

Improving UMKM Marketing Performance by Optimising Marketing Strategy, Creative Product Innovation and Market Orientation

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Info Article	Abstract
<hr/> <p><i>History Article:</i> Submitted Revised Accepted</p> <hr/> <p><i>Keywords:</i> Creative Product Innovation, Business Development, Market Orientation, Marketing Strategy.</p> <hr/>	<hr/> <p>Objectives - This research discusses matters relating to the marketing performance of micro and small enterprises in South Tangerang and Banten.</p> <p>Design/methodology/approach - Research Design This research is a survey research, with a quantitative approach, with the aim of measuring causal relationships (cause and effect). This research on the application of marketing strategies, creative product innovation, and market orientation through business development as an effort to improve marketing performance is one type of Cross Section research. To test the hypothesis, a survey will be conducted to traders in the Surabaya-Gresik area as respondents.</p> <p>Findings - Based on the discussion in this study, the conclusions that can be made are as follows: (1) states that creative product innovation carried out by MSMEs has a positive effect on business development. (2) states that market orientation carried out by MSMEs has no effect on business development. (3) Stating that the marketing strategy carried out by MSMEs has a positive effect on business development. (4) Stating that business development carried out by MSMEs has an effect on marketing performance</p> <hr/>

**Meningkatkan Kinerja Pemasaran UMKM dengan Optimalisasi Strategi Pemasaran,
Inovasi Produk Kreatif dan Orientasi Pasar**

Abstrak

Tujuan – Penelitian ini membahas hal-hal yang berkaitan dengan kinerja pemasaran usaha mikro dan kecil di Surabaya - Gresik.

Desain/metodologi/pendekatan - Desain Penelitian Penelitian ini merupakan penelitian survey, dengan pendekatan kuantitatif, dengan tujuan mengukur hubungan kausal (sebab akibat). Penelitian ini mengenai penerapan strategi pemasaran, inovasi produk kreatif, dan orientasi pasar melalui pengembangan usaha sebagai upaya meningkatkan kinerja pemasaran merupakan salah satu jenis penelitian Cross Section. Untuk menguji hipotesis, sebelumnya akan dilakukan survey kepada Pedagang di Wilayah Surabaya - Gresik sebagai responden..

Temuan – Berdasarkan pembahasan dalam penelitian ini, maka kesimpulan yang dapat dibuat adalah sebagai berikut : (1) menyatakan inovasi produk kreatif yang dilakukan para UMKM berpengaruh positif terhadap pengembangan usaha. (2) menyatakan orientasi pasar yang dilakukan para UMKM tidak berpengaruh terhadap pengembangan usaha. (3) Menyatakan strategi pemasaran yang dilakukan para UMKM berpengaruh positif terhadap pengembangan usaha. (4) Menyatakan pengembangan usaha yang dilakukan para UMKM berpengaruh terhadap kinerja pemasaran.

Kata kunci - Inovasi Produk Kreatif, Pengembangan Usaha, Orientasi Pasar, Strategi Pemasaran.

Introduction

There is no denying that micro, small and medium enterprises (MSMEs) play a central role in the Indonesian economy. In addition to having a central role in labour absorption and the economy. In Indonesia, MSMEs can also act as an engine for the dissemination of development results to every corner and region of Indonesia. The MSME sector is one of the areas that has made a large contribution to the Indonesian economy. MSMEs are considered an area in the midst of the global financial crisis because their accessibility is mostly conventional (Tambunan, 2019; Amalia & Melati, 2021; Salim, Susilastuti, & Astuty, 2021; Rinaldi, Maarif, Thamrin, & Supriyadi, 2022; Kawulur, Mawitjere, & Kawulur, 2021; Sunoko, Saefuddin, Nanere, & Ratten, 2022; Purwanto, & Lidasan, 2021).

Despite its great potential, the MSME sector in Indonesia generally faces several obstacles, for example, from an internal perspective, around 60-70% of MSMEs do not have access to bank capital. In addition, managers are often unable to separate cash for business and household activities. This is due to limited knowledge of financial management and reporting, making it difficult for MSMEs to access banking services. The third factor is limited human resources (HR). MSMEs generally lack knowledge of the latest production technology and how to conduct product quality control. The ability to read market

demand is still not accurate, so they cannot accurately capture the desired market needs. A key factor that challenges MSMEs from a marketing perspective is poor accessibility (Tambunan, et al, 2021; Maksum, Rahayu, & Kusumawardhani, 2020; García Moritán, 2020; Tresnasari, & Zulganef, 2023).

Product marketing that still relies on mere word of mouth marketing. Do not use social media or the internet as a marketing tool (Babić Rosario, De Valck, & Sotgiu, 2020; Dwivedi, Ismagilova, Hughes, Carlson, Filieri, Jacobson & Wang, 2021; Jain & Meyers, 2022; Hamad & Al Madhoun, 2020; Hwang, & Zhang, 2018; Wang, Zhang, Li, McLeay, & Gupta, 2021). In terms of numbers, it cannot attract more workers due to its limited ability to recruit specially qualified staff. The government has tried to improve the performance of the MSME sector by issuing various regulatory support programmes and incentives for MSMEs, including tax breaks, capital support, and training. However, these businesses cannot run optimally without a strong commitment from the MSME owners themselves to continuously develop their learning capacity and continue to innovate. Innovation is the keyword for companies that want to survive in this era of free competition. Various studies have shown that learning factors and product market orientation are strategies that can be used to stimulate organisational innovation. Thanks to the analysis of

the database of small and medium enterprises in Spain and Italy (Mukherjee, 2018; Alam, Fawzi, Islam, & Said, 2021; Saifurrahman & Kassim, 2021; Ascarya, 2022).

Fernández-Mesa and Alegre (2015) found that business orientation is a management attitude that increases exports when managers also strive for organisational learning and innovation. Another study by Gomes and Wojahn (2015) showed that organisational learning affects the innovation performance of SMEs, but the effect of learning ability on organisational performance is not significant. This study provides evidence of this relationship and suggests that apprenticeships can have a significant and positive impact in the context of SMEs. In contrast to previous research, Pérez-Luño et al. (2016) found that market orientation (MO) was negatively associated with SMEs. Herman, Hady and Arafah (2018) found that market orientation has a positive and significant effect on competitive advantage. Product innovation.

Innovation has a positive and significant impact on competitive advantage. Market orientation and product innovation together have a positive and significant effect on competitive advantage (Herman, Hady & Arafah, 2018; Na, Kang, & Jeong, 2019; Osorio Tinoco, Hernández-Espallardo, & Rodríguez-Orejuela, 2020; Papadas, Avlonitis, Carrigan, & Piha, 2019). More

importantly, although learning analytics has become an increasingly important area of research in recent years, there is still a lack of research investigating the role of organisational learning in small business survival and development (Altinay et al., 2016). Organisations in small business survival and development (Altinay et al., 2016). This study aims to fill this apparent gap by investigating marketing strategy, product innovation, and market orientation in small business growth. Therefore, this study provides new insights into how SMEs enhance their learning capabilities to grow the business and thus improve overall marketing performance. This research will make a positive contribution to the development of small and medium-sized enterprises.

So far, there is only lack of support, especially in marketing their products using marketing strategies that are in accordance with their resources. The role of the local government must also create a positive aura to support these MSMEs.

Theoretical foundation

Previous research investigating the relationship between strategic behaviour and business performance has focused on large firms in economies leading to a notable research gap in the strategic behaviour-performance relationship in SMEs in small economies (Parnell 2013). In particular,

understanding the strategic orientation of SMEs is critical because the strategic orientation adopted by SMEs determines the level of SME demand and competitor analysis, and they acquire and exploit knowledge of market opportunities and engage in product market innovation leading to growth (Altinay et al., 2016).

Marketing strategy is an important factor for business success in the present (Fuciu & Dumitrescu, 2018; Tien, Phu, & 2019; Katsikeas, Leonidou & Zeriti, 2020). This refers to a series of company efforts such as the promotion of product results that can attract potential buyers, Second is the competitive price and quality that can meet the tastes of buyers, Next is the distribution on time plus satisfactory service. These six things are requirements that must be met consistently according to the standard operating procedure (SOP). Marketing strategy is the main approach that will be used by business units in achieving predetermined goals, in which are listed the main decisions regarding target markets, product placement in the market, marketing mix and the level of marketing costs required (Kotler, in Sri Lestari (2012)).

In the context of business development, Knight (2000) states that marketing strategy is a tactic that can be used by the business sector in developing its business capacity to face globalisation. Thus, it can be stated that marketing strategies can have positive implications for both business development and overall marketing

performance. Product innovation is something that needs the main attention of the company, considering that this strategy is closely related to the marketing activities carried out by the company. Empirical results conducted by O'Cass and Sok (2014) show that when the combination of intellectual resources and product innovation capabilities in addition to the combination of reputational resources and marketing capabilities is high, SME growth can be improved. Shoham (2005) mentioned that many experts have identified the relationship between product quality considerations and overall organisational performance. Innovation is reflected in new products, manufacturing processes and engineering management.

Based on the literature reveals that there are three organisational activities that characterise high levels of product innovation: the ability to see product-market opportunities, building marketing capabilities to respond to identified market opportunities, and the ability to quickly pursue opportunities. This indicates that product innovation can lead to easier production, in addition, product innovation is important for effective marketing and consequently for the financial performance of the firm.

According to Killa (2014), companies that are able to innovate are believed to be able to improve performance. The results of research conducted (Lapian, 2016) state that product innovation has a significant effect on performance (Tsai, 2017).

Market orientation is a strategic orientation characterised by a range of behaviours and activities associated with SMEs' strong customer focus, coordinated marketing across the organisation, and profitability (Pérez-Luño et al., 2016). Kohli, Jaworski, and Kumar (in Pérez-Luño et al., 2016) identified three sets of activities associated with market orientation including: (1) intelligence generation, which includes "the collection and assessment of customer needs/preferences and the forces that influence the development and refinement of those needs"; (2) intelligence dissemination, which is "the process and extent of market exchange within a given organisation", and (3) responsiveness, which is "the actions taken in response to the intelligence that has been generated and disseminated." Long (2013) states that market orientation has a significant positive influence on organisational performance, in terms of market share growth, sales and profits. The results of research conducted by Manek (2013) state that the effect of market orientation on marketing performance shows a significant value.

Likewise, research conducted by Tsai (2017) states that market orientation capabilities can significantly improve company performance. Marketing performance is used as a tool to measure the level of success of the overall performance carried out including the success of the strategies implemented, sales growth, and company profits. Ferdinand 2002 in

Gendut 2009. Marketing performance is a measure of achievement obtained from the overall marketing process activities of a company or organisation.

Arini (2017) marketing performance indicators include: Number of sales. Number of customers Profit Reach of marketing area (sales growth) Business Development Business development is a situation where a business is developing or not seen from several indicators that can be used as measurements to determine whether a business is developing or not. For each different business, different measures are used to determine whether a business is successful or not (Riyanti, Benedicta Prihatin Dwi. 2003: 27) in Sri et al. The challenges for the business world related to business development are (Sri; 2012): Broader access, especially to capital Transparent market information Other production input factors Healthy business climate Hypothesis:

Based on the description above, the following hypothesis can be proposed:

H1 = There is a positive influence of marketing strategy on business development

Marketing strategy has a very important role in business development. Marketing is the way companies communicate with target markets, introduce their products or services, and influence customer purchasing decisions. When a marketing strategy is implemented well, it can have a positive impact on business

development. Marketing strategy has a significant impact on enterprise development. Through proper outreach, effective communication, and good brand recognition, companies can expand market share, increase sales, and build strong relationships with customers (Alzoubi, Alshurideh, Kurdi, Akour, & Aziz, 2022; Adeola, Hinson, & Evans, 2020).

H2 = There is a positive effect of creative product innovation on business development

The inference of the impact of creative product innovation on business development is undeniably profound and broad. Throughout this exploration, we have investigated the intricate relationship between innovative product development and its consequent influence on various aspects of business growth. It is evident that creative product innovation is not just a concept, but also a driving force that propels businesses to new dimensions of success (Sakas, Kamperos, & Terzi, 2022).

Innovation, especially when infused with creativity, has proven to be an important catalyst for business evolution. Innovation has the power to reshape industries, disrupt markets, and foster sustainable competitive advantage. Through the lens of creative product innovation, businesses can transcend the boundaries of conventionality and embrace new ideas, technologies and approaches. This, in turn, enables them to meet changing customer demands,

outperform competitors, and capture emerging opportunities.

One of the key takeaways is that creative product innovation can drive customer engagement and loyalty. Businesses that continuously introduce fresh and inventive products are better positioned to resonate with their target audience, build emotional connections, and fulfil evolving needs. By aligning innovation with customer-centricity, businesses can build long-term relationships that drive revenue growth and brand advocacy (Sakas, Kamperos, & Terzi, 2022).

In addition, creative product innovation plays an important role in reshaping operational efficiency. Implementing innovative processes and technologies often streamlines internal operations, optimises resource allocation and minimises waste. These newfound efficiencies not only increase profitability but also position the business as a forward-thinking entity capable of adapting to dynamic market conditions.

Collaboration is emerging as a cornerstone of successful creative product innovation. The convergence of diverse talents and expertise encourages cross-pollination of ideas, leading to breakthroughs that could not be achieved in isolation. Creating an organisational culture that values experimentation, risk-taking and knowledge sharing will foster an environment ripe for innovation to flourish.

However, it is important to recognise that creative product

innovation is not without its challenges. Dealing with uncertainty, allocating resources and managing expectations requires careful planning and execution. Not all innovation efforts will yield immediate results, and failure is an inherent part of the innovation process. However, these challenges can be overcome with strategic vision, adaptability, and a willingness to learn from failure (Sakas, Kamperos, & Terzi, 2022).

In conclusion, creative product innovation stands as a major force that shapes the trajectory of business development. It drives growth, enhances competitiveness, and fosters meaningful customer relationships. Businesses that understand the symbiotic relationship between innovation and growth are poised to thrive in an ever-evolving global landscape. As we move forward, the interplay between creative product innovation and business development will continue to sculpt industries, drive economic progress, and shape the future of commerce..

H3 = There is a positive effect of market orientation on business development

The relationship between market orientation and business development variables is complex and multifaceted, often influenced by various internal and external factors. Market orientation refers to a company's focus on understanding and fulfilling customer needs, as well as continuously adapting to changing market conditions. Business

development, on the other hand, encompasses strategies and activities that aim to expand a company's reach, increase revenue, and achieve sustainable growth (Hansen, McDonald, & Hatfield, 2023).

After conducting extensive research and analyses, some key conclusions can be drawn about the relationship between market orientation and business development variables:

Positive Impact on Innovation: Market-oriented companies tend to be more innovative as they actively gather customer insights and customise their products and services to meet changing demands. This innovation can lead to the development of new offerings that attract new customers and drive business growth (Hansen, McDonald, & Hatfield, 2023).

Customer-centric approach: Market-oriented companies prioritise understanding customer needs and preferences, so they can tailor their offerings to better match what customers are looking for. This customer-centric approach increases satisfaction, loyalty, and ultimately business expansion.

Adaptation to Market Changes: Businesses that emphasise market orientation are better equipped to respond to changes in the market landscape. They can quickly adjust their strategies and offerings to capitalise on emerging opportunities, minimising the risk of being left behind by market trends (Hansen, McDonald, & Hatfield, 2023).

Competitive Advantage: Market-oriented companies often develop a competitive advantage by becoming more attuned to market dynamics and customer preferences. This advantage can result in higher market share, increased customer loyalty, and improved financial performance.

Long-term Orientation: Market orientation encourages a long-term perspective, with a focus on building lasting customer relationships and sustainable growth. This is in contrast to a short-term approach that may prioritise quick profits over long-term success.

Organisational Culture: A strong market orientation requires a supportive organisational culture that values customer insights and encourages collaboration across departments. Companies that foster such a culture are more likely to see positive results in terms of business development.

Challenges and Limitations: Implementing and sustaining a high level of market orientation can be challenging, especially for established companies with ingrained processes and mindsets. It requires commitment, resources, and a willingness to adapt to change.

Industry and Context Issues: The impact of market orientation variables on business development may vary based on industry characteristics, competitive landscape, and cultural factors. What works for one company may not yield the same results for another (Hansen, McDonald, & Hatfield,

2023).

In conclusion, there is a strong and positive relationship between market orientation variables and business development. Companies that prioritise understanding and meeting customer needs, while remaining agile in response to market changes, are more likely to experience sustainable growth and achieve their business development goals. However, successful implementation requires a holistic approach, aligning organisational culture, strategy, and processes to create a synergistic effect that drives overall success (Hansen, McDonald, & Hatfield, 2023).

H4 = There is a positive effect of business development on marketing performance.

The relationship between business development variables and marketing performance is complex and diverse. Business development includes various strategies, initiatives and activities aimed at growing and expanding a company's operations, while marketing performance refers to the effectiveness of a company's marketing efforts in achieving its goals. The conclusions drawn from the relationship between these two areas are influenced by several key points (Liczmańska-Kopcewicz, Mizera, & Pyłacz, 2019).

Interdependence: Business development and marketing are closely interconnected. Business development efforts often inform marketing strategies by identifying target markets,

the competitive landscape, and potential growth areas. Effective marketing, in turn, supports business development by creating brand awareness, attracting leads, and driving sales (Liczmańska-Kopcewicz, Mizera, & Pyłacz, 2019).

Goal Alignment: For optimal results, business development and marketing objectives need to be aligned. When these functions work together, it results in a more coherent and efficient approach. Clear communication between business development and marketing teams is essential to ensure that strategies complement each other rather than conflict.

Data-driven Insights: Relationships benefit from data-driven insights. Analysing data related to customer preferences, market trends, and sales metrics can guide business development and marketing decisions. Data-driven insights allow companies to customise their strategies and campaigns to meet evolving customer needs.

Customer-centric approach: Business development and marketing should adopt a customer-centric approach. Understanding the needs and key points of the target audience will inform product/service development as well as marketing messages, resulting in more resonant and effective campaigns.

Innovation and Adaptability: Successful business development often involves innovation and adaptability. As businesses expand into new markets or develop new offerings, marketing

strategies must be agile enough to accommodate these changes while maintaining a consistent brand image.

Long-term Perspective: Effective business development considers sustainable growth, and marketing plays a role in building lasting customer relationships. Therefore, a long-term perspective is essential for both functions.

Measurement and Evaluation: The impact of business development on marketing performance should be measured and evaluated regularly. Key performance indicators (KPIs) such as customer acquisition costs, conversion rates, and revenue growth can provide insight into the effectiveness of both functions (Liczmańska-Kopcewicz, Mizera, & Pyłacz, 2019).

In conclusion, the relationship between business development variables and marketing performance is symbiotic. When these two functions collaborate effectively, they can drive overall business success by identifying growth opportunities, aligning strategies, and creating meaningful relationships with customers. A holistic and integrated approach that values data, innovation, and customer-centricity can improve marketing performance and sustainable business growth (Liczmańska-Kopcewicz, Mizera, & Pyłacz, 2019).

3. Methodology

3.1. Research design

This research design is a survey research, with a quantitative approach, with the aim of measuring

causal relationships (cause and effect). This research on the application of marketing strategies, creative product innovation, and market orientation through business development as an effort to improve marketing performance is one type of Cross Section research. To test the hypothesis, a survey will previously be conducted to traders in the Surabaya - Gresik region as respondents.

3.2. Population and Sample Population

The population of this study were traders who carried out their trading activities in Tangerang

The sample was taken as many as 65 respondents using accidental sampling.

The scale in the preparation of the questionnaire is Research variables
The variables used in this study are the independent variables consisting of the strategy of the independent variable.

This study is an independent variable consisting of marketing strategy, creative product innovation, market orientation; intervening variable business development; and dependent variable marketing performance.

The age of respondents in this case the majority of traders are > 30 years as many as 30 people (46.2%) of the 65 respondents. The gender of the respondents is male as many as 46 people (70.8%) of the 65 respondents. The total net income per day of the respondents was > 301,000 as many

as 33 people (50.8%) of the 65 respondents.

3.3. Variable Measurement

Marketing strategy is measured by 4 items including: Promotion of product results, attracting potential buyers, competitive prices, and quality that meets buyers' tastes (Kotler, 2014). Product innovation is measured by 3 items adapted from Bustinza et al. (2019). Market orientation is adapted from Narver and Slater (1990) which consists of 15 statement items which are further grouped into three dimensions. Business development is measured based on 4 indicators, namely increasing the amount of production and expanding the target market, and finally marketing performance is measured by 4 sales indicators.

3.4. Analysis Technique

Tests were carried out on various instruments related to the Structural Equation Model to see the suitability of the model used. Hypothesis testing is carried out using the PLS-3.00 programme package, which states.

4. Findings

4.1. Outer Model Evaluation

The measurement model (outer model) is a measurement model to assess the validity and reliability of the model. The validity test is carried out in order to determine the ability of the instruments used in the study to measure the concepts used. Data analysis using SmartPLS software based on convergent validity,

discriminant validity, and composite reliability. Convergent validity of the measurement model using reflective indicators is assessed based on the loading factor of the indicators that measure the construct. The rule of thumb that is usually used to assess convergent validity is that the loading factor value must be more than 0.7 for confirmatory research and the loading factor value between 0.6-0.7 for exploratory ones is still acceptable and the AVE (Average Variance Extracted) value must be greater than 0.5 (Hair et al., in Pinki and Hendryadi, 2018). Based on the results of the analysis, it can be stated that the measurement model has sufficient convergent validity by looking at the factor weight coefficients which are all greater than 0.50.

4.2. Convergent Validity

Measurement of convergent validity of the measurement model using reflective indicators is assessed based on the loading factor of the indicators that measure the construct. In this study, five variables were used with a total of 18 indicators, 4 indicators for marketing strategy, 3 indicators for creative product innovation, 3 indicators for market orientation and 4 indicators for business development and 4 indicators for marketing performance.

Based on the measurement model test results as shown in Table 1, it can be explained as follows:

- a. The marketing strategy construct or variable is

measured by indicators X1.1 - X1.4, all indicators have factor loading above 0.5, AVE above 0.5, namely 0.679.

- b. The creative product innovation construct is measured by indicators X2.1 - X2.3, all indicators have factor loading above 0.5 and AVE above 0.5, namely 0.694.
- c. Market orientation construct with indicators X3.1 - X3.3, all indicators have factor loading above 0.5 and AVE above 0.5, namely 0.559.
- d. Business development construct with indicators Y1 - Y4, all indicators have factor loading above 0.5 and AVE above 0.5, namely 0.801.
- e. Marketing performance construct with indicators Y2.1 - Y2.4, all indicators have factor loading above 0.5 and AVE above 0.5, namely 0.627.

Konstruk	Average Variance Extracted (AVE)
Creative Product Innovation	0.658
Marketing Performance	0.654
Market Orientation	0.639
Business Development	0.798
Marketing Strategy	0.623

Source: Primary data processed, 2023

Table 1. Average Variance Extracted (AVE)

4.3. Discriminant validity

Measurement of discriminant validity is assessed based on the cross loading of the measure with its construct or by comparing the root AVE.

Tabel 2. Discriminant validity

Source: Primary data processed, 2023	Business Development	0.917	0.941
	Marketing Strategy	0.734	0.791

: Primary data processed, 2023

Based on Table 2 above, it is known that the square root value of AVE (0.833; 0.792; 0.745; 0.895 and 0.824) is greater than each construct or the AVE root value is greater than 0.5.

4.4. Reliability Test

Reliability testing is the next stage carried out by researchers to test the instrument. PLS also uses a reliability test to measure the internal consistency of measuring instruments. Reliability testing in PLS can use two methods, namely Cronbach's alpha and Composite reliability.

Measurement of the Cronbach's alpha and Composite reliability coefficient values that show a value \leq

0.6 indicates that reliability is considered poor, but can still be used for further analysis, and if the Cronbach's alpha and Composite reliability coefficients show a value of 0.6 to 0.7 then reliability is acceptable, then if the Cronbach alpha and Composite reliability coefficients show a value \geq 0.8 then reliability is considered good (Cooper and Schindler, 2010).

Table 3. Value Cronbach's alpha dan Composite Reliability

	Cronbach's alpha	Composite reliability
Creative Product Innovation	0.880	0.971
Marketing Performance	0.700	0.768
Market Orientation	0.707	0.891

4.5. Inner Model Evaluation

Structural capital in PLS is evaluated using R2 which can be seen in Figure 1, namely the value in the image of business development variables and marketing performance. The R2 value for business development is 0.971, which means 97.1% of the variance of business development is influenced by independent variables, and 2.9% of the variance of intervening variables is explained by other factors, then R2 on marketing performance is 0.720, which means 72% of the variance of marketing performance is influenced by independent variables, and 28% of the dependent variable is explained by other factors not measured in this study:

Table 4. R-Square

	R-Square
Business Development	0.971
Marketing Performance	0.720

Source: Primary data processed, 2023

Based on Table 4 above, the higher the R-square value, the greater the independent variable's ability to explain the dependent variable, thus improving the structural equation.

Hypothesis Testing

For the dependent variable and the path coefficient (β) for the independent variable, significance

was assessed based on the t-statistic for each path. The structural model, or inner model, can be seen in Table 5 below:

Table 5. Hypothesis Testing Result

Variable	Original Sample	t-statistics	P-Value	Conclusion
Creative Product Innovation -> Business Development	0.517	5.668	0.000	Significant
Market Orientation -> Business development	-0.032	0.786	0.318	Not Significant
Business development -> Marketing Performance	0.783	21.723	0.000	Significant
Marketing Strategy -> Business development	0.571	7.823	0.000	Significant

Source: Primary data processed, 2023

Hypothesis 1, states that creative product innovation by MSMEs has a positive effect on business development. The results of the SmartPLS 3.0 calculation show that creative product innovation has a significant and positive effect on business development with a beta value of 0.517 and a t-value of 5.668. This means that the first hypothesis is supported.

Hypothesis 2, states that market orientation carried out by MSMEs has no effect on business development. The results of hypothesis testing show that the path between market orientation and business development has a beta coefficient value of -0.032 and a t-value of 0.786, this indicates that there is no significant effect between market orientation and business development, so the second

hypothesis is not supported.

Hypothesis 3, states that business development carried out by MSMEs has a positive effect on marketing performance. The results of hypothesis testing show that the path between business development and marketing performance has a beta coefficient value of 0.783 and a t-value of 21.723, this shows that there is a significant and positive effect between business development and marketing performance, so the third hypothesis is supported.

Hypothesis 4, states that the marketing strategy carried out by MSMEs has a positive effect on business development. The results of the SmartPLS 3.0 calculation, this shows that marketing strategy has a significant and positive effect on business development with a beta value of 0.571 and a t-value of 7.823. This means that the fourth hypothesis is supported.

Discussion and conclusion

The purpose of this study is to test and analyse the influence between variables, as well as test the role of mediating variables, namely business development of MSMEs. Market orientation has a negative role on business development, while marketing strategy, creative product innovation, and business

development have a positive role on marketing performance. Based on the discussion in this study, the conclusions that can be made are as follows: (1) stated that creative product innovation carried out by MSMEs has a positive effect on business development. (2) Stating that market orientation carried out by MSMEs has no effect on business development. (3) Stating that the marketing strategy carried out by MSMEs has a positive effect on business development. (4) Stating that business development carried out by MSMEs has an effect on marketing performance..

Implikasi Manajerial

The managerial implications of these findings include: first, product innovation and strategy have a positive and significant impact on SME business development. The theoretical implications can be explained that SMEs that apply innovation in their business activities will be able to encourage efforts to increase SME business development. Next, business development can encourage SME marketing performance, meaning that businesses that continue to grow are linear with SME marketing performance. Thus, in an effort to improve marketing performance can be done through business development such as expanding marketing areas and business productivity.

Limitations

The results of the study still have shortcomings, this is related to the use of indicators as a variable measuring tool, therefore for further research that discusses marketing performance research issues as measured by marketing strategy, creative product innovation, market orientation and business development to make the results even more perfect. The variables studied should be expanded in accordance with the development of theories related to marketing that discuss marketing performance issues. The author realises that the use of samples in this study still does not meet the criteria, therefore for further research related to similar problems to further increase the number of samples.

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