long-term [16]. According to company culture may persist over a long period of time with few changes whenever there are norms in place for transferring its essence, in which the family represents one of the most reliable social structures for conveying cultural values and practices down through generations [17,18]. and business performance In organizations, performance constitutes a multidimensional concept, where both the economic-financial and non-economic factors need to be considered when measuring performance, particularly in FBs, in which non-economic objectives are prominent antecedents [19-21]. In these companies, there are concerns not only about financial aspects but also the needs of the family [22,23].

4.3. Data Analysis Method

The research method employed descriptive statistical analysis using SPSS and Structural Equation Modeling (SEM) with Smart PLS software. SEM is a regression-based approach to test an original research model with various constructs and measurements. SEM is used to test research hypotheses, as previous studies have done for theory quantification and testing, especially in management. The evaluation of the measurement model is based on determining and establishing the reliability of indicators, internal consistency reliability, convergent validity, and discriminant validity when the constructs in a study are reflective [24].

All constructs in this study are reflective, so the reliability of individual items was maintained with factor loadings reaching .50 and/or higher [25]. To establish internal consistency reliability, composite reliability (CR) scores were examined. The CR scores for all latent variables in this study reached .70 or higher. Furthermore, convergent validity was assessed by considering the average variance extracted (AVE) scores; the AVE scores for all latent variables reached .50. Therefore, we conclude that indicator reliability, internal consistency reliability, and convergent validity have been successfully demonstrated in this study. PLS-SEM is a causal modeling approach which maximizes the explained variance of the latent constructs [26,27]. As this study is exploratory nature with non-normality issue, PLS-SEM was used. The analysis was reported based on the approaches suggested by [25]. The approaches include the indicator reliability, internal consistency reliability, convergent validity, discriminant validity, average variance extracted (AVE), effect size, path coefficient estimates and predictive relevance.

5. Results

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

Construct	Code	Loadings	AVE	CA	CR
Entrepreneurial Orientation	X1.1	0,8444	0,731	0,966	0,970
	X1.2	0,8729			
	X1.3	0,8134			
	X1.4	0,8591			
	X1.5	0,8606			
	X1.6	0,8560			
	X1.8	0,8674			
	X1.10	0,9063			
	X1.11	0,8784			
	X1.12	0,8841			
	X1.13	0,8723			
	X1.14	0,7385			

Marketing Capacity of Tourist Villages	X2.1	0,8818	0,795	0,963	0,968
	X2.2	0,9189			
	X2.3	0,9039			
	X2.4	0,9095			
	X2.5	0,8620			
	X2.6	0,9193			
	X2.7	0,9095			
	X2.8	0,8279			
Sustainable Competitive Advantage	Z1.1	0,9022	0,828	0,958	0,966
	Z1.2	0,9135			
	Z1.3	0,8953			
	Z1.4	0,8922			
	Z1.5	0,9194			
	Z1.6	0,9029			
	Z1.7	0,8375			
Cultural values	Z2.1	0,9086	0,837	0,967	0,973
	Z2.2	0,9270			
	Z2.3	0,8889			
	Z2.4	0,9201			
	Z2.5	0,8989			
	Z2.6	0,9161			
Busines Performance	Y1.1	0,7752	0,689	0,943	0,952
	Y1.2	0,8410			
	Y1.3	0,8641			
	Y1.4	0,8593			
	Y1.5	0,8699			
	Y1.6	0,7974			
	Y1.7	0,8339			
	Y1.8	0,8539			
	Y1.9	0,7689			
Note. AVE = average variance extracted; CA=Cronbach's Alpha; CR = composite reliability					

Table 1: Measurement Mode

Latent variable	1	2	3	4	5
Marketing Capacity Of Tourist Villages	0,892				
Sustainable Competitive Advantage	0,818	0,910			
Busines Performance	0,802	0,740	0,830		
Cultural values	0,802	0,836	0,785	0,915	
Entrepreneurial Orientation	0,835	0,828	0,814	0,834	0,854
Note. Entries shown in bold face represent the square root of the average variance extracted.					

Table 2: Discriminant Validity

Hypotheses	Variabel	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Outcome
H1	EO -> BP	0,2832	0,2855	0,0843	3,3603	0,0009	Supported
H2	MCTV -> BP	0,2437	0,2384	0,0917	2,6585	0,0085	Supported

H3	EO -> SCA	0,2667	0,2720	0,0650	4,1033	0,0001	Supported
H4	MCTV -> SCA	0,1714	0,1613	0,0654	2,6218	0,0094	Supported
H5	SCA -> BP	-0,1856	-0,1869	0,0702	2,6446	0,0089	Supported

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

Table 3: Direct Effects Bootstrapping Results

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

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

Table 4: Indirect Effect of EO and MCTV on BP Through SCA

Hypotheses	Variabel	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values	Outcome
H8	CV -> BP	0,2325	0,2298	0,0800	2,9075	0,0041	Supported
H9	Moderating Effect EO -> BP	0,0579	0,0511	0,0719	0,8060	0,4212	Not Supported
H10	Moderating Effect MCTV -> BP	-0,1494	-0,1421	0,0688	2,1725	0,0310	Not Supported

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

Table 5: Moderating Effect of CE and MCTV on BP Through CV

The table 3,4 and 5 above shows the results of the hypothesis test as follows:

- i. Hypothesis 1 testing demonstrated that the calculated t-value for entrepreneurial orientation was 3.360, greater than the t-table value of 1.95, and the significant t-value for entrepreneurial orientation was 0.000, less than alpha (0.05). Therefore, this hypothesis is accepted. Therefore, entrepreneurial orientation has a positive and significant effect on homestay business performance, indicating that the field evidence indicates that entrepreneurial orientation contributes positively to improving homestay business performance in tourist villages around Lake Toba.
- ii. Hypothesis 2 testing proves that the t-value for the marketing capacity of tourist villages is 2.658, which is greater than the t-table of 1.95, and the sig t-value for the marketing capacity of tourist villages is 0.008, which is smaller than alpha (0.05), so this hypothesis is declared accepted. Thus, the marketing capacity of tourist villages has a positive and significant effect on the performance of homestay businesses, meaning that the facts in the field show that the marketing capacity of tourist villages provides good results in improving the performance of homestay businesses in tourist villages around Lake Toba.
- iii. Hypothesis 3 testing proves that the calculated t value for entrepreneurial orientation is 4.103, which is greater than the t table of 1.95, and the sig t value of entrepreneurial orientation is 0.000, which is smaller than alpha (0.05), so this hypothesis is declared accepted. Thus, entrepreneurial orientation has a positive and significant effect on sustainable competitive advantage, meaning that the facts in the field show that entrepreneurial orientation provides good results in increasing sustainable competitive advantage in Tourism Villages around Lake Toba.
- iv. Hypothesis 4 testing proves that the t-value for the marketing capacity of tourist villages is 2.621, which is greater than the t-table of 1.95, and the sig t value of the marketing capacity of tourist villages is 0.009, which is smaller than alpha (0.05), so this hypothesis is declared accepted. Thus, the marketing capacity of tourist villages has a positive and significant effect on sustainable competitive advantage, meaning that the facts in the field show that the marketing capacity of tourist villages provides good results in increasing sustainable competitive advantage in tourist villages around Lake Toba.
- v. Hypothesis 5 testing proves that the t-value for sustainable competitive advantage is 2.644, which is greater than the t-table of 1.95, and the sig t-value for sustainable competitive advantage is 0.008, which is smaller than alpha (0.05), so this hypothesis is accepted. Thus, sustainable competitive advantage has a positive and significant effect on business performance, meaning that the facts in the field show that sustainable competitive advantage provides good results in improving the performance of homestay businesses in tourist villages around Lake Toba.
- vi. Hypothesis 6 testing proves that the t-value for sustainable competitive advantage as an intervening is 2.011, which is

- greater than the t-table of 1.95, and the sig t-value is 0.040, which is smaller than alpha (0.05), so this hypothesis is declared accepted. Thus, sustainable competitive advantage can mediate the influence of entrepreneurial orientation on business performance, meaning that facts in the field show that sustainable competitive advantage as an intervening provides good results in increasing the influence of entrepreneurial orientation on homestay business performance in tourist villages around Lake Toba.
- vii. Hypothesis 7 testing proves that the t-value for sustainable competitive advantage as an intervening is 1.763 smaller than t-table 1.95 and the sig t value of the marketing capacity of tourist villages is 0.070 greater than alpha (0.05) so that this hypothesis is rejected. Thus, sustainable competitive advantage cannot mediate the influence of the marketing capacity of tourist villages on the performance of homestay businesses, meaning that the facts in the field show that sustainable competitive advantage as a mediator cannot provide good results in increasing the influence of the marketing capacity of tourist villages on the performance of homestay businesses in tourist villages around Lake Toba.
- viii. Hypothesis 8 testing proves that the calculated t value for Cultural Value is 2.907 which is greater than the t table of 1.95 and the sig t value of Cultural Value is 0.004 which is smaller than alpha (0.05) so that this hypothesis is declared accepted. Thus, Cultural Value has a positive and significant effect on business performance, meaning that the facts in the field show that Cultural Value provides good results in improving the performance of homestay businesses in Tourism Villages around Lake Toba.
- ix. Hypothesis 9 testing proves that the t-value for Cultural Value as a moderating factor is 0.806, which is smaller than the t-table value of 1.95, and the sig t-value of 0.421 is greater than alpha (0.05), so this hypothesis is declared accepted. Thus, Cultural Value as a moderator cannot strengthen the influence of entrepreneurial orientation on business performance, meaning that the facts in the field show that Cultural Value cannot strengthen the influence of entrepreneurial orientation on the performance of homestay businesses in tourist villages around Lake Toba.
- x. Hypothesis 10 testing proves that the t-value for Cultural Value as moderating is 2.172, which is greater than t-table 1.95, and the sig t-value for the marketing capacity of tourist villages is 0.030, which is smaller than alpha (0.05), so this hypothesis is declared accepted. Thus, Cultural Value as moderating can strengthen the influence of the marketing capacity of tourist villages on the performance of homestay businesses, meaning that facts in the field show that Cultural Value as a moderator can strengthen the influence of the marketing capacity of tourist villages on the performance of homestay businesses in tourist villages around Lake Toba.

6. Result Discussion

This research investigates the factors driving the success of small-scale homestay businesses in the Lake Toba region as it transitions into a high-value, sustainable tourism economy by

2026. The study focuses on how entrepreneurial behaviors and collective marketing efforts contribute to business performance in a "Super Priority" destination. The study utilizes the Resource-Based View (RBV) and Natural Resource-Based View (NRBV) to explain how intangible assets lead to success. Measured by innovativeness, proactiveness, and risk-taking. The collective ability of a village to promote its unique local culture and nature. Sustainable Competitive Advantage (SCA), which arises when a firm's strengths cannot be easily imitated. Cultural Values (CV), specifically the synergy between service innovation and Toba Batak hospitality. Based on a sample of 192 homestay owners who transitioned from agricultural backgrounds, the data reveals several critical relationships.

Both Entrepreneurial Orientation and Marketing Capacity significantly improve homestay business performance. Sustainable Competitive Advantage successfully mediates the link between EO and performance, showing that proactive and innovative owners create long-term value. Cultural Values significantly strengthen the relationship between a village's marketing capacity and its business performance. The findings confirm that businesses can achieve profitability while maintaining environmental sustainability, which is essential for Lake Toba's UNESCO Global Geopark status. The research is framed within a massive shift in Indonesian fiscal policy toward "Green Investment". Large-scale green projects (over IDR 100 billion) qualify for tax holidays of up to 10 years. For 2026, the government bears the income tax for tourism employees earning up to IDR 10 million per month.

According to, the profit enhancement of a corporation through collaboration and the use of valuable resources is emphasized by the resource-based theory [28]. According to RBV, important firm resources are frequently hard to come by, difficult to copy, and lacking in direct alternative [29]. Management consultants have referred to quick decision-making as a source of competitive advantage. The fundamental idea of this theory is the action and actual Behaviour of strategic resources entrepreneurial orientation, so the task-oriented managers in the business organization begin with the workflow process and look to issue solutions with system management. This study provides strong evidence of the positive effect of entrepreneurial orientation on the development of environmental sustainability orientation. It also reveals that both strategic orientations contribute positively to performance. This study provides empirical evidence that, despite resource constraints, companies can implement environmentally sustainable commercial methods if they have an entrepreneurial orientation [30].

The marketing capacity of tourism villages has been proven to significantly influence sustainable competitive advantage. The collective ability to promote the uniqueness of local culture and nature creates a differentiation that is difficult for other destinations to replicate. Marketing capacity is seen as a strategic intangible asset. Effective marketing helps tourism villages communicate their unique value and build a strong brand image among tourists. The capacity of a marketing company

is a relevant factor that can moderate the relationship between innovation and market performance. In this sense, capability theorists seek to explain how different combinations of resources and capabilities can be developed and deployed in response to dynamic business environments [31]. Capabilities are seen as 'know-how' deployment activities, which can be categorized into different functional areas, including marketing and innovation [14]. Based on the dynamic capabilities theory, it is argued that higher market performance can be achieved through the integration of those resources and capabilities that are associated with specific functional areas within firms (e.g., innovation and marketing) that provide greater complementarity [31].

Finally, the role of marketing capabilities in the relationship between innovation and SME market performance [32]. Following, researchers know that companies with superior market knowledge can generate higher profits, so empirical studies confirm this premise, and recommend that SME entrepreneurs strive to improve their marketing capabilities considering the special conditions of entrepreneurial SMEs, which have greater resource and management skill shortages compared to large companies [33]. Based on these two things as empirical evidence to accept the hypothesis, which means a significant influence and a positive relationship between entrepreneurship orientation and sustainable competitive advantage. The stronger the entrepreneurship orientation, the higher the sustainable competitive advantage in the Medium Enterprises [34].

Cultural values strengthen the relationship between entrepreneurial orientation and business performance. The synergy between service innovation and Toba Batak cultural hospitality significantly increases guest satisfaction. Cultural values do not significantly moderate the relationship between marketing capacity and business performance. This is because tourism village promotion has been working optimally and cultural values have become basic operational norms, so they are no longer an additional differentiating factor in increasing marketing effectiveness. The results provide empirical evidence for the fundamental principle of the natural resource-based view (NRBV) [34]. that a business can achieve environmental sustainability alongside profitability. Based on the NRBV, this study has indicated small businesses can improve their performance by embracing sustainability practices through leveraging their entrepreneurial orientation. Therefore, the study has made a substantial contribution to the theory and expanded the literature from the perspective of developing economies ("Supplementary Information") [30].

7. Conclusion

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

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

Ethical Approval Statement

This work followed all the right laws and ethical norms, and there were no ethical infractions.

Data Availability Statement

This study did not generate new data. The information underpinning the findings were obtained from reports cited in the reference list.

Declaration of The Use of Ai-Assisted Technologies

During the preparation of this manuscript, the author used Google Gemini to assist with language refinement and grammatical improvement. After using this tool, the author reviewed and edited the content as needed and takes full responsibility for the content of the publication.

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