The Role of Innovation Orientation in Improving Marketing Communication and Marketing Performance of Micro, Small, and Medium Enterprises (MSMEs) in the Culinary Sector

[1] Ratna Dewi, [2] Rahmad Solling Hamid, [3] Andi Sismar, [4] Riska Eka Putri Bachtiar, [5] Sudarman Moonai, [6] Asriany

[1,4,5] Indonesian Muslim University, Indonesia
[2,6] Muhammadiyah University Palopo, Indonesia
[3] Muhammadiyah University of Education Sorong, Indonesia
[1] ratna.dewi@umi.ac.id

ABSTRACT

This research aims to understand how aspects of innovation orientation influence marketing communication strategies and ultimately contribute to the marketing performance of women entrepreneurs. The empirical analysis was conducted using a sample of 120 entrepreneurs in micro, small, and medium enterprises in the culinary sector. This study used an online survey for data collection. After passing reliability and validity tests, the data were analyzed with partial least squares structural equation modeling. The research results indicate that innovation orientation has a significant positive direct influence on marketing communication. Innovation orientation also has a significant direct positive influence on marketing performance. Furthermore, self-motivation has a significant positive direct influence on marketing performance. Finally, marketing communication also has a significant positive influence on marketing performance.

Keywords: Innovation Orientation, Marketing Communication, Marketing Performance, MSMEs.

INTRODUCTION

Micro, small, and medium enterprises (MSMEs) have played crucial economic drivers in most developing countries (Tjahjadi, Soewarno, Nadyaningrum, & Aminy, 2022). MSMEs have contributed to economic growth and provided opportunities related to community welfare (Tjahjadi et al., 2022; Shibia & Barako, 2017). Certainly, innovation becomes the key to facing continually evolving business dynamics, especially in the context of micro, small, and medium enterprises (MSMEs). In the era of globalization and intensifying competition, innovation orientation is not just an option but a necessity for culinary MSMEs that aim to sustain their existence. The crucial role of innovation orientation is not limited to product or process development but also significantly impacts marketing communication and performance. In this context, innovation is about creating something new and adapting to market changes and consumer needs with creativity and effectiveness.

By implementing innovation orientation, MSMEs can optimize their marketing strategies. Innovation not only encompasses the product but also extends to how the product is marketed. By adopting a creative and customer-oriented approach, MSMEs can enhance the appeal and trust of consumers in their products. Innovative marketing communication can create a unique story behind culinary products, providing added value that sets the business apart from its competitors. In this context, innovation orientation is a determining factor in creating superior products and building a strong and sustainable brand image.

Furthermore, marketing communication has also become one of the main elements for MSMEs. Marketing communication is a tool to promote products and a key element in enhancing overall marketing performance. Integrated Marketing Communication (IMC) is an interactive process that revolves around stakeholders, aiming to establish enduring relationships by employing cohesive and consistent communication strategies (Porcu, del Barrio-García, Alcántara-Pilar, & Crespo-Almendros, 2017). For culinary MSMEs, effectively conveying messages to potential consumers can be a critical differentiator in a bustling and rapidly changing market. By understanding the strategic role of marketing communication, MSMEs can optimize their efforts to build a strong brand image, enhance product appeal, and ultimately achieve success in a dynamic business environment.

Several findings from previous research have yielded important information that innovation orientation is a key component that can determine marketing communication and marketing performance (Tjahjadi et al., 2022; Pisicchio & Toaldo, 2021; Birru, Runhaar, Zaalberg, Lans, & Mulder, 2019; Nakos, Dimitratos, & Elbanna, 2019; Aksoy, 2017). However, some previous findings have produced differing information. Menurut Kartika (2021), product-oriented innovation does not significantly impact marketing performance. Furthermore, according to (Bodlaj, 2010), responsive market orientation and proactive market orientation also do not have a significant effect on market performance. Therefore, this study examines the relationship between innovation orientation, marketing communication, and marketing performance to provide further insights into the research area.

METHODS

The population of this study consists of micro, small, and medium-sized enterprises (UMKM) in the culinary sector in North Luwu Regency. Considering that the overall sampling framework in this study is unknown and the number of respondents is difficult to identify, it is not feasible to apply probability sampling in this research to obtain a random and representative sample. Given these considerations, non-probability sampling is used in this study to collect data. Latan, Jose, Jabbour, Beatriz, & Sousa (2020) recommend using non-probability samples when the number of respondents is very large and cannot be determined. Respondents were identified using snowball sampling through social media, resulting in a total of 320 respondents who agreed to participate in this research survey. Out of the total number of returned and accepted questionnaires, 168 were received, but 48 were excluded due to incompleteness. The total number of questionnaires is 120, with a response rate of 37.5%. According to Baruch & Holtom (2008), surveys generally consider a response rate >15% acceptable.

This study adopts measurement items from previous empirical research (Table 1). For data collection, the research employs an online questionnaire distributed to respondents through social media using snowball sampling techniques. Twelve measurement items are related to the constructs of innovation orientation, marketing communication, and marketing performance, utilizing a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree)

Table 1. Measurement Items

Construct	Loadings
Innovation Orientation (IO). Adapted from (Pisicchio & Toaldo, 2021); alpha = 0.858, CR = 0.836, AVE = 0.631.	
Research-based innovation (IO1)	0.851
Seeking innovative ideas (IO2)	0.749
Embracing innovation (IO3)	0.771
Marketing Communication. Adapted from (Pisicchio & Toaldo, 2021); alpha = 0.812, CR = 0.804, AVE = 0.611.	
Message consistency (MC1)	0.632
Interactivity (MC2)	0.872
Strategic Focus on the Stakeholders (MC3)	0.830
Marketing performance. Adapted from (Pisicchio & Toaldo, 2021); alpha = 0.810, CR = 0.780, AVE = 0.542.	
Improving customer satisfaction (MP1)	0.840
Improved customer service (MP2)	0.800
Improved customer loyalty (MP3)	0.782

The hypothesis testing (see Figure 1) was done by using a Structural Equation Modeling (SEM) technique through the Partial Least Squared (PLS-SEM). This study used SmartPLS 3.2.9 as the software package. PLS-SEM was used in this research because it is more suitable for theory development and involves complex models. Moreover, this technique effectively estimates the

causal relationship in theoretical models based on empirical data (Hair et al., 2018).

RESULT AND DISCUSSION
Respondent Characteristics

Based on the characteristics of the sample information (Table 2), for the level of education, senior high school (54%) is more dominant compared to Bachelor of Science (35%), junior high school (8%), and elementary school (5%).

Furthermore, based on the sample, females (78%) are more dominant than males (42%). Lastly, regarding business turnover, the range of 1,000,000–5,000,000 million (38%) is the most dominant, consisting of 46 micro, small, and medium-sized enterprises (MSMEs). This is followed by business turnovers of <500,000 thousand (33%), >11,000,000 million (17%), and business turnovers of 6,000,000–10,000,000 million (12%)

Table 2. Description of Respondents

Variable	Cases (%)	Variable	Cases (%)
Business Turnover		Gender of business owner	
< 500,000 thousand	40 (33%)	Male	42 (35%)
1,000,000 – 5,000,000 million	46 (38%)	Female	78 (65%)
6,000,000 – 10,000,000 million	14 (12%)		
> 11,000,000 thousand	20 (17%)		
Education			
Elementary School	5 (4%)		
Junior High School	8 (7%)		
Senior High School	88 (54%)		
Bachelor of Science	49 (35%)		

Outer Model

The criteria for assessing the structural model (outer model) using SEM-PLS are as follows: (i) convergent validity, which can be observed from factor loading values and average variance extracted (AVE); (ii) discriminant validity, which can be observed from the square root of AVE and correlations among latent constructs; and (iii) reliability testing, which can be assessed through composite reliability and Cronbach's alpha values.

Convergent Validity and Discriminant Validity

Convergent validity is related to the principle that measures (manifest variables) of a construct should have high correlations. Convergent validity is tested by examining the factor loading values and comparing them to the rule of thumb (> 0.60). Additionally, the average variance extracted (AVE) values are considered, and they should surpass the rule of thumb (> 0.50). To test discriminant validity, one looks at the square root of AVE and compares it to the correlations among latent constructs, following the rule of thumb that the square root of AVE should be greater than the correlations among latent constructs (Hair, Ringle, & Sarstedt, 2011; Ghozali & Latan, 2015).

Based on the results of the convergent validity test (Table 1), the factor loading values for each construct are as follows: innovation orientation, consisting of three measurement indicators with values of (IO1 = 0.851; IO2 = 0.749; and IO3 = 0.771; and marketing performance construct (MP1 = 0.840; MP2 = 0.800; and MP3 = 0.782), all of which have values greater than the rule of thumb (> 0.60). The average variance extracted (AVE) values for each construct, innovation orientation = 0.631; marketing communication = 0.611; and marketing performance = 0.542, are also greater than the rule of thumb (> 0.50).

We employed two criteria to evaluate discriminant validity. First, we applied the Fornell & Larcker (1981) criterion, where the square root of the AVE (average variance extracted) for a variable should be higher than its correlation with other variables. Second, we assessed the heterotrait-monotrait ratio (HTMT) of correlations. According to Henseler, Ringle, & Sarstedt (2015), HTMT is more sensitive to the lack of discriminant validity than other criteria. The HTMT between two constructs should be less than 0.90 to demonstrate discriminant validity. These criteria support discriminant validity for all our variables (Table 3).

Table 3. Reliability, Convergent and Discriminant Validity

Constructs	1	2	3
Innovation orientation (1)	**0.794**	0.114	0.224
Marketing Communication (2)	0.128	**0.781**	0.084
Marketing Performance (3)	0.229	-0,442	**0.736**

Note: The values on the diagonal in bold are the square root of each factor's Average Variance Extracted (AVE). The values below the diagonal are correlations between the factors, and the values above the diagonal are the HTMT ratios

1 Heterotrait-Monotrait; the criteria confidence interval does not include 1; HTMT90 – Henseler et al. (2015)
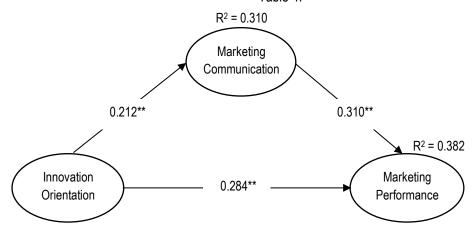
Assessing the Outer Model with Reliability

Furthermore, the outer model is evaluated through reliability testing to demonstrate the instruments' accuracy, consistency, and precision in measuring constructs. Reliability testing is conducted by examining the values of composite reliability (Table 1) and then comparing them to the rule of thumb (> 0.70) (Hair et al., 2011). The results of the reliability testing for the composite reliability values of each construct are as follows: innovation orientation = 0.836, marketing communication = 0.804, and marketing performance = 0.780. These values are greater than the rule of thumb (> 0.70), indicating the ability of the measures to produce reliable results.

Structural Model (Inner Model)

The criteria for evaluating the structural model (inner model) using SEM-PLS include (i) R-square for dependent constructs and (ii) assessing significance values through the bootstrapping procedure (t-value 1.96, significance level = 5%). The results of the structural model (inner model) evaluation through the bootstrapping procedure for testing the hypotheses proposed in this study are presented in Figure 1 and Table 4.

Note: ** significant at alpha 5%, and ns = not significant

Figure 2. Hypothesis Testing

Evaluation of R Square and Q2 Values

The structural or inner model is evaluated by examining the percentage of variance explained, specifically by looking at the R Square and Q2 values for the latent dependent constructs. According to Hair et al. (2011), the rule of thumb values for R square is categorized as follows: 0.75 is considered strong, 0.50 is considered moderate, and 0.25 is considered weak. As for the rule of thumb values for Q2, a value greater than 0 indicates that the model has predictive relevance, while a value less than 0 suggests that the model lacks predictive relevance. From the analysis results (Table 4), the R square value for the marketing communication construct is 0.310, indicating that 31% of the variability in trust can be explained by the variables' innovation orientation in the model, placing it in the weak model category. Furthermore, the R square value for the marketing performance construct

is 0.382, meaning that 38.2% of the variability in innovation orientation and marketing communication can be explained by the marketing performance variable in the model, also falling into the weak model category. The Q2 values for the marketing communication construct (0.224 > 0) and the marketing performance construct (0.201 > 0) indicate that the model possesses predictive relevance.

Table 4. Hypothesis Testing

Hypotheses	Relationships	Path coefficients	t-Statistic	R2	Q2	p-Values	Decision
Direct effect							
H1	IO - MC	0.212	2.380			0.015	Supported
H2	IO - MP	0.284	3.001			0.002	Supported
H3	MP - MC	0.310	3.590			0.001	Supported
Indirect effect							
	IO - MC – MP	0.200	3.220				
	MP			0.382	0.201		
	MC			0.310	0.224		
Total effect	IO – MP	0.484	5.100			0.001	

The Influence of Innovation Orientation on Marketing Communication

Based on the test results for hypothesis 1, it can be concluded that the innovation orientation construct significantly influences marketing communication. These findings support the results of previous research (Pisicchio & Toaldo, 2021). Innovation orientation not only shapes but also influences marketing communication within the company. Companies that lean towards innovation tend to have more effective marketing communication in this context. This finding emphasizes integrating innovation orientation into marketing communication strategies to enhance overall communication effectiveness and marketing performance. Thus, developing innovation orientation becomes a strategic key that can provide significant benefits for micro, small, and medium-sized enterprises (MSMEs), especially in the culinary sector, in achieving marketing objectives.

The Influence of Innovation Orientation on Marketing Performance

For the results of Hypothesis 2, it can be concluded that the innovation orientation construct significantly influences marketing performance. This study is consistent with previous research findings (Pisicchio & Toaldo, 2021; Aksoy, 2017). The strong relationship between innovation orientation and marketing performance emphasizes the importance of incorporating innovative elements into the marketing strategies of micro, small, and medium-sized

enterprises (UMKM) in the culinary sector. This finding indicates that companies adopting an innovation orientation tend to achieve better marketing performance, reinforcing the view that innovation plays a strategic role in marketing.

The Influence of Marketing Communication on Marketing Performance

Furthermore, from the results of Hypothesis 3, it can be inferred that the marketing communication construct significantly influences marketing performance. This study is consistent with previous research findings (Pisicchio & Toaldo, 2021). The significant relationship between marketing communication and marketing performance highlights the essence of effective communication management in achieving marketing goals. Companies that manage and optimize marketing communication strategies tend to achieve better performance. This finding reinforces the belief that investment and attention to marketing communication can positively impact a company's marketing outcomes. Therefore, the implications of this research suggest that companies can enhance their marketing performance by focusing efforts on planning and implementing effective and targeted communication strategies.

CONCLUSION

Overall, the findings of this research provide empirical support for the importance of innovation orientation and marketing communication in enhancing the marketing performance of SMEs,

particularly in the culinary sector. The theoretical implications of this research suggest that companies can strengthen their marketing performance by cultivating an innovation orientation and focusing on planning and implementing effective communication strategies. The managerial implications of this research can provide valuable guidance for managers and owners of micro, small, and medium enterprises (MSMEs) in the culinary sector. First, a deep understanding of the role of innovation orientation can encourage smarter decision-making in developing marketing communication strategies. Managers may consider investing in innovation to enhance the attractiveness and effectiveness of their marketing communication. Second, the findings of this research lay the foundation for MSME managers in the culinary sector to enhance overall marketing performance by prioritizing innovation orientation. It includes implementing innovative practices in products, services, and business processes, which can improve competitiveness and provide a market advantage.

In addition, there are several limitations to our study. First, our research only focuses on MSMEs in the culinary sector. It means that the respondents in this study are homogeneous. Future researchers must consider using larger and more diverse samples to provide a more comprehensive picture. Second, our study only focuses on one; therefore, the results cannot be generalized to other regions in Indonesia. Future researchers are advised to expand this research to other developing regions (for example, Java and Bali). Third, the R square and Q2 values are still in the weak category. Therefore, there is an opportunity to study other influencing factors, such as the innovation culture factor.

REFERENCES

Aksoy, H. (2017). How do innovation culture, marketing innovation and product innovation affect the market performance of small and medium-sized enterprises (SMEs)? *Technology in Society*, *51*, 133–141.

Baruch, Y., & Holtom, B. C. (2008). Survey response rate levels and trends in organizational research. *Human Relations*, *61*(8), 1139–1160.

Birru, W. T., Runhaar, P., Zaalberg, R., Lans, T., & Mulder, M. (2019). Explaining organizational export performance by single and combined international business competencies. *Journal of Small Business Management*, *57*(3), 1172–1192.

Bodlaj, M. (2010). The impact of a responsive and proactive market orientation on innovation and business performance. *Economic and Business Review*, *12*(4), 2.

Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, *18*(1), 39–50.

Ghozali, I., & Latan, H. (2015). *Partial Least Squares Konsep, Teknik dan Aplikasi Menggunakan Program SmartPLS 3.0 Untuk Penelitian Empiris*. Semarang: Universitas Diponegoro.

Hair, J. F., Ringle, C. M., & Sarstedt, M. (2011). PLS-SEM: Indeed a silver bullet. *Journal of Marketing Theory and Practice*, *19*(2), 139–152.

Henseler, J., Ringle, C. M., & Sarstedt, M. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. *Journal of the Academy of Marketing Science*, *43*(1), 115–135.

Jr, J. F. H., Black, W. C., Babin, B. J., Anderson, R. E., Black, W. C., & Anderson, R. E. (2018). *Multivariate Data Analysis*. https://doi.org/10.1002/9781119409137.ch4

Kartika, H. (2021). The Role Of Social Media Marketing, Product Innovation And Market Orientation On Marketing Performance: An Empirical Study On SMEs In Banten. *International Journal of Social and Management Studies*, *2*(5), 1–10.

Latan, H., Jose, C., Jabbour, C., Beatriz, A., & Sousa, L. De. (2020). Social Media as a Form of Virtual Whistleblowing : Empirical Evidence for Elements of the Diamond Model. *Journal of Business Ethics*, (0123456789). https://doi.org/10.1007/s10551-020-04598-y

Nakos, G., Dimitratos, P., & Elbanna, S. (2019). The mediating role of alliances in the international market orientation-performance relationship of SMEs. *International Business Review*, *28*(3), 603–612.

Pisicchio, A. C., & Toaldo, A. M. M. (2021). Integrated marketing communication in hospitality SMEs: analyzing the antecedent role of innovation orientation and the effect on market performance. *Journal of Marketing Communications*, *27*(7), 742–761.

Porcu, L., del Barrio-García, S., Alcántara-Pilar, J. M., & Crespo-Almendros, E. (2017). Do adhocracy and market cultures facilitate firm-wide integrated marketing communication (IMC)? *International Journal of Advertising*, *36*(1), 121–141.

Shibia, A. G., & Barako, D. G. (2017). Determinants of micro and small enterprises growth in Kenya.

Journal of Small Business and Enterprise Development, *24*(1), 105–118.

Tjahjadi, B., Soewarno, N., Nadyaningrum, V., & Aminy, A. (2022). Human capital readiness and global market orientation in Indonesian Micro-, Small-and-Medium-sized Enterprises business performance. *International Journal of Productivity and Performance Management*, *71*(1), 79–99.