“Business network accessibility: Innovation capability as a connecting factor between Customer Relationship Management and market orientation on SMEs’ performance”

AUTHORS	Muhammad Fahmi Muhammad Andi Prayogi Muhammad Taufik Lesmana Maharani Citra Kencana Syahnita

ARTICLE INFO	Muhammad Fahmi, Muhammad Andi Prayogi, Muhammad Taufik Lesmana, Maharani Citra Kencana and Syahnita (2025). Business network accessibility: Innovation capability as a connecting factor between Customer Relationship Management and market orientation on SMEs’ performance. *Innovative Marketing* , *21*(2), 40-56. doi:10.21511/im.21(2).2025.04
DOI	http://dx.doi.org/10.21511/im.21(2).2025.04
RELEASED ON	Monday, 07 April 2025
RECEIVED ON	Tuesday, 24 September 2024
ACCEPTED ON	Wednesday, 12 February 2025

JOURNAL	"Innovative Marketing "
ISSN PRINT	1814-2427
ISSN ONLINE	1816-6326
PUBLISHER	LLC “Consulting Publishing Company “Business Perspectives”
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”

NUMBER OF REFERENCES	NUMBER OF FIGURES	NUMBER OF TABLES
60	2	4

BUSINESS PERSPECTIVES

LLC "CPC "Business Perspectives"
Hryhorii Skovoroda lane, 10,
Sumy, 40022, Ukraine

www.businessperspectives.org

Muhammad Fahmi (Indonesia), **Muhammad Andi Prayogi** (Indonesia), **Muhammad Taufik Lesmana** (Indonesia), **Maharani Citra Kencana** (Indonesia), **Syahnita** (Indonesia)

BUSINESS NETWORK ACCESSIBILITY: INNOVATION CAPABILITY AS A CONNECTING FACTOR BETWEEN CUSTOMER RELATIONSHIP MANAGEMENT AND MARKET ORIENTATION ON SMES' PERFORMANCE

Received on: 24th of September, 2024
Accepted on: 12th of February, 2025
Published on: 7th of April, 2025

Muhammad Fahmi, Dr, SE, MM, Lecturer, Department of Management, Faculty of Economics and Business, Universitas Muhammadiyah Sumatera Utara [University of Muhammadiyah Sumatera Utara], Indonesia. (Corresponding author)

Muhammad Andi Prayogi, Dr. SE, MSi, Lecturer Associate Professor, Department of Management, Faculty of Economics and Business, Universitas Muhammadiyah Sumatera Utara [University of Muhammadiyah Sumatera Utara], Indonesia.

Muhammad Taufik Lesmana, SE, M.M, Lecturer, Department of Management, Faculty of Economics and Business, Universitas Muhammadiyah Sumatera Utara [University of Muhammadiyah Sumatera Utara], Indonesia.

Maharani Citra Kencana, University Student, Department of Management, Faculty of Economics and Business, Universitas Muhammadiyah Sumatera Utara [University of Muhammadiyah Sumatera Utara], Indonesia.

Syahnita, University Student, Department of Management, Faculty of Economics and Business, Universitas Muhammadiyah Sumatera Utara [University of Muhammadiyah Sumatera Utara], Indonesia.

Conflict of interest statement:
Author(s) reported no conflict of interest

Abstract

Small and Medium Enterprises (SMEs) in Indonesia have a strategic role in the national economy and face challenges in global competition. These challenges include limited access to capital, limitations in technology adoption, low innovation capacity, and the need for more human resource development. Many SMEs also operate informally, facing obstacles in obtaining policy support or broader market access. This study aims to analyze the effect of Customer Relationship Management (CRM) and market orientation on SMEs' performance, with innovation capabilities as a mediating variable. The study was conducted on 348 respondents who were SMEs business actors producing packaged food in North Sumatra. The method used is quantitative through surveys and data analysis using the Structural Equation Modeling (SEM) Partial Least Squares (PLS) technique. The results of the study indicate that Customer Relationship Management (CRM) has a positive influence on SMEs performance (p=0.000) and innovation capabilities (p=0.011). Besides, market orientation also contributes significantly to SMEs' performance (p=0.000) and innovation capabilities (p=0.000). Innovation capabilities have been proven to improve SMEs' performance (p=0.000). In the indirect effect, innovation capabilities mediate between CRM and SMEs' performance (p=0.013) and between market orientation and SMEs' performance (p=0.000). These results indicate that CRM and market orientation not only have a direct effect on SMEs' performance but also indirectly through increasing innovation capabilities.

Keywords innovation, entrepreneurship, orientation, business performance

JEL Classification M31, L17, L26, O32

INTRODUCTION

SMEs as packaged food producers in Indonesia have a significant role in supporting global economic growth and creating jobs. In addition to being one of the main sectors contributing to domestic income, SMEs as packaged food producers also play a role in strengthening economic resilience by developing innovative local products. However, increasingly competitive market dynamics, changes in consumer preferences and pressure from large-scale business actors require SMEs to adopt effective strategies to maintain competitiveness. These strategies include improving customer relationships, adapting to market needs, and developing relevant innovations to meet growing consumer demand (Nicolescu & Rîpa, 2024).

http://dx.doi.org/10.21511/im.21(2).2025.04

Amid these challenges, SMEs as packaged food producers also face pressure to digitally transform and innovate in presenting products that are not only of high quality but also in line with market trends such as sustainability and health. Besides, limited resources, both in capital, access to technology, and managerial expertise, are the main obstacles often experienced by SMEs. To survive and thrive, SMEs must utilize strategies that can optimize existing resources, such as effective Customer Relationship Management (CRM) and proactive market orientation, to create sustainable added value and increase competitiveness in domestic and global markets (Aloqool et al., 2022).

The main problem SMEs face as packaged food producers in Indonesia is the inability to compete in an increasingly competitive market due to limitations in managing customer relationships, understanding market needs, and developing innovation. Many SMEs have difficulty implementing the right strategies to increase customer satisfaction and loyalty, understand changes in consumer preferences, and produce innovative and relevant products to market trends. Besides, limited resources, such as access to technology, capital, and managerial expertise, further exacerbate the situation. This gap is a serious challenge that hinders the ability of SMEs in packaged food to utilize the full potential of CRM, market orientation, and innovation capabilities in driving continuous performance improvement.

1. LITERATURE REVIEW

In facing the ever-changing market dynamics, especially for Small and Medium Enterprises (SMEs), a management strategy is needed to help businesses adapt and remain competitive. One crucial aspect that influences the success of SMEs is how SMEs can build strong relationships with customers and understand market needs more deeply. Reviewing strategic approaches proven effective in the literature is essential to understand how SMEs can improve business performance. The two main approaches that are the focus of this study are Customer Relationship Management (CRM) and market orientation. These two concepts have received extensive attention in various studies because they are essential in helping businesses respond better to customer needs and market dynamics. The following is a literature review that discusses the contribution of both to SMEs' performance.

Customer Relationship Management (CRM) is essential for businesses because it focuses on managing long-term customer relationships, which are crucial to business success. CRM helps companies understand customer needs, preferences, and behaviors more deeply, allowing them to provide more personalized and targeted services (Sofi et al., 2020; Guerola-Navarro et al., 2024). With CRM, businesses can improve customer satisfaction, strengthen loyalty, and drive customer retention, ultimately contributing to increased revenue and business growth (Kumar & Mokha, 2021). For SMEs, CRM is crucial in helping them compete in an increasingly competitive market by providing them with tools to retain customers and improve their experience despite having more limited resources than large companies (AlQershi et al., 2022; Daulay & Saputra, 2018).

CRM and market orientation are two strategic approaches widely discussed in management literature to improve business performance, especially in the context of Small and Medium Enterprises (SMEs). CRM refers to the strategies and technologies used to manage and analyze customer interactions to increase customer satisfaction and loyalty (Sofi et al., 2020; Guerola-Navarro et al., 2024); CRM involves technological systems, processes, and strategies aimed at better understanding and responding to customer needs (Kumar & Mokha, 2021). The studies by Qalati et al. (2024), Barasa and Ahmad (2024), AlQershi et al. (2022) confirm that effective CRM implementation can improve customer relationships and improve business.

CRM has been shown to positively impact a company's performance by improving customer relationships and enhancing customer experience (Mokha & Kumar, 2022). The researches by Khan et al. (2022) and Kumar and Misra (2021) show that effective CRM implementation can improve customer satisfaction and, in turn, improve business performance. For SMEs as packaged food producers in Indonesia, which often have limited

resources, CRM implementation can provide significant competitive advantages by improving understanding of customer needs and responding to them more effectively (Sardjono et al., 2021).

Market orientation is one of the strategic approaches in the business world because it encourages companies to proactively identify and respond to market needs. Market orientation emphasises the importance of companies collecting information about customers, competitors, and market trends (Schulze et al., 2022; Sampaio et al., 2019), and using this information to create better customer value. With this approach, companies can be more adaptive to changes in the external environment and more effective in developing products and services relevant to market needs (Medrano et al., 2020). Besides, market orientation also plays a role in increasing a company's innovation, strengthening customer relationships, and supporting business competitiveness in an increasingly competitive market.

Existing literature supports the importance of market orientation as a critical driver of business performance. Market orientation plays a significant role in increasing innovation because companies with high market orientation tend to understand market dynamics better and can develop more innovative products (Puspaningrum, 2020). Market orientation positively affects business performance (Akintola et al., 2024), it helps companies be more responsive to changes and customer demands. With a market orientation approach, companies can be more adaptive to changes in the external environment and more effective in developing products and services relevant to market needs (Randhawa et al., 2021).

Existing literature supports the importance of market orientation as a critical driver of business performance. Market orientation consists of three main components: customer orientation, competitor orientation, and inter-functional coordination (Alabsy, 2021). These three elements enable companies to integrate market insights into their business strategies, ultimately contributing to achieving competitive advantage and improving performance. The study by Kumar and Singh (2024) emphasised that market orientation is about understanding customers and proactively responding to their needs. High market orientation tends to understand market dynamics better and can develop more innovative products (Pratono et al., 2019). Thus, market orientation is a tool for understanding the market and a critical factor in improving companies' innovation, performance, and competitiveness in various industries, including the SMEs sector.

On the other hand, Market Orientation includes a deep understanding of market needs and preferences and the company's ability to respond effectively to market changes (Taghvaee & Talebi, 2023). Market Orientation, which involves customer orientation, competitor orientation, and inter-functional orientation, also significantly influences business performance (Dahleez & Abdelfattah, 2022; Yaskun et al., 2023). According to Fatonah and Haryanto (2022) and Falahat et al. (2022), strong market orientation can help companies adapt to market changes and increase their competitiveness. This is important for food product SMEs that must continuously adapt to changing consumer preferences and dynamic market trends.

Innovation capability is an organization's ability to develop, implement, and utilize new ideas that create added value for the company and customers (Migdadi, 2022; Ali et al. 2020). In an increasingly competitive and dynamic business environment, Innovation Capabilities are crucial to achieving a sustainable competitive advantage (Ferreira et al., 2020). Organizations with high Innovation capabilities can respond to market changes and meet evolving customer needs more effectively. Innovation capabilities consist of several dimensions, including the ability to generate new ideas, develop innovative products and processes, and market and distribute these innovations (Najafi-Tavani et al., 2018; Zhang et al., 2020). Besides, organizational aspects such as innovation culture, structures that support collaboration and management systems that encourage experimentation also play an essential role in improving innovation capabilities (Lam et al., 2021).

Innovation depends on internal capabilities and engagement with external parties to gain additional knowledge and resources (Hameed et al., 2021). Therefore, innovation capabilities are not only related to the internal capabilities of SMEs but also

http://dx.doi.org/10.21511/im.21(2).2025.04

include collaborative networks that can support the innovation process. In Small and Medium Enterprises (SMEs) context, innovation capabilities are crucial because they help small companies stay relevant and competitive in a changing market. SMEs adopting good innovation capabilities can increase their competitiveness, optimize limited resources, and expand market share (Qalati et al., 2021). Besides, innovation capability is considered an important mediator that links CRM strategy and market orientation with business performance (Cepeda & Arias-Pérez, 2019). Innovation capabilities can strengthen the relationship between marketing strategy and business performance by enabling the implementation of innovative ideas that contribute to competitive advantage (Jakhar et al., 2019; Ferreira et al., 2020).

Recent studies have shown that the combination of CRM and market orientation can enhance innovation capabilities that ultimately have a positive impact on business performance (Migdadi et al., 2017; Kumar & Singh, 2024). This reflects the importance of understanding how CRM and market orientation interact through innovation capabilities to achieve optimal performance outcomes, especially in dynamic and diverse food product SMEs. Integrating CRM and market orientation can strengthen innovation capabilities that positively affect business performance (Qalati et al., 2024). Innovation capability can be strengthened by implementing effective CRM and market orientation strategies, ultimately improving business performance. However, most of these studies do not specifically examine the food product SMEs sector, which has unique characteristics and challenges.

Research examining the influence of innovation capability as a mediator in the context of SMEs in packaged food products still needs to be completed. Although many studies examine the impact of CRM and market orientation on business performance in general, research explicitly examining innovation capability in the SME food product sector has yet to be widely conducted. This reflects a gap in the literature that needs to be filled to provide a deeper understanding of how innovation capability mediates the relationship between CRM, market orientation, and SMEs performance. Most previous studies have not considered how innovation capability can mediate the relationship between CRM and market orientation with SMEs' performance. This study attempts to fill this gap by focusing on the context of SMEs in food products in Indonesia, an area with unique characteristics and particular challenges.

As the understanding of the role of CRM, market orientation, and innovation capability in supporting the performance of packaged food SMEs deepens, it is important to explore how these three factors interact and influence each other in the context of the Indonesian market. This study examines the influence of Customer Relationship Management (CRM) on SMEs' performance and innovation capability, market orientation on SMEs' performance and innovation capability and the mediating influence of Innovation Capability between Customer Relationship Management (CRM) and market orientation on SMEs' performance.

2. AIMS AND HYPOTHESES

This study aims to analyze the effect of Customer Relationship Management (CRM) on SMEs' performance and innovation capability, analyze the effect of market orientation on SMEs performance and innovation capability and test the effect of Customer Relationship Management (CRM) and market orientation on SMEs performance in mediating innovation capability in SMEs in food packaging producers in North Sumatra, Indonesia.

Figure 1 shows that the urgency of this study lies in the need to understand how CRM and market orientation can influence each other through innovation capabilities to improve the performance of food product SMEs. By focusing on the SMEs sector, which often faces resource constraints and intense competition, this study aims to provide significant practical contributions to designing more effective strategies for SMEs. This study also aims to provide academic contributions by filling gaps in the existing literature and providing new insights into the role of innovation capabilities in mediating the relationship between CRM and market orientation with SMEs' performance (Al Taweel & Al-Hawary, 2021; Kumar & Singh, 2024).

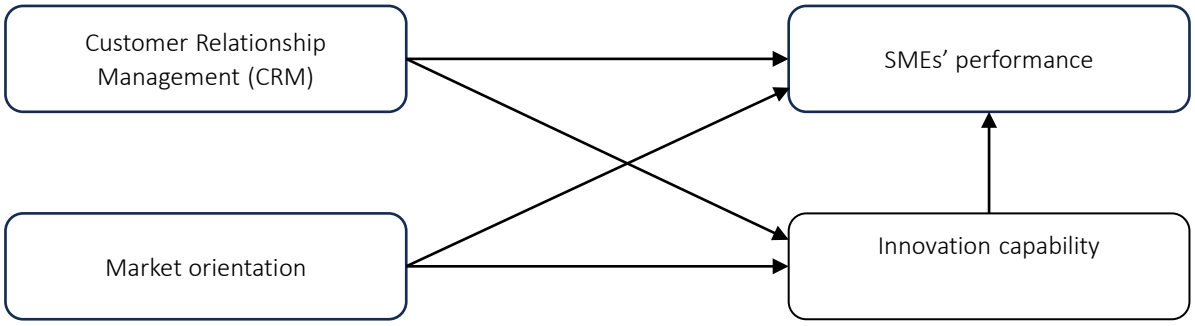

Figure 1. Research framework

Based on the formulation of the problem, the following hypotheses were developed in this study:

H1: Customer Relationship Management can improve SMEs' performance positively and significantly.

H2: Customer Relationship Management can improve innovation capabilities positively and significantly.

H3: Market orientation can improve SMEs' performance positively and significantly.

H4: Market orientation can improve Innovation Capabilities positively and significantly.

H5: Innovation capabilities can improve SMEs' performance positively and significantly indirect effects.

H6: Customer Relationship Management can improve SMEs' performance positively and significantly mediated by innovation capabilities.

H7: Market orientation can improve SMEs' performance positively and significantly mediated by innovation capabilities.

3. METHODOLOGY

This study uses a quantitative design with a survey approach to analyze the influence of Customer Relationship Management (CRM) and market orientation on SMEs' performance in North Sumatra, Indonesia, with innovation capabilities as a mediating variable. This design was chosen to collect systematic data and in-depth statistical analysis.

The population in this study consisted of SMEs as food packaging producers in North Sumatra, Indonesia, estimated at 595,779 SMEs. So, in the sample calculation using the Isaac and Michael Table with a significance level of 5%, a sample of 348 respondents of UMKM food producers in North Sumatra, Indonesia, was obtained.

Data were collected through direct and online questionnaire distribution, focusing on [specific data points]. The questionnaire was sent to respondents via social media platforms and email, explaining the purpose of the study to ensure maximum participation. Before data collection, a questionnaire trial was conducted on 30 respondents to ensure the validity and reliability of the instrument.

This study uses indicators to measure each variable, including Customer Relationship Management, with indicators: comparing competitors, retaining new customers, customer satisfaction, retaining existing customers, and involvement in new product development (Li et al., 2023; Guerola-Navarro et al., 2021); market orientation with indicators: understanding customer needs, collecting customer data, technology improvements, competitor information, competitor strategy information, and responsiveness (Habib et al., 2020).; innovation capability with indicators: innovation strengthens product lines, knowledge and skills according to market needs, strengthens competitiveness and creativity in innovation, creates new value for customers, utilizes organizational intelligence and manages technology (Donate et al., 2022); SMEs' performance with indicators: sustainable development, increased product/service quality, SMEs customers appreciate the quality of products/services, SMEs sales volume, has in-

http://dx.doi.org/10.21511/im.21(2).2025.04

creased over the past year, increased SMEs sales and profits, achieved SMEs profit targets, added new customers in the last 12 months, carried out new product development (Ramdan et al., 2022). Multivariate analysis is used for processing variables in large numbers, where the aim is to find the influence of these variables on an object simultaneously or simultaneously with the data analysis technique using SEM PLS 4.0.

The collected data were analyzed using the Structural Equation Modeling (SEM) technique with the Partial Least Squares (PLS) approach. This analysis was carried out using SmartPLS 4.0 software to test the relationship between independent variables (CRM and market orientation), mediator variables (innovation capabilities), and dependent variables (SMEs' performance). Instrument validity and reliability tests were also carried out to ensure the reliability of the data obtained. The results of the validity test showed that all questionnaire items met validity and reliability.

This study follows the principles of research ethics by ensuring the confidentiality of respondent data and asking for consent before filling out the questionnaire. Respondents were given a detailed explanation of the purpose of the study, including its potential impact and the importance of their participation. No financial compensation was offered, so participation was voluntary.

Table 1. Distribution of respondents

Characteristics	Category	Quantity	Percentage
Gender	Male	158	45.40
	Female	190	54.6
	Total	348	100
Age	20-25	17	4.88
	26-30	21	6.03
	31-35	72	20.68
	36-40	80	22.98
	41-45	95	27.29
	46-50	37	10.62
	> 51	26	7.52
	Total	348	100.00
Education background	High school and below	64	18.39
	Diploma	87	25
	Bachelor	197	56.61
	Total	348	100
Status	Married	239	68.98
	Single	109	31.01
	Total	348	100

Table 1 shows the demographic results obtained; the respondents in this study amounted to 348 people with a reasonably even gender distribution, namely 45.40% male and 54.60% female. Most respondents are 36-45 years old, with a percentage of 22.98% for ages 36-40 years and 27.29% for ages 41-45 years, indicating that most respondents are adult individuals in the productive phase. Regarding education, most respondents (56.61%) have a bachelor's degree, 25% have a diploma, and 18.39% have secondary education or below. Regarding marital status, most respondents (68.98%) are married, while 31.01% are single. These data indicate that respondents have a relatively high level of education, and most are in a mature age and phase of life, which can have implications for their experience and understanding of running SMEs.

Overall, these results show a diverse demographic profile but tend to have a positive tendency towards female involvement, sufficient experience in productive age, good education level, and stability in marital status. This can influence decision-making, strategies for managing SMEs, and the potential for innovation and business growth.

4. RESULTS

Validity and reliability testing is fundamental to ensure that each construct in the research model is reliable and valid when measuring the study variables. The loading factor is used to see the contribution of each indicator to its construct, where a higher value indicates that the indicator is relevant in measuring the intended construct. Cronbach's Alpha and composite reliability are used to assess the instrument's reliability, with values above 0.7 considered adequate. On the other hand, AVE evaluates how much variance can be explained by the construct compared to the error variance, with values above 0.5 indicating good convergent validity. Once this validity and reliability are verified, the structural model is ready to be tested further in hypothesis testing.

Table 1 shows the results of the model measurement analysis, indicating that all constructs met the criteria for adequate reliability and validity. For the Customer Relationship Management

Table 2. Measurement validity and reliability

Construct	Item	Item loadings	Cronbach's Alpha	Composite Reliability	AVE
Customer Relationship Management	CRM1	0.796	0.863	0.910	0.614
	CRM2	0.871			
	CRM3	0.926			
	CRM 4	0.880			
	CRM5	0.840			
	CRM6	0.785			
Market Orientation	MO1	0.758	0.909	0.915	0.688
	MO2	0.888			
	MO3	0.733			
	MO4	0.753			
	MO5	0.711			
	MO6	0.787			
Innovation Capability	IC1	0.807	0.865	0.875	0.598
	IC2	0.857			
	IC3	0.856			
	IC4	0.731			
	IC5	0.877			
	IC6	0.839			
SMEs' performance	Perf1	0.884	0.928	0.937	0.676
	Perf1	0.803			
	Perf1	0.826			
	Perf1	0.889			
	Perf1	0.903			
	Perf1	0.789			
	Perf1	0.874			
	Perf1	0.756			

(CRM) construct, the loading factor value of each item ranges from 0.785 to 0.926, indicating that all indicators significantly contribute to measuring the construct. With Cronbach's Alpha of 0.863 and Composite Reliability (CR) of 0.910, the internal reliability of the CRM construct is excellent. The AVE (Average Variance Extracted) value of 0.614 indicates that more than 50% of the indicator variance is explained by this construct, indicating good convergent validity. Market Orientation (MO) construct also shows strong results, with a loading factor value between 0.711 and 0.888, a Cronbach's Alpha of 0.909, and a composite reliability of 0.915, all indicating excellent reliability and internal consistency. The AVE for the market orientation construct of 0.688 indicates convergent solid validity, which underscores the robustness of the market orientation construct in measuring market orientation.

The Innovation Capability (IC) construct has a loading factor value between 0.731 and 0.877, indicating valid indicators. Cronbach's Alpha of 0.865 and Composite Reliability of 0.875 indicate that this construct is reliable. Although the AVE of 0.598 is close to the minimum limit, it indicates adequate convergent validity.

For SMEs' performance, the loading factor values range from 0.756 to 0.903, indicating a significant contribution from each indicator to this construct. The high Cronbach's Alpha of 0.928 and Composite Reliability of 0.937 indicate strong reliability and consistency. The AVE of 0.676 suggests that the indicator variance explained by this construct is adequate.

The innovation capabilities R-squared value of 0.633 indicates that the independent variables used in the model can explain 63.3% of the variation that occurs in the innovation capabilities variable. Thus, this model has quite predictive solid power in explaining changes in innovation capabilities. Meanwhile, the slightly lower adjusted R-squared value (0.630) indicates that the predictive power remains consistent and valid when considering the number of variables in the model.

http://dx.doi.org/10.21511/im.21(2).2025.04

The R-squared value of SMEs' performance of 0.794 indicates that the independent variables in this model can explain 79.4% of the variation that occurs in SMEs' performance. This suggests that the model has extreme predictive power in explaining SMEs' performance. The adjusted R-squared value of 0.792 indicates a minor adjustment that still shows that the model has excellent predictive ability, even though it takes into account the number of predictor variables.

Overall, the R-squared values indicate that the model is adept at explaining the dependent variables. This model can predict SMEs innovation and performance capabilities, reassuring reassurance about its effectiveness.

After the outer model test is carried out to ensure the validity and reliability of the measurement instrument, the hypothesis test becomes the next crucial step. This test evaluates the relationship between the variables in the structural model, determining whether the hypothesized relationship between the independent and dependent variables has a significant influence. The test results provide an overview of the strength and direction of the influence of each variable and help assess whether the research model supports or rejects the proposed hypothesis. This analysis, which includes statistical significance tests, such as t-statistic and p-value, is vital for determining the confidence level in the tested influence, ensuring the conclusions drawn are accurate and reliable in explaining the relationship between variables in this study. Moreover, this hypothesis test validates the previously built conceptual model, whether it supports the hypothesis or needs to be revised to the proposed model. This process is crucial for assessing the extent to which the model can explain the phenomenon being studied and provide insight for better decision-making in the future.

The research model in Figure 2 illustrates the relationship between customer relationship management (CRM), market orientation, innovation capabilities, and SMEs' performance. CRM and market orientation are hypothesised to influence SMEs' performance directly in this model. Besides, innovation capabilities act as a mediating variable that connects CRM and market orientation with SMEs' performance. This model shows that CRM and market orientation directly affect business

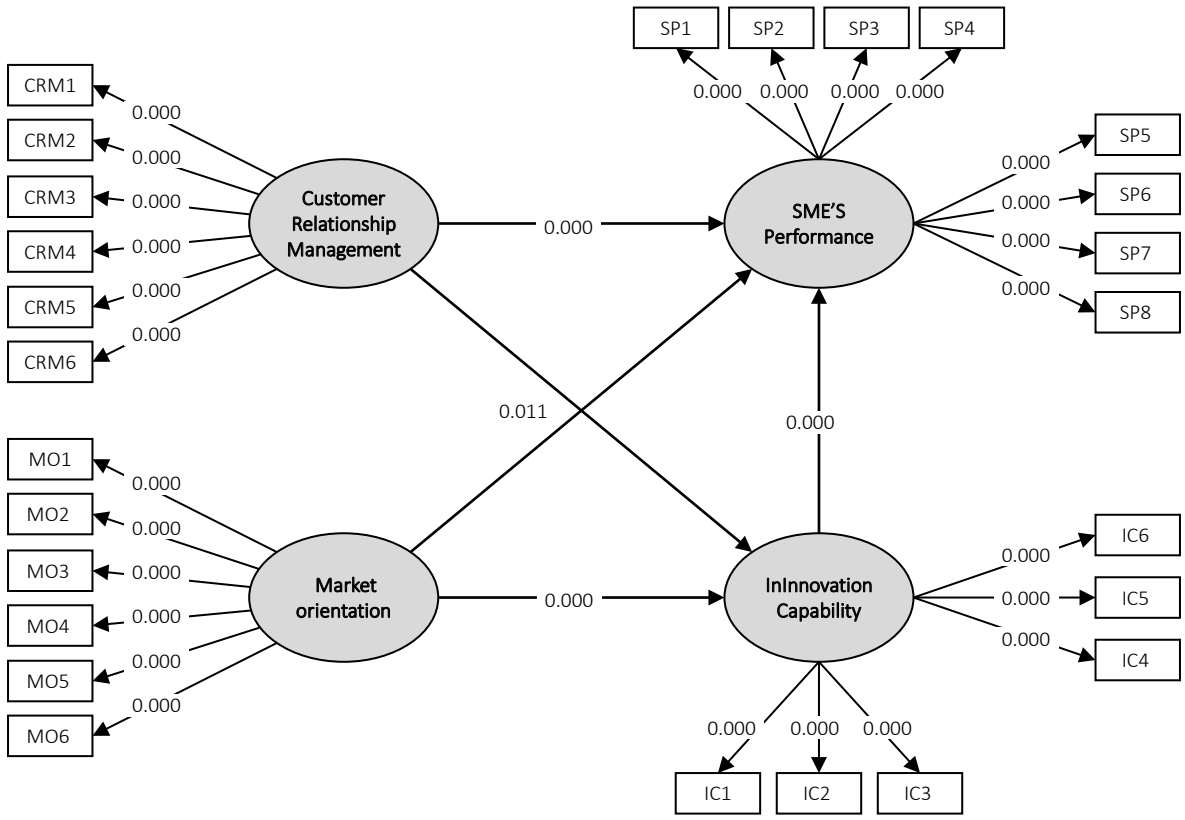

Figure 2. Research path coefficient model

Table 3. Result path coefficient and mediating effects

Hypotheses	Original sample	t-statistics	p-values	Result
Direct effect				
H1: Customer Relationship Management → SMEs' performance	0.341	9.494	0.000	Supported
H2: Customer Relationship Management → innovation capabilities	0.123	2.553	0.011	Supported
H3: Market orientation → SMEs' performance	0.239	4.326	0.000	Supported
H4: Market orientation → innovation capabilities	0.700	17.252	0.000	Supported
H5: Innovation capabilities → SMEs' performance	0.408	8.824	0.000	Supported
Indirect effect				
H6: Customer Relationship Management → innovation capabilities → SMEs' performance	0.050	2.484	0.013	Supported
H7: Market orientation → innovation capabilities → SMEs' performance	0.286	8.304	0.000	Supported

performance and contribute indirectly by increasing innovation capabilities, ultimately strengthening SMEs' performance. This approach provides a comprehensive picture of how customer management strategies and market orientation, integrated with innovation capabilities, can improve competitiveness and business success in the SMEs sector.

The study results in Table 3 show a positive and significant influence between CRM and SMEs performance, with a coefficient of 0.341. This indicates that exemplary CRM implementation can improve SMEs' performance. CRM positively and significantly influences innovation capability, with a coefficient of 0.123. This shows that effective CRM can encourage SMEs to develop innovation capabilities. A significant favorable influence exists between market orientation and SMEs performance (coefficient 0.239). This indicates that a strong market orientation can improve SMEs' performance. The relationship between market orientation and innovation capability is powerful and significant, with a coefficient of 0.700. This indicates that good market orientation significantly improves SMEs innovation capabilities. Innovation capability and SMEs' performance positively and significantly influence (coefficient 0.408). This shows that increasing innovation capability can directly affect improving SMEs' performance.

Notably, the study reveals a significant indirect effect of CRM on SMEs' performance through innovation capability (coefficient 0.050). This underscores that CRM not only directly influences performance but also does so through the enhancement of innovation capabilities. Similarly, the indirect effect of market orientation on SMEs' performance through innovation capabilities is also significant, with a coefficient of 0.286. This underscores that market orientation contributes to SMEs' performance by bolstering innovation capabilities.

Overall, the analysis results show that both CRM and market orientation significantly affect SMEs' performance, both directly and through innovation capabilities. This shows the importance of CRM and market orientation in improving competitiveness and business performance in the SMEs' sector.

5. DISCUSSION

The results of this study provide in-depth insights into the influence of Customer Relationship Management (CRM) and market orientation on the performance of packaged food SMEs in Medan, with innovation capabilities as a mediator. These findings are relevant in business development, especially in highly competitive sectors such as SMEs. In this section, the study's results will be discussed in detail and comprehensively, revealing the practical implications of the findings and providing an in-depth analysis of how CRM and market orientation strategies can be optimized to improve the performance and competitiveness of SMEs.

The analysis shows that customer relationship management (CRM) significantly affects SMEs' performance. This finding aligns with previous studies stating that CRM is a strategic tool that improves the relationship between businesses and customers, which drives customer loyalty (Magatef et al., 2023; Alqershi et al., 2020). By utilizing information technology, SMEs can collect

http://dx.doi.org/10.21511/im.21(2).2025.04

relevant data on customer preferences to better respond to market needs. Effective CRM encourages SMEs to collect and analyze customer data. SMEs can customize their products and services with the correct information to better suit customer needs. Besides, the CRM approach helps create a better customer experience, leading to increased satisfaction and loyalty. A more targeted and personalized communication strategy can improve customer interactions, making them feel more valued and involved (Guerola-Navarro et al., 2024). Therefore, proper CRM implementation not only improves customer relationships but also directly contributes to improving the performance and competitiveness of SMEs in a competitive industry.

Strengthening these relationships can create customer advocacy, where satisfied customers will recommend the product to others, organically expanding the market reach of SMEs. This increases sales and strengthens the brand's reputation in the eyes of consumers (Kumar & Mokha, 2021). When SMEs invest resources in understanding and meeting customer needs, they create sustainable added value and increase competitive advantage in the market. Thus, emphasizing CRM as part of a business strategy can drive product and service innovation that better matches customer expectations. This process creates a positive cycle where customer feedback is used for continuous improvement, resulting in better and sustainable growth for SMEs in the face of rapid market dynamics.

The results of the analysis show that Customer Relationship Management (CRM) has a significant favorable influence on innovation capabilities; this is due to the ability of CRM to improve SMEs' understanding of customer needs and preferences, which is an essential foundation in the innovation process. By effectively collecting and analyzing customer data, SMEs can identify market trends and develop relevant new products or services (Khan et al., 2022; Migdadi, 2020).

CRM implementation encourages SMEs to interact better with customers, collect feedback, and involve them in innovation. This customer engagement not only strengthens relationships but also provides valuable insights that can be used to develop more targeted innovations (Barasa & Ahmad, 2024). Besides, a sound CRM system supports better internal collaboration among teams, facilitating the exchange of ideas and knowledge, thereby increasing team creativity and productivity in creating innovative solutions (AlQershi et al., 2022).

In a highly competitive era, innovating is key for SMEs to survive and thrive. By utilizing CRM, SMEs can improve operational efficiency by automating tasks, streamlining processes and accelerating innovation, ultimately contributing to competitive advantage and sustainable growth in the market (Sofi et al., 2020). Therefore, effective CRM adoption is crucial in driving innovation capabilities and responsiveness to market changes.

The analysis results show that market orientation has a significant favourable influence on SMEs performance. Market Orientation includes a deep understanding of customer needs and preferences, as well as responding to changes in the market environment. By implementing a strong market orientation, SMEs can identify opportunities and challenges in the market, allowing them to respond quickly and effectively (Crick et al., 2022). According to Puspaningrum (2020) and Ali et al. (2020), companies with high market orientation tend to perform better because they can adapt their products and services to customer needs, increasing customer satisfaction and loyalty.

Besides, market orientation also plays a role in creating innovations that are relevant to market needs. When SMEs actively collect and analyze market information, they not only understand what customers want but can also anticipate future trends. This encourages SMEs to innovate and develop new products that align with market expectations (Kolbe et al., 2022). For example, SMEs that adopt an effective market orientation strategy can produce more innovative products and meet customers' evolving needs, increasing their market competitiveness. Thus, market orientation is a significant performance driver for SMEs, giving them an edge in a competitive market.

The analysis results show that market orientation significantly positively affects innovation capabilities in SMEs. Market orientation encourages

SMEs to be more sensitive to customer needs and desires and monitor changes in the competitive environment and market trends (Schulze, et al., 2022; Wahyono & Hutahaya, 2021). By profoundly understanding customer preferences and market needs, SMEs can identify areas where innovation is needed (Aydin, 2020), This not only helps develop new, more relevant products and services but also creates a more robust culture of innovation within the organization.

Market orientation also improves collaboration and communication between teams in SMEs. By collecting customer feedback and market information regularly, SMEs can integrate these insights into the decision-making process and product development (Julian et al., 2020). Customer involvement in the innovation process is critical, as constructive feedback can be used to improve product ideas and concepts. In this way, market orientation not only strengthens SMEs' innovation capabilities but also ensures that the resulting innovations are targeted more by customer needs. Therefore, market orientation is essential in driving innovation capabilities, contributing to the sustainability and growth of SMEs in a competitive market.

The analysis results show that innovation capabilities significantly positively affect SMEs performance. Innovation capabilities include developing and implementing new ideas, products, processes, and strategies that can improve operational efficiency and effectiveness (Rumanti et al., 2022; Jalil et al., 2022). When SMEs can innovate, they can produce products of higher quality and attractive to customers, increasing customer satisfaction and loyalty. According to Fang et al. (2022), companies with solid innovation capabilities perform better because they can effectively meet market needs.

Innovation capabilities enable SMEs to adapt quickly to changes in the business environment, such as changes in customer demand and industry trends. SMEs with a strong innovation culture will be more flexible in responding to market changes and implementing more efficient solutions (Haddad et al., 2019). This helps improve current performance and ensures the company's long-term sustainability. Thus, innovation capabilities are crucial for SMEs performance, helping them remain competitive and relevant in an ever-evolving market.

The study results indicate that Customer Relationship Management (CRM) and market orientation positively and significantly affect SMEs' performance, with innovation capabilities as a mediator. This finding emphasizes the importance of integrating CRM and market orientation strategies in improving business performance. CRM enables SMEs to build stronger customer relationships, while market orientation helps them understand market needs and preferences. Thus, both contribute to creating value for customers, which in turn has a direct effect on SMEs' performance. This aligns with a study by Sofi et al. (2020), which emphasises that good customer relationships improve organisational performance.

Furthermore, innovation capabilities mediate between CRM, market orientation, and SMEs' performance. SMEs can collect and analyse customer data with effective CRM to create innovations relevant to market needs. On the other hand, market orientation encourages SMEs to innovate based on growing trends and demands. This shows that innovation capabilities improve the products and services offered and strengthen the competitive position of SMEs in the market. Finally, the positive impact of CRM and market orientation on SMEs performance through innovation capabilities underscores the need for an integrated strategy in business management. To improve performance, SMEs should prioritise developing customer relationships and building a strong innovation culture. SMEs can respond more to market changes and customer needs by implementing appropriate CRM and market orientation practices. This study contributes to the management literature by highlighting the importance of collaboration between marketing strategy and innovation capabilities in achieving better performance in the SMEs sector.

The results of this study also provide practical implications for SMEs owners and managers in optimising their resources to achieve better performance. By utilising CRM, SMEs are not only able to establish closer relationships with customers but can also gain in-depth insights into consumer preferences and behavior. This information is the basis for developing innovative products and services that align with market needs. On the other hand, applying market orientation encourages SMEs to pay attention to market dynamics and be proactive in adapting their business strategies. Therefore,

http://dx.doi.org/10.21511/im.21(2).2025.04

combining these two approaches with a focus on innovation is critical for SMEs to increase their competitiveness and sustainability in an increasingly competitive market. The findings align with the views of Yodchai et al. (2022) and Zhang et al. (2023) who emphasize that an effective strategy must include a deep understanding of customer needs and the ability to innovate continuously.

The study's results indicate a significant favorable influence of Customer Relationship Management (CRM) on SMEs' performance through innovation capabilities. Effective CRM practices not only serve to build strong relationships with customers but also encourage the development of innovation capabilities. When SMEs manage customer relationships well, they can gather valuable insights into customer needs and expectations. These insights can be used to design innovative products and services, improving business performance. Tuamyil et al. (2022) and Fang et al. (2022) support this finding by showing that good customer interactions can facilitate more relevant innovation in line with market demand.

Besides, market orientation also has a strong influence on SMEs' performance through innovation capabilities. Market orientation makes SMEs remain sensitive to changes in trends and customer preferences, which is the basis for developing practical innovation. When SMEs can quickly identify and respond to market needs, they can produce products and services that meet customer expectations and provide competitive advantages. This is in line with the view of Wahyono and Hutahaya (2021); Nasution et al., (2020) that robust market orientation encourages creativity and internal collaboration, thereby increasing innovation capacity. Thus, CRM and market orientation have proven to be critical factors in creating innovations that support SMEs' performance, creating a positive cycle that strengthens competitiveness in the market.

CONCLUSIONS

This study aims to analyze the influence of Customer Relationship Management (CRM) and market orientation on SMEs' performance and explore the role of innovation capabilities as a mediating variable in the relationship. This study will also provide a deeper understanding of how CRM and market orientation strategies can improve SMEs' performance, focusing on the relevance of innovation in meeting customer needs and facing market dynamics. Thus, the results obtained from the study indicate that there is a positive and significant influence between CRM on SMEs' performance, there is a positive and significant influence between CRM and innovation capabilities, there is a significant favorable relationship between market orientation and SMEs' performance and the influence between market orientation and innovation capabilities is very strong and significant. There is a positive and significant influence between innovation capabilities and SMEs' performance. There is a significant indirect effect of CRM through innovation capabilities on SMEs' performance, and the indirect effect of market orientation through innovation capabilities on SMEs' performance is also significant.

The novelty of this study lies in several key aspects that significantly contribute to the existing literature. First, this study integrates two critical concepts – CRM and market orientation – to explore the interaction between the two in influencing innovation capabilities and SMEs' performance. Furthermore, emphasizing innovation capabilities as a mediator provides new insights into how innovation can be generated from solid customer relationships and a deep understanding of the market. This study offers practical implications for SMEs integrating CRM and market orientation in business strategies to enhance innovation and performance. Thus, this study provides a strong foundation for further business management and development research.

Further research can focus on exploring more deeply the specific mechanisms that link CRM and market orientation to innovation across various industry sectors and the influence of other moderating or mediating variables that may play a role in the process. This follow-up research will provide a more holistic picture of the dynamics influencing SME performance in the digital era.

AUTHOR CONTRIBUTIONS

Conceptualization: Muhammad Fahmi, Muhammad Andi Prayogi.
Data curation: Muhammad Fahmi.
Formal analysis: Muhammad Fahmi, Muhammad Andi Prayogi, Muhammad Taufik Lesmana.
Funding acquisition: Muhammad Fahmi, Muhammad Andi Prayogi, Muhammad Taufik Lesmana.
Investigation: Muhammad Taufik Lesmana; Maharani Citra Kencana, Syahnita.
Methodology: Muhammad Fahmi, Muhammad Andi Prayogi.
Project administration: Maharani Citra Kencana, Syahnita.
Resources: Muhammad Fahmi, Muhammad Andi Prayogi Muhammad Taufik Lesmana.
Software: Muhammad Fahmi, Muhammad Andi Prayogi.
Supervision: Muhammad Fahmi.
Validation: Muhammad Fahmi.
Visualization: Muhammad Taufik Lesmana, Maharani Citra Kencana, Syahnita.
Writing – original draft: Muhammad Fahmi.
Writing – review & editing: Muhammad Andi Prayogi, Muhammad Taufik Lesmana, Maharani Citra Kencana, Syahnita.

ACKNOWLEDGMENT

Gratitude to the Directorate General of Higher Education, Research, and Technology of the Ministry of Education, Culture, Research, and Technology of the Republic of Indonesia (Kementerian Pendidikan, Kebudayaan, Riset, dan Teknologi Republik Indonesia, Direktorat Jenderal Pendidikan Tinggi, Riset, Dan Teknologi) for providing financial support through funding for Regular Fundamental Research in 2024 with contract number 103/E5/PG.02.00.PL/2024; 16/LL1/AL.04.03/2024; 10/II.3-AU/UMSU-LP2M/C/2024. Gratitude to the Leaders of the University and the Leaders of Universitas Muhammadiyah Sumatera Utara (UMSU) [University of Muhammadiyah Sumatera Utara] for their support and provision of facilities during the research process. Thank you to all parties who have contributed directly and indirectly to supporting and assisting this research. The assistance, time, and attention given are significant in completing this research.

REFERENCES

1. Akintola, R. D., Ighomereho, S. O., Afolabi, T. S., & Ajayi, O. M. (2024). Moderating role of strategic marketing " Market orientation and organizational performance in telecommunication : The moderating role of strategic marketing. *Innovative Marketing, 20*(3), 158-169. https://doi.org/10.21511/im.20(3).2024.13
2. Al Taweel, I. R., & Al-Hawary, S. I. (2021). The mediating role of innovation capability on the relationship between strategic agility and organizational performance. *Sustainability (Switzerland), 13*(14), 1-14. https://doi.org/10.3390/su13147564
3. Alabsy, N. M. A. (2021). Market orientation and corporate performance of small and medium-sized enterprises in Saudi Arabia. *Innovative Marketing, 17*(1), 66-77. https://doi.org/10.21511/im.17(1).2021.06
4. Ali, G. A., Hilman, H., & Gorondutse, A. H. (2020). Effect of entrepreneurial orientation, market orientation and total quality management on performance: Evidence from Saudi SMEs. *Benchmarking, 27*(4), 1503-1531. https://doi.org/10.1108/BIJ-08-2019-0391
5. Ali, H., Hao, Y., & Aijuan, C. (2020). Innovation Capabilities and Small and Medium Enterprises' Performance: An Exploratory Study. *Journal of Asian Finance, Economics and Business, 7*(10), 959-968. https://doi.org/10.13106/jafeb.2020.vol7.no10.959
6. Aloqool, A., Alharafsheh, M., Abdellatif, H., Alghasawneh, L. A. S., & Al-Gasawneh, J. A. (2022). The mediating role of customer relationship management between e-supply chain management and competitive advantage. *International Journal of Data and Network Science, 6*(1), 263-272. https://doi.org/10.5267/j.ijdns.2021.9.002
7. AlQershi, N. A., Mokhtar, S. S. M., & Abas, Z. Bin. (2022). CRM dimensions and performance of SMEs in Yemen: the moderating role of human capital. *Journal of Intellectual Capital, 23*(3), 516-537. https://doi.org/10.1108/JIC-05-2020-0175

http://dx.doi.org/10.21511/im.21(2).2025.04

8. Alqershi, N., Mokhtar, S. S. M., & Abas, Z. Bin. (2020). Innovative CRM and performance of SMEs: The moderating role of relational capital. *Journal of Open Innovation: Technology, Market, and Complexity, 6*(4), 1-18. https://doi.org/10.3390/joitmc6040155

9. Aydin, H. (2020). Market orientation and product innovation: the mediating role of technological capability. *European Journal of Innovation Management, 24*(4), 1233-1267. https://doi.org/10.1108/EJIM-10-2019-0274

10. Barasa, L., & Ahmad, A. (2024). Determinants of Mobile Customer Relationship Management Adoption and Its Impact on Firm Performance in Kenya. *Journal of African Business,* 1-21. https://doi.org/10.1080/15228916.2024.2368315

11. Cepeda, J., & Arias-Pérez, J. (2019). Information technology capabilities and organizational agility. *Multinational Business Review, 27*(2), 198-216. https://doi.org/10.1108/MBR-11-2017-0088

12. Crick, J. M., Karami, M., & Crick, D. (2022). Is it enough to be market-oriented? How coopetition and industry experience affect the relationship between a market orientation and customer satisfaction performance. *Industrial Marketing Management, 100,* 62-75. https://doi.org/10.1016/j.indmarman.2021.11.002

13. Dahleez, K. A., & Abdelfattah, F. A. (2022). Transformational leadership and organizational performance of Omani SMEs: the role of market orientation. *International Journal of Productivity and Performance Management, 71*(8), 3809-3825. https://doi.org/10.1108/IJPPM-08-2020-0447

14. Daulay, R., & Saputra, R. (2018). Analysis Of Customer Relationship Management And Marketing Strategies Against Competitive Advantage On The Company's Distributor In Medan City. Proceedings of the 1st International Conference on Economics, Management, Accounting and Business, ICEMAB, 1–9. https://doi.org/10.4108/eai.8-10-2018.2288694

15. Donate, M. J., González-Mohíno, M., Paolo Appio, F., & Bernhard, F. (2022). Dealing with knowledge hiding to improve innovation capabilities in the hotel industry: The unconventional role of knowledge-oriented leadership. *Journal of Business Research, 144*(December 2021), 572-586. https://doi.org/10.1016/j.jbusres.2022.02.001

16. Falahat, M., Soto-Acosta, P., & Ramayah, T. (2022). Analysing the importance of international knowledge, orientation, networking and commitment as entrepreneurial culture and market orientation in gaining competitive advantage and international performance. *International Marketing Review, 39*(3), 463-481. https://doi.org/10.1108/IMR-02-2021-0053

17. Fang, G. G., Qalati, S. A., Ostic, D., Shah, S. M. M., & Mirani, M. A. (2022). Effects of entrepreneurial orientation, social media, and innovation capabilities on SME performance in emerging countries: a mediated–moderated model. *Technology Analysis and Strategic Management, 34*(11), 1326-1338. https://doi.org/10.1080/09537325.2021.1957816

18. Fatonah, S., & Haryanto, A. T. (2022). Exploring market orientation, product innovation and competitive advantage to enhance the performance of smes under uncertain events. *Uncertain Supply Chain Management, 10*(1), 161-168. https://doi.org/10.5267/j.uscm.2021.9.011

19. Ferreira, J., Coelho, A., & Moutinho, L. (2020). Dynamic capabilities, creativity and innovation capability and their impact on competitive advantage and firm performance: The moderating role of entrepreneurial orientation. *Technovation, 92-93*(May), 102061. https://doi.org/10.1016/j.technovation.2018.11.004

20. Guerola-Navarro, V., Gil-Gomez, H., Oltra-Badenes, R., & Soto-Acosta, P. (2024). Customer relationship management and its impact on entrepreneurial marketing: a literature review. *International Entrepreneurship and Management Journal, 20*(2). https://doi.org/10.1007/s11365-022-00800-x

21. Guerola-Navarro, V., Oltra-Badenes, R., Gil-Gomez, H., & Gil-Gomez, J. A. (2021). Research model for measuring the impact of customer relationship management (CRM) on performance indicators. *Economic Research-Ekonomska Istrazivanja, 34*(1), 2669-2691. https://doi.org/10.1080/1331677X.2020.1836992

22. Habib, M. A., Bao, Y., & Ilmudeen, A. (2020). The impact of green entrepreneurial orientation, market orientation and green supply chain management practices on sustainable firm performance. *Cogent Business and Management, 7*(1). https://doi.org/10.1080/23311975.2020.1743616

23. Haddad, M. I., Williams, I. A., Hammoud, M. S., & Dwyer, R. J. (2019). Strategies for implementing innovation in small and medium-sized enterprises. *World Journal of Entrepreneurship, Management and Sustainable Development, 16*(1), 12-29. https://doi.org/10.1108/WJEMSD-05-2019-0032

24. Hameed, W. U., Nisar, Q. A., & Wu, H.-C. (2021). Relationships between external knowledge, internal innovation, firms' open innovation performance, service innovation and business performance in the Pakistani hotel industry. *International Journal of Hospitality Management, 92,* 102745. https://doi.org/10.1016/j.ijhm.2020.102745

25. Jakhar, S. K., Mangla, S. K., Luthra, S., & Kusi-Sarpong, S. (2019). When stakeholder pressure drives the circular economy. *Management Decision, 57*(4), 904-920. https://doi.org/10.1108/MD-09-2018-0990

26. Jalil, M. F., Ali, A., & Kamarulzaman, R. (2022). Does innovation capability improve SME performance in Malaysia? The mediating effect of technology adoption. *The International Journal of Entrepreneurship and Innovation, 23*(4), 253-267. https://doi.org/10.1177/14657503211048967

27. Julian, C. C., Mohamad, O., & Wangbenmad, C. (2020). Examining market orientation, new prod-

uct development and performance. *Journal for Global Business Advancement, 13*(4), 431. https://doi.org/10.1504/JGBA.2020.112376

28. Khan, R. U., Salamzadeh, Y., Iqbal, Q., & Yang, S. (2022). The Impact of Customer Relationship Management and Company Reputation on Customer Loyalty: The Mediating Role of Customer Satisfaction. *Journal of Relationship Marketing, 21*(1), 1-26. https://doi.org/10.1080/15332667.2020.1840904

29. Kolbe, D., Frasquet, M., & Calderon, H. (2022). The role of market orientation and innovation capability in export performance of small- and medium-sized enterprises: a Latin American perspective. *Multinational Business Review, 30*(2), 289-312. https://doi.org/10.1108/MBR-10-2020-0202

30. Kumar, M., & Misra, M. (2021). Evaluating the effects of CRM practices on organizational learning, its antecedents and level of customer satisfaction. *Journal of Business & Industrial Marketing, 36*(1), 164-176. https://doi.org/10.1108/JBIM-11-2019-0502

31. Kumar, P., & Mokha, A. K. (2021). Relationship between E-CRM, Customer Experience, Customer Satisfaction and Customer Loyalty in Banking Industry: A Review of Literature. *RESEARCH REVIEW International Journal of Multidisciplinary, 6*(2), 127-137. https://doi.org/10.31305/rrijm.2021.v06.i02.022

32. Kumar, K., & Singh, M. (2024). The effect of market orientation and technology orientation on industry 4. 0 technologies and market performance : Role of innovation capability. *Industrial Marketing Management, 118*(June 2023), 231-241. https://doi.org/10.1016/j.indmarman.2024.03.004

33. Lam, L., Nguyen, P., Le, N., & Tran, K. (2021). The relation among organizational culture, knowledge management, and innovation capability: Its implication for open innovation. *Journal of Open Innovation: Technology, Market, and Complexity, 7*(1), 1-16. https://doi.org/10.3390/joitmc7010066

34. Li, L., Lin, J., Luo, W., & Luo, X. (2023). Investigating the Effect of Artificial Intelligence on Customer Relationship Management Performance in E-Commerce Enterprises. *Journal of Electronic Commerce Research, 24*(1), 68-83. Retrieved from http://www.jecr.org/sites/default/files/2023vol24no1_Paper5.pdf

35. Magatef, S., Al-okaily, M., Ashour, L., & Abuhussein, T. (2023). The impact of electronic customer relationship management strategies on customer loyalty: A mediated model. *Journal of Open Innovation: Technology, Market, and Complexity, 9*(4), 100149. https://doi.org/10.1016/j.joitmc.2023.100149

36. Medrano, N., Cornejo-Cañamares, M., & Olarte-Pascual, C. (2020). The impact of marketing innovation on companies' environmental orientation. *Journal of Business & Industrial Marketing, 35*(1), 1-12. https://doi.org/10.1108/JBIM-10-2018-0319

37. Migdadi, M. M. (2020). Knowledge management , customer relationship management and innovation capabilities. *Journal of Business & Industrial Marketing, 36*(1), 111-124. https://doi.org/10.1108/JBIM-12-2019-0504

38. Migdadi, M. M. (2022). Knowledge management processes, innovation capability and organizational performance. *International Journal of Productivity and Performance Management, 71*(1), 182-210. https://doi.org/10.1108/IJPPM-04-2020-0154

39. Migdadi, M. M., Zaid, M. K. A., Yousif, M., Almestarihi, R., & Al-Hyari, K. (2017). An Empirical Examination of Knowledge Management Processes and Market Orientation, Innovation Capability, and Organisational Performance: Insights from Jordan. *Journal of Information and Knowledge Management, 16*(1), 1-32. https://doi.org/10.1142/S0219649217500022

40. Mokha, A. K., & Kumar, P. (2022). Examining the Interconnections Between E-CRM, Customer Experience, Customer Satisfaction and Customer Loyalty: A Mediation Approach. *Journal of Electronic Commerce in Organizations, 20*(1), 1-21. http://dx.doi.org/10.4018/JECO.292474

41. Najafi-Tavani, S., Najafi-Tavani, Z., Naudé, P., Oghazi, P., & Zeynaloo, E. (2018). How collaborative innovation networks affect new product performance: Product innovation capability, process innovation capability, and absorptive capacity. *Industrial Marketing Management, 73,* 193-205. https://doi.org/10.1016/j.indmarman.2018.02.009

42. Nasution, M. I., Fahmi, M., Jufrizen, Muslih, & Prayogi, M. A. (2020). The Quality of Small and Medium Enterprises Performance Using the Structural Equation Model-Part Least Square (SEM-PLS). Journal of Physics: Conference Series, 1477(5). https://doi.org/10.1088/1742-6596/1477/5/052052

43. Nicolescu, L., & Rîpa, A. I. (2024). Linking innovative work behavior with customer relationship management and marketing performance. *Journal of Innovation & Knowledge, 9*(4), 100560. https://doi.org/10.1016/j.jik.2024.100560

44. Pratono, A. H., Darmasetiawan, N. K., Yudiarso, A., Jeong, B. G., Aluisius Hery Pratono, Kresna, N., Darmasetiawan, Yudiarso, A., & Jeong, B. G. (2019). Achieving sustainable competitive advantage through green entrepreneurial orientation and market orientation. *The Bottom Line, 32*(1), 2-15. https://doi.org/10.1108/BL-10-2018-0045

45. Puspaningrum, A. (2020). Market Orientation, Competitive Advantage and Marketing Performance of Small Medium Enterprises (SMEs). *Journal of Economics, Business, & Accountancy Ventura, 23*(1), 19. https://doi.org/10.14414/jebav.v23i1.1847

46. Qalati, S. A., Jiang, M., Gyedu, S., & Manu, E. K. (2024). Do strong innovation capability and environmental turbulence influence the nexus between CRM and business performance? *Business Strategy and the Environment,* 1-14. https://doi.org/10.1002/bse.3896

http://dx.doi.org/10.21511/im.21(2).2025.04

47. Ramdan, M. R., Aziz, N. A. A., Abdullah, N. L., Samsudin, N., Singh, G. S. V., Zakaria, T., Fuzi, N. M., & Ong, S. Y. Y. (2022). SMEs Performance in Malaysia: The Role of Contextual Ambidexterity in Innovation Culture and Performance. *Sustainability (Switzerland), 14*(3), 1-18. https://doi.org/10.3390/su14031679

48. Randhawa, K., Wilden, R., & Gudergan, S. (2021). How to innovate toward an ambidextrous business model? The role of dynamic capabilities and market orientation. *Journal of Business Research, 130*(March 2019), 618-634. https://doi.org/10.1016/j.jbusres.2020.05.046

49. Rumanti, A. A., Rizana, A. F., Septiningrum, L., Reynaldo, R., & Isnaini, M. M. (2022). Innovation Capability and Open Innovation for Small and Medium Enterprises (SMEs) Performance: Response in Dealing with the COVID-19 Pandemic. *Sustainability (Switzerland), 14*(10). https://doi.org/10.3390/su14105874

50. Sampaio, C. A. F., Hernández-Mogollón, J. M., & Rodrigues, R. G. (2019). Assessing the relationship between market orientation and business performance in the hotel industry – the mediating role of service quality. *Journal of Knowledge Management, 23*(4), 644-663. https://doi.org/10.1108/JKM-08-2017-0363

51. Sardjono, W., Izrullah, M. N. F., Selviyanti, E., Mukhlis, M., & Putra, G. R. (2021). Assessment of the implementation of customer relationship management systems to support the competitive advantage of the company. *IOP Conference Series: Earth and Environmental Science, 747*(1), 1-10. http://dx.doi.org/10.1088/1755-1315/747/1/012114

52. Schulze, A., Townsend, J. D., & Talay, M. B. (2022). Completing the market orientation matrix: The impact of proactive competitor orientation on innovation and firm performance. *Industrial Marketing Management, 103*(April 2021), 198-214. https://doi.org/10.1016/j.indmarman.2022.03.013

53. Sofi, M. R., Bashir, I., Parry, M. A., & Dar, A. (2020). The effect of customer relationship management (CRM) dimensions on hotel customer's satisfaction in Kashmir. *International Journal of Tourism Cities, 6*(3), 601-620. https://doi.org/10.1108/IJTC-06-2019-0075

54. Taghvaee, S., & Talebi, K. (2023). Market orientation in uncertain environments: The enabling role of effectuation orientation in new product development. *European Management Journal, 41*(2), 323-335. https://doi.org/10.1016/j.emj.2022.01.005

55. Timotius, E., Hamidah, & Wibowo. (2023). The role of innovation in business strategy as a competitive advantage: Evidence from Indonesian MSMEs. *Problems and Perspectives in Management*, *21*(1), 92-106. https://doi.org/10.21511/ppm.21(1).2023.09

56. Tuamyil, R. B., Gontur, S., & Davireng, M. (2022). Customer Relationship Management, Innovation Capability, Technological Environment, and Performance of Small and Medium Scale Enterprises: A Research Framework and Proposition. *Journal of Economics, Management and Trade, 28*(10), 80-88. https://doi.org/10.9734/jemt/2022/v28i1030450

57. Wahyono, & Hutahaya, B. (2021). The relationships between market orientation, learning orientation, financial literacy, on the knowledge competence, innovation, and performance of small and medium textile industries in Java and Bali. *Asia Pacific Management Review, 26*(1), 39-46. https://doi.org/10.1016/j.apmrv.2020.07.001

58. Yaskun, M., Sudarmiatin, Hermawan, A., & Rahayu, W. P. (2023). The Effect Of Market Orientation, Entrepreneurial Orientation, Innovation And Competitive Advantage On Business Performance Of Indonesian MSMEs. *International Journal of Professional Business Review, 8*(4), 1-21. https://doi.org/10.26668/businessreview/2023.v8i4.1563

59. Yodchai, N., Ly, P. T. M., & Tran, L. T. T. (2022). How the creative mindset affects entrepreneurial success in the tourism sector: the mediating role of innovation capability. *International Journal of Contemporary Hospitality Management, 34*(1), 279-298. https://doi.org/10.1108/IJCHM-06-2021-0695

60. Zhang, Y., Ma, X., Pang, J., Xing, H., & Wang, J. (2023). The impact of digital transformation of manufacturing on corporate performance – The mediating effect of business model innovation and the moderating effect of innovation capability. *Research in International Business and Finance, 64,* 101890. https://doi.org/10.1016/j.ribaf.2023.101890

APPENDIX A

Table A1. Questionnaire items (translated from Indonesian to English)

Indicator	CUSTOMER RELATIONSHIP MANAGEMENT (CRM): is an approach that helps businesses improve relationships with existing customers and acquire new customers faster
CRM1	Compared to competitors, our customers have been with us for a long time
CRM2	Compared to competitors, they tend to stay with us once we get new customers
CRM3	Compared to competitors, our customers are very loyal to us
CRM4	Compared to competitors, our customers are satisfied with our SMEs
CRM5	Compared to competitors, our SMEs are very important in retaining existing customers
CRM6	Customer engagement: our primary customers are involved in activities (new product development) with us
Indicator	**MARKET ORIENTATION: a business strategy that identifies the needs and wants of its target consumers**
MO1	Our SMEs are better than our competitors in understanding customer wants and needs
MO2	Our SMEs collect customer data regularly and systematically
MO3	Our SMEs use information about customers to make technological improvements
MO4	In our SMEs, information about competitors is collected regularly and systematically
MO5	Employees/salespeople in our SMEs spend much time exchanging information about competitor strategies
MO6	Our SMEs are responsive to competitor actions
Indicator	**INNOVATION CAPABILITIES: the ability of an organization to adopt/implement new ideas, processes and products**
IC1	Innovation strengthens our existing product/service lines
IC2	We quickly innovate to strengthen knowledge and skills according to market needs
IC3	Innovation can strengthen current competitiveness
IC4	Emphasize creativity through significant investment in innovation
IC5	Can identify and create new value for customers
IC6	Leverage organizational intelligence and manage technology to enhance innovation
Indicator	**SMES' PERFORMANCE: A complete condition during a specific period is the achievement of operational activities utilizing the resources owned by SMEs**
Perf1	Able to carry out sustainable development
Perf2	Product quality increases over time
Perf3	Customers appreciate the quality of products
Perf4	Sales volume has increased over the past three years
Perf5	We have increased sales and profits
Perf6	We have achieved profit targets
Perf7	New customers have been added in the past 12 months
Perf8	We are always doing new product development

Note: Processed and adapted from Li et al. (2023), Guerola-Navarro et al. (2021), Habib et al. (2020), Donate et al. (2022), Ramdan et al. (2022).

http://dx.doi.org/10.21511/im.21(2).2025.04