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The Effect Of Innovation Strategies On The Performance Of Msmes In Condongcatur

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Abstract

This study aims to analyze the influence of innovation strategies—including product, process, organizational, and marketing innovations—on the performance of MSMEs in Condongcatur. A quantitative approach was used, involving a survey through questionnaires distributed to 96 MSME actors selected via convenience sampling. The data were analyzed using multiple linear regression. The findings indicate that all four innovation strategies have a positive and significant impact on MSME performance. These results highlight the importance of adopting innovation strategies to enhance competitiveness and sustainability in a dynamic business environment.

Keywords: innovation strategy, product innovation, process innovation, organizational innovation, marketing innovation, MSME performance.

INTRODUCTION

In recent decades, there has been a growth in the interest of researchers to research about innovations carried out by companies in the world, the concept of innovation is widely adopted and used in actual business practices, especially for MSMEs who use this innovation as a widely used tool. Innovation is the tendency to develop new elements or new combinations of previous products, technologies or management and use them for new knowledge (Moorma and Miner, 1998). So, innovation is needed to maintain the position, improve the quality of MSMEs and also as a driver in achieving the vision and mission of MSMEs. Innovation or quality may be often referred to as this, but it may be true because innovation is one of the ways that companies can adapt (Morris, 2013). Innovation is a continuation of invention, which is a creative activity to create a

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new concept for new purposes, to be realized and implemented into a successful business, and when executing innovation well will make a company grow and develop.

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the economy, both at the local and global levels. In Indonesia, MSMEs are the backbone of the economy, contributing more than 60.51% to the gross domestic product (GDP) and creating many jobs. According to Tambunan, T. (2019), MSMEs have a significant contribution to national economic growth, but often face major obstacles, especially in terms of innovation and access to more advanced technologies.

Innovation is critical for companies because it serves as a key driver of long-term success and sustainability. Innovation is widely recognized as a fundamental tool in development strategies, allowing businesses to enter new markets, expand their current market share, and gain a competitive advantage.

An innovation strategy is a plan to increase market share or profit through products and services. Innovation, when looking at the innovation strategy through work to be done from this point of view, we see that an effective strategy must provide the right information about the executors of the work, and which segments to target to achieve the greatest growth, and which are unmet needs to help customers get the job done better (Al-Battaineh, 2018).

There are four types of objects of change or innovation (product, process, organization, and marketing) that have been implemented, based on the OECD report (OECD: 2005). In addition, the level of change associated with innovation can be displayed in terms of total novelty or significant improvement. In line with the objectives of this paper, this empirical study takes on four dimensions of innovation, as suggested by various academics (OECD, 2005; Oct, 2007)

The strategy carried out by MSMEs has an influence on business performance so that business people will achieve superiority in business. Michael E. Porter (2008) said that competitive superiority is the main thing in the performance of a company in a highly competitive market but after decades of addition and prosperity, many companies when pursuing more development, they will lose competitive superiority.

Against this background, research on the influence of MSME innovation strategies which includes product innovation strategies, processes, marketing and organizational innovation, is very necessary to understand how innovation can be effectively implemented by MSMEs and what can maximize their performance in the long term which is in line with the previous research conducted by Andre Yehan, (2020) states that product innovation strategies, processes, management and marketing innovation strategies

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affect the performance of SMEs. Explain. However, there are previous research results that show the opposite results which state that product innovation is influential but not significant (Ardiyan, 2016).

LITERATURE REVIEW

Innovation strategy is a step taken by an industrial organization to differentiate itself from its competitors. In its implementation, the organization carries out various activities, ranging from scientific, technological, organizational, financial and commercial aspects. Innovation is an important element that determines the long-term survival and success of companies, including Micro, Small, and Medium Enterprises (MSMEs). In an era of increasingly competitive competition and rapid technological change, innovative capabilities are the determinant of sustainable competitive advantage (Teclemariam Bahta et al., 2023). Innovation not only allows companies to create new products, but also improves efficiency, expands market share, and better meets customer needs.

Process innovation can be seen as the implementation of a new product or an improved product or delivery method that includes changes in engineering, equipment and software. Process innovation can also refer to improving the efficiency or effectiveness of the way an organization operates. Process innovation is thus the latest method or improvement in internal processes to achieve the best organizational performance and goals (Habidin, 2015).

Product innovation involves the creation of new goods or services, or improvements in features and functions of existing products. The goal is to meet the ever-evolving needs of customers as well as create a competitive advantage. Product innovation is one of the most tangible forms of innovation that is directly felt by consumers and contributes to increased revenue (Teclemariam Bahta et al., 2023).

Marketing innovation includes significant changes in communication strategies, pricing, distribution, and product promotion. This aims to increase the market reach and attractiveness of the product in the eyes of consumers. Bahta et al. (2023) stated that marketing innovation has a strong impact in expanding market segmentation and increasing brand value.

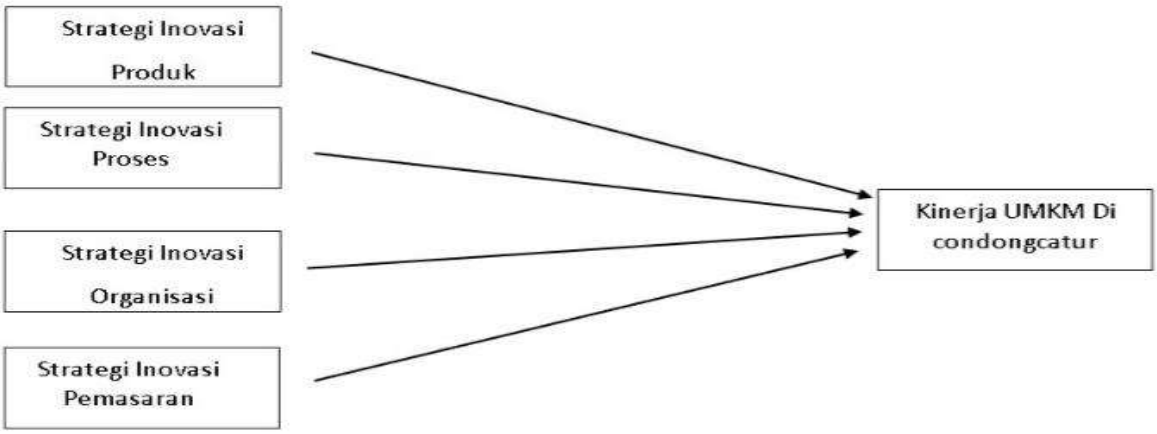
Organizational innovation is the implementation of a new structure, managerial process, or work practice in an organization. This includes human resource development, decentralized decision-making, and information technology integration. Organizational innovation helps MSMEs become more flexible and adaptive to changes in the business environment (Teclemariam Bahta et al., 2023).

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RESEARCH FRAMEWORK

H1: Product innovation has a positive influence on the performance of MSMEs.
H2: Process innovation has a positive influence on the performance of MSMEs
H3: Organizational innovation has a positive influence on the performance of MSMEs
H4: Marketing innovation has a positive influence on the performance of MSMEs



RESEARCH METHODS

Normality Test

The normality test is carried out to find out whether the data in the study is normally distributed or not. One of the methods used is the Kolmogorov-Smirnov test. This test aims to ensure that the data meets the normality assumptions that are a requirement in parametric statistical analysis. If the significance value (Asymp. Sig.) is greater than 0.05, then the data is considered to be normally distributed

Table 1 Results of the noemality test (Kolmogorov-Smirniv test)

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		96
Normal Parameters[a,b]	Mean	.0074307
	Hours of deviation	1.92637933
Most Extreme Differences	Absolute	.071
	Positive	.051

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	Negative	-.071
Test Statistic		.071
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Source : Research Data Processing Results, (2025)

table 1 shows that the value of Asymp. The sig. (2-tailed) is 0.200, while the significance level used is 0.05. Since the value of 0.200 is greater than 0.05, it can be concluded that the residual in the regression model follows the normal distribution. Therefore, the results of this test indicate that the assumption of normality has been fulfilled in the regression model used.

Multicollinearity Test

The multicollinearity test was performed to determine whether there was a high correlation between independent variables in the regression model. High multicollinearity can interfere with the accuracy of regression coefficient estimation. To detect it, *the Variance Inflation Factor* (VIF) value is used. If the VIF value is less than 10, then it can be concluded that there is no multicollinearity between independent variables.

Table 2 Multicollegiate Test Results

Variabel	*Tolerance*	BRIGHT	Information
SI_Produk (X1)	0,650	1,538	No Multicollinearity
SI_Proses (X2)	0,601	1,664	No Multicollinearity
SI_ Organization (X3)	0,761	1,314	No Multicollinearity

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SI_Pemasaran (X4)	0,808	1,237	No Multicollinearity

Based on the results of the Multicollinearity Test listed in Table 4.13, all VIF values for independent variables in this regression model are below 10, namely SI_Produk (X1) with a VIF of 1.538, SI_Proses (X2) with a VIF of 1.664, SI_Organisasi (X3) of a VIF of 1.314, and SI_Pemasaran (X4) of a VIF of 1.237. The *Tolerance* value of each also shows a number greater than 0.1, indicating that there is no significant multicollinearity between the independent variables. Thus, it can be concluded that the assumption of the absence of multicollinearity has been fulfilled in this regression model.

Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is a variance from residual variance at all levels of independent variable values. One of the methods used is the Glejser test. In this test, heteroscedasticity did not occur when the significance value (Sig.) of the regression result was greater than 0.05, indicating that the independent variable did not significantly affect the variance from the residual.

Table 3 Heteroscedasticity Test Results

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Itself.
		B	Std. Error	Beta		
1	(Constant)	2.820	1.521		1.854	.067
	SI_Produk	-.071	.071	-.130	-1.007	.317
	SI_Proses	.007	.081	.012	.086	.931
	SI_Organisasi	-.012	.062	-.023	-.190	.850
	SI_Pemasaran	.008	.062	.015	.127	.899

a. Dependent Variable: ABS_RES

Based on the results of the Heteroscedasticity Test shown in Table 4.14, the significance values for each independent variable, namely SI_Produk (0.317), SI_Proses (0.931), SI_Organisasi (0.850), and SI_Pemasaran (0.899), are all greater than 0.05. This

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shows that there is no indication of heteroscedasticity in the regression model, as significance values greater than 0.05 indicate that residual variance is constant at all levels of independent variables. Thus, it can be concluded that there is no heterokedasticity problem.

Multiple Linear Regression Analysis

This study uses multiple linear regression analysis techniques to test and analyze the simultaneous and partial influence of two or more independent variables on one dependent variable. This analysis is useful to find out how much contribution each independent variable makes in explaining the bound variables, as well as to see the direction of the relationship that occurs, whether positive or negative.

Table 4 Multiple Linear Regression Analysis Results

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Itself.
		B	Std. Error	Beta		
1	(Constant)	-8.786	2.949		-2.979	.004
	SI_Produk	.337	.137	.222	2.455	.016
	SI_Proses	.435	.156	.262	2.786	.007
	SI_Organisasi	.267	.120	.186	2.219	.029
	SI_Pemasaran	.464	.119	.315	3.885	.000

a. Dependent Variable: Kinerja

Based on the results of Table 4.15 which shows the results of multiple linear regression analysis, the regression equation is obtained as follows:

$$Y = a + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 \, e$$

$$Y = -8.786 + 0.337 \, X1 + 0.435 \, X2 + 0.267 \, X3 + 0.464 \, X4 + e$$

1. In the multiple linear regression test in the table above, it can be seen that the value of the regression coefficient in the product innovation strategy variable is 0.337 which has a positive value, indicating that if the product innovation strategy improves, the performance of MSMEs will increase and vice versa.
2. In the multiple linear regression test in the table above, it can be seen that the value of the regression coefficient in the process innovation strategy variable is 0.435

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which has a positive value, indicating that if the process innovation strategy improves, the performance of MSMEs will increase and vice versa.

3. In the multiple linear regression test in the table above, it can be seen that the regression coefficient value in the organizational innovation strategy variable is 0.267 which has a positive value, indicating that if the organizational innovation strategy improves, the performance of MSMEs will increase and vice versa.

In the multiple linear regression test in the table above, it can be seen that the regression coefficient value in the marketing innovation strategy variable is 0.464 which has a positive value, indicating that if the marketing innovation strategy increases, the performance of MSMEs will increase and vice versa

T Test

The t-test is used to determine the influence of each independent variable on the dependent variable partially. In this study, the t-test was used to analyze whether each innovation strategy, both product, process, marketing, and organization, has an individual influence on the performance of MSMEs in Condongcatur.

Table 5 T Test Results

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Itself.
		B	Std. Error	Beta		
1	(Constant)	-8.786	2.949		-2.979	.004
	SI_Produk	.337	.137	.222	2.455	.016
	SI_Proses	.435	.156	.262	2.786	.007
	SI_Organisasi	.267	.120	.186	2.219	.029
	SI_Pemasaran	.464	.119	.315	3.885	.000

a. Dependent Variable: Kinerja

1. The test results on hypothesis 1 show a significance value of 0.016 where the value is less than the alpha of 0.05. So it can be concluded that H1 can be supported. That way, the product innovation strategy has a positive effect on the performance of MSMEs in Condongcatur

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2. The test results on hypothesis 2 show a significance value of 0.007 where the value is less than alpha 0.05. So it can be concluded that H2 can be supported. That way, the process innovation strategy has a positive effect on the performance of MSMEs in Condongcatur
3. The test results on hypothesis 3 showed a significance value of 0.029 where the value was less than alpha 0.05. So it can be concluded that H3 can be supported. That way, the organizational innovation strategy has a positive effect on the performance of MSMEs in Condongcatur
4. The test results on hypothesis 3 show a result of 0.000 where the value is less than alpha 0.05. So it can be concluded that H4 can be supported. That way, the marketing innovation strategy has a positive effect on the performance of MSMEs in Condongcatur.

TEST F

The F-test is used to test whether all independent variables simultaneously have a significant influence on the dependent variables. In the context of this study, the F test aims to find out whether product, process, marketing, and organizational innovation strategies together affect the performance of MSMEs in Condongcatur

F Test Results

Model		Sum of Squares	df	Mean Square	F	Itself.
1	Regression	534.524	4	133.631	24.439	.000b
	Residual	492.108	90	5.468		
	Total	1026.632	94			

a. Dependent Variable: Kinerja

b. Predictors: (Constant), SI_Pemasaran, SI_Organisasi, SI_Produk, SI_Proses

Based on the results of the F Test in Table 4.18, the calculated F value obtained was 24.439 with a significance value of 0.000, which is smaller than the significance level of 0.05 (0.000 < 0.05). Therefore, H1 was accepted, which shows that the variables of product innovation, process, organization, and marketing strategies simultaneously have a significant effect on the performance of MSMEs in Condongcatur.

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DISCUSSON

Product Innovation Strategy

Based on the T test, it can be concluded that the product innovation strategy has a positive effect on the performance of MSMEs in Condongcatur. This can be proven by the sig value of 0.016 less than the alpha of 0.05 so that H1 can be accepted. According to Gunday et al., (2011), product innovation enables the company to meet market needs and increase customer value. Al-Ansari et al. (2013), mentioning that sustainable product innovation will have an impact on improving the company's finances.

Process innovation strategy

Based on the T test, it can be concluded that the process innovation strategy has a positive effect on the performance of MSMEs in Condongcatur. This can be proven by a sig value of 0.007 less than alpha 0.05 so that H2 can be accepted. . According to OECD (2019), process innovation helps improve operational efficiency and provide added value. Habidin (2015) also stated that by implementing new methods, companies are not only able to reduce costs, but also create added value that has an impact on overall performance.

Organizational Innovation Strategy

Based on the T test, it can be concluded that the process innovation strategy has a positive effect on the performance of MSMEs in Condongcatur. This can be proven by a sig value of 0.029 less than alpha 0.05 so that H3 can be accepted. . According to Damanpour and Aravind (2012), organizational innovation increases internal efficiency and creativity. Sofalchian et al. (2018) added that organizational innovation is able to create strong process capabilities in improving business performance.

Marketing Innovation Strategy

Based on the T test, it can be concluded that the process innovation strategy has a positive effect on the performance of MSMEs in Condongcatur. This can be proven by a sig value of 0.000 less than alpha 0.05 so that H4 can be accepted. According to Kotler & Keller, (2016), marketing innovations can improve customer relationships and open up new market opportunities. Quaye and Mensah (2019) also stated that marketing innovation has a positive impact on sustainable profits. This innovation is very important for MSMEs who want to compete locally and globally.

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CONCLUSION

Based on the results of the T-test, it can be concluded that the four dimensions of product innovation strategy, process innovation, organizational innovation, and marketing innovation have a positive effect on the performance of MSMEs in Condongcatur. Product innovations that are optimally applied are able to increase the added value and attractiveness of products in the market, which ultimately has an impact on increasing sales and customer satisfaction. Process innovation also contributes to improving operational efficiency and production quality, so that MSMEs can compete more effectively. Meanwhile, organizational innovation has a positive influence on performance through improvements in structure, work culture, and internal management that is more adaptive to change. Finally, marketing innovation plays an important role in expanding market reach, building brand awareness, and strengthening product position in the midst of competition. Thus, the higher the implementation of the overall innovation strategy, the greater the impact on improving the performance and sustainability of MSMEs in Condongcatur.

REASEARCH LIMITATION

This research was only conducted on MSME actors in the Condongcatur area, Sleman. Therefore, the results obtained cannot be generalized to MSMEs in other regions that have different characteristics. The number of respondents was limited by the time and resources available, and the purposive sampling technique was used. This can affect the representativeness of the sample to the MSME population as a whole. and Data collection is carried out within a certain period of time, so that it does not reflect the long-term dynamics of the innovation strategy on the performance of MSMEs.

MANAGERIAL IMPLICATION

The results of the study show that the innovation strategy has a positive influence on the performance of MSMEs. Therefore, MSME actors need to consistently develop innovative products, processes, and marketing strategies in order to be able to compete in an increasingly dynamic market. MSMEs need to increase the capacity of human resources, especially in terms of creativity, technological adaptation, and understanding of market trends. Training or cooperation with MSME companion institutions can be a strategic step

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