

The Influence of Market Orientation and Innovation on Marketing Performance Mediated by Business Agility in MSMEs in Dompu Regency

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ABSTRACT

This research aims to analyse the influence of market orientation and innovation on marketing performance, mediated by business agility, in MSMEs in Dompu Regency. In the VUCA era, MSMEs face intense competitive pressures and shifts in consumer behaviour, raising the question: can innovation and market orientation boost performance without operational agility? The novelty of this research lies in testing the mediating effect of business agility to address inconsistencies in prior literature on the innovation paradox, which often burdens the performance of resource-limited MSMEs in developing countries. Using a quantitative approach, data were collected from 252 MSME managers in the food and beverage sector through purposive proportional random sampling, then analysed using Structural Equation Modelling (PLS-SEM). Empirical results show that market orientation positively affects marketing performance, whereas innovation does not have a significant direct impact. The discussion of the findings confirms that business agility plays a vital role in fully mediating the relationship between innovation and partially mediating the effect of market orientation on performance. In conclusion, innovation will be commercially valuable only if it transforms MSMEs into agile entities. From a managerial perspective, government and business intervention must be reoriented from merely ceremonial new-product launches to incubation programs that increase managerial flexibility and supply-chain adaptability.

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh orientasi pasar dan inovasi terhadap kinerja pemasaran melalui mediasi kelincuhan bisnis pada UMKM di Kabupaten Dompu. Di era VUCA, UMKM menghadapi tekanan kompetitif yang ekstrem dan perubahan perilaku konsumen, sehingga timbul pertanyaan: apakah inovasi dan orientasi pasar dapat meningkatkan kinerja tanpa didukung oleh kelincuhan operasional? Keunikan penelitian ini terletak pada pengujian efek mediasi kelincuhan bisnis untuk mengatasi ketidakkonsistenan literatur sebelumnya mengenai paradoks inovasi yang sering membebani kinerja UMKM dengan sumber daya terbatas di negara berkembang. Menggunakan pendekatan kuantitatif, data dikumpulkan dari 252 manajer UMKM di sektor makanan dan minuman melalui sampling acak proporsional yang disengaja, kemudian dianalisis menggunakan Structural Equation Modelling (SEM-PLS). Hasil empiris membuktikan bahwa orientasi pasar memiliki dampak positif terhadap kinerja pemasaran, tetapi inovasi tidak memiliki dampak langsung yang signifikan. Pembahasan temuan menegaskan bahwa kelincuhan bisnis memainkan peran vital dalam sepenuhnya memediasi hubungan antara inovasi dan sebagian memediasi dampak orientasi pasar terhadap kinerja. Kesimpulannya, inovasi hanya akan bernilai komersial jika dapat mengubah UMKM menjadi entitas yang lincah. Secara manajerial, intervensi pemerintah dan bisnis harus diarahkan ulang dari peluncuran produk baru yang sekadar seremonial menjadi program inkubasi yang meningkatkan fleksibilitas manajerial dan adaptabilitas rantai pasok.



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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in supporting the national economy by driving regional economic growth, providing employment, and strengthening community economic independence. However, in the modern business era characterised by Volatile, Uncertain, Complex, and Ambiguous (VUCA) conditions, MSMEs face intense competitive pressures and rapid shifts in consumer behaviour. This phenomenon requires MSMEs to rely not only on physical resources but also on intangible capabilities such as market orientation and innovation.

The Dynamic Capabilities View (DCV) is the foundation of this research (Teece, 2007). This theory emphasises a company's ability to integrate, build, and reconfigure internal and external competencies to address a rapidly changing environment. In this context, Business Agility is a key manifestation of these dynamic capabilities (Yusuf et al., 2023; Adesanya et al., 2024). One of the main determinants of marketing performance is Market Orientation. This is a strategic approach that places the customer as the primary focus, encompassing customer orientation, competitor orientation, and inter-functional coordination. For MSMEs with limited resources, market orientation provides strategic advantages through efficient decision-making and minimising the risk of product failure. In line with the findings, market orientation has been shown to have a positive and significant influence on business agility, which, in turn, improves marketing performance.

Beyond market orientation, innovation is a vital pillar of MSME sustainability. Innovation extends beyond products to include process innovation and digital marketing strategies. (Wesley Tumbur et al., 2025), In their research on MSMEs in Central Java, they found that digital marketing innovation has a significant positive relationship with marketing performance, mediated by business process agility. This confirms that without continuous innovation, MSMEs will struggle to remain relevant to modern consumers. Although much of the literature discusses the relationship between market orientation, innovation, and performance, there are inconsistencies in the results (research gaps) that require further study, first, regarding the direct impact and the mediating role. (Suprapti, 2022) Selviana and Nurcholis (2024) and Azmi (2025) found a positive and significant linear relationship between these variables. However, this finding contrasts with a recent study by Bekos et al. (2025). In the journal *Industrial Marketing Management*, it was revealed that the direct impact of organisational agility on company performance was only marginally positive. (Bekos et al., 2025) emphasised that agility can actually weaken performance if not supported by strong marketing implementation capabilities. This difference in findings between developed and developing countries creates an empirical gap that needs to be tested in the local context of MSMEs in Indonesia. Second, there are gaps in innovation and barriers to it. While Brand et al. (2019) and Adomako & Nguyen Phong Nguyen (2025) highlight the positive role of agility in accelerating innovation, Marcia Horowitz Vieira et al. (2017) found institutional barriers that can hinder learning and agility. Third, there has been little research specifically examining the role of Business Agility as a mediator in the relationship between Market Orientation and Innovation, and between Market Orientation and Marketing Performance, in the context of MSMEs in Dompu Regency, an area with unique characteristics, including strong government intervention in development and access to capital.

The urgency of this research lies in the urgent need for MSMEs in Dompu Regency to adapt post-pandemic and amidst the digitalisation of the economy. The novelty of this research

is 1) Testing the Business Agility mediation model by integrating the latest findings from (Wesley Tumbur et al, 2025) and (Ervina Waty et al, 2022). Regarding networking capabilities and digital adoption within the framework of local MSMEs, 2) Responding to the inconsistency of findings (Bekos et al, 2025) by testing whether agility is truly a performance driver or a burden for MSMEs with limited resources in Dompu, and 3) Adding the dimension of the government's role (mentoring and access to capital) as a specific context that strengthens the business ecosystem in Dompu Regency, which is rarely discussed in standard business agility models. Based on the background and research gaps above, this research aims to 1). Analyse the influence of Market Orientation and Innovation on the Marketing Performance of MSMEs in (Dompu Regency, 2). Analyse the role of Business Agility in mediating the influence of Market Orientation and Innovation on Marketing Performance, and 3). Examine the practical implications for policymakers in the Dompu Regency when formulating strategies to develop more adaptive and agile MSMEs.

RESEARCH METHODS

This research employs a quantitative approach, using a survey to collect empirical data in natural settings without manipulating subjects' environments. Based on the philosophy of positivism as explained by Sutiyatno (2017), this study focuses on objective phenomena that are measurable, logical, and systematic. The goal is to test the hypotheses formulated through rigorous statistical analysis to produce conclusions with strong generalizability. The research population included 730 MSMEs in the food and beverage processing sector in Dompu Regency, where a sample of 252 respondents was determined using a Sample Size Calculator with a 95% confidence level and a 5% margin of error. The sampling technique used was Purposive Proportional Random Sampling, as described by Sugiyono (2019), with specific inclusion criteria: active business owners or managers, distributed proportionally across 6 sub-districts that are centres of MSME growth.

Sample Size Calculator

Find Out The Sample Size

This calculator computes the minimum number of necessary samples to meet the desired statistical constraints.

Result

Sample size: **252**

This means 252 or more measurements/surveys are needed to have a confidence level of 95% that the real value is within $\pm 5\%$ of the measured/surveyed value.

Confidence Level:	95%	
Margin of Error:	5	%
Population Proportion:	50	% Use 50% if not sure
Population Size:	730	Leave blank if unlimited population size.

Calculate Clear

Figure 1 *Sample Determination*

Data analysis was performed using variance-based Structural Equation Modelling (SEM) or Partial Least Squares (PLS) with SmartPLS software. This method was chosen based on the views of (Ghozali, 2016) and (Hair et al. , 2021) due to its reliability in processing complex and predictive research models without requiring strict data distribution assumptions, which will

then be evaluated through the Measurement Model and Structural Model stages.

Table 1 *Operational Variables*

Variables	Indicator	Source
Market Orientation (X1)	1. Customer Orientation: Commitment to providing added value to customers, understanding current and future customer needs.	(Slater and Narver, 1998)
	2. Competitor Orientation: Monitoring competitor strategies, Quick response to competitor actions.	
	3. Inter-Functional Coordination: Sharing market information between departments/teams, Teamwork in responding to the market.	
Innovation (X2)	1. Product Innovation: Development of new product variants, improving the quality of existing products.	(Gunday et al. , 2011) (Oslo, 2018)
	2. Process Innovation: Improvement of production methods to be more efficient, Use of new technology in production	
	3. Marketing Innovation (Digital): Utilisation of social media/marketplaces, New ways of product promotion.	
Business Agility (Z)	1. Sensing: Speed of detecting changes in market trends	(Teece, 2007) ; (Yusuf et al. , 2023)
	2. Seizing (Utilisation): Speed of decision making when an opportunity arises, Ability to mobilise resources quickly.	
	3. Reconfiguring (Transformation): Flexibility to change business strategy, Ability to adapt to external disruptions.	
Marketing Performance (Y)	1. Sales Growth: Increased sales volume, increased business turnover.	(Ferdinand, 2002) (Vorhies and Morgan, 2005)
	2. Customer Growth: Addition of new customers, Retention rate of old customers.	
	3. Market Reach: Expansion of marketing area, Increased market share.	

Source: *Processed from various secondary data (2026)*

RESULTS AND DISCUSSION

Results

The object of this research is Micro, Small, and Medium Enterprises (MSMEs) operating in the food and beverage processing sector in Dompu Regency. Specifically, the study population comprises 730 business actors across six sub-districts that are centres of regional economic growth. MSMEs in Dompu Regency have unique characteristics and must adapt to the post-pandemic economic digitalisation transition, with strong intervention from the local government, especially in business development and access to capital. Amid the dynamic and competitive modern business environment (VUCA), these MSME entities are required to go beyond traditional operations and integrate intangible capabilities such as market orientation, continuous innovation, and business agility to remain relevant and improve their marketing performance.

Table 2 shows that all research instruments have met the criteria for convergent validity and reliability very well, according to SEM-PLS testing standards. Convergent validity can be confirmed because all indicators forming the variables have outer loading values that are above the ideal criterion of 0.70 (ranging from 0.753 to 0.927), and are supported by the Average Variance Extracted (AVE) values for all latent constructs that exceed the minimum threshold of 0.50 (range 0.699 to 0.783), as required. Furthermore, the internal consistency of this measurement model is very high, as indicated by Cronbach's Alpha and Composite Reliability (CR) values for all variables, which are consistently above 0.70 and exceed 0.90. Thus, it can be concluded that the indicators used are valid and highly reliable for measuring each latent

variable. Hence, the data are fully suitable to proceed to the structural model testing stage (inner model).

Table 2 Results of Convergent Validity and Reliability Tests

Variables	Indicator	Outer Loadings	Cronbach's Alpha	Composite Reliability (CR)	AVE
Market Orientation (MO)	MO1	0.878	0.913	0.933	0.699
	MO2	0.866			
	MO3	0.857			
	MO4	0.753			
	MO5	0.802			
	MO6	0.851			
Innovation (IN)	IN1	0.838	0.925	0.941	0.727
	IN2	0.823			
	IN3	0.863			
	IN4	0.839			
	IN5	0.878			
	IN6	0.873			
Business Agility (BA)	BA1	0.860	0.924	0.941	0.727
	BA2	0.872			
	BA3	0.853			
	BA4	0.884			
	BA5	0.872			
	BA6	0.768			
Marketing Performance (MP)	MP1	0.869	0.944	0.956	0.783
	MP2	0.895			
	MP3	0.867			
	MP4	0.880			
	MP5	0.927			
	MP6	0.868			

Source: SmartPLS. (2026)

Table 3 Results of the Discriminant Validity Test (Fornell-Larcker)

Variables	Business Agility	Innovation	Market Orientation	Marketing Performance
Business Agility	0.852			
<i>Innovation</i>	0.843	0.852		
<i>Market Orientation</i>	0.700	0.723	0.836	
<i>Marketing Performance</i>	0.763	0.619	0.664	0.885

Source: SmartPLS. (2026)

Table 3 shows that all research variables have convincingly met the validity requirements. Referring to the measurement model evaluation guidelines (Fornell and Larcker, 1981) and reinforced (Hair, 2019), discriminant validity is declared fulfilled if the square root of The Average Variance Extracted (AVE) value of each construct printed in bold on the main diagonal is greater than the correlation value of that construct to other latent constructs in the model. The data confirm that the AVE values for Business Agility (0.852), Innovation (0.852), Market Orientation (0.836), and Marketing Performance (0.885) are higher than the correlations between the latent variables in the same row and column. It can be concluded that each construct in this study has strong empirical uniqueness and truly measures distinct phenomena, so the overall measurement model (outer model) is deemed valid and ready to proceed to the structural model testing stage (inner model).

Table 4 *F Square (F²)*

Variable	Business Agility	Marketing Performance
		0.395
Market Orientation	0.063	0.119
Innovation	0.880	0.036

Source: SmartPLS. (2026)

Table 4 shows the magnitude of the substantive predictive impact of each exogenous variable on the endogenous variable in the structural (inner) model. Referring to the evaluation criteria (Cohen, 1988) which are also widely adopted in SEM-PLS (Hair, 2019) The F2 values of 0.02, 0.15, and 0.35 correspond to small, medium, and large effect sizes, respectively. The analysis results reveal that Innovation has a very large effect on Business Agility (0.880), followed by Business Agility's also large-scale contribution to Marketing Performance (0.395). Meanwhile, Market Orientation is recorded as having a relatively small effect on Business Agility (0.063) and a small-to-medium effect on Marketing Performance (0.119), and Innovation has a small direct predictive effect on Marketing Performance (0.036). Overall, these findings strongly confirm that innovation is a key driver of business agility, which in turn is essential for boosting the marketing performance of MSMEs.

Table 5 *Value of the Determination Coefficient (R²)*

Endogenous Variables	R-Square	R-Square Adjusted	Information
Business Agility	0.729	0.726	Moderate
Marketing Performance	0.628	0.624	Moderate

Source: SmartPLS. (2026)

Table 5 shows the proportion of the endogenous variable's variance explained by the model. Referring to evaluation standards (Hair, 2019) This research model has a moderate-to-substantial level of predictive ability. The R2 value of 0.729 indicates that Market Orientation and Innovation explain 72.9% of the variation. Furthermore, the R2 value for Marketing Performance of 0.628 indicates that 62.8% of the variation is explained jointly by Market Orientation, Innovation, and Business Agility, with the remainder attributed to other factors outside the model. The closeness of the Adjusted R2 values (0.726 and 0.624) to the R2 value also confirms that the estimation of this structural model is very stable, free from bias from adding variables, and empirically demonstrates its predictive capabilities.

Table 6 *Fit Model*

	Saturated Model	Estimated Model
SRMR	0.068	0.068
Chi-Square	1127.113	1127.113
NFI	0.817	0.817

Source: SmartPLS. (2026)

Table 6 confirms that the constructed structural model represents empirical data in the field very well. The most important and recommended indicator of model suitability is the Standardised Root Mean Square Residual (SRMR). Referring to the standard (Henseler & Sarstedt, 2013), which was also reaffirmed, A model is declared to have a good fit if the SRMR value is below the threshold of 0.08. The SRMR value of 0.068 clearly indicates that this criterion is met, and thus the model shows no indication of misspecification. In addition, the Normed Fit Index (NFI) value of 0.817, which is approaching 1, provides further evidence that the model's

fit is classified as marginal to good. (Bentler and Bonett, 1980) , so that the overall conceptual model is very suitable for testing research hypotheses.

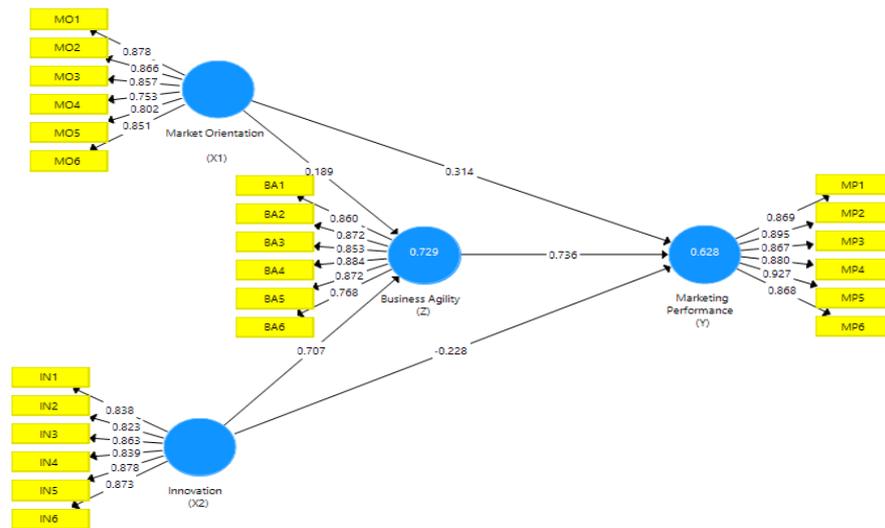


Figure 2. PLS -SEM Model Estimation Results (PLS Algorithm)

Source: SmartPLS. (2026)

In Figure 2, the measurement model is confirmed as valid, with all indicators having outer loading values > 0.70. In the structural model, the numbers for the endogenous constructs represent the coefficient of determination (R²): 0.729 (Business Agility) and 0.628 (Marketing Performance). Furthermore, the numbers on the connecting lines between constructs are the path coefficients, indicating that innovation has the strongest predictive effect on business agility (0.707), and business agility provides the strongest contribution to improving marketing performance (0.736).

Table 7 Hypothesis Test Results (Direct & Indirect Effects)

Hip.	Relationship Path	Original Sample (O)	T-Statistics (O/STDEV)	P-Values	Decision
Direct Influence					
H1	Market Orientation → Marketing Performance	0.314	3.841	0.000	Accept
H2	Market Orientation → Business Agility	0.189	2.479	0.013	Accept
H3	Innovation → Marketing Performance	-0.228	1.907	0.057	Reject
H4	Innovation → Business Agility	0.707	10.941	0.000	Accept
H5	Business Agility → Marketing Performance	0.736	7.420	0.000	Accept
Indirect Relationship					
H6	Market Orientation → Business Agility → Marketing Performance	0.139	2.479	0.014	Accept
H7	Innovation → Business Agility → Marketing Performance	0.520	5.562	0.000	Accept

Source: SmartPLS. (2026)

Discussion

The Influence of Market Orientation on Marketing Performance (H1 Accepted).

The statistical test results prove that market orientation has a positive and significant influence on marketing performance (T=3.841; P=0.000), thus Hypothesis 1 is accepted.

Empirically, this indicates that MSMEs in the food and beverage processing sector in Dompu Regency that implement a customer-focused strategy, intensive competitor monitoring, and effective cross-functional coordination achieve superior sales growth and market share expansion. Amid unique local business activities and local government coaching interventions, market orientation serves as a strategic compass, guiding MSMEs to allocate capital resources efficiently to create products that are truly relevant to post-pandemic consumer demand. These findings strongly align with those of (Suprpti, 2022), (Selviana and Nurcholis, 2024), and (Azmi, 2025), who confirmed a positive linear relationship between market orientation and performance. From a theoretical perspective, these results align with the classic findings of (Slater and Narver, 1998) and (Mohr and Nevin, 1990), which states that under dynamic, emerging-market conditions, market-sensing capabilities are an absolute prerequisite for minimising the risk of new-product failure. Thus, market orientation is not only an organisational culture but also a direct driver of MSMEs' competitive survival in Dompu.

The Influence of Market Orientation on Business Agility (H2 Accepted).

Testing of Hypothesis 2 confirmed that market orientation has a positive and significant influence on MSME business agility ($T=2.479$; $P=0.013$). The context of this finding indicates that MSMEs' ability to gather real-time market information on both changing consumer preferences and local competitors' manoeuvres directly increases their speed of adaptation. The ability to detect these market signals allows business owners to respond flexibly and quickly to external disruptions, rather than having to reconfigure their production processes or promotional strategies. These findings extend the application of Teece's Dynamic Capabilities View (DCV), in which market orientation serves as a sensing capability that triggers the emergence of reconfiguring capabilities (agility). These findings align with studies by Selviana and Nurcholis (2024) and are reinforced by Roberts and Grover (2012), who concluded that organizational agility cannot be formed in a vacuum; institutionalized external sensitivities constantly drive it. For Dompu MSMEs, market orientation is the primary driver of proactive, rather than merely reactive, business agility.

The Influence of Innovation on Marketing Performance (H3 Rejected).

One of the most interesting and novel findings in this study is the rejection of Hypothesis 3, which posits that innovation has no significant direct effect on marketing performance ($T=1.907$; $P=0.057$), with a tendency towards a negative coefficient (-0.228). This phenomenon reveals the empirical reality that, for MSMEs in Dompu Regency with limited resources, simply creating new products or sporadically adopting digital technology does not necessarily lead to a surge in sales. Sometimes, forced innovation without operational readiness burdens MSMEs' cost structures and creates inefficiencies, failing to translate into real growth in commercial performance. This finding brilliantly addresses a research gap and confirms a controversial study by (2025) in *Industrial Marketing Management*, which warned that new initiatives can undermine performance if not accompanied by mature implementation capabilities. This also aligns with findings from Marcia Horowitz Vieira et al. (2017) on institutional barriers in the innovation process, a phenomenon known as the innovation paradox, where in low-tech MSME sectors such as food and beverages, radical innovation often disrupts established

routines if not managed with operational flexibility. Therefore, innovation alone is insufficient without a catalyst for transformation.

The Influence of Innovation on Business Agility (H4 Accepted).

In contrast to its impact on performance, testing Hypothesis 4 shows that innovation has a substantial and statistically significant positive influence on business agility ($T=10.941$; $P=0.000$). In the operations of MSMEs in Dompu, the courage to innovate, whether by modifying packaging, improving production processes, or adopting digital marketing such as social media, serves as a competitive edge that strengthens organisational flexibility. Process innovation, in particular, makes workflows more concise and efficient, so that when market shocks occur, business actors can manoeuvre and adjust their production capacity with much superior speed, seizing and reconfiguring. These findings align closely with the theoretical foundation of DCV, in which innovation is positioned as a learning mechanism that fundamentally transforms the structural rigidity of MSMEs. These findings reinforce those of Wesley Tumbur et al., 2025, and Ervina Waty et al., 2022, regarding digital adoption as a driver of process agility. Furthermore, Tallon et al., 2018, consistently report that information technology innovation in small and medium-sized businesses is the strongest absolute predictor of building an agile organisational architecture.

The Influence of Business Agility on Marketing Performance (H5 Accepted).

The analysis results show that business agility has a positive and significant effect on marketing performance ($T=7.420$; $P=0.000$), thus Hypothesis 5 is accepted. This fact confirms that in the VUCA era, agility is not just an academic concept, but rather the main weapon for Dompu MSMEs to win the competition. The ability to execute strategic decisions quickly, such as responding to current food trends or optimising government capital assistance, has been proven to directly convert narrow market opportunities into financial gains and the expansion of a new customer base. In the Dynamic Capabilities View frame (Teece, 2007) and (Yusuf et al., 2023). Agility is the highest aggregation of organisational competencies that create sustainable competitive advantage. Empirically, this refutes the concerns of (Bekos et al., 2025) In the local context, proving that agility in developing MSMEs is not a burden, but rather a key driver of performance. (Doz and Kosonen, 2010) and (Gligor et al., 2014) Also, validate that agile entities can easily adjust their marketing tactics amid a crisis, ensuring healthier cash flow than rigid competitors.

The Mediating Role of Business Agility in Market Orientation towards Marketing Performance (H6 Accepted).

Testing the mediation hypothesis (H6) confirmed that business agility significantly mediates the relationship between market orientation and marketing performance ($T=2.479$; $P=0.014$). Because market orientation also has a significant direct influence on performance (H1), the resulting mediation is partial. This indicates that while market understanding can directly boost sales, the impact will be much more optimal if that understanding is translated into business agility. MSMEs that understand what consumers want and then agilely execute that knowledge will achieve maximum performance. This integrative mechanism provides a compelling theoretical contribution to the development of organisational behaviour studies in

the MSME sector. These findings refine the model (Suprapti, 2022) by demonstrating that agility is not merely a byproduct but rather a strategic transmission channel. In a global literature review, this partial mediation aligns with findings (Braunscheidel & Suresh, 2009) that market orientation provides basic information, but Agility capabilities ensure the timely execution of that information before the window of opportunity closes.

The Mediating Role of Business Agility on Innovation towards Marketing Performance (H7 Accepted).

The final hypothesis (H7) indicates that business agility significantly mediates the effect of innovation on marketing performance ($T=5.562$; $P=0.000$). Given that in the previous test innovation did not have a significant direct effect (H3 was rejected), this finding clearly establishes full mediation. This empirical condition is the most crucial finding for MSMEs in Dompu Regency. All forms of product and process innovation, including those subsidised by local government programs, will be futile and unprofitable unless they are specifically directed at making business operations more agile and adaptive. Innovation must give birth to agility; only then will agility generate income for the company. This finding is invaluable because it bridges the inconsistency in the literature or the research gap highlighted in the introduction. It validates the arguments of (Brand et al., 2019) and (Adomako & Nguyen Phong Nguyen, 2025). Regarding the vital role of integrating post-innovation flexibility. In international studies, this full mediation echoes the concepts of (Nitzl et al., 2016) and (Audretsch et al., 2021), who concluded that in micro-enterprises in developing countries, innovation functions more as a formative capability than a direct performance-generating capability, making business agility the absolute missing link in determining the financial success of MSMEs.

CONCLUSION

Market Orientation has a positive and significant influence, both directly on Marketing Performance and the formation of Business Agility in food and beverage processing MSMEs in Dompu Regency. The key findings that constitute the novelty of this study indicate that Innovation does not have a significant direct impact on Marketing Performance, but is the dominant predictor of Business Agility. The mediation path test convincingly confirms that Business Agility plays an irreplaceable central role: it partially mediates the influence of Market Orientation. It fully mediates the relationship between Innovation and Marketing Performance. Theoretically, these results strengthen the Dynamic Capabilities View (DCV) by demonstrating that simply creating new products is insufficient to boost MSME sales unless the innovation transforms business operations to be more agile and adaptive in responding to market turbulence.

These findings recommend a strategic reorientation for MSMEs and the Dompu Regency Government. Government intervention through coaching and capital assistance programs should no longer focus solely on product launch ceremonies or digital device procurement, but rather be directed toward incubation programs that build business actors' managerial flexibility and speed of supply chain adaptation. For MSME owners, the main priority is to build a work ecosystem that is sensitive to detecting customer needs (sensing), agile in making decisions (seizing), and flexible in modifying production processes (reconfiguring), so that every investment and innovation made can be immediately converted into a real competitive advantage and profitability amidst limited resources.

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