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The Mediating Effect of Business Model Innovation on Business Partnerships in Enhancing SMEs Marketing Performance

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Abstract: The objective of the present investigation is to investigate how business model innovation mediates the relationship between marketing performance and business partnerships. SMEs in the food and beverage industry made up the population of this quantitative survey. 180 responders in all were examined. The Structural Equation Modeling with Partial Least Squares (SEM-PLS) methodology was employed to scrutinize the data. Business model innovation and marketing performance are positively and significantly impacted by business relationships, according to the research findings. Though it serves as a mediating factor in the relationship between business partnerships and marketing performance, business model innovation does not directly affect marketing performance.

Keywords: Business Model Innovation, Business Partner, Marketing Performance

1. Introduction

E-commerce corporations have a substantial opportunity to innovate their business models due to the rapid growth of digital technology, which will ultimately increase competition in the market for new value creation [1]. In an effort to obtain a competitive edge. Thus, the primary obstacle facing small and medium-sized businesses (SMEs) lies in the ability to face market dynamics and build sustainable competitive advantage, which is now a strategic issue in global economic and social development, while remaining a primary research concern due to its role as a driver of progress [2].

The development of digital technology has not only impacted business model innovation among business actors but also influenced consumer behaviour. Consumers can now accelerate their customer journey thanks to easier and more flexible access to information. As the amount of information available online through big data and mobile devices increases, Artificial Intelligence (AI) is increasingly playing a strategic role as a partner in marketing activities [3]. Therefore, the evaluation of SME business partners is an important step to assess the effectiveness of marketing performance.

One important element in the business process is the participation of business partners. Based on the concept of Relational Capital, Youndt, Subramaniam, and Snell state that relational capital encompasses resources originating from a company's external affiliations. With customers, suppliers, government, and industry associations. [4] In practice, many SMEs in Indonesia are connected to e-marketplaces and various digital platforms to support their business activities. These relationships with external parties,

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particularly business partners, reflect a complex network of interdependencies that SMEs need to manage effectively [5].

Grounded in the aforementioned background, the purpose of this study is to examine the relationship between Business Partners and SME Marketing Performance, with Business Model Innovation serving as the mediating variable.

Literature Review

Marketing Performance

Experts view marketing performance as a multidimensional process encompassing three main aspects: effectiveness, efficiency, and adaptability. These three aspects are closely related to an organisation's marketing activities in achieving market Goals that include enhancing revenue, expanding the business, and capturing a larger market share [6].

Business Model Innovation

The concept of the business model began to gain a strong theoretical foundation at the turn of the millennium [7]. Although the term has been used for several decades before [8], the development of theories regarding business models is driven by two main interrelated factors. [9] [10][7] One driving factor is the rise of technology-based companies, such as Alphabet, Amazon, and Facebook. The challenge companies face is not only generating new business ideas but also redeploying and leveraging current resources and capabilities to develop new value propositions or alternative ways of creating value.

Along with this, business model innovation is becoming increasingly relevant because it offers a unit of analysis that is capable of simultaneously paying attention to internal and external factors [7]. A business model itself can be understood as an architecture that explains the Processes for generating, delivering, and capturing value. This architecture emphasises the functional relationships between these mechanisms and their supporting activities [11]. Thus, clear business model boundaries encompassing actors, activities, transactions, and value exchange can be designed to form a dynamic and continuously evolving systemic structure [7]; [10].

Business Partners

Business expansion is a crucial factor in improving business performance, which can be measured, among other things, through marketing performance. Optimising current marketing performance can be achieved by utilising various marketing channels and collaborating with various business partners. Aligns with the concept of relational capital [4], namely assets related to relationships with customers, suppliers, trademarks, trade names (which are valuable because of their attachment to customers), [12] licensing, or franchising. This network of relationships can be strengthened through business partnerships. However, research examining corporate brand building through collaboration with business partners is still relatively limited [13].

Drawing from the literature review, the following research hypotheses are proposed:

H1: Business partnerships influence marketing performance.

H2: Business partnerships influence business model innovation.

H3: Business model innovation influences marketing performance.

H4: Business model innovation mediates the relationship between business partnerships and marketing performance.

2. Materials and Methods

Research Design

The study uses a quantitative approach. The data analysis techniques are employed to evaluate construct reliability, convergent validity, and discriminant validity. To reflect the performance of variable indicators, researchers utilized Average Variance Extracted

(AVE) and Composite Reliability (CR) as key measures. The research data were processed using the SmartPLS software.

Population, Sample, and Procedure

The research population included SMEs in the food and beverage sector in Indonesia. Purposive sampling was the method employed, and it met the following requirements:

1. SMEs engaged in the food and beverage sector and conducted online sales;
2. Respondents were owners or supervisors/managers of the SMEs;
3. Businesses had been operating for at least one year.

The minimum sample size was determined based on the guideline of 5 to 10 times the number of indicators (Hair et al., 2021). With 20 indicators, the minimum required sample size was 180 respondents ($20 \times 9 = 180$). The research instrument employed a 5-point Likert scale, ranging from 1 = Strongly Disagree to 5 = Strongly Agree.

Data Type

This study utilized primary data, which were collected directly through an online questionnaire administered via Google Forms. The questionnaire was distributed to SMEs using various social media channels, including WhatsApp, Instagram, Facebook, and others.

Data Collection Types and Methods

The primary source of this research was the primary data. Data were obtained by distributing an online questionnaire via Google Forms to SMEs, with a total of 180 respondents selected. Before dissemination, the research instrument was pre-tested to ensure validity and reliability. Only complete responses that fulfilled the eligibility criteria were further analyzed comprehensively.

Data Analysis

- a. The data analysis in this study was carried out using the SmartPLS software with a Structural Equation Modeling (SEM) approach. The procedures in SmartPLS [13] include: evaluating the measurement model to determine the reliability and validity of each indicator; and
- b. Testing the structural model to examine the relationships between variables using the PLS t-test. The PLS-SEM approach is used to test and validate the reliability and validity of both the measurement and structural models.

This research examines the proposed model to clarify the mediation effect of Business Model Innovation (BMI) in influencing marketing performance. The measurement model is evaluated through tests of construct validity, convergent validity, and discriminant validity. According to Hair et al. (2014), construct evaluation can be carried out using factor loadings, composite reliability (CR), and average variance extracted (AVE). The suggested threshold values are factor loadings ≥ 0.5 , CR greater than 0.7, and AVE exceeding 0.54 as the generally accepted minimum benchmark.

3. Results and Discussion

The findings from the questionnaire analysis and testing indicate that the variables of Business Partner, Business Model Innovation, and Marketing Performance—each measured by five items—were valid and reliable. This is demonstrated by r values exceeding the critical r table value and Cronbach's Alpha coefficients above 0.6. Hence, the questionnaire administered to respondents satisfied the required standards and was considered appropriate for further use.

Table 1. Outer Loading Values.

Business Partner (X1)	Business Model Innovation (Y1)	Marketing Performance (Y2)
X1.1	0.787	
X1.2	0.871	
X1.3	0.876	
X1.4	0.843	
X1.5	0.792	
Y1.1	0.981	
Y1.2	0.966	
Y1.3	0.917	
Y1.4	0.943	
Y1.5	0.652	
Y2.1		0.961
Y2.2		0.951
Y2.3		0.963
Y2.4		0.899
Y2.5		0.735

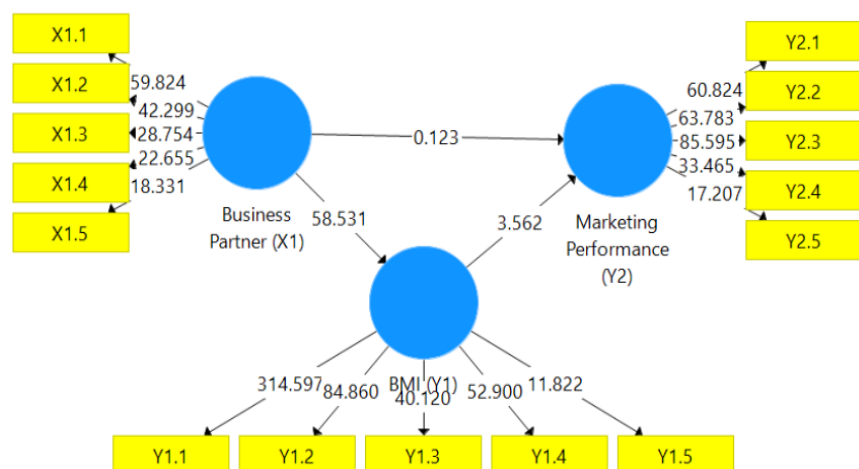
Source: Processed Primary Data, 2024

Table 2. Construct Validity and Reliability.

Description	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Business Partner (X1)	0.906	0.920	0.697
Business Model Innovation (Y1)	0.938	0.954	0.810
Marketing Performance (Y2)	0.947	0.958	0.821

Source: Processed Primary Data, 2024

Based on the values listed in Table 1, most latent variables have Cronbach's Alpha values above 0.7, except for indicator Y1.5, which does not meet the standard. This finding indicates that the business models used by SMEs in the food and beverage sector are not yet entirely innovative. Meanwhile, the Composite Reliability value was recorded as higher than 0.7, and the AVE value was above 0.5.



Source: Processed Primary Data, 2024

Figure 1. SEM-PLS Model.

Hypothesis testing is conducted using the bootstrapping technique, derived from the results of the inner model (structural model) analysis, which provides outputs such as R-squared values, parameter coefficients, and t-statistics. [14] The acceptance or rejection of a hypothesis is based on the significance value between constructs, supported by t-statistics and p-values. In this research, hypothesis testing was carried out using SmartPLS 3.0 software, with all values generated through a bootstrapping procedure [13]. The evaluation criteria applied were t-statistics greater than 1.96, a significance level of p-value at 0.05 (5%), and a positive beta coefficient. A summary of the hypothesis testing results using SEM-PLS is presented in Table 3.

Table 3. Hypothesis Testing Recap.

	Hipotesis	T Statistics	P Value	Information
H1	BP->MP	3.717	0.000	Accepted
H2	BP->BMI	55.953	0.000	Accepted
H3	BMI->MP	0.125	0.901	Rejected
H4	BP->BMI->MP	3.558	0.000	Accepted

Source: Processed Primary Data, 2024

a. Business Partners -> Marketing Performance

The analysis indicates that the exogenous construct of Business Partners has a positive and significant effect on Marketing Performance. As shown in Table 3, the t-statistic value is 3.717 (> 1.96) with a p-value of 0.000 (< 0.05). Thus, the first hypothesis, which posits that Business Partners significantly and positively affect Marketing Performance, is supported. This finding confirms that business partnerships can improve marketing performance in SMEs in the food and beverage sector, in line with the view that business partners are a vital part of the business process [4].

b. Business Partners -> Business Model Innovation

The analysis results demonstrate that the exogenous construct of Business Partners has a positive and significant effect on Business Model Innovation. As shown in Table 3, the t-statistic value of 55.953 (> 1.96) and p-value of 0.000 (< 0.05) confirm the second hypothesis. Therefore, it can be concluded that business partnerships significantly increase business model innovation in this study.

c. Business Model Innovation -> Marketing Performance

The analysis results reveal that the exogenous construct of Business Model Innovation does not affect Marketing Performance. As presented in Table 3, the t-statistic value is 0.125 (< 1.96) with a p-value of 0.901 (> 0.05), leading to the rejection of the third hypothesis. Consequently, it can be concluded that Business Model Innovation does not have a significant impact on the marketing performance of SMEs in Indonesia's food and beverage sector. This finding indicates that the implemented business model is not yet entirely innovative and emphasises the need for a unit of analysis that can simultaneously consider various internal and external factors [7].

d. Business Partner -> Business Model Innovation -> Marketing Performance

For the fourth hypothesis, the analysis reveals that Business Model Innovation acts as a mediator in the relationship between Business Partnerships and Marketing Performance. This finding is supported by a t-statistic of 3.558 (> 1.96) and a p-value of 0.000 (< 0.05), confirming the acceptance of the fourth hypothesis.

4. Conclusion

Considering the findings of this research, the following conclusions can be drawn:

- a. Business partnerships have a positive effect on marketing performance.
- b. Business partnerships contribute to fostering business model innovation.
- c. Business model innovation does not exhibit a significant effect on marketing performance.
- d. Business model innovation serves as a mediator in the relationship between business partnerships and marketing performance.

This study recommends that SMEs conduct a more in-depth analysis of internal and external strengths to design business model innovations that can increase business value.

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