# The performance level of MSMEs stimulated by an entrepreneurial mindset, networking capability, and digital marketing innovation

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Received: May 2, 2025 Revised: Aug 4, 2025

Accepted: Aug 12, 2025 Online: Aug 25, 2025

#### Abstract

This study aims to examine the influence of entrepreneurial mindset, digital marketing innovation, and networking ability on business performance using competitiveness as a moderating variable in micro, small, and medium enterprises (MSMEs) in Indonesia. This study uses a quantitative approach to examine the relationship between the variables studied in this study specifically for MSMEs. Data collection uses a questionnaire with a survey method, with the unit of analysis being MSME owners. A total of 100 MSME owners were asked for information to confirm the research objectives. Data processing uses SEM with PLS applications. The results of the study reveal that all exogenous variables, such as entrepreneurial mindset, Digital Marketing Innovation, and Networking Ability, have a positive and significant effect on the endogenous variable, namely business performance, which is moderated by the competitiveness variable. MSMEs need to make new discoveries that are different from other MSMEs and have something that competitors do not have in order to increase their competitiveness, especially in developing countries. The limitation of this study is that it still uses 100 respondents with the competitiveness variable as a moderating variable. Future research can add other variables, such as entrepreneurial resilience, as a moderating variable in viewing business performance.

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*Keywords*: Entrepreneur mindset, Digital marketing innovation, Networking capability, MSME performance, Competitiveness

## 1. Introduction

SMEs are the foundation of a nation's economy, because they uphold inclusive economic principles that generate jobs and a more balanced economic cycle—values that are hard to find in the monopoly of giant corporations. MEs are the foundation of a nation [1]. Because they create new jobs and have a big impact on the GDP of the nation, MSMEs are vital to Indonesia's economic activity [2], [3]. Data shows that the MSME sector has proven to be able to reduce unemployment by absorbing around 119,562,843 workers and increasing state revenues with a contribution to gross domestic product (GDP) of IDR 9,580 trillion [3].



Nearly all business units in Indonesia, 99.99% of them, are categorized as MSMEs, according to statistical data from 2016 [4]. MSMEs have 10,000 times more business units than large-scale businesses, which only have about 5,000 units, according to the comparison of business unit counts. Based on the comparison of the number of business units, the number of MSMEs is 10,000 times greater than that of large-scale businesses, which only numbers around 5,000 units. However, most MSMEs are still "foam" in terms of business quality and company performance. One of the reasons is that most MSMEs still adhere to a traditional family-based management system compared to professionalism [5]. This is what causes the performance of MSMEs to often experience various obstacles and challenges, including those related to funding, human resources, management, marketing, and others. So most micro, small, and medium enterprises (MSMEs) do not have business agility and competitiveness, both among MSMEs and especially with large companies, both at the local, regional, national, and even global levels [6], [2].

Due to the difficulties in accessing financial transactions, capital is still a big issue for the majority of MSMEs, which poses a significant barrier to their expansion. If MSMEs possess a strong entrepreneurial attitude and business agility, they can overcome this. Creativity can be stimulated by an entrepreneurial mindset. You may successfully manage a firm and be prepared to handle any dangers if you have a positive outlook. MSMEs that have an entrepreneurial attitude will be more imaginative, creative, optimistic, and driven to make money [7]. In the face of unpredictability and upheaval in the economic environment, MSMEs' entrepreneurial attitude will bolster their company's agility and help them maintain a competitive edge. But as of right now, the majority of MSMEs still lack a strong entrepreneurial attitude and business agility, particularly in terms of strategy making, risk taking, being involved in innovation, and reacting proactively and aggressively in the market [8].

An entrepreneur's success is caused by the interaction between the individual and his social environment, in addition to individual initiative [9]. A business owner must have the guts to take risks while starting a new business, running it, and expanding it. They must use all of their abilities to buy the resources and raw materials they require, produce value-added products based on consumer wants, and sell them. Goods in a way that will benefit society, workers, you, the business, and the neighborhood as much as possible. Apart from marketing, networking skills also need to be possessed by entrepreneurs. The conditions above are essential for establishing partnerships with suitable partners to help a company's success [10]. Entrepreneurs must use their networks and relationships to mobilize and deploy resources in order to seize opportunities, as starting and growing new firms is a social process [11].

Network advantage is considered a critical factor in expanding SMEs due to limitations and the need for experience in entering international markets [12]. The ability of entrepreneurs to make use of readily available resources within the framework of pre-existing social networks is referred to as social network capability [13]. This theory is in line with empirical studies on how business owners generate and apply the resources discovered in network interactions [14]. This idea is consistent with scientific research on how entrepreneurs create and utilize the resources found in network interactions. In order to accomplish particular objectives, entrepreneurs can leverage their connections with social partners and local community leaders to access and integrate a variety of data and information via social networks as entrepreneurial network competencies. Network capability is an organization's capacity to establish, cultivate, and leverage connections between internal and external entities [15]. Network capability is the ability of a business to establish connections with other businesses and reap the rewards of such connections [16], [17]. However, the facts show that most MSMEs have weak networks with customers, suppliers, and competitors in the industry, which means they have limited market information, making them less competitive in the market [18].

In modern marketing, in addition to having to build and strengthen business networks in the real world, business actors are now also required to build and expand digital-based business networks. Entrepreneurs must have a strategy to attract customers, mastering digital marketing innovation. Digital marketing innovation is a type of digital marketing. Social media and other online platforms are used for this marketing [19], [20]. Adoption of digital technology can help MSMEs to market and promote their products and services [21]. Digital marketing

innovation can improve the ability of MSMEs to flow information, reduce operational costs, and improve the quality of products and services to achieve competitive MSME advantages [22].

To improve business success, the three factors mentioned above must be taken into consideration. According to [23], a person's ability, motivation, passion, and goals for themselves, their group, and their company have a significant impact on performance. In New Zealand, entrepreneurial orientation in international companies went well with the mediation of network capability and experiential learning [8]. Furthermore, a study by [24] demonstrates that Kendari, Indonesia's marketing performance, benefits from digital marketing activity and capabilities. It attempted to investigate the effects of network capability, digital marketing innovation, and an entrepreneurial mindset on MSME performance, using a different context than previous research. Competitiveness was used as a moderating variable to identify good MSME performance so that it outperforms competitors.

## 2. Literature review and hypotheses development

## 2.1. Entrepreneurial mindset with MSME performance

New entrepreneurs are expected to have competitiveness so that they have good business performance and can grow and develop. Entrepreneurship development is carried out by developing quality business actors (entrepreneurs), both in terms of knowledge and skills or ability and mentality, to create independence in business and business [25]. In the end, it can open up job opportunities. Therefore, the business performance of new entrepreneurs developing food and beverage businesses needs to be evaluated. According to [26], organizational performance is how the organization is managed and the value the organization provides to consumers and other stakeholders. Previous experts have agreed on the crucial role of entrepreneurial competence in running a small or new business. Researchers describe entrepreneurial competency as the most essential competency business actors need to plan or launch a new business. They also believe that to operate and grow large organizations, entrepreneurs need managerial competencies. Entrepreneurial competency is a skill or ability, knowledge, creativity, sense of initiative, problem-solving, and the ability to organize resources, finances, and others [27]. Apart from that, more than having talent alone is needed to become a successful entrepreneur. You must also have knowledge in all aspects of management and business, be careful in making decisions, be creative, and be persistent in looking for investors for business capital [28]. An entrepreneur is often seen as a challenging career choice, where a person faces daily life in a work situation that is full of work obstacles, failure, uncertainty, and frustration associated with the business formation process undertaken.

The performance of MSMEs that are not by the objectives is related to the innovation strategy in running the business. In addition, this dynamic entrepreneurial growth requires companies to carry out continuous innovation. This is because the dynamics of the business environment impact changes in customer tastes and preferences [29]. Innovation in MSMEs is the core of an inclusive growth strategy. More innovative MSMEs are more productive, can pay higher wages, and provide better working conditions for their employees, thereby reducing inequality [30]. This is in line with the opinion of [31], who explains that innovation is essential in running a business to survive and compete with other companies. According to Stephen Robbins [32], innovation is a new idea applied to initiate or improve a product, process, or service. The things that an entrepreneur must pay attention to when innovating are being able to explore and understand various dimensions of innovation (analyzing what the company and market need), managing innovation into a business process, building business capabilities, creating innovation strategies, and building dynamic capabilities to adapt to changes. According to [33], the frame of mind needed to unlock high business potential is the entrepreneurial mindset (EM), which requires the application of a well-honed set of skills that enables one to forge opportunities from uncertainty for business execution adaptable to the uncertain business environment. An entrepreneur must have a positive mindset, think ahead, and be able to calculate the business in innovating carefully [34]. This view is consistent with research by [35], which discusses how successful small and medium-sized businesses have a mindset of wanting to succeed and having mature, structured strategies that are planned by small and medium-sized business actors to be able to increase market competitiveness.

H 1: Entrepreneurial mindset has a positive and significant effect on MSME performance.

## 2.2. Digital marketing innovation with MSME performance

The introduction of new or significantly enhanced items (goods or services), procedures, marketing plans, or organizational approaches in workplace organizations, operational procedures, or external exchanges is what the OECD defines as innovation [36]. Innovation in marketing refers to the use of new marketing techniques that require major changes to product positioning, design or packaging, promotion, or pricing. Examples of the new technologies that include digital marketing include website design and development, content planning, blogging, social networking, email, video creation, advertising payment, and web analytics generation. Marketing innovation is the process of creating marketing plans that call for major changes to pricing, design, packaging, promotion, and product placement.

The goal of marketing innovation is to expand into new markets and increase sales and market share. The adoption of novel marketing strategies that the company has never employed before is one of the many innovative practices that define marketing innovation. It is true that a product design is a marketing innovation if it just modifies the product's look, not its features or capabilities. In order to assist e-marketing operations, digital marketing, according to [37], is the process of creating online channels using digital technology, such as websites, email, databases, digital TV, and more recent innovations like blogs, feeds, podcasts, and social networks. Innovation in product marketing is characterized as a continuation of the e-commerce school of thought, emphasizing the notable variations in marketing strategies among several product categories.

H 2: Digital marketing innovation has a positive and significant effect on MSME performance.

# 2.3. Network capabilities with MSME performance

Networks are an essential aspect in the development of SMEs in Indonesia because they can help to provide better performance for these SMEs, such as assisting them to access new markets, building relationships with suppliers and customers, and sharing knowledge and resources [38]. By supporting network capabilities with MSME performance, Indonesia can unlock its potential to encourage economic growth and create jobs for its citizens [39]. Micro, small, and medium-sized businesses (MSMEs) play a significant role in reducing poverty and promoting economic growth [40][41]. According to a review of the research on MSMEs' innovation and management, open-network innovation, sustainability, and information literacy are all strongly correlated with their competitiveness. MSME owners or managers must focus on these three aspects of management to increase innovation and competitiveness [5][42][22].

As much as 90% of all businesses are MSMEs, which also contribute 50% of GDP and 70% of employment. The UN has acknowledged that funding MSMEs can help accomplish the Sustainable Development Goals (SDGs) and the 2030 Agenda. MSMEs can benefit from international network capabilities and ecosystem management theory to understand internationalization and network growth [43][44]. Educators and policymakers can improve the skills of MSME actors in developing international business. MSMEs face challenges and development issues in industrial and developing countries. The availability of national firm-level data on MSMEs in many developing countries remains limited, which limits the scope of empirical analysis of their economic contribution [45][46][47].

H 3: Networking capability has a positive and significant effect on MSME performance.

## 2.4. Competitiveness

The Dynamic Capability Perspective (DCP) theory presents a new perspective on how MSMEs can develop themselves through innovation, adapt, and thrive through competitive advantage [48]. The development of self, as presented in the DCP theory, is supported by three main dimensions: sensing, seizing, and transforming [49]. In a dynamic environment and to establish strategic achievements, MSMEs need to implement and adopt the dynamic capability theory [50]. Sensing is the ability to detect opportunities and threats in the market. For

MSMEs, this includes observing consumer trends, utilizing digital analytics, and exploring new business models. Meanwhile, seizing is the ability to capitalize on opportunities by allocating resources effectively. For example, developing new products, entering new markets, or forming strategic partnerships. The next part is transforming, the ability to change organizational structure, culture, and processes to align with the needs of a changing business environment. In MSMEs, this includes operational digitalization, human resource training, and the development of more agile business models. This theory is more suitable for development in a competitive environment and can strengthen the influence of several variables in creating MSME performance [51]. Dynamic capabilities theory provides a critical framework for MSMEs to survive and grow in a dynamic business environment. A focus on sensing, seizing, and transforming enables MSMEs to capitalize on opportunities, address threats, and build sustainable competitive advantage. Digitalization plays a key role in DC development. Adaptive strategies and continuous learning are key to MSMEs remaining relevant in an era of uncertainty. Apart from that, another reason is that this research discusses several dynamic variables and is the most productive DC theory in the management area, and is the most dynamic and which is very suitable to be a moderator in this research because competitiveness is one of the things that is very capable of strengthening company performance [19].

Development of businesses during the Industrial Revolution 4.0 has the potential to transform human resources, starting by combining business tools, lifestyle, and work culture using sophisticated technology. The development of this technology aims to control activities carried out by human resources independently and encourage changes in people's mindsets and behavior in analyzing performance opportunities to improve them [52]. This performance opportunity requires a stimulus in its application because the rapid changes in environmental conditions require MSME players to realize competitiveness to survive in this industrial era 4.0, so that UKM players can create innovations. This innovation is one of the critical factors for the long-term sustainability of MSMEs. Therefore, to gain a competitive edge, one must use the influence of an entrepreneurial attitude, digital marketing innovation, and network capabilities [53]. This results in the effect of innovative digital marketing and an entrepreneurial spirit, and network capability to be considered vital performance factors in the innovation process, especially in MSMEs [54], and constantly evolving network skills are a crucial step in the process of enhancing the knowledge of MSME actors. Controlling the impact of innovative digital marketing, an entrepreneurial attitude, and network capabilities is very important for MSME players, where the organization is relatively dynamic and continues to learn to be able to compete in an ever-changing business environment through the materials obtained.

- H 4: Competitiveness strengthens the influence of the entrepreneurial mindset on MSME performance.
- H 5: Competitiveness strengthens the influence of digital marketing innovation on MSME performance.
- H 6: Competitiveness strengthens the influence of networking capability on MSME performance.

## 3. Research method

This study employs quantitative methodologies. The goal of quantitative research is to investigate accepted theories. This method uses the data generated by questionnaire-based measurements of the research variables. The study's research population consisted of MSMEs in West Sumatra. The appropriate sample size for the SEM equation approach varies from 100 to 200 samples, contingent on the number of factors assessed [55]. To ensure that the measurements are reliable and valid, validity and reliability tests are conducted [56].

Convergent validity is a statistic that assesses the relationship between item/component scores and construct scores, as evidenced by the standard loading factor, which describes the degree of association between each measured item and its concept. If individual reflex values are correlated and more than 0.7, they are regarded as high. Second, a measurement model with a reflection index that is evaluated according to the magnitude and structure of cross-loading is known as discriminant validity. When comparing the extracted root mean square of variance (AVE), a tool is said to have discriminant validity if its AVE value is greater than 0.5. Third, a structure that is visible in terms of the latent variable's coefficient is measured by composite dependability. If a

result greater than 0.70 is obtained in this measurement, the construction can be considered highly reliable. Fourth, a reliability test called Cronbach's alpha is intended to support composite reliability findings. If a variable's Cronbach's alpha value is more than 0.7, it can be considered dependable.

While the beta score is used to ascertain the direction of the effect link between variables, the t-statistics utilized to test the hypothesis yielded a statistical value of 1.96 for alpha 5%. The following criteria determine whether the hypothesis is accepted or rejected:

Ha = t-statistic > 1.96 with score of p-values < 0.05.

H0 = t-statistic < 1.96 with score of p-values > 0.05.

The following shows the research conceptual framework in research, which shows the relationship and influence between variables, which are the objectives of the research. This can be seen more clearly in Figure 1.

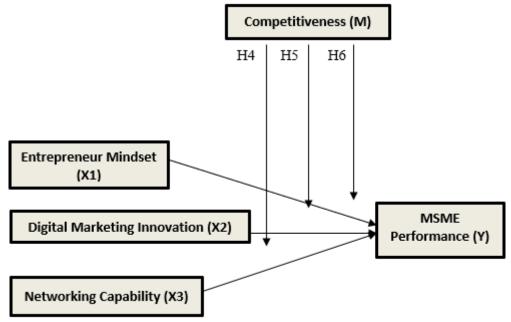


Figure 1. Research conceptual framework

## 4. Results and discussion

The SEM-PLS (Structural Equation Model-Partial Least Squares) method was used to examine this study model with SmartPLS 3.0 software [57]. Because it operates successfully and efficiently on small sample numbers with complex models, the SEM-PLS technique is ideal for our study [58].

## 4.1. Validity test

Validity tests are used to determine whether a questionnaire is valid or not. The validity testing for this study makes use of AVE and convergent validity. Convergent validity is used to evaluate the measurement model with indicator reflections based on the correlation between item or component scores generated by PLS. If a reflection size's correlation with the observed structure is more than 0.70, it is considered high. A loading value of 0.5 to 0.6 is adequate for research in the early stages of developing a measurement scale, according to Chin in [56]. The application of EM (entrepreneur mindset), DMI (digital marketing innovation), NC (networking capability), MP (MSME performance), and C (competitiveness) is evident in Table 1. All of the indicators in this study are valid and usable based on the results of the validity test of the instrument.

Table 1. Outer loading value and average variant extracted (AVE)

Variable	Outer Loading		AVE	Description
Entrepreneur Mindset (X1)	X1.1	0.724	0.590	Valid

Variable	O	uter Loading	AVE	Descripti
	X1.2	0.716		Valid
	X1.3	0.741		Valid
	X1.4	0.790		Valid
	X1.5	0.771		Valid
	X2.1	0.791		Valid
	X2.2	0.710		Valid
Digital Marketing Innovation (X2)	X2.3	0.759	0.639	Valid
	X2.4	0.721	0.039	Valid
	X2.5	0.810		Valid
	X2.6	0.746		Valid
	X3.1	0.761		Valid
	X3.2	0.745		Valid
	X3.3	0.782		Valid
Notycoleina Carability (V2)	X3.4	0.791	0.500	Valid
Networking Capability (X3)	X3.5	0.672	0.598	Valid
	X3.6	0.743		Valid
	X3.7	0.671		Valid
	X3.8	0.742		Valid
	Y.1	0.714		Valid
	Y.2	0.764	0.567	Valid
	Y.3	0.725		Valid
	Y.4	0.742		Valid
MCME DesCourses (V)	Y.5	0.712		Valid
MSME Performance (Y)	Y.6	0.721		Valid
	Y.7	0.675		Valid
	Y.8	0.687		Valid
	Y.10	0.732		Valid
	Y.11	0.790       0.771       0.791       0.710       0.759       0.721       0.810       0.746       0.745       0.782       0.791       0.672       0.743       0.671       0.742       0.714       0.725       0.742       0.712       0.675       0.687       0.732       0.745       0.761       0.623       0.761       0.782       0.878       0.632       0.715       0.756       1.589     1.000	Valid	
	M.1	0.761	0.598	Valid
MSME Performance (Y)	M.2	0.623		Valid
	M.3	0.761	0.554	Valid
	M.4	0.782		Valid
Competitiveness (M)	M.5	0.878		Valid
	M.6	0.632		Valid
	M.7			Valid
	M.8			Valid
EM (X1) * C (M)	X1*M		1.000	Valid
DMI (X2) * C (M)	X2*M	1.399	1.000	Valid
NC (X3) * C (M)	X3*M	1.567	1.000	Valid

Resource: Smart-PLS 4 (2025)

# 4.2. Reliability test

In this study, dependability is evaluated using the Composite dependability test and the Cronbach's alpha test. Cronbach's alpha quantifies the bare minimum of dependability. If the data's Cronbach's alpha value is higher

than 0.70, it is considered reliable. The test findings indicate that all of the instruments may be considered trustworthy, with a composite reliability of greater than 0.7 and a Cronbach's alpha score of greater than 0.7. The results can be seen in Table 2.

Table 2. Value of composite reliability and Cronbach's alpha

	Cronbach's alpha	Composite reliability
C (M)	0.891	0.916
DMI (X2)	0.863	0.901
DMI (X2)*C (M)	1.000	1.000
EM (X1)	0.871	0.881
EM (X1)* C (M)	1.000	1.000
MP(Y)	0.805	0.902
NC (X3)	0.841	0.901
NC (X3)* C (M)	1.000	1.000

Resource: Smart-PLS 4 (2025)

# 4.3. R-square test

The degree to which endogenous variables are impacted by external stimuli was ascertained using the coefficient (R-Square). Table 3, which displays the findings of data analysis using SmartPLS, displays the R-Square values for this study.

Table 3. R-square value

	R-square	R-square adjusted
MP (Y)	0.891	0.898

Resource: Smart-PLS 4 (2025)

The R-squared score for MSME performance is 0.891, based on the test results. This indicates that networking capacity, competitiveness, entrepreneur mindset, and innovative digital marketing account for 89.1% of MSME performance, with other characteristics not included in this study controlling the remaining percentage.

## 4.4. Structural model test results (outer model analysis)

The latent variables used in the structural model of this study were measured in order to predict and observe the causal link between them [54]. The model's test parameters included the predictive relevance model Q2 and the R-Square test (R2) [57]. A research model with a high R2 value provides exact measurement accuracy. The level of model results estimated for the evaluated parameters is shown by the Q2 value in comparison [58]. The value of the path coefficient (inner model) provides a clue as to the significance level of a hypothesis test. When testing a hypothesis with a 0.05 p-value, the loading path coefficient values of the accepted hypothesis, as revealed by the t-statistic value, must be higher than 1.96 [57]. In Figure 2, the outer model of the variables studied can be seen. The outer model test aims to specify the relationship between latent variables and their indicators above 0.7, and this is in accordance with the line. Indicators with low loading values indicate that the indicators do not work in their measurement model.

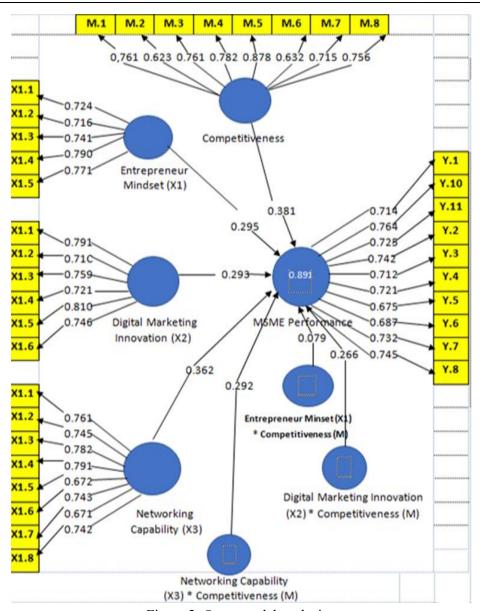


Figure 2. Outer model analysis

## 4.5. Hypothesis test

Hypothesis testing in research is used to verify the validity of the researcher's initial assumptions. The results of the hypothesis testing in this study can be seen in Table 4.

Table 4. Value of the relationship between variables (direct and indirect effects)

	Original Sample (O)	T Statistics ( O/STDEV )	P Values	Result
$C(M) \rightarrow MP(Y)$	0.381	2.726	0.007	Significant Positive
DMI (X2) -> MP (Y)	0.295	2.528	0.012	Significant Positive
DMI (X2)* C (M) -> MP (Y)	0.293	2.277	0.005	Significant Positive
EM (X1) -> MP (Y)	0.362	2.932	0.039	Significant Positive
EM(V1)*C(M)>MD(V)	0.292	0.379	0.705	Positive
$EM (X1)^* C (M) -> MP (Y)$	0.292	0.379		Not Significant
NC (X3) -> MP (Y)	0.079	2.610	0.026	Significant Positive
NC (X3)* C (M) -> MP (Y)	0.266	2.199	0.035	Significant Positive

Resource: Smart-PLS 4 (2025)

The performance of MSMEs is positively and significantly impacted by an entrepreneurial attitude, according to the first hypothesis. The performance of MSMEs improves with an entrepreneurial mindset. An entrepreneurial mindset is characterized as a particular mentality that guides human behavior toward entrepreneurial endeavors and outcomes. The correlation analysis demonstrates that, when taken as a whole, an entrepreneurial mindset significantly affects SMEs' performance [59]. SME business continuity is strongly correlated with enthusiasm for opportunities, which is also a critical component of successful entrepreneurial endeavors and procedures. By taking into account elements like creativity, risk-taking and proactivity, decision-making, methodologies, and proactivity, [60] discovered that the entrepreneurial approach considerably improves corporate performance. As long as managers and owners are more innovative, take calculated risks, and utilize information to seek proactively, an entrepreneurial attitude is critical to the success of their businesses.

A person's personal or psychological distinctiveness, which includes aspects of values, attitudes, and wants, is often characterized by their entrepreneurial mindset. According to [61] research, MSMEs' or businesses' performance is positively impacted by an entrepreneurial attitude. Studies, an entrepreneurial mindset has a positive effect on the success of MSMEs or firms. MSMEs can have a more optimistic outlook, increase their market sensitivity, and expand their creative thinking skills by adopting an entrepreneurial mentality, which is essential for optimizing the effectiveness of leveraging factors to develop economic competitiveness.

It will be easier for MSME actors and owners to enhance their capacity to manage performance by implementing an innovation that SMEs require to enhance performance and desire when making decisions to buy the provided goods or services if they possess a more entrepreneurial attitude. Successful performance will also increase when the entrepreneurial mindset is enhanced to run an MSME. MSMEs will have a positive, significant impact and be able to become MSME players who can enhance a company's performance if they can adopt creative, proactive tactics linked to an entrepreneurial attitude and have the courage to take risks.

The second hypothesis states that digital marketing innovation has a significant and favorable impact on MSME performance. Innovation in digital marketing refers to any process, organization, or action that makes use of digital technology to develop, communicate, and offer value to stakeholders, including customers. Company performance is defined as the outcomes that a company produces in a given time period, whether they are profit-or non-profit-oriented [52]. According to [62], market share, sales growth, and customer growth are the three variable marketing performance metrics. Aside from that, an MSME's performance is positively and significantly correlated with digital marketing innovation.

For a company to advance, innovation is an essential step. Companies should innovate to assist customers in carrying out their operations and connecting with the business, and they should pay attention to what customers want when they do so. Businesses that customers have previously viewed as being extremely difficult to engage with when it comes to innovation and creativity can make it simpler and even more pleasurable for them. The use of social media in marketing products is also a form of innovation, and if MSMEs can make maximum use of social media, it will impact sales performance [56]. Research conducted by states that digital marketing innovation has several advantages that companies can enjoy, namely (1) low costs, (2) more diverse, (3) intensive interaction, (4) retaining customers, (5) customer partnership, and (6) statistical measurement.

Apart from that, resources such as abilities, skills, expertise, information, and knowledge are useful in the organization as a competitive advantage, which will later contribute to improving the performance of MSMEs [63]. MSME players utilize their knowledge and understanding to perform market-oriented MSME performance and market these products optimally, utilizing digital marketing innovation. This will be able to reach a broad market and contribute to improving MSMEs' performance. These results are also supported by research [64], which states that digital marketing innovation significantly affects the performance of MSMEs.

According to the third hypothesis, MSME performance is favorably and considerably impacted by network capability. MSMEs perform better when their network skills are stronger. Apart from that, network capabilities

can also influence the innovation performance of MSMEs. Using networks can increase the absorptive capacity of MSMEs, positively influencing the resulting innovation performance. Companies can produce new ideas and acquire, transfer, and assimilate external knowledge within their business thanks to network capabilities. Based on user-oriented innovation, this approach generates new technological knowledge. A company's capacity to recognize and assimilate external knowledge is fueled by the constant flow of intensive knowledge. Because businesses require assistance in independently assessing the value of external knowledge, this approach is constrained. Entrepreneurs' dynamic capacity for innovation is essential for making intensive use of network capabilities [65].

The contribution of network capabilities to enhancing MSME performance is validated by the positive R2 value. Businesses can develop social communities with the help of network capabilities that belong to external stakeholders like suppliers, consumers, and other businesses. To obtain a competitive edge, companies establish virtual connections with suppliers, consumers, and other companies. Companies can discuss ideas for creating innovation and collaborate with social communities to develop joint performance. Companies can market, adopt products faster and reduce product development costs. Therefore, network capabilities positively influence the performance of MSMEs because the knowledge gained from users can be used to improve processes or to produce new products and services [66]. This condition is supported by research conducted by [17], who stated that there is an influence between network capabilities and performance. According to [67], SMEs must embrace an entrepreneurial attitude in order to become more competitive and maintain their competitiveness over time. This enhances business performance and can mitigate the impact of network capabilities on SME performance. High network capabilities may result from MSMEs' pursuit of competitiveness.

The fourth hypothesis shows that competitiveness cannot moderate the influence of an entrepreneurial mindset on MSME performance. So, competitiveness has not been able to moderate the entrepreneurial mindset variable. Good competitiveness has yet to improve the entrepreneurial mindset towards the performance of MSMEs. However, [68] stated that SMEs need to adopt an entrepreneurial orientation mindset to increase competitiveness to become superior and sustainably competitive; this improves company performance.

In the DC theory, it is stated that competitive advantage is a key factor that determines how effectively internal capabilities (such as innovation, market orientation, or entrepreneurial orientation) can strengthen business performance. Previous research has been conducted extensively that competitiveness can improve performance, especially for MSMEs. This will also have a very significant impact on generating company performance, especially in Indonesia. MSMEs generally have almost the same problems, including low management capabilities, little desire to make changes, such as innovation and digital transformation. This research will be able to provide input for MSMEs in Indonesia that with competitiveness and the ability to make changes quickly, they will be able to improve company performance. And this research is also supported by previous research, such as in several developed countries [49].

The fifth hypothesis illustrates how competitiveness may lessen the effect of digital marketing innovation on MSME success. Thus, competitiveness can moderate the variable of digital marketing innovation. Efforts to have good competitiveness for MSMEs to outperform competitors can increase MSMEs' digital marketing innovation. Competitiveness can be increased by implementing marketing innovations according to trends. Creative marketing designs must be used in conjunction with marketing, which is becoming more and more accessible through social media and the Internet [69].

The sixth hypothesis shows that competitiveness can lessen the effect of network capability on MSME performance. The network capability variable can therefore be moderated by competitiveness. When MSMEs strive for good competitiveness, this can influence high network capabilities. If MSMEs have good network capabilities, it will make them more competitive, which will impact how well they do. The development of superior and sustainable competitiveness is a fundamental component of the success of micro, small, and medium-sized enterprises (MSMEs). According to [70], an organization's core competencies are a group of

demonstrated abilities like quality, innovation, and customer service. Micro, small, and medium-sized enterprises can benefit from increased competitiveness [71].

#### 5. Conclusion

Based on the data analysis discussed previously, the conclusions of this research are: first, an entrepreneurial mindset has a positive and significant effect on the performance of MSMEs. The better the entrepreneurial mindset, the better the performance of MSMEs. Second, digital marketing innovation positively and significantly affects MSME performance. It means the better the digital marketing innovation, the better the performance of MSMEs. Innovation is the key to the creative industry business. Third, capability positively and significantly affects MSME performance. The better the network capabilities, the better the performance of MSMEs. Fourth, the impact of an entrepreneurial attitude on MSME performance cannot be mitigated by competitiveness. Therefore, it may be concluded that the entrepreneurial attitude variable has not been able to be moderated by competitiveness. Fifth, the impact of digital marketing innovation on MSME success may be mitigated by competitiveness. Therefore, it can be concluded that the variable of digital marketing innovation might be moderated by competition. Sixth, the impact of network capability on MSME performance might be mitigated by competitiveness. Therefore, it can be claimed that the network capability variable can be moderated by competitiveness.

The study's findings indicate that while all hypotheses are accepted, there are certain limits, particularly because the only independent factors are networking skill, digital marketing innovation, and entrepreneur mindset. In the future research agenda, adding or combining other independent variables that influence MSME performance to make them more complex, such as the intellectual capital variable, would be better. It can also include moderating variables such as government policy or other dependent variables, namely the viability of MSMEs or competitive advantage. In addition, further research can compare creative economy SMEs with manufacturing SMEs.

The suggestions for further research include adding other operational variables and expanding the sample size. Then, the advice for MSME players is: first, MSME players should make direct observations to observe developments in market trends. So that later innovations are carried out by what consumers are currently interested in. Second, MSMEs should pay more attention to the optimal use of digital marketing innovations in marketing their products because we have entered the digital era, which is no longer possible to avoid. Because of that, MSME actors must be technologically literate if they want to survive and continue to grow.

# **Declaration of competing interest**

The author declares that there is no financial or non-financial interest in the contents of the paper and also in the making of the paper.

## **Funding information**

The research included in this paper was not funded by any organization

## Acknowledgements

Sincere thanks are extended by the authors to the management of the participating SMEs across Indonesia for their assistance and collaboration during the data collection procedure. We would especially want to thank each company's HR departments for their invaluable support. We also appreciate your feedback on how the Indonesian government, in particular the West Sumatra area, as the policy-making regulator, should use the research findings.

# Ethical approval statement

Reporting individual instances or case series does not require research ethical approval at our institution.

#### **Author contribution**

The research conducted and the article created were purely carried out by the author, with the co-author, starting from making the research proposal, conducting the research, and making the article together. All teams in the article have contributed from the beginning to the end of the writing.

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