

## **The Impact of Creativity, Market Orientation, and Entrepreneurial Orientation on SME Marketing Performance: Investigating the Mediating Effect of Product Innovation**

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**Abstract.** This study investigates the influence of creativity, market orientation, and entrepreneurial orientation on the marketing performance of food and beverage SMEs in Dompu Regency, Indonesia, with product innovation as a mediator. Using a sample of 252 SMEs and structural equation modeling with partial least squares (PLS-SEM), the study finds that creativity, market orientation, and entrepreneurial orientation have significant positive effects on both product innovation and marketing performance. Product innovation also positively influences marketing performance and partially mediates the relationships between the three independent variables and marketing performance. The findings highlight the importance of fostering creativity, market orientation, and entrepreneurial orientation in SMEs to drive product innovation and enhance marketing performance. The study contributes to the literature by providing empirical evidence on the factors that shape SME performance in an emerging economy context and offers practical implications for SME managers and policymakers.

**Keywords:** Creativity, Market Orientation, Entrepreneurial Orientation, Marketing Performance, Product Innovation

## **1. Introduction**

Indonesian MSMEs are often featured in discussions about economic development. This is because most Indonesian business actors are micro, small, and medium enterprise owners. In Indonesia, MSMEs are regulated by Law No. 20/2008, which describes MSMEs as follows: "a small enterprise owned and managed by an individual or owned by a small group of people with a certain amount of wealth and income." The following are the wealth and income criteria in the law.

Based on Law No. 20/2008 on Micro, Small, and Medium Enterprises (MSMEs), the aim is to increase and improve businesses to build a national economy based on equitable economic democracy. In addition, the presence of MSMEs is also expected to increase Gross Domestic Product (GDP) which can increase the total value of objects and services produced by various business units in Indonesia.

In recent years, the number of MSME units has increased. Between 2010 and 2017, SME GDP more than doubled with a total of 62.9 million units spread across Indonesia. Almost 99.9 percent of Indonesian companies are SMEs. Besides GDP and business units, the investment value of SMEs also grew rapidly between 1999 and 2013, by 963 percent to be precise. As of 2018, the share of SMEs in total investment was 58.18 percent. These figures show the rapid development of SMEs in Indonesia. With a large number of SMEs, it is no wonder that SMEs are the backbone of Indonesia's economic development.

In the last five years, the share of Indonesian SMEs in GDP grew by 3.2 percent to 61 percent. This turns SMEs into a safety net and optimizes the economy because SMEs have a fast transaction process and the products produced are also closely related to the most important needs of most Indonesians.

West Nusa Tenggara is one of the provinces that have an industrialization program where the provincial government has several priority industrial programs such as the availability of raw materials, processing machines, packaging to marketing, to change the mindset of the community to continue to develop businesses in the industrial sector the government does so by providing stimulus from infrastructure to policies. During the Covid-19 pandemic in 2020, the provincial government launched social assistance in the form of a Social Safety Net (JPS) as a government effort to help fulfill the needs of underprivileged people and empower the local economy with packages distributed to the community in the form of products from SMEs and MSMEs in NTB and one of the areas that felt the program from the provincial government was Dompu Regency.

In the face of economic competition, the creativity of MSME players is the most superior opportunity in creating market opportunities. Therefore, the Dompu Regency government through the Office of Cooperatives and SMEs often organises education and training for the Small and Medium Enterprise Community (KUKM) where in some of these activities every MSME actor can find out the standards of business feasibility, sustainable business management and the importance of business legality with the aim that newly formed and old MSMEs can survive to continue developing their creativity. According to (Pretorius, Millard and Kruger, 2005) creativity must be required for entrepreneurial skills in order to achieve competitive advantage. Creativity is part of entrepreneurial skills because it is necessary to start a business in the organisation (Baldacchino, 2009).

Creativity also often produces ideas beyond the limits of what some people consider reasonable, but with the emergence of creativity in the form of such ideas, it generates a lot of profit and brings business to progress and develops. Creative thinking means that business people can expand ideas that are poured into a work that no one else has thought of. (Sya'roni and Sudirham, 2012) Creativity is a combination of different experiences to get new ideas or a combination of several different concepts and perspectives.

Besides creativity, to answer the growing business challenges, MSME players see market orientation as a need for business actors where they expect responsiveness from consumers for the products offered in other words they have targeted customers and effectiveness in satisfying customers such as participating in various events and fairs conducted by the government and other organizers. Business actors as much as possible see market opportunities for their products both through marketing

patterns and seeing market potential compared to competitors. Hasan (2010) says that market-oriented companies have many advantages, such as the ability to produce products or services that meet customer expectations, the ability to produce more efficiently than competitors and explain the differences in efficiency achieved in the industry, and can lead the industry to competitive advantages that can be maintained through internal and external activities. On the other hand, for Setiawan (2012), market orientation is defined as an industrial culture to optimise the performance of the marketing department. Changes that occur in external factors force the industry to innovate to be the best of its competitors. The marketing industry has an advantage in knowing the customer and this advantage can be utilised as a competitive advantage in producing products that satisfy the needs of the target market (Nurseto, 2015).

Customer satisfaction is one of the important points to be considered by all business actors. Satisfied customers can ultimately create the best testimonials for other consumers. Therefore, many business actors make innovations in terms of products, prices, styles, packaging and so on. However, the problems that hinder MSME players in Dompu, especially in innovating the products they create, experience several obstacles, especially in the packaging section, not a few MSME players who do not understand about different and attractive product packaging so that they can increase sales.

Business actors in their competition always make several breakthroughs such as innovating the products that will be marketed. Alma (2011) defines innovation as the skill to produce new combinations or see new ties between factors, information, and variables that have existed before. Kotler (2007: 36) states that product innovation is a combination of various types of processes related to one another. With product innovation, marketing performance faces an increase as indicated by an increase in sales turnover and expansion of the product's marketing area, AR Nursinggih and Faridah (2019).

Kotler and Armstrong (2004) explain that product innovation consists of characteristics in the form of product quality, product variability, and product style and design. Lukas and Ferrel (2000) reveal that product innovation can be classified into three types, namely product expansion, product imitation, and new products. Product extensions are products that are new to the market but often heard of in the industry. On the other hand, product imitation is the opposite of product expansion, it is a product that is considered new in the industry but often heard of in the market. Another case with a new product, which is a completely new product in the industry or market that has not existed before.

To see the success in the business undertaken by MSME actors, the products produced are as much as possible adjusted to customer demand by maintaining product quality, indirectly customers will continue to use the products produced by MSMEs, besides that, business actors as much as possible ensure that the products produced are in accordance with market demand and finished on time, therefore business actors see that for the success of a business in the business world, one of them is by looking at the extent of marketing performance that has been carried out. According to Bakti and Harun (2011), the success of an industry or organisation can be obtained from the activities of the marketing process evenly, which is the achievement of marketing performance. Not only that, a product produced by the industry can measure to what extent a concept used by management to improve marketing performance (Bakti and Harum, 2011). The aspect that is often used to measure the consequences of the strategies implemented by the industry is marketing performance (Ferdinand and Fitriani, 2015).

In addition to the problems that occur in the field (theoretical gap), there are also differences from the results of previous studies where research gaps can be explained in the following table.

Table 1. Research Gap of previous researchers

Variable	Researcher	Findings
Creativity to innovation	(Putra <i>et al.</i> , 2021; Dismawan, 2014; Anjaningrum & Sidi, 2018)	The higher the creativity the higher the innovation produced

	Sutapa et al., 2017	Creativity has no significant effect on innovation
Market orientation to performance	(Nursingih & Farida, 2019; Sari & Farida, 2020; Devara & Sulistyawati, 2019)	Market orientation has a positive effect on performance
	Priatin et al., 2017	Market orientation has no significant positive effect on marketing performance
Entrepreneurial orientation to performance	(Manahera et al., 2018; Yuni dan Munir, 2022; Santika, 2019)	entrepreneurial orientation has a positive and significant effect on marketing performance
	Hatta, 2015	entrepreneurial orientation is not significant to marketing performance

Source: Obtained by researcher 2023

Based on table 1. above, this study is based on the existence of a research gap in previous researchers. With the research conducted by (Putra et al., 2021; Dismawan, 2014) and supported (Dismawan, 2014), (Anjaningrum & Sidi, 2018) said that the higher the level of creativity, the greater the innovation produced. In contrast, research conducted by (Sutapa et al., 2017) found that creativity has no significant effect on innovation.

Based on the research gap described earlier, the questions in this study can be formulated by the researcher as follows;

1. How does Creativity affect Product Innovation in MSMEs in Dompu Regency?
2. How does Market Orientation affect Product Innovation in MSMEs in Dompu Regency?
3. How does Entrepreneurial Orientation affect product innovation in MSMEs in Dompu Regency?
4. How does Creativity affect Marketing Performance in MSMEs in Dompu Regency?
5. How does Market Orientation affect Marketing Performance in MSMEs in Dompu Regency?
6. How does Entrepreneurial Orientation affect marketing performance of MSMEs in Dompu Regency?
7. How does Product Innovation affect Marketing Performance in MSMEs in Dompu Regency?
8. How does Product Innovation Mediate Creativity on Marketing Performance in MSMEs in Dompu Regency?
9. How does Product Innovation mediate Market Orientation on Marketing Performance in MSMEs in Dompu Regency?
10. How Product Innovation Mediates Entrepreneurial Orientation on Marketing Performance in MSMEs in Dompu Regency

Then in research on market orientation on marketing performance conducted by (Nursingih & Farida, 2019; Sari & Farida, 2020), which is also supported by (Devara & Sulistyawati, 2019) which says market orientation has a positive effect on marketing performance. However, there are differences in the research results produced by (Priatin et al., 2017) saying that market orientation has no significant positive effect on marketing performance.

Furthermore, research on entrepreneurial orientation on marketing performance has been put forward by many researchers including (Manahera et al., 2018; Indah Yuni Astuti and Miftahul Munir, 2022) and also supported by research (Santika, 2019) which says that entrepreneurial orientation has a positive and significant effect on marketing performance. In contrast to research conducted (Hatta, 2015) which suggests that entrepreneurial orientation has a statistically insignificant effect on marketing

performance.

In determining the hypothesis of this study, the researchers are;

H1: Creativity has a positive effect on product innovation in MSMEs in Dompu Regency.

H2: Market Orientation has a positive effect on Product Innovation in MSMEs in Dompu Regency

H3: Entrepreneurial Orientation has a positive effect on Product Innovation in MSMEs in Dompu Regency

H4: Marketing Strategy has a positive effect on Marketing Performance in MSMEs in Dompu Regency

H5: Market Orientation has a positive effect on Marketing Performance in MSMEs in Dompu Regency

H6: Entrepreneurial Orientation has a positive effect on Marketing Performance in MSMEs in Dompu Regency

H7: Product Innovation has a positive effect on Marketing Performance in MSMEs in Dompu Regency

H8: Product Innovation mediates Creativity on Marketing Performance

H9: Product Innovation mediates Market Orientation on Marketing Performance

H10: Product Innovation Mediates Entrepreneurial Orientation on Marketing Performance

## **2. Literature Review**

### **2.1. RBV Theory**

The resource-based view (RBV) theory focuses more on the internal side of the company, namely on the resources owned by the company. Grant (1991) states the importance of resources and capabilities of the company. RBV assumes that each company has unique resource capabilities (Wernefelt, 1984). RBV states that a firm's resources and capabilities determine its competitive advantage and firms that enjoy superior capabilities compared to their competitors and the firm has a significant advantage over competitors. The firm's resources are the productive wealth that the firm has, then the firm's capabilities are the firm's ability to exploit resources efficiently, to produce products or develop services to achieve business objectives (Peteraf, 1993; (Russo & Fouts, 1997; Raphael & Schoemaker, 1993).

### **2.2. Dynamic Capability Theory**

Dynamic capabilities view the firm as an inventory for productive knowledge generation (Easterby & Prieto, 2008). In this perspective, dynamic capabilities build on the legacy of theories derived from the resource-based view of the firm (Barney, 1991). According to the resource-based view of the firm, a firm's competitive advantage depends on heterogeneous resources spread throughout the organization. Compared to the resource-based view theory that views resources as static, dynamic capabilities emphasize the role of resources in the context of change, Teece et al. (1997) and the firm's ability to reconfigure its resources while leveraging them (Helfat & Peteraf, 2003).

### **2.3. Creativity**

Many academics agree that the term creative is associated with novelty and usefulness, where a product must have these two characteristics to qualify as creative. Therefore, if a product is original and unique but not useful to society or something useful but not innovative, it cannot be said to be creative (Piffer, 2012).

The long-term survival of a company in a competitive market depends on how well the company realizes its creative ideas in products that are able to meet changing customer needs and expectations (Im et al., 2013). Tremblay (2011) suggests that creativity is related to the ability of individuals or groups to create, discover or imagine something new. It is clarified by Romli (2019) that creativity is related to the ability to create ideas or ideas. Creativity is still in the form of ideas, not yet in the form

of products. However, if creativity is realized in the form of a product, then the product can be called the result of innovation. According to Ernawati and Kurniawati (2020) product creativity can be applied by creating new ideas or existing ideas that are then updated and can come from other sources so that product creativity can be used as a strategy to maintain the market and maintain the company's competitive advantage.

Some of the literature mentioned above, it can be concluded that creativity is the ability to create and develop ideas that are unique, original and different from competitors by adding some new product features for example to meet consumer needs and expectations. This means that companies must find new ideas that will be implemented to see the marketing performance of a company.

## **2.4. Market Orientation**

Market orientation is a fundamental phenomenon in the measurement of marketing operations over the past two decades (Ladipo et al., 2016; Sombultawee and Boon-itt, 2018). Market orientation reflects a company's culture by striving to create superior customer value and exploring market trends to provide greater benefits to customers (Mamun et al., 2018). Market orientation sets some norms regarding information collection and broad organizational responsiveness to information related to customers (potential and actual) so that companies can get ahead of competitors in market analysis and react to their needs (Ghorbani et al., 2014). The impact of a market-oriented company is to have a good competitive advantage in helping to understand customer preferences and competitor strategies as well as changes in the overall market scenario so that the company can differentiate, design, position and improve its products and services by creating value for customers (Zaman Khan et al., 2016).

## **2.5. Entrepreneurial Orientation**

The link between entrepreneurial orientation and Resource-Based View (RBV) theory with is an applied theory of strategic human resources management that can be used to develop models and enable prediction and understanding of the influence of resource practices on organizational functions that create a thought that develops in the theory of strategic management and competitive advantage of companies that believe that companies will achieve excellence if they have superior resources. With superior resources the company is able to carry out any business strategy, which ultimately brings the company to have a competitive advantage.

## **2.6. Product Innovation**

The link between RBV (Resource-Based View) theory and innovation which explains that the fewer resources needed in the organization, the more likely the organization will look for ways to overcome this weakness by looking for external experts (outsource) so that internal resources are needed consisting of physical resources, including all plant and equipment, locations, systems and technology, raw materials and machinery, human resources including all employees, training, experience, intelligence and abilities and organizational resources including corporate structure, planning processes and corporate strategy so that it has a big influence on encouraging higher SME innovation to produce innovative and creative products. The results of this study corroborate the results of Ghorbani's research (2013) arguing that innovation can affect the success of new products and have a positive impact from market orientation elements on the success of new products. And also supported by Dewi's research (2006) states that the product is used as a source of competitive advantage. The same research results are also stated by Supranoto (2009) and Ginanjar (2010) that the company's ability to continue to innovate its products will keep the product in accordance with customer wants and needs. Product innovation is basically to meet market demand so that product innovation is one that can be used as a competitive advantage for companies.

## **2.7. Marketing Performance**

The Resource Based View (RBV) analyzes and interprets organizational resources to understand

how organizations achieve sustainable competitive advantage. RBV focuses on the concept of hard-to-imitate firm attributes as the source of superior performance and competitive advantage (Miller, 2019). Resources that cannot be easily transferred or purchased, which require an extended learning curve or major changes in organizational climate and culture, are more likely to be unique to the organization and, therefore, more difficult for competitors to imitate.

According to Collins (2021), the performance of companies depends on their ownership of unique inputs and capabilities. The purpose of this model is to find and identify the characteristics of the company to become an element that enhances the superior competitiveness of the company. To win the market, the company must develop potential, capabilities, and performance to increase market value.

### **3. Research Methods**

#### **3.1 Data collection and preparation**

Population is a generalization area consisting of objects/subjects that have certain qualities and characteristics that are formalized by researchers to study and after that draw the end (Sutiyatno, 2017). The population in this research was 730 taken from MSMEs located in 6 sub-districts in Dompu Regency. The sampling technique in this study also uses purposive proportional random sampling, where purposive sampling is one of the sampling techniques by taking certain considerations (Sugiyono, 2012). The criteria for determining the sampling steps in determining the subjects of this study are:

1. Determining the area to be used as a research site with consideration, in this case, researchers used 6 sub-districts from 8 sub-districts in Dompu Regency.
2. The subjects in this study are MSME actors in the food and beverage business sector who are still active, totaling 252 MSMEs.

A questionnaire is a method of collecting information, where researchers ask respondents questions using a questionnaire. Questionnaires are more popular in research than other types of instruments because using this method can collect more data/information in a relatively short time and at a lower cost. The objectives of using questionnaires in research are: (a) to obtain data that are more relevant to the research objectives; and (b) to collect data with greater reliability and validity. The questionnaire should be based on the research case and objectives or the research problem. Not only that, but it also needs to be efficient and take into account the cost, time, and method of analysis (Diamond, 2016). For Rowley (2014) through questionnaires, respondents are asked to respond to questions about reality, behavior, beliefs, attitudes, and experiences as employees. The effectiveness of the use of questionnaire instruments is to be able to obtain a large number of assumptions, especially in hard-to-reach positions, to profile and map the sample.

The questionnaire used to obtain information from respondents uses a choice where the researcher asks the respondent to choose one answer that has been determined by an alternative Likert scale. At this stage where researchers ask respondents to choose or determine the attitudes, opinions and perceptions of a person or group about social phenomena that occur. Research hypothesis testing was carried out with a Structural Equation Model (SEM) approach based on Partial Least Square (PLS). PLS is a structural equation model (SEM) based on components or variants. Structural Equation Model (SEM) is one of the fields of statistical studies that can test a series of relationships that are relatively difficult to measure simultaneously. According to Santoso (2014) SEM is a multivariate analysis technique which is a combination of factor analysis and regression analysis (correlation), which aims to test the relationship between variables in a model, be it between indicators and their constructs, or the relationship between constructs.

According to Latan and Ghazali (2012), PLS is an alternative approach that shifts from a covariance-based SEM approach to a variant-based one. Covariance-based SEM generally tests causality or theory while PLS is a more predictive model. However, there is a difference between covariance-based SEM and component-based PLS in the use of structural equation models to test theory

or theory development for predictive purposes.

The analysis technique in this study uses the PLS technique which is carried out in two stages, namely:

1. The first stage is to test the measurement model, namely testing the construct validity and reliability of each indicator.
2. The second stage is to test the structural model which aims to determine whether there is an influence between variables/correlation between the constructs measured using the t-test from PLS itself.

Fig. 1: Sample Calculation

### 3.2 Measurement (Outer) Model

This study uses a questionnaire to collect research data. To determine the level of validity and reliability of the questionnaire, researchers used the SmartPLS 3.0 program. The validity testing procedure is convergent validity, namely by correlating the item score (component score) with the construct score which then produces a loading factor value. The loading factor value is said to be high if the component or indicator correlates more than 0.70 with the construct to be measured. However, for early-stage research from development, a loading factor of 0.5 to 0.6 is considered sufficient (Chin, 1998; Ghozali, 2008).

Reliability states the extent to which the results or measurements can be trusted or reliable and provide relatively consistent measurement results after several measurements. To measure the level of reliability of the research variables, the alpha coefficient or Cronbachs alpha and composite reliability are used. Measurement items are said to be reliable if they have an alpha coefficient value greater than 0.6 (Malhotra, 1996).

The purpose of the structural model test is to see the correlation between the measured constructs which is the t test of partial least square itself. Structural or inner models can be measured by looking at the R-Square value of the model which shows how much influence between variables in the model. Then the next step is the estimation of the path coefficient which is the estimated value for the path relationship in the structural model obtained by the bootstrapping procedure with a value that is considered significant if the t statistical value is greater than 1.96 (significance level 5%) or greater than 1.65 (significance level 10%) for each path relationship.

PLS is a powerful analytical method because it is not based on many assumptions (Wold, 1985). Data does not have to be multivariate normally distributed (indicators with theoretical, ordinal, interval to ratio scales are used in the same model), and the sample does not have to be large. In addition to being used to confirm theory, PLS can also be used to explain whether there is a relationship between latent variables. Because it focuses more on data and with limited estimation procedures, model misspecification has little effect on parameter estimates. PLS can analyze the same time constructs formed with reflexive indicators and formative indicators, and this is not possible in covariance-based SEM because there will be an unidentified model (Latan and Ghazali, 2012). Here are some reasons for using PLS in this study:

- a. The PLS algorithm is not limited to the relationship between indicators and latent constructs that are reflective, but the PLS algorithm is also used for formative relationships.
- b. PLS can be used to estimate the path model
- c. PLS can be used for very complex models consisting of many latent and manifest variables



without experiencing problems in data estimation.

d. PLS can be used when the data distribution is very skewed or not spread across the mean values.

e. PLS can be used to calculate moderator variables directly, because this study itself consists of 1 moderator variable.

## 4. Data Analysis and Results

### 4.1 Research Instrument Testing

Testing of research instruments is carried out by evaluating the outer model measurement model to determine the specification of the relationship between latent variables and their manifest variables, this test includes convergent validity, discriminate validity, composite reliability, and Chronbach alpha.

Convergent validity of the measurement model with reflective indicators can be seen from the correlation between the item score and the construct score. Individual indicators are considered valid if they have a correlation value above 0.70. However, in scale development stage research, loading of 0.50 to 0.60 is still acceptable (Ghozali & Latan, 2015). In this study, an outer loading/loading factor limit of  $> 0.70$  will be used. The following presents the results of outer loading for each indicator in each exogenous and endogenous latent variable.

Table 2. Hasil Outer Loading

Variable Indicators	Outer Loadings	T Statistics ( O/STDEV )	P Values	Decision
X1.1 <- Creativity	0.922	81.113	0.000	Accepted
X1.2 <- Creativity	0.859	42.749	0.000	Accepted
X1.3 <- Creativity	0.860	43.876	0.000	Accepted
X1.4 <- Creativity	0.864	49.574	0.000	Accepted
X2.1 <- Market Orientation	0.871	47.622	0.000	Accepted
X2.2 <- Market Orientation	0.902	66.801	0.000	Accepted
X2.3 <- Market Orientation	0.855	40.173	0.000	Accepted
X3.1 <- Entrepreneurial Orientation	0.874	48.488	0.000	Accepted
X3.2 <- Entrepreneurial Orientation	0.859	33.752	0.000	Accepted
X3.3 <- Entrepreneurial Orientation	0.897	74.180	0.000	Accepted
X3.4 <- Entrepreneurial Orientation	0.883	59.777	0.000	Accepted
X3.5 <- Entrepreneurial Orientation	0.815	36.706	0.000	Accepted
Z1 <- Product Innovation	0.884	41.816	0.000	Accepted
Z2 <- Product Innovation	0.872	40.436	0.000	Accepted
Z3 <- Product Innovation	0.860	46.858	0.000	Accepted
Y1 <- Marketing Performance	0.913	55.822	0.000	Accepted
Y3 <- Marketing Performance	0.877	37.507	0.000	Accepted
Y4 <- Marketing Performance	0.904	47.981	0.000	Accepted

Source: Data processing, 2023

The processing results using Smart PLS v.3.2.9 can be seen in table 2. It is known that all outer loading values or correlations between constructs and variables consisting of Creativity (X1), Market

Orientation (X2), Entrepreneurial Orientation (X3), Product Orientation (Z), and Marketing Performance (Y) have met convergent validity because they have an outer loading/loading factor value  $> 0.70$ , the conclusion is that the constructs for all variables are valid and can be used to test the hypothesis.

Validity testing for reflective indicators uses the correlation between the item score and the construct score. Measurement with reflective indicators indicates a change in an indicator in a construct if other indicators in the same construct change (or are removed from the model). Reflective indicators are suitable for measuring perceptions, so this study uses reflective indicators. Indicators that have an outer loading value of more than 0.7 are classified as a good validity category which indicates that the relationship between the indicator and the construct is good and acceptable. The outer loading value of each indicator on its construct can be seen in the following figure,

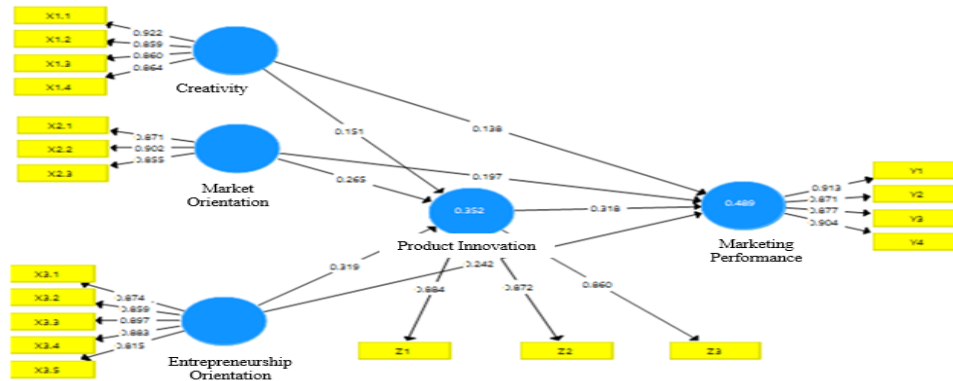


Fig.2: Outer Model (Smart PLS v 3.2.9)  
(Source: Data processed, 2023)

Table 3. Adjusted R Square ( $R^2$ )

	R Square	R Square Adjusted
Product Innovation (Z)	0,352	0,344
Marketing Performance (y)	0,489	0,480

Source: Questionnaire data processed, 2023

In table 3. above, it can be seen that the Adjusted R-Square value of the endogenous latent variable Product Innovation (Z) obtained is 0.344 or 34.4% which is included in the weak classification. These results indicate that Creativity (X1), Market Orientation (X2), and Entrepreneurial Orientation (X3) have an influence of 34.4% on Product Innovation (Z), while as much as (1-R-Square) 65.6% of the rest is the contribution of the influence given by other factors not examined.

Furthermore, the Adjusted R-Square value of the endogenous latent variable Marketing Performance (Y) obtained is 0.480 or 48.0% which is included in the moderate classification. These results indicate that Creativity (X1), Market Orientation (X2), Entrepreneurial Orientation (X3), and Product Innovation (Z) together have an influence of 48.0% on Marketing Performance (Y), while as much as (1-R-Square) 52.0% of the rest is the contribution of the influence given by other factors not examined.

Table 4. F Square ( $F^2$ )

	Product Innovation	Marketing Performance
Product Innovation		0,128
Marketing Performance		
Creativity	0,028	0,029
Market Orientation	0,077	0,050
Entrepreneurial Orientation	0,103	0,068

Source: Data processing, 2023

Based on the results of data analysis, the Effect Size ( $f^2$ ) value in table 4.17 shows that the creativity, marketing orientation, and entrepreneurial orientation variables have a small Effect Size ( $f^2$ ) on Marketing Performance with a value of 0.029, 0.050, and 0.068 so that it can be categorized as a weak influence on predictor latent variables (exogenous latent variables) at the structural level.

The product innovation variable on marketing performance has an Effect Size ( $f^2$ ) value of 0.128, while creativity, market orientation, and entrepreneurial orientation have Effect Size ( $f^2$ ) values of 0.428, 0.077, and 0.103 on product innovation, meaning that it is categorized as a sufficient influence of predictor latent variables (exogenous latent variables) at the structural level.

The  $Q^2$  (predictive relevance) value is used to measure how well the model produces observed values and parameter estimates. A  $Q^2$  value greater than 0 indicates the model has predictive significance, while less than 0 indicates the model has no predictive significance (Ghozali & Latan, 2015). As mentioned in (Hair et al., 2018) the interpretation value of  $Q^2$  is 0 (low influence); 0.25 (moderate influence), and 0.50 (high influence). The results of the  $Q^2$  Predictive Relevance calculation are presented in the following table

Tabel 5.  $Q^2$  Predictive Relevance

	$Q^2 (=1-SSE/SSO)$
Product Innovation	0,250
Marketing Performance	0,341

Source: Smart PLS3, 2023

Based on the processing results above, the overall model has a prediction significance with a  $Q^2$  value > 0, which consists of the Product Innovation variable (Z) is 0.250 equal to the interpretation value of 0.25 (moderate prediction accuracy); and Marketing Performance (Y) 0.341 > 0.25 (moderate prediction accuracy).

Goodness of Fit (GOF) aims to measure the overall fit evaluation of the model, according to the recommended criteria. The GoF Index is calculated from the square root of the average communality index and average R-Square values. The GoF value ranges from 1-0 with the interpretation of this value being 0.1 (low GoF), 0.25 (medium GoF), and 0.36 (high GoF) (Yamin, 2021). The Goodness of Fit (GOF) model can be seen through the quality index in the following table

Table 6. Quality Index

Mean index	communality	Average R-square	GoF Index	Description
0,470		0,412	0,440	High

Source: Data processing, 2023

Based on the table above, it shows the results of the calculation of the GoF value resulting in a GoF value of 0.440 including the high GoF category. So it can be interpreted that the empirical data can explain the measurement model and structural model with a high level of fit.

(Hair et al., 2018) state that PLS is an SEM analysis with predictive purposes. Therefore, it is necessary to develop a measure of model validation to show how good the predictive power of the proposed model is. PLS Predict works as a form of validation of the strength of the PLS prediction test. To show that the PLS results have a good measure of predictive power, it needs to be compared with the basic model, namely the linear regression model (LM). The PLS model is said to have predictive power if the RMSE (Root Mean Square Error) or MAE (Mean Absolute Error) size of the model is lower than the linear regression model.

- 1) If all PLS model measurement items have lower RMSE and MAE values than the linear regression model, the PLS model has high predictive power.
- 2) If most of it has medium predictive power.

The following are the results of PLS predictions in this study

Tabel 7. PLS Predict

Variable	Indicator	PLS		LM	
		RMSE	MAE	RMSE	MAE
Product Innovation	Z1	0,599	0,421	0,614	0,430
	Z2	0,624	0,463	0,642	0,472

(Z)	Z3	0,568	0,419	0,592	0,424
	Y1	0,464	0,361	0,469	0,369
	Y2	0,469	0,368	0,480	0,378
	Y3	0,469	0,359	0,482	0,376
	Y4	0,449	0,349	0,452	0,354

Sumber: Data diolah, 2023

Based on the processing results of 7 observations of the RMSE and MAE values, the overall measurement of the PLS model with RMSE and MAE values is lower than the LM (linear regression) model. This shows that the proposed PLS model has high predictive power.

## 4.2 Hypothesis Testing

To determine the influence between variables, the bootstrapping method is used. The bootstrapping approach represents a nonparametric for the precision of the estimate. In the PLS method, the decision to accept or reject a hypothesis is based on the significance value (P Value), and the T - table value. In the SmartPLS application, the significance value can be found by looking at the parameter coefficient value and the significance value of the t statistic. The criteria for accepting or rejecting a hypothesis is if the significance value of t-value > 1.96 and or p-value < 0.05 at the 5% significance level ( $\alpha$  5%) then  $H_a$  is accepted and  $H_o$  is rejected, otherwise if the t-value < 1.96 and or p-value > 0.05 at the 5% significance level ( $\alpha$  5%) then  $H_a$  is rejected and  $H_o$  is accepted. The following are the results of hypothesis testing obtained in the study through path coefficients in SmartPLS output.

Table 8. Hypothesis Testing

Direct Effect	Original Sample (O)	T Statistics ( O/STDEV )	P Values
Creativity -> Product Innovation	0,151	2,244	0,025
Market Orientation -> Product Innovation	0,265	3,201	0,001
Entrepreneurial Orientation -> Product Innovation	0,319	3,832	0,000
Creativity -> Marketing Performance	0,138	2,144	0,033
Market Orientation -> Marketing Performance	0,197	2,450	0,015
Entrepreneurial Orientation -> Marketing Performance	0,242	3,568	0,000
Product Innovation -> Marketing Performance	0,318	2,768	0,006
Indirect Effect	Original Sample (O)	T Statistics ( O/STDEV )	P Values
Creativity -> Product Innovation -> Marketing Performance	0,048	2,085	0,038
Market Orientation -> Product Innovation -> Marketing Performance	0,084	2,331	0,020
Entrepreneurial Orientation -> Product Innovation -> Marketing Performance	0,102	1,968	0,050

Source: Data processing, 2023

Description:

a. H1: There is a positive and significant influence between creativity on product innovation in MSMEs in Dompu Regency. Based on table 4.21, it is explained that the path coefficient is 0.151 with a p-value of 0.025 < 0.05 and a t statistic of 2.244 > 1.96. Thus, H1 is accepted. This shows that there is a positive and significant influence between creativity on product innovation. This means that the better the creativity, the more product innovation can be improved.

b. H2: There is a positive and significant influence between Market Orientation on product

innovation in MSMEs in Dompu Regency. Based on table 4.21, it is explained that the path coefficient is 0.265 with a P value of  $0.001 < 0.05$  and t statistics of  $3.201 > 1.96$ . Thus H2 is accepted. This shows that there is a positive and significant influence between Market Orientation on product innovation. That is, the better the Market Orientation, the better the product innovation.

c. H3: There is a positive and significant influence between Entrepreneurial Orientation on product innovation in MSMEs in Dompu Regency. Based on table 4.21, it is explained that the path coefficient is 0.319 with a P value of  $0.000 < 0.05$  and t statistics of  $3.832 > 1.96$ . Thus H3 is accepted. This shows that there is a positive and significant influence between Entrepreneurial Orientation on product innovation. This means that the better the Entrepreneurial Orientation, the better the product innovation.

d. H4: There is a positive and significant influence between creativity on Marketing Performance in MSMEs in Dompu Regency. Based on table 4.21, it is explained that the path coefficient is 0.138 with a p-value of  $0.033 < 0.05$  and t statistics  $2.144 > 1.96$ . Thus, H4 is accepted. This shows that there is a positive and significant influence between creativity on Marketing Performance. This means that the better the creativity, the better the Marketing Performance.

e. H5: There is a positive and significant influence between Market Orientation (X2) on Marketing Performance in MSMEs in Dompu Regency. Based on table 4.21, it is explained that the path coefficient is 0.197 with a P value of  $0.015 < 0.05$  and t statistics  $2.450 > 1.96$ . Thus H5 is accepted. This shows that there is a positive and significant influence between Market Orientation on Marketing Performance. This means that the better the Market Orientation, the better the Marketing Performance.

f. H6: There is a positive and significant influence between Entrepreneurial Orientation on Marketing Performance in MSMEs in Dompu Regency. Based on table 4.21, it is explained that the path coefficient is 0.242 with a P value of  $0.000 < 0.05$  and a t statistic of  $3.568 > 1.96$ . Thus H6 is accepted. This shows that there is a positive and significant influence between Entrepreneurial Orientation on Marketing Performance. This means that the better the Entrepreneurial Orientation, the better the Marketing Performance.

g. H7: There is a positive and significant influence between product innovation on Marketing Performance in MSMEs in Dompu Regency. Based on table 4.21, it is explained that the path coefficient is 0.318 with a P value of  $0.006 < 0.05$  and t statistics  $2.768 > 1.96$ . Thus H7 is accepted. This shows that there is a positive and significant influence between product innovation on Marketing Performance. This means that the better the product innovation, the better the marketing performance.

h. H8: Product innovation mediates creativity on marketing performance in MSMEs in Dompu Regency. Based on table 4.21, it is explained that the Indirect coefficient is 0.048 with a p-value of  $0.038 < 0.05$  and t statistics  $2.085 > 1.96$ . Thus, H8 is accepted. This shows that product innovation can mediate creativity in marketing performance. This means that better creativity can increase product innovation which in turn will be able to improve marketing performance.

i. H9: Product innovation mediates market orientation on marketing performance in MSMEs in Dompu Regency. Based on table 4.21, it is explained that the Indirect coefficient is 0.084 with a p-value of  $0.020 < 0.05$  and t statistics  $2.331 > 1.96$ . Thus, H9 is accepted. This shows that product innovation can mediate market orientation on marketing performance. This means that a better market orientation can increase product innovation which in turn will be able to improve marketing performance.

j. H10: Product innovation mediates entrepreneurial orientation on marketing performance in MSMEs in Dompu Regency. Based on table 4.21, it is explained that the Indirect coefficient is 0.102 with a p-value of  $0.050 < 0.05$  and t statistics  $1.968 > 1.96$ . Thus, H10 is accepted. This shows that product innovation can mediate entrepreneurial orientation on marketing performance. This means that a better entrepreneurial orientation can improve marketing performance.

## 5. Discussion

### 5.1 Hypothesis 1 Creativity has a positive effect on product innovation in MSMEs in Dompu Regency

The results of this study indicate that the creativity of entrepreneurs and their supporting human resources is following the statement given by Fellers and Bostrom in Bake (2004) with the 4P concept, namely, creativity is formed by (1) product, (2) process, (3) person (individual, group and organizational behavior) and (4) press (an environment where the four factors influence each other significantly). That is, without the creativity of entrepreneurs and supporting human resources, product innovation will not be realized. Entrepreneurs' creativity efforts can affect product innovation in the form of improvement. Research in line with this research has been conducted by (Sitohang, 2018); Hubeis (2005), and Dul & Ceylan (2014), which states that there is a positive and significant influence between the level of creativity and product innovation in MSMEs. These studies prove that a high level of creativity in MSMEs will produce product innovations that can increase sales differentiation in MSMEs. Likewise, research conducted by Subin et al. (2012), Dul & Ceylan, (2014), Çokpekin & Knudsen (2012), Kwon, et al (2014), Valaei & Rezaei (2017) also suggest the same thing.

### 5.2 Hypothesis 2 market orientation has a positive effect on product innovation in MSMEs in Dompu Regency

By continuously monitoring and understanding market dynamics, Dompu MSME players become more sensitive to change. This is following the OP7 indicator index of 4.19 regarding heartfelt attention to consumers. Changes may include new technological developments, industry trends, policy changes, or changes in customer preferences. A strong market orientation allows MSME players to identify these changes faster and more accurately. With a deep understanding of customer needs and market changes, MSMEs can identify innovation opportunities accordingly. They can see where there is a gap between what the market offers and what customers want. This is the point where innovation can happen. MSMEs can design products or services that meet these needs.

The market orientation advantage is the ability of Dompu district MSMEs to respond quickly to opportunities and changes in the market. They can adapt their products, introduce new features, or develop entirely new products more quickly than competitors. This allows them to stay relevant and compete in a fast-changing business environment. This is reflected in the OP9 indicator index where they have a strategy used to deal with consumer wants which has a value of 4.28. Innovations based on a deep understanding of customer needs tend to result in more relevant and satisfying products. This increases customer satisfaction and can result in higher customer loyalty.

Research that supports this research (Renita Helia, Naili Farida, 2015); (Zidni Syukron, 2016) states that market orientation has a positive effect on product innovation. Where MSMEs that have a strong market orientation and the ability to identify innovation opportunities have a competitive advantage. They can take over market share with better products according to customer demand. As well as the results of research conducted by Boso et al (2012), Lukas & Ferrell (2000), Zhang & Duan, (2010), Frishammar & Hörte (2013), Matanda (2011), Suliyanto (2012) which provide similar results.

### 5.3 Hypothesis 3 Entrepreneurial Orientation has a positive effect on Product Innovation in MSMEs in Dompu Regency.

Entrepreneurial orientation encourages MSMEs to actively seek new business opportunities. The entrepreneurial spirit makes Dompu district MSME owners constantly monitor markets, trends, and customer needs to identify opportunities for innovation. They think about how to fill gaps in the market or how to create products that do not yet exist. This is what triggers the product innovation process. This condition can be assessed from the indicator index of paying attention to and making changes to any criticism and suggestions from customers (OK8) of 4.19.

MSMEs with an entrepreneurial orientation are also aware of the strong competition in the market. They know that to compete, they need to offer better or more unique products. This becomes a trigger

to continuously improve their products through innovation. The indicator index that shows this condition is OK9, which can produce products that are different from other products on the market, which has a score of 4.20.

Research that supports the results of this study (Zidni Syukron, 2016); Baker & Sinkula (2009); where entrepreneurial orientation is a creative and innovative ability that is used as a basis, and resource to seek opportunities for success (Weerawerdeena, 2003) which suggests that entrepreneurial orientation applied by MSMEs, where they can think proactively by recognizing opportunities and creating innovations, daring to take risks, having business experience in entrepreneurial activities, being able to be anticipatory of all changes, and being able to change according to customer desires. Research conducted by Boso et al (2012), Thoumrungroje & Racela (2013), Frishammar & Hörte (2013), and Matanda, (2011) is a parallel study where respondents assess the entrepreneurial orientation of MSMEs in Dompu Regency as high, through the ability of MSMEs to take risks, be able to change according to customer desires, cope with or anticipate all changes, recognize opportunities to innovate, and have experience in entrepreneurship.

#### **5.4 Hypothesis 4 creativity has a positive effect on Marketing Performance in MSMEs in Dompu Regency.**

Creativity can help MSMEs to differentiate themselves from competitors in the market. With the ability to innovate and think creatively, MSMEs can offer more interesting, relevant, or unique products or services. This can attract the attention of customers and help MSMEs compete better in a competitive business environment, which when seen from the KP9 indicator index, namely Ensuring that products are produced according to market demand and completed on time, is 4.31.

Creativity can also help in developing more effective marketing strategies. This can be observed from the average length of business in Dompu district MSMEs of more than 3-5 years, which has the highest percentage at 56%. Creative MSME players tend to be better at designing attractive marketing campaigns, creating unique content, and utilizing various marketing channels in innovative ways, which can be assessed from the KP11 indicator index of 4.27, namely that Dompu district MSMEs can make good use of social media for marketing purposes.

Research that supports this research is Wu et al (2012), Ribeiro et al (2018), Chang, et al (2014), Chae & Choi (2018), and Suh, (2010) Where agree that creativity can also help MSMEs understand customer needs and preferences. By generating relevant and interesting ideas, MSMEs can increase customer response to their products or services. Creativity allows MSMEs to better respond to changes in customer needs.

#### **5.5 Hypothesis 5 Market Orientation has a positive effect on Marketing Performance in MSMEs in Dompu Regency.**

When MSMEs have a strong market orientation, they tend to be better at designing marketing strategies that match customer needs and wants, reflected in the index of indicator OP9 which has a score of 4.28, i.e. they have strategies used to deal with consumer wants. They can offer more relevant products or services, design more effective promotional campaigns, and plan distribution that better suits the target market.

Market orientation helps MSMEs identify and categorize customers into appropriate market segments. Thus, they can present more focused and relevant offerings to each segment, which contributes to increased sales and overall marketing performance as seen in the indicator index KP5, There is an increase in profit from year to year with a score of 4.27 and KP4 of 4.31, namely The results of product sales can provide net profit in the business, both of which support the indicator index OP9.

With a strong market orientation, MSMEs can respond to changes in customer needs or changes in the market faster and more precisely. This means that they can be more flexible in adjusting their marketing strategies according to market dynamics, reflected in the indicator index KP10 i.e. Able to create innovations in product marketing of 4.25 which is closely related to the indicator index OP07 i.e.

Giving heartfelt attention to consumers and OP8 i.e. Our business is oriented towards customer needs with scores of 4.19 and 4.17 respectively.

The findings emphasize the importance of a strong market orientation in improving the marketing performance of MSMEs. It helps MSMEs to better meet customer needs, build strong brands, and improve the effectiveness of their marketing strategies. Supporting research (Devara & Sulistyawati, 2019); (Israwati et al., 2023); (Amrulloh, 2017) (Methasari et al., 2018); (Alrubaiee, 2013); (Khamaludin et al., 2021) and also in research conducted by Bamfo & Kraa (2019), Keskin (2006), Fatikha & Sumiati (2021), Aziz & Yassin (2010), Veidal & Korneliussen (2013) which provide similar findings.

### **5.6 Hypothesis 6 Entrepreneurial Orientation has a positive effect on Marketing Performance in MSMEs in Dompu Regency.**

MSMEs with a strong entrepreneurial orientation tend to be better at identifying new business opportunities in the market. They actively look for gaps and opportunities that can be utilized to create added value, which is reflected in the OK9 indicator index, namely being able to produce products that are different from other products in the market, which has a score of 4.20. This indicator index, when juxtaposed with KP10, which has a score of 4.25 where they can create innovations in product marketing, they will be able to create profits that exceed the initial capital that has been spent before KP6 with an index value of 4.27.

Entrepreneurial orientation also often includes a spirit of innovation. Innovative MSMEs tend to create products or services that are more attractive to customers. This can increase the attractiveness and effectiveness of marketing by responding to changes in the business and market environment by being more flexible in adapting their marketing strategies according to changing customer needs or market trends. Thus, a strong entrepreneurial orientation in MSMEs provides a solid foundation for achieving better marketing performance. It helps MSMEs to be more effective in identifying opportunities, innovating in marketing, and responding to market changes, which in turn improves their competitiveness and overall marketing performance.

Research that supports (Manahera et al., 2018); (Sari & Farida, 2020); (Rompis et al., 2022); (Zaini et al., 2014); (Keh et al., 2007) which suggests that there is a positive and significant effect of entrepreneurial orientation on marketing performance. Likewise, research conducted by Aldakhil & Kaswuri (2016), Keh, et al (2007), Fatikha & Sumiati (2021), Veidal & Korneliussen (2013), Kraus et al (2011).

### **5.7 Hypothesis 7 Product Innovation has a positive effect on Marketing Performance in MSMEs in Dompu Regency**

Product innovation can provide a competitive advantage for MSMEs. Innovative products tend to attract customer attention and make MSMEs stand out in the market. This can be seen from the index of indicators IP07 and IP08, namely Having innovations in terms of packaging so that products look more attractive and Having packaging that is different from other businesses, which have a score of 4.26 and 4.34 respectively. This can lead to increased sales and expansion of market share as seen from KP2, namely, Customers have increased from year to year which also has a score of 4.25.

Product innovation often creates a positive impression in the eyes of customers, thus increasing customer satisfaction. Customers tend to feel more satisfied when they have access to better or more innovative products. This can contribute to customer retention and positive recommendations. MSMEs that innovate tend to be better at responding to changes in customer needs and preferences, as well as in responding to changes in market trends. The ability to quickly customize products can increase the effectiveness of marketing campaigns. This can be found in the KP12 indicator index where they have their platform in terms of product marketing (having an online store) with a score of 4.31.

Research that supports this research is (Aksoy, 2017); (Yalcinkaya et al., 2007); (Sharma et al., 2016); (Pattipeilohy, 2018); (Devara & Sulistyawati, 2019) This research highlights the importance of



product innovation in improving MSME marketing performance. Product innovation provides opportunities to attract customer attention, expand market share, build strong brands, and increase customer satisfaction, all of which contribute to better marketing performance. The same results are also shown in the research of Thoumrungroje & Racela (2013), Visnjic et al (2014), Frishammar & Hörte (2013), Sharma et al (2016) Suliyanto (2012) who found similar results.

### **5.8 Hypothesis 8 Product Innovation mediates Creativity on Marketing Performance**

Product innovation creating different or better products that suit customer needs will tend to increase customer satisfaction. which in turn makes MSMEs more attractive to customers. Satisfied customers tend to be more loyal and provide positive recommendations, which contributes to better marketing performance This can result in increased sales and expansion of market share. The results show that the positive effect of creativity on marketing performance is mostly channeled through product innovation. In other words, creativity triggers product innovation, which in turn improves the marketing performance of MSMEs. This finding highlights the importance of product innovation as an intermediary between creativity and marketing performance this was also found by (Napisah, 2022). This suggests that MSMEs that encourage creativity in their marketing can improve marketing performance by implementing relevant and effective product innovations.

### **5.9 Hypothesis 9 Product Innovation mediates Market Orientation to Marketing Performance**

Based on the table above, it is explained that the Indirect coefficient is 0.091 with a p-value of  $0.015 < 0.05$  and t statistics  $2.443 > 1.96$ . The results showed that Product Innovation mediates the relationship between Market Orientation and Marketing Performance in MSMEs in Dompu Regency. In this conceptual framework, mediation refers to the role of product innovation as an intermediary between market orientation and marketing performance. The results of previous research show that there is a positive relationship between market orientation and marketing performance. In this context, the positive relationship indicates that the stronger the market orientation possessed by MSMEs, the better their marketing performance. The research findings show that product innovation plays a mediating role between market orientation and marketing performance. This means that a strong market orientation stimulates the development of product innovation, and product innovation, in turn, affects marketing performance. This mediation occurs because a strong market orientation tends to give rise to a deep understanding of customer needs and preferences. This knowledge triggers the development of products that are more relevant and in line with customer needs. Product innovation creates different or better products, which in turn makes MSMEs more attractive to customers. This can result in increased sales and expanded market share. The positive effect of market orientation on marketing performance is largely channeled through product innovation. In other words, market orientation stimulates the development of product innovation, which in turn improves the marketing performance of MSMEs. This finding highlights the importance of product innovation as an intermediary between market orientation and marketing performance also stated in research (Devara & Sulistyawati, 2019). This suggests that MSMEs that understand the market well and implement relevant and effective product innovations can improve their marketing performance.

### **5.10 Hypothesis 10 Product Innovation Mediates Entrepreneurial Orientation on Marketing Performance**

Based on table 4.21, it is explained that the Indirect coefficient is 0.101 with a p-value of  $0.040 < 0.05$  and t statistics  $2.055 > 1.96$ . The results showed that Product Innovation mediates the relationship between Entrepreneurial Orientation and Marketing Performance in MSMEs in Dompu Regency. In this context, the positive relationship indicates that the stronger the entrepreneurial orientation possessed by MSMEs, the better their marketing performance. The role of product innovation as a mediator is that a strong entrepreneurial orientation stimulates the development of product innovation, and product innovation, in turn, affects marketing performance. Entrepreneurial orientation tends to

spur a passion for seeking business opportunities and taking risks associated with innovation. Product innovation is the result of this spirit while product innovation creates different or better products, which in turn makes MSMEs more attractive to customers. This can result in increased sales and expansion of market share.

The results show that the positive effect of entrepreneurial orientation on marketing performance is largely channeled through product innovation. In other words, entrepreneurial orientation stimulates the development of product innovation, which in turn improves the marketing performance of MSMEs. The same findings in a study conducted by where (Manahera et al., 2018) highlighted the importance of product innovation as an intermediary between entrepreneurial orientation and marketing performance. This suggests that MSMEs that have an entrepreneurial spirit and can implement relevant and effective product innovations can improve their marketing performance.

## **6. Conclusion**

### **6.1. General Conclusion**

This study examined the influence of creativity, market orientation, and entrepreneurial orientation on the marketing performance of food and beverage SMEs in Dompu Regency, Indonesia, with product innovation as a mediator. The findings revealed that all three independent variables have significant positive effects on both product innovation and marketing performance. Product innovation also positively influences marketing performance and partially mediates the relationships between creativity, market orientation, entrepreneurial orientation, and marketing performance.

The study contributes to the literature by providing empirical evidence on the factors that drive SME performance in an emerging economy context. The findings highlight the importance of fostering creativity, market orientation, and entrepreneurial orientation in SMEs to stimulate product innovation and enhance marketing performance. SME managers should prioritize the development of these capabilities to remain competitive in dynamic business environments.

However, the study has some limitations that should be acknowledged. The cross-sectional design limits the ability to make causal inferences, and the focus on a single industry and region may restrict the generalizability of the findings. Future research could employ longitudinal designs, investigate other industries and contexts, and explore additional factors that may influence SME performance.

### **6.2. Recommendations**

The study findings indicate a significant positive correlation between Creativity, Market Orientation, Entrepreneurial Orientation, and marketing performance in Micro, Small, and Medium Enterprises (MSMEs) in Dompu Regency. Product innovation acts as a mediator in this relationship, highlighting its crucial role in enhancing marketing performance. There's a call for further research to delve into the intricate dynamics of these variables, potentially through longitudinal studies, sector-specific analyses, and qualitative inquiries into innovation practices. To bolster marketing performance, the study suggests implementing Best Practice Implementation, where MSMEs adopt successful strategies from peers, engaging in Market Education to stay abreast of customer behavior and market trends, and establishing Monitoring and Evaluation systems to gauge the impact of strategies on marketing performance. Moreover, it advocates for Sustainable Product Development, emphasizing the importance of incorporating environmental and social considerations into product innovation efforts. By embracing these recommendations, MSMEs in Dompu can enhance their competitiveness, achieve sustainable growth, and contribute positively to the local economy.

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