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Lodging Service Performance and its Influencing Aspects: An Example from National Capital City

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Abstract:

Service performance is the important part of the lodging industry, which relies significantly on the transformation of business strategies. The objective of this study is to examine the relationship between entrepreneurial orientation, digital competence and adaptability, market orientation, and service performance within the lodging case. The study was conducted in the National Capital City (IKN), involving a sample of 153 small and medium-sized enterprise (SME) owners in the lodging industry.

Data collection was carried out through a direct door-to-door survey, and the results were analysed using Ordinary Least Squares (OLS) regression. The authors found that entrepreneurial orientation positively influences digital competence and adaptability, as well as service performance. However, digital competence and adaptability have a negative impact on service performance. Entrepreneurial orientation can positively moderate the relationship between digital competence and adaptability, as well as service performance. Other empirical findings indicate that digital competence and adaptability, when moderated by market orientation, negatively affect service performance. The research design linking the impact of market orientation to lodging service performance has not been extensively explored. Given that digital competence and adaptability are shown to diminish service performance both directly and indirectly through market orientation, it is essential to emphasize these factors in the highly competitive lodging industry. Management in SMEs should leverage entrepreneurial orientation as a crucial differentiator to enhance success and improve service performance.

Keywords: entrepreneurial orientation; digital competence and adaptability; market orientation; service performance; lodging.

JEL Classification: L26; M15; M31; L84; L83.

Introduction

Under the regulations outlined in Law No. 3 of 2022 concerning the State Capital (IKN), the new capital city of Indonesia is being constructed in East Kalimantan, specifically in the Penajam Paser Utara Regency (PPU) and parts of the Kutai Kartanegara Regency (Jiuhardi et al., 2024). The initiative to relocate the capital city commenced during the administration of President Joko Widodo. This policy was officially announced on August 26, 2019, when President Joko Widodo revealed plans to transfer the capital from Jakarta to East Kalimantan. Jakarta is perceived to be grappling with numerous challenges, including severe traffic congestion, air pollution, and the imminent threat of significant land subsidence (Syaban & Appiah-Opoku, 2023). The main function of relocating the IKN is to decentralize the center of government beyond Java, with the aim of alleviating the developmental disparities between Java and other regions of Indonesia. In addition, the relocation is anticipated to symbolize the commitment to achieving equitable development throughout the country (Nurjanana et al., 2024).

The new capital city is named IKN Nusantara, which will serve as the center of government and administration, while Jakarta will continue to be the hub for a wide range of activities, particularly in the economy and business sectors. The development of IKN begins with the construction of essential infrastructure, including roads, bridges, and other public facilities. In the long term, IKN is expected to evolve into an environmentally friendly and sustainable city through the implementation of advanced technology and low carbon emissions (Nurjanana et al., 2025). The IKN project aims to promote equitable development across Indonesia and serves as a model for the sustainable development of modern cities, including the promotion of inclusive tourism (Priyagus et al., 2024).

Through various initiatives and ongoing developments, the tourism sector in IKN is expected to continue growing, presenting promising prospects and positively impacting the local economy and community. Yet, tourism in the new IKN faces technical constraints, especially in several areas that require attention for the sector to thrive.

According to the publication by Rahmawati et al. (2023), some of the challenges confronting tourism in IKN include: (1) inadequate infrastructure, (2) environmental sustainability, (3) limited marketing and promotion, (4) insufficient human resources/HR, (5) the role of government and collaboration with the private sector, (6) minimal readiness of tourist attractions, and (7) social and cultural changes.

First, one of the primary challenges is the development of adequate infrastructure, including roads, transportation facilities, accommodations, and other public amenities. Without robust infrastructure, tourism development will be hindered, despite IKN's attractive natural potential.

Second, the development of IKN poses a risk of environmental degradation. Many areas in Kalimantan boast rich ecosystems, and poorly planned development can harm forests and biodiversity. Therefore, it is essential to consider environmental impacts to ensure that tourism can develop sustainably without compromising natural resources. Third, IKN, as a tourism destination, requires enhanced promotion. Without effective branding, many travellers may remain unaware of the area's tourism potential. Robust marketing strategies will be essential to attract both domestic and international tourists. Fourth, comprehensive tourism management necessitates a skilled and professional workforce in the hospitality industry, including tour guides and other related sectors. Developing a proficient local workforce will pose a significant challenge. Fifth, tourism development relies on supportive policies from both central and local governments. This includes streamlining licensing processes, providing incentives for the tourism sector, and encouraging private sector involvement in the enhancement of tourist destinations. Sixth, although IKN is situated in a region abundant in natural beauty and cultural heritage, there are relatively few tourist attractions currently available for visitors. The development of tourist destinations - whether natural, cultural, or man-made, should be approached with careful planning. Seventh, the development of IKN may lead to substantial social changes within the local community. Careful adaptation between local residents and migrants working in IKN is essential to maintain social harmony, preserve traditions, and protect local culture.

Considering the aforementioned elements, in addition to government involvement, it is crucial for destination managers to strategically plan, implement, and evaluate the tourism component in IKN, while maintaining a balance between development and environmental preservation. In the context of management, one of the key benchmarks for assessing the feasibility of a tourist destination is the quality of service (Blancas et al., 2023; Guo et al., 2022). Alongside facilities, services play an important role in supporting destinations. Fitriadi et al. (2023) confirmed that the tourism sector, including hospitality, in IKN and its buffer zone does not meet the criteria for Sustainable Development Goals (SDGs). Conversely, Bagur-Femenías et al. (2019) argue that service levels can significantly impact tourism performance. In addition to services at tourist attractions, the quality of lodging services also influences tourist interest (Chen et al., 2023; Kanwel et al., 2019; Rahmiati et al., 2020). The benefit of this study is to identify the link between entrepreneurial orientation, digital competence and adaptability, as well as service performance, focusing on several well-known lodging businesses in IKN. The findings of this study contribute to a deeper understanding of service performance in the lodging sector and provide valuable insights to stakeholders in the tourism industry. This perspective differs from most studies by incorporating aspects related to service performance, such as entrepreneurial orientation, digital competencies, and adaptability.

1. Literature Foundations and Hypothesis Development

1.1. Entrepreneurship Orientation

Manik & Kusuma (2021) assert that entrepreneurial orientation is a mindset that enables individuals to recognize opportunities in their surroundings, take bold actions to realize business ideas, and navigate obstacles that arise during the entrepreneurial process. Entrepreneurial orientation encompasses the behaviours, thoughts, and attitudes that inform strategies for creating and developing business opportunities (Huang et al., 2023). It involves the capacity to identify business opportunities, take calculated risks, and innovate and adapt in response to market challenges (Arabeche et al., 2022).

Generally, individuals with a strong entrepreneurial orientation exhibit characteristics such as proactivity, creativity, independence, and a focus on long-term achievements (Salehe et al., 2024). Theoretically, entrepreneurial orientation emphasizes how individuals or groups cultivate entrepreneurial attitudes and behaviours that contribute to their success in the business realm. Several theories that integrate with entrepreneurial orientation include: (1) trait-based entrepreneurship theory, (2) skill-based entrepreneurship theory, (3) entrepreneurial orientation theory, (4) network theory, (5) resource-based theory, and (6) social cognitive theory. All of these theories are relevant to entrepreneurial orientation and illustrate how psychological, social, and environmental factors can influence an entrepreneur's success.

From various literatures, digital competence and adaptability, as well as service performance can be influenced by entrepreneurial orientation (Al Mamun & Fazal, 2018; Huang et al., 2023; Riante & Utama, 2023; Sudirman et al., 2025). These factors are crucial because entrepreneurial orientation plays a significant role in addressing the challenges of an increasingly dynamic business environment, particularly in the digital era. Successful entrepreneurship in contemporary times relies not only on managerial skills and creativity but also on the ability to leverage digital technology and adapt to rapid transitions. Furthermore, the relationship between entrepreneurial orientation and service performance is strong, as it directly impacts customer satisfaction, company competitiveness, and the sustainability of the business itself. Broadly speaking, entrepreneurship that focuses on service performance implies that entrepreneurs prioritize not only products and profits but also the quality, efficiency, and overall experience provided to customers through the services offered. Implicitly, the first and second hypotheses are proposed as follows:

H1: Entrepreneurial orientation is positively related to digital competence and adaptability.

H2: Entrepreneurial orientation is positively related to service performance.

1.2. Digital Competency and Adaptability

Digital competence and adaptability are based on two distinct theories. First, digital competence theory emphasizes the ability to use information and communication technology (ICT) effectively and efficiently across various aspects of life. This competency encompasses a range of skills, from basic technical abilities to more complex capabilities such as data analysis and digital systems management (Kurniawan et al., 2024). The primary theory associated with digital competence is known as digital literacy theory. Dašić et al. (2024) state that digital literacy theory defines digital literacy as the ability to understand and utilize information obtained from diverse digital sources. Digital literacy extends beyond mere technical skills in operating devices or platforms; it also involves comprehending how information is created, managed, and communicated through digital technology. In today's landscape, entrepreneurs with strong digital literacy can readily adapt technology to enhance their business operations, marketing strategies, and management practices. Second, adaptability theory illustrates the capacity to adjust to new challenges and to survive and thrive in uncertain environments (Hotifah et al., 2022). This theory integrates concepts from psychology, management, and organizational development to elucidate how individuals and organizations can navigate transitions. The foundational theories related to adaptability include: (1) career adaptability theory, (2) organizational adaptability theory, and (3) resilience theory.

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The three theories discussed above elucidate the causality between digital competence and adaptability in driving business success. Digital competence equips individuals with the technical skills and knowledge necessary to effectively utilize technology in business operations, while adaptability enables individuals and organizations to remain flexible and responsive to transitions in both market and technological environments. This framework allows entrepreneurs to identify the essential digital skills and high levels of career adaptability needed to enhance their business operations and proactively address challenges such as market uncertainty and technological disruption (Daraojimba et al., 2023; Drydakis, 2022).

According to Ingsih et al. (2024), digital competence and adaptability are closely interconnected in enhancing the quality of service provided by a company. Service performance reflects how effectively an organization can deliver services that exceed customer expectations (Wali & Nwokah, 2018). In this context, digital competence and adaptability significantly impact the optimization of services offered, making companies more responsive to evolving customer needs and expectations. The relationship between digital competence and adaptability is crucial for driving service performance (Putra et al., 2024). These two elements synergize, enabling companies to better respond to customer demands and advancements in technology. Digital competence equips organizations with the ability to track, diagnose, and leverage technology to create effective services. In contrast, adaptability empowers companies to respond to rapid changes, adjust service offerings according to market demands, and innovate in times of crisis. Thus, the third hypothesis is proposed as follows:

H3: Digital competency and adaptability are positively related to service performance.

1.3. Market Orientation

Market orientation refers to a company's culture and attitude that prioritize understanding and effectively responding to the needs and desires of customers in target markets (Blankson et al., 2006). It encompasses the systematic collection of market information, which is utilized for decision-making and the coordination of all organizational elements, ultimately delivering greater value to customers. Market orientation extends beyond merely comprehending current customer preferences; it also involves the proactive anticipation of market trends and future needs. Mansouri et al. (2022) described market orientation as a strategic tool for achieving long-term business success. Companies that implement market orientation in a structured manner can enhance service performance, foster innovation, and provide increased value to customers (Deshpandé & Farley, 2004). The foundational theories of market orientation were developed by Deshpandé et al. (1993), Kohli & Jaworski (1990), and Narver & Slater (1990), emphasizing the significance of customer insight, competitor analysis, and internal coordination to swiftly adapt to market dynamics.

Besides, entrepreneurial orientation, digital competence and adaptability, as well as service performance within the context of market orientation are discussed in several articles. Entrepreneurial orientation influences digital competence and adaptability through market orientation. It drives firms to achieve breakthroughs, and one of the best practices for innovation in the digital era is to elaborate robust digital competencies.

Innovation in digital technology is essential for creating services or products that meet market demands (Berawi et al., 2020). In the innovation process, companies must possess a high level of adaptability. Given the rapid pace of market mechanisms and technological advancements, firms that fail to adapt to changes will be left behind. Sudarmadji et al. (2020) explained that effective market orientation ensures that the entrepreneurial process remains aligned with market needs. When companies have a deep understanding of the market, they can more easily identify opportunities for innovation and adapt their products, services, or customer experiences accordingly. Entrepreneurial orientation, driven by market orientation, encourages companies to focus on technologies that enhance customer service, automation, and responsiveness to market trends (Cheng et al., 2025). This focus helps firms develop more adaptable digital competencies. Entrepreneurial orientation plays a crucial role in shaping firms' digital competence and adaptability through market orientation (Alanudin, 2024; Kraus et al., 2023). Firms with a strong entrepreneurial orientation are generally better equipped to adopt new technologies and adapt to changes (Han et al., 2024). Ideally, a robust market orientation leads firms to prioritize customer needs, thereby enhancing their ability to stimulate digital competencies as the market evolves. Through this approach, companies can create greater value for customers and maintain their competitive edge.

Entrepreneurial orientation towards service performance, facilitated by market orientation, is a framework that links entrepreneurial perspectives and practices in delivering service quality and performance, emphasizing market orientation as a critical determinant (Cheng et al., 2025). Overall, this entrepreneurial orientation enhances service performance through market orientation, establishing a robust connection between innovation, market responsiveness, and improved service quality, all of which can contribute to the long-term success of a firm or organization (Hanaysha & Al-Shaikh, 2024; Veidal & Korneliussen, 2013).

Digital competence and adaptability significantly enhance service performance by enabling companies to deliver exceptional and more personalized services (Jung & Shegai, 2023). By leveraging digital competence, organizations can effectively utilize customer data to create tailored service experiences and respond more accurately to market demands (Kothapalli, 2022). Digital competence and adaptability play a crucial role in enhancing market-oriented service performance (Yu & Moon, 2021). Companies with strong digital capabilities can swiftly adjust to the rapid changes in service delivery that align with customer preferences. By fostering a constructive market orientation, these companies can more effectively navigate market dynamics and consistently enhance their service performance. The scenario for the subsequent hypothesis is structured as follows:

H4: Entrepreneurial orientation moderated by market orientation is positively related to digital competence and adaptability.

H5: Entrepreneurial orientation moderated by market orientation has a positive relationship to service performance.

H6: Digital competence and adaptability moderated by market orientation are positively related to service performance.

1.4. Service Performance

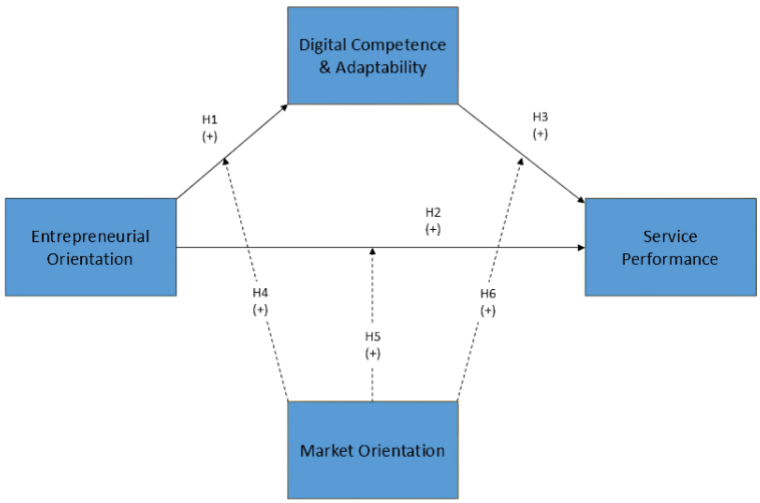
Service performance theory provides a framework for understanding how service performance can be measured, managed, and situated within various business or organizational objects (Jääskeläinen et al., 2014; Laihonen et al., 2014). The primary focus of this theory is on the quality and efficiency of services delivered to customers, as well as the impact of specific factors on customer experience and satisfaction. One of the most widely discussed theories in service performance, particularly in service management literature, is the Service Quality (SERVQUAL) theory. Jonkisz et al. (2022) assert that SERVQUAL is among the most recognized theories for evaluating service quality. This model identifies five key dimensions of service quality (Sari et al., 2022).

First, empathy refers to the capacity to offer personalized attention and care tailored to customer needs. Second, assurance pertains to the staff's ability to install confidence in customers through their competence and politeness. Third, reliability signifies the consistent and dependable delivery of promised services. Fourth, responsiveness denotes the willingness to assist customers and provide services promptly. Fifth, tangibles encompass the physical aspects of the service, including facilities, equipment, and professional staff. Thus, service performance theory highlights the various elements that impact a company's ability to deliver quality services, particularly in relation to customer satisfaction and business outcomes (Rita et al., 2019).

1.5. Conceptual Framework

As noted, this study aims to investigate the direct and indirect relationships between entrepreneurial orientation, digital competence, and adaptability in relation to service performance, with a focus on market orientation. Specifically, entrepreneurial orientation serves as an independent variable influencing both digital competence and adaptability (H1) as well as service performance (H2). In this case, digital competence and adaptability, along with service performance, are considered dependent variables. Additionally, digital competence and adaptability are independent variables that impact service performance (H3). The indirect relationship model examines the connections between entrepreneurial orientation and digital competence and adaptability (H4), entrepreneurial orientation and service performance (H5), and the relationship between digital competence and adaptability and service performance (H6), all mediated by market orientation (moderating effect). In all relationship models, service performance is treated as the dependent variable. The study model is illustrated in Figure 1.

Figure 1. Proposed variable model



Source: authors own.

2. Materials and Methods

Variables

By referring to Figure 1, where the four variables under review are: (1) entrepreneurial orientation, (2) digital competence and adaptability, (3) service performance, and (4) market orientation. Each of these variables is accompanied by an operational definition and a distinct set of indicators. Table 1 provides a recapitulate of the variable descriptions and their corresponding measures. As indicated in Table 1, each variable is associated with a different set of indicators.

First, Entrepreneurial Orientation (EO) is characterized by seven indicator attributes. The indicators for the EO variable are articulated through the following seven statements: (1) Creative Process (EO1) refers to the level of openness to new ideas and the ability to implement creative solutions to overcome business challenges; (2) Proactivity (EO2) denotes the capacity to act decisively in anticipation of opportunities or challenges, rather than

merely reacting to existing situations; (3) Risk Taking (EO3) involves the willingness to take calculated risks in the face of uncertainty while seeking business opportunities; (4) Independence (EO4) signifies the ability to make decisions without excessive reliance on external parties or third-party input; (5) Focus on Goals (EO5) reflects a commitment to achieving objectives and ensuring business sustainability despite various obstacles; (6) Sustainability and Adaptability (EO6) pertains to the ability to maintain business continuity over the long term, even amidst significant changes in the market or industry; and (7) Courage to Innovate (EO7) embodies the willingness to create or modify business models in response to market shifts and competitive pressures.

Second, Digital Competence and Adaptability (DCA) encompasses eight indicators, each defined by the following attributes: (1) Access (DCA1) is the ability to access and understand various digital tools and resources; (2) Critical Thinking (DCA2) is the resilience to critically and responsibly evaluate information obtained from digital sources; (3) Communication and Collaboration (DCA3) is the strength to communicate and collaborate effectively through digital platforms; (4) Creativity (DCA4) is the excellence in generating new content or ideas using digital tools; (5) Concern (DCA5) is the proficiency in planning for the future and considering career changes; (6) Control (DCA6) is the expertise in directing one's career and responding to changes; (7) Curiosity (DCA7) is the exploratory ability to seek out new opportunities; and (8) Confidence (DCA8) is the resilience to believe in oneself and persist despite challenges or uncertainties.

Table 1: Variable descriptions and measures

Variable Name	Operational Definition	Indicators	Literature Source
Entrepreneurial Orientation	Entrepreneurial orientation refers to the attitudes, mindsets, and approaches that individuals adopt when identifying and pursuing business opportunities.	(1) Creative process, (2) Proactivity, (3) Risk taking, (4) Independence, (5) Focus on goals, (6) Sustainability and adaptability, and (7) Courage to innovate.	Alkharafi et al. (2024), Lumpkin & Pidduck (2021), and Rathidevi et al. (2022)
Digital Competence and Adaptability	Digital competence and adaptability refer to an individual's ability to effectively, efficiently, and responsibly utilize digital technologies in personal, social, and professional contexts.	(1) Access, (2) Critical thingking, (3) Communication and collaboration, (4) Creativity, (5) Concern, (6) Control, (7) Curiosity, and (8) Confidence.	Thornhill-Miller et al. (2023) and Zacher (2014)
Market Orientation	A business philosophy in which a company or organization prioritizes understanding, meeting, and satisfying the needs and wants of customers within its target markets.	(1) Understanding customer needs, (2) Responsive product development, (3) Inter-functional coordination, (4) Competitive advantage in service, (5) Adaptability, and (6) Focus on customer satisfaction.	Esteban et al. (2002) and Osuagwu (2019)
Service Performance	A framework for understanding how service management performance can be measured, analysed, and improved.	(1) Response time, (2) Resolution rate, (3) Customer satisfaction, (4) Reliability, (5) Compliance with standards, (6) Customer retention rate, (7) Service reputation, (8) Staff productivity, (9) Service failure rate, (10) Accessibility, and (11) Resolution time.	Widianto & Subriadi (2022)

Third, Market Orientation (MO) encompasses six indicators characterized by the following attributes: (1) Understanding of Customer Needs (MO1) refers to the frequency and quality of feedback collection from customers to assess their satisfaction and desires across different segments; (2) Responsive Product Development (MO2) involves the adjustment of existing products or services in response to changes in customer needs or expectations; (3) Inter-Functional Coordination (MO3) denotes the level of collaboration among marketing, production, research and development (R&D), and customer service departments to ensure that products and services align with market demands; (4) Competitive Advantage in Service (MO4) pertains to the responsiveness to customer inquiries or

complaints and the effectiveness of the solutions provided; (5) Adaptability (MO5) reflects the effectiveness of maintaining market position despite shifts in customer preferences; and (6) Focus on Customer Satisfaction (MO6) indicates the likelihood of customers recommending products or services to others, serving as a measure of loyalty and satisfaction.

Fourth, Service Performance (SP) is defined by a set of indicators, each with specific attributes: (1) Response Time (SP1) refers to the speed at which the service team addresses customer inquiries or issues; (2) Resolution Rate (SP2) measures the efficiency of resolving customer problems within a designated timeframe; (3) Customer Satisfaction (SP3) reflects the extent to which customer experiences and services meet their expectations; (4) Reliability (SP4) indicates the ability to deliver services successfully and without interruption; (5) Compliance with Standards (SP5) assesses the alignment between the services provided and established guidelines; (6) Customer Retention Rate (SP6) evaluates the success in retaining customers and fostering long-term relationships; (7) Service Reputation (SP7) involves the development and maintenance of a positive image regarding service quality; (8) Staff Productivity (SP8) gauges the effectiveness of staff in delivering services without compromising quality; (9) Service Failure Rate (SP9) pertains to the ability to identify areas needing improvement in service delivery; (10) Accessibility (SP10) ensures that customers can easily obtain services whenever required; and (11) Resolution Time (SP11) measures the efficiency with which services are completed.

Sample and Data Collection

The research sample consisted of 153 SME owners in the lodging sector, focusing on a case study in IKN. The sample was selected using systematic random sampling. This method involves randomly selecting the first element and then systematically choosing subsequent elements. The rationale for employing systematic random sampling is its ease of implementation and efficiency. Additionally, given the large population size, this approach facilitates random sampling that is evenly distributed, minimizes bias, is appropriate for ordered populations, and ensures consistency in results. Based on the conditions observed in the field, no hotel businesses were identified in IKN. Thus far, the observations have only revealed the presence of inns, motels, and guest houses. In other words, the SME lodging industry in IKN does not meet the criteria for hospitality establishments. This study employed a questionnaire for data collection through a survey. The survey was conducted in an open, door-to-door manner. A Likert scale was utilized to elaborate on the survey responses. The following four measures were used in the Likert scale: (1) very good = score 4, (2) good = score 3, (3) poor = score 2, and (4) very poor = score 1. Participants' opinions and perceptions were captured through these four scales. After data collection, the next phase involved verifying the data to ensure there were no errors or inconsistencies in the responses.

Analysis Method

The analysis method employed is exploratory, utilizing statistical techniques such as descriptive statistics and Ordinary Least Squares (OLS) to extract insights from survey data. Descriptive statistics summarize, describe, and present the characteristics of participant data in a concise manner, facilitating easy comprehension without making further inferences or generalizations. The OLS technique is utilized to understand and approach relationships by estimating the feasibility of questionnaire data through reliability tests, validity tests, multicollinearity test, and assessments of relationship strength. Additionally, OLS is conducted to predict partial causality and moderation effects. There are two systematic approaches in hypothesis testing: the direct effect and the indirect effect. Direct effect testing is performed using Statistical Package for the Social Sciences (SPSS) software, while indirect effect testing employs an extra statistical tool known as the Sobel test.

3. Results and Discussion

3.1. Demographic Statistics

Demographic statistics were derived from a sample of 153 SME owners in the lodging sector located in IKN. The characteristics of the participants were categorized into seven things: (1) gender, (2) age, (3) highest level of education, (4) lodging classification, (5) duration of business operation, (6) number of employees, and (7) annual income. First, regarding gender, the majority of participants identified as female (60.1%), compared to male participants (39.9%). Second, in terms of age, most participants were between 25 and 35 years old (61.4%), followed by those aged 36 to 45 years (19.6%). Participants over 45 years old accounted for 16.3%, while those under 25 years old represented 2.6%. Third, concerning educational attainment, the majority of the 153 respondents were college graduates, with a higher proportion holding Bachelor's degrees (42.5%). The remaining participants included those with Diplomas (25.5%) and Master's degrees (20.3%). A smaller percentage of informants had completed only high school (11.8%). Fourth, the classification of lodging can be divided into three categories: motels (9.2%), guesthouses (36.6%), and guest houses (54.2%). Guest houses are the most popular type of lodging used for business in IKN. The room rate refers to the cost of renting accommodation per night, which is determined by factors such as room category, property size, competition, target market, market conditions, facilities, services, and, of course, location. In this case, the location significantly influences the pricing of accommodations, particularly in relation to proximity to tourist attractions around IKN.

The rental fees are categorized into three classifications of lodging in IKN. Among these, inns represent the most economical option, with rates ranging from 150,000 to 220,000. Motels, which offer only basic and simple amenities, are more suitable for tourists seeking budget-friendly accommodations. In comparison to inns, motels are generally priced slightly higher, ranging from 250,000 to 300,000. Motels in IKN provide marginally better facilities, including private rooms with en-suite bathrooms. They are strategically situated, particularly along main roads or near rest areas adjacent to IKN tours. Referring to the current situation, guest houses are generally more expensive than inns and motels. With a superior reputation and higher ratings than these two types of accommodations, motels provide a more comfortable and personalized experience. Motels in IKN feature more comprehensive facilities and a homier atmosphere, complemented by aesthetically pleasing designs. Rental fees range from 350,000 to 500,000. Fifth, the business period. The average duration of operation for lodging SMEs is less than three years (69.6%), while only a small percentage exceeds three years (30.1%). Sixth, the number of employees. According to the latest regulation, Government Regulation Number 7 of 2021, which addresses the ease, protection, and empowerment of cooperatives and Micro, Small, and Medium Enterprises (MSMEs), and revises the previous guideline, Law Number 20 of 2008 concerning MSMEs, the criteria for labour in SME-scale businesses generally range from 5 to 50 employees. Observations indicate that all lodging service businesses in IKN employ no more than seven employees.

Table 2: Profile of participants

Demographics	Characteristics	Frequency (f)	Percent (%)
Gender	Male	61	39.9
	Female	92	60.1
Age	< 25 years	4	2.6
	25 – 35 years	94	61.4
	36 – 45 years	30	19.6
	> 45 years	25	16.3
Last education	High school (SMA)	18	11.8
	Diploma	39	25.5

Demographics	Characteristics	Frequency (f)	Percent (%)
	Bachelor	65	42.5
	Master	31	20.3
Classification of lodgings	Motel	14	9.2
	Losmen	56	36.6
	Guest house	83	54.2
Business period	< 3 years	107	69.9
	> 3 years	46	30.1
Number of employees	2 – 3 employees	79	51.6
	4 – 5 employees	55	35.9
	6 – 7 employees	19	12.4
Income per year	200,000,000 – 250,000,000	76	49.7
	250,000,001 – 300,000,000	58	37.9
	300,000,001 – 350,000,000	7	4.6
	350,000,001 – 400,000,000	10	6.5
	> 400,000,000	2	1.3

Source: survey data processed.

From Table 2 above, it is evident that more than half of the SMEs in the lodging industry employ between 2 and 3 employees (51.6%). Those employing 4 to 5 employees account for 35.9%, while the smallest group consists of businesses with 6 to 7 employees (12.4%). Seventh, regarding annual income, gross income (turnover) represents the total revenue generated by SMEs in the lodging sector from all service transactions over the course of one year. This turnover figure is not adjusted for other costs or expenses, including operational costs, taxes, employee wages, and other production expenses. The income is categorized into four groups, ranked from highest to lowest, and converted into Indonesian currency (IDR). The highest income bracket ranges from IDR 200,000,000 to IDR 250,000,000 (49.7%), followed by IDR 250,000,001 to IDR 300,000,000 (37.9%), IDR 300,000,001 to IDR 350,000,000 (4.6%), and IDR 350,000,001 to IDR 400,000,000 (6.5%). The smallest group consists of those earning more than IDR 400,000,000 (1.3%).

3.2. Feasibility Test of Questionnaire

The feasibility of the questionnaire data was analysed through four stages. First, reliability testing was conducted using Cronbach's alpha (α). A coefficient above 0.6 indicates that the data instrument is reliable, trustworthy, and internally consistent. Second, validity testing was performed based on product-moment correlation. This calculation refers to the probability (p) to measure the level of validity of an item and to determine whether an item is suitable for use. The threshold for the p-value is set at significance levels of 0.05 and 0.01. An item (in this case, an indicator) is considered valid if it is significantly correlated. Third, the strength of the relationship was tested. The relationship strength of the study model is assessed based on the coefficient of determination (r^2). The r^2 value indicates how well the statistical model can predict the results, with coefficients ranging from 0 to 1. Fourth, the multicollinearity test in SPSS is typically conducted by looking the Variance Inflation Factor (VIF) from the OLS output. This test is essential for determining whether the variables are excessively correlated with one another. The VIF score quantifies the extent to which multicollinearity affects the stability of the regression coefficients. Specifically, the following three parameters in the multicollinearity test are interpreted as follows: (1) high or serious multicollinearity if the score is > 10, (2) moderate multicollinearity that requires attention if the score is between 5 - 10, and (3) no significant multicollinearity if the score is < 5. The results of the four tests assessing the feasibility of the questionnaire data are presented in Table 3.

The results of the questionnaire data confirm that the reliability test, validity test, multicollinearity test, and relationship strength test are all feasible. The four variables comprise a total of thirty-two indicators. This was validated by the reliability test, which indicated that the instrument reflected the study indicators with the required α coefficient ($\alpha > 0.6$). Table 3 further demonstrates that all indicator items met the statistical requirements based on both probability thresholds ($p < 0.05$ and $p < 0.01$). With a VIF of less than 5, the scores for EO (*VIF* = 2.362), DCA (*VIF* = 2.853), MO (*VIF* = 2.336), and SP (*VIF* = 2.868) indicate that there is no significant multicollinearity problem in the regression model. Broadly speaking, each of the designed variables is relatively independent of one another, allowing for the regression results to be interpreted with greater confidence. Additionally, the DCA formed by EO, with an r^2 coefficient of 0.587, indicates that the strength of the relationship in the model is 58.7%, while 0.413 (41.3%) represents a confounding factor. The r^2 coefficient of 0.832 in the SP model, measured by EO and DCA, indicates a strong relationship of 83.2%, with 0.168 (16.8%) being the residual outside the model.

Table 3: Feasibility testing of questionnaire data

Variables	Indicators	α	p	VIF	r^2
Entrepreneurial Orientation (EO)	EO1. Creative process	.947	.015*	2.362	
	EO2. Proactivity	.952	.018*		
	EO3. Risks taking	.950	.000**		
	EO4. Independence	.981	.000**		
	EO5. Focus on goals	.951	.018*		
	EO6. Sustainability and adaptability	.953	.001**		
	EO7. Courage to innovate	.956	.000**		
Digital Competence and Adaptability (DCA)	DCA1. Access	.679	.029*	2.853	.587
	DCA2. Critical thinking	.724	.014*		
	DCA3. Communication and collaboration	.635	.036*		
	DCA4. Creativity	.768	.019*		
	DCA5. Concern	.688	.017*		
	DCA6. Control	.653	.035*		
	DCA7. Curiosity	.656	.026*		
	DCA8. Confidence	.613	.044*		
Market Orientation (MO)	MO1. Understanding customer needs	.752	.008**	2.336	
	MO2. Responsive product development	.747	.045*		
	MO3. Inter-functional coordination	.684	.014*		
	MO4. Competitive advantage in service	.789	.025*		
	MO5. Adaptability	.866	.000**		
	MO6. Focus on customer satisfaction	.892	.000**		
Service Performance (SP)	SP1. Response time	.885	.000**	2.868	.832
	SP2. Resolution rate	.855	.000**		
	SP3. Customer satisfaction	.860	.000**		
	SP4. Reliability	.711	.019*		
	SP5. Compliance with standards	.875	.001**		
	SP6. Customer retention rate	.710	.026*		

Variables	Indicators	α	p	VIF	r^2
	SP7. Service reputation	.865	.000**		
	SP8. Staff productivity	.933	.000**		
	SP9. Service failure rate	.766	.033*		
	SP10. Accessibility	.901	.000**		
	SP11. Resolution time	.872	.000**		

Notes: *p < .05 and **p < .01.

Source: survey data processed.

3.3. Partial and Moderation Test

The OLS model includes tests for both partial relationships and moderation effects. These tests are analysed using the beta coefficient (β) and Student's t-distribution (t). Hypothesis testing can be conducted by comparing the calculated t-value with the critical t-value from the distribution table, or by examining the β coefficient. In this study, the degrees of freedom (df) are calculated as 1.655, derived from the sample size (n = 153) minus the number of independent variables (k + *1*), or df = n – (k + *1*). The results of the partial and moderation tests are presented in Table 4 below.

Table 4. Testing direct and indirect effects

Hypothetical path	Hypothesis	*t* value	β	Standard Error
Direct effect				
Entrepreneurial Orientation (EO) → Digital Competence & Adaptability (DCA)	H1	8.194	.332	.057
Entrepreneurial Orientation (EO) → Service Performance (SP)	H2	2.800	.529	.050
Digital Competence and Adaptability (DCA) → Service Performance (SP)	H3	-1.172	-.135	.392
Indirect effect				
Entrepreneurial Orientation (EO) x Market Orientation (MO) → Digital Competence and Adaptability (DCA)	H4	4.840	.825	.096
Entrepreneurial Orientation (EO) x Market Orientation (MO) → Service Performance (SP)	H5	2.659	.274	.109
Digital Competence and Adaptability (DCA) x Market Orientation (MO) → Service Performance (SP)	H6	-5.663	-.446	.611

Source: survey data processed.

Specifically, EO has a positive effect on DCA (t = 8.194 > 1.655; β = 0.332; SE = 0.057), leading to the acceptance of hypothesis one. Hypothesis two is also accepted, as EO positively influences SP (t = 2.800 > 1.655; β = 0.529; SE = 0.050). Conversely, DCA negatively affects SP (t = –1.172 < 1.655; β = –0.135; SE = 0.392), resulting in the rejection of hypothesis three. For hypothesis four, EO moderated by MO positively impacts DCA (t = 4.840 > 1.655; β = 0.825; SE = 0.096). Moreover, there is substantial evidence that EO moderated by MO positively affects SP (t = 2.659 > 1.655; β = 0.274; SE = 0.109), leading to the acceptance of hypothesis five. Lastly, hypothesis six is rejected, indicating that DCA moderated by MO has a negative effect on SP (t = –5.663 < 1.655; β = –0.446; SE = 0.611).

3.4. Justification

In the context of its relationship to digital competence and adaptability, as well as service performance, entrepreneurial orientation significantly influences all three variables. Previous studies, including those by Daradkeh & Mansoor (2023), Rofiaty et al. (2023), and Sudirman et al. (2025), have demonstrated that entrepreneurial orientation has a substantial impact on both digital competence and adaptability.

Then, entrepreneurial orientation also significantly affects service performance (Gomes et al., 2022; Huang et al., 2023; Suder, 2023; Suder et al., 2025). In contrast, digital competence and adaptability have been found to have an insignificant impact on service performance (Garini & Muafi, 2023; Stadin et al., 2024). In accordance with the manuscript authored by Aloulou et al. (2024), Cheng et al. (2025), Daradkeh & Mansoor (2023), Fatikha et al. (2021), Hanaysha & Al-Shaikh (2024), Hidayat et al. (2024), Kassim (2023), and Kraus et al. (2023), it is established that entrepreneurial orientation significantly influences digital competence and adaptability, as well as service performance through the mediating role of market orientation. Conversely, Gangwani & Bhatia (2024), Pașcalău et al. (2024), and Puliwarna et al. (2023) found that digital competence and adaptability, when moderated by market orientation, have an insignificant effect on service performance.

Market orientation significantly influences the relationship between digital competence and adaptability, as well as service performance. Entrepreneurial orientation enhances both digital competence and adaptability, which in turn positively affects service performance. Yet, it is important to note that digital competence and adaptability can also diminish service performance. Market orientation consistently supports the connection between entrepreneurial orientation and both digital competence and adaptability. Too, market orientation fully mediates the role of entrepreneurial orientation in enhancing service performance; but digital competence and adaptability do not contribute to improving service performance through market orientation. In particular, there are two unexpected reasons why both digital competence and adaptability have no direct or indirect impact on service performance through market orientation, which is counterintuitive and contradicts the proposed hypotheses.

The first reason pertains to economic aspects, including: (1) investment paradigms and economic efficiency, (2) neutral or positive value addition, (3) market fit mismatches, (4) information asymmetry and market expectations, and (5) economic latency effects. Digital competence and adaptability are generally regarded as long-term investments in human and organizational resources. From an economic perspective, if such investments do not yield direct or indirect negative returns, it indicates that the costs associated with enhancing digital competence and adaptability have not compromised operational efficiency, and there has been no overinvestment or waste of resources. This suggests that the organization is managing the costs of digital adaptation prudently enough to avoid significantly eroding service performance. While digital competencies and adaptability may not yield substantial improvements in the short term, they also do not degrade performance, as they foster internal efficiencies, even if they have not yet succeeded in driving market orientation or enhancing service performance. More adaptive and digitally savvy employees tend to be more responsive and flexible, which helps prevent performance loss or decline, even if it does not yet lead to excellence. Economically, the impact on service performance typically occurs when digital competencies and adaptability can be translated into customer-perceived added value. If market orientation is insufficient or if the company has not successfully translated internal capabilities into market solutions, then internal competencies do not negatively impact performance because they are not aggressively applied in the service strategy.

On the other hand, they also do not effectively enhance service performance, as they fail to create a market-focused competitive advantage. Digital competencies and adaptability may struggle to make an impact if customers do not perceive a noticeable change in service quality. Nevertheless, since there has been no decline in quality or customer experience, there is no adverse effect on market perception or customer loyalty. The impacts of digital competence and adaptability often take time to manifest in service performance. Economically, this phenomenon is referred to as the latency effect, where current investments have yet to yield results; nonetheless, this does not

imply a negative effect. A negative impact will only arise if costs exceed benefits, which is not the case in this instance.

The second reason pertains to the theoretical aspect. This can be elucidated through various approaches derived from theories of strategic management, organizational behaviour, and marketing. In the scope of SME lodging in the IKN region, the comprehensive landscape, encompassing the economic costs of digital adoption, potential mismatches between digital capabilities and market needs, and other contextual factors, can be analysed through four theoretical frameworks. First, the Resource-Based View (RBV) is relevant. According to Barney (1991), digital competence and adaptability are intangible internal resources that possess the potential to generate a competitive advantage. Within the RBV, a new resource does not necessarily exert a direct influence on performance. If digital competence and adaptability do not negatively impact performance, it indicates that they have not yet translated into a realized competitive advantage; even so, they also do not constitute a source of inefficiency. Also, these resources may still be in the development or integration phase, thereby neither creating nor diminishing value. Second, the Dynamic Capabilities Theory (Teece et al., 1997) emphasizes the significance of organizational capabilities in responding adaptively to environmental changes. Digital competence and adaptability are integral components of dynamic capabilities. The absence of negative influence suggests that the organization possesses the ability to adjust to technological advancements and market fluctuations without compromising service stability. It has not yet fully integrated these capabilities into its market orientation and service strategy. While adaptability without strategic direction does not significantly contribute to performance, it also does not undermine the existing service structure.

Third, Market Orientation Theory (Narver & Slater, 1990) posits that an organization's performance is significantly influenced by its ability to understand and respond to market needs. Internal competencies, such as digital capabilities and adaptability, must be effectively translated into market responses. If there is no discernible influence - whether positive or negative - it can be concluded that these competencies have not been successfully converted into a robust market orientation. Consequently, there is no disorientation or misdirection in strategy, ensuring that service performance remains unaffected. Fourth, Contingency Theory posits that organizational effectiveness hinges on the alignment between the environment, strategy, and internal capabilities (Furlan Matos Alves et al., 2017). Digital competencies and adaptability will be ineffective if they do not align with the contextual or external requirements. However, because these competencies are inherently flexible and supportive, they do not generate internal conflicts or strategic missteps. Consequently, negative impacts on performance are unlikely, as they do not create significant incompatibilities with existing systems. Fifth, Service-Dominant Logic (Vargo & Lusch, 2004) asserts that value in services is not generated internally but rather through co-creation with customers. In this landscape, digital competencies and adaptability serve as enablers rather than direct creators of value. If these competencies are not utilized in the value co-creation process with customers, employees will neither make a substantial contribution to service performance nor diminish service value, as they do not disrupt the existing value creation process.

Digital competency and adaptability are two essential pillars for addressing business challenges in the modern era, particularly in the realm of entrepreneurship. These competencies complement one another and provide a systematic competitive advantage for entrepreneurs who can effectively integrate them into their business operations. Theories of digital competency and adaptability elucidate the necessity of technological mastery and flexibility in both individual and organizational development, especially in the context of exponential growth in entrepreneurship and business (Dubey et al., 2023; Imran et al., 2021; Pan et al., 2024; Sun et al., 2024). These theories form the foundation for developing the competencies required to survive and thrive in an environment characterized by rapid technological change. In fact, the advancement of emerging markets at the ASEAN level facilitates the emergence of new market trends. Similarly, Indonesia's presence in this landscape, particularly in the lodging service industry, presents significant market potential. Nonetheless, entering the lodging market necessitates the establishment of a global market ecosystem.

Market elasticity, or equilibrium, in the scope of the lodging industry in IKN has not been optimized, as the level of supply is inversely proportional to the level of demand. This imbalance can negatively impact service performance. Conversely, price rates in popular tourist areas have experienced a significant increase due to heightened market demand (tourist intensity). To achieve comprehensive lodging management, it is essential to emphasize digital competence and adaptability in alignment with market orientation, ensuring that service capacity meets the needs of tourists.

Explicitly, the construction of the IKN and the prevailing conditions in the surrounding lodging industry significantly impact job creation. During the initial development phase (2022–2024), there is an anticipated demand for 200,000 workers in road construction, housing, and basic infrastructure, including lodging services. According to Surgawati et al. (2025), this national-scale project will absorb both formal and informal workers across various sectors, including construction, property, transportation, hospitality, and supporting services. Essentially, IKN has triggered a surge in labour demand, especially in the construction and hospitality sectors.

The lodging industry has experienced rapid growth, resulting in the creation of new jobs within the services and lodging sectors. This growth has influenced consumer behaviour, notably increasing the frequency of overnight stays. For instance, the rise in construction activities and the influx of workers led to a sharp increase in hotel occupancy rates in East Kalimantan, which reached approximately 60% by September 2023, compared to a national average of only 53%. This surge in demand has prompted the expansion of the lodging business, presenting opportunities for capital owners and investors to capitalize on consumer trends by opening new hotels, villas, cafes, and restaurants, thereby automatically generating jobs in front-office operations, housekeeping, hospitality, and culinary services. IKN has the potential to become a new center of economic growth, bringing a ripple effect in surrounding areas such as Central Kalimantan, with a projected employment increase of up to 10.5% on the island of Kalimantan and a national opportunity growth of 1%. The emergence of opportunities for economic chain effects in neighbouring regions can enhance both local and national output. In addition to ensuring equitable distribution of benefits and readiness of HR, the primary challenge lies in infrastructure. Government initiatives, including training programs, tax incentives, and social inclusion efforts, are essential to establishing a foundation for sustaining these positive impacts. During the initial phase, facilities were inadequate, access was challenging, and public support was limited. Basic infrastructure, such as road access, electricity, and water, was not fully optimized, hindering the rapid growth of businesses, particularly SMEs. Furthermore, the availability of skilled labour in construction, ICT, and hospitality remains limited. Typically, the distinctiveness of a new environment like IKN can drive significant changes in the regional economy, particularly in the lodging services. Even so, Darma et al. (2025) found that poor infrastructure quality in the tourism sector in IKN negatively impacts service performance. In this study, service performance in the tourism sector is measured by tourist satisfaction. Insufficient infrastructure quality, when not complemented by adequate facilities, can diminish hospitality service performance, influenced by both social media and local cultural perceptions.

Conclusion

Quantitatively, the primary conclusions can be summarized in the following six points: (1) entrepreneurial orientation is positively correlated with digital competence and adaptability; (2) entrepreneurial orientation is positively correlated with service performance; (3) digital competence and adaptability are negatively correlated with service performance; (4) entrepreneurial orientation positively influences digital competence and adaptability through market orientation; (5) entrepreneurial orientation positively influences service performance through market orientation; and (6) digital competence and adaptability negatively influence service performance through market orientation.

Lodging is an essential and integral component of tourism development. Although the existing facilities are not yet sufficient, they still provide a positive impression, a sense of security, and comfort for tourists. The root cause of the suboptimal performance of lodging services in IKN can be attributed to non-physical factors, such as communication and collaboration, concern, control, curiosity, and the self-confidence of entrepreneurs. To enhance

the performance of lodging services, it is crucial to support the development of digital competence and adaptability. Also, these competencies can broaden market orientation by improving inter-functional coordination. Additional recommendations are directed toward decision-makers in the tourism sector. The findings of this study are intended to serve as a resource for local governments in formulating tourism policies, especially in relation to the development of digital competencies and adaptability for lodging SMEs through digital counselling and training courses, establishing digital footprints and networks, and implementing problem-solving training.

The findings of the study offer valuable insights for future research. Academic recommendations include methodological and conceptual enhancements. These considerations are crucial for updating the service performance model, which is influenced by entrepreneurial orientation, digital competence and adaptability, as well as market orientation.

Credit Authorship Contribution Statement

Fareis, A. contributed to the conceptualization, funding acquisition, investigation, methodology, supervision, and preparation of the original draft, and original draft writing. Putera, M.T.F. was responsible for conceptualization, formal analysis, project administration, resource coordination, validation, and review and editing of the manuscript. Surgawati, I. conducted the literature review, assisted in the investigation, contributed to data validation, and managed field coordination. Busari, A. provided methodological support, performed statistical analyses, and assisted with proofreading and technical editing. Sarifudin contributed to data collection, provision of resources, field supervision, ensured ethical compliance, and offered administrative support throughout the study. Darma, D.C. handled data curation, software implementation, visualization, and contributed to the review and editing process.

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Conflict of Interest Statement

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

Data Availability Statement

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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