

## Impact of Innovation and Market Orientation on MSME Performance

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### Abstract

The impact of Innovation Capability and Market Orientation on the Business Performance strategies of micro, small, and medium enterprises (MSMEs) in South Tangerang is examined in this research. Growing market rivalry and dynamic consumer expectations have made boosting innovation and market response absolutely necessary for MSMEs to stay alive and expand. With data gathered from 411 MSME owners or managers, a quantitative methodology was employed by this study using partial least squares structural equation modeling (PLS-SEM). Among the structures assessed are innovation capability, market orientation, and business performance. With average variance extracted (AVE), the model of measurement shows high reliability and validity because it is above the 0.5 threshold. According to the research results, it shows that Market Orientation is also very influential on business performance, while Innovation Capability also positively affects Business Performance. Moreover, Market Orientation indirectly affects business performance through innovation capability. These results imply that in improving MSME corporate plans and Market Orientation and Innovation Capability, both are really important. The practical results of this research show how crucial it is to invest in innovation and ongoing knowing market demands helps to guarantee sustainable business expansion.

### Keywords

Innovation Capability, Market Orientation, Business Performance, MSMEs, South Tangerang, PLS-SEM.