

Hierarchical Relationship Between Entrepreneurial Orientation and Marketing Strategy Knowledge On Organizational Performance: A Study On Coastal Batik SMEs in, Indonesia

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Abstract: - An adaptive culture encourages employees to embrace change, dare to try new ideas, and learn from failure, allowing organizations to adapt quickly to environmental changes and remain competitive without compromising local cultural wisdom. This study analyses the hierarchical influence of entrepreneurial orientation and marketing strategy knowledge in determining organizational performance. The demand for batik is increasing along with the improvement of national economic conditions, which demands organizational performance. Realizing the importance of organizational performance, this study seeks to investigate more deeply the relationship between adaptive culture-based innovation and organizational performance. This study uses a quantitative approach with a descriptive survey design by utilizing data from 140 Batik pesisiran (Coastal Batik) SMEs in Indonesia. The results of the study indicate that there is a tiered influence of entrepreneurial orientation and marketing strategy knowledge on the development of new products based on local culture and low-cost creative processes based on local culture on organizational performance.

Key-Words: - Batik pesisiran, innovation, adaptive culture, organizational performance, entrepreneurial orientation, marketing strategy

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1 Introduction

A batik is a painting pattern poured onto a cloth, with meaning in every stroke. Many people wear batik on certain occasions or in their daily lives, but quite a few of them do not understand where the batik patterns they use come from because the batik cloth they use always has its own characteristics that differentiate it from its region of origin. One example of a superior and well-known batik is the batik bakaran or what is usually called seaside batik.

Coastal batik emerged from the coastal area because it originates from the northern coastal areas of Java Island, such as Lasem and Bakaran. Batik Lasem is the flagship batik business in Lasem District, Rembang Regency, Central Java Province, Indonesia, which is the result of cross-cultural local batik inspired by the idea of royal batik and the absorption of foreign cultural elements. Batik Lasem small and medium entrepreneurs (SMEs) have unique characteristics and are rich in Chinese and Javanese

cultural nuances. The Batik Bakaran small and medium entrepreneurs are batik craft small and medium entrepreneurs that have been developed and are currently engaged in the Juwana District area, Pati Regency, Central Java Province. Batik Bakaran has a coastal batik style because the area of Batik Bakaran Village is located on the coast, and this coastal style is indicated in the batik motifs. In general, Batik Bakaran patterns differ from batik patterns from other regions in terms of images, ornaments, and colors. Each motif has a philosophical meaning. Small and medium entrepreneurs (SMEs) of coastal batiks have more variation, starting in terms of colors and motifs. This is caused by foreign influences brought by foreign traders in ancient times, especially since the presence of Islam in the 16th century, and the encounter of coastal communities with various nations such as Chinese, Dutch, Arab, Asian, Malay and Japanese in the past was able to colour the dynamics of the design and the patterns and colours of

batik art in the northern coastal areas of Java. The Chinese influence in the form of the color red as a characteristic of the Chinese ethnic group is quite strong; the Dutch also introduced various floral nuances, such as bouquet tulips, including the color blue [1]. The Batik Pesisiran motif has a red or blue background. With creative freedom, coastal batik also gives rise to more diverse coloring patterns, such as China with bright red colors, and orange and blue colors from Europe. In the coastal batik motif, a piece of batik cloth can use eight bold colors and dynamic combinations.

Batik small and medium businesses in Central Java Province, Indonesia, still have many problems that are relatively similar to the problems of small and medium businesses nationally, namely limited human resources, financial administration, marketing strategies, and increasingly widespread competitors. Batik small and medium entrepreneurs (SMEs) always try to overcome problems so that they can survive and continue to grow. This is in accordance with [2]'s opinion that entrepreneurs face challenges with creativity and innovation and are an important part of turning ideas into reality in an environment full of uncertainty. Small and medium entrepreneurs have an entrepreneurial orientation with a perspective that places consumers as the focus of attention in company activities [3]. Entrepreneurial orientation is a company culture that can lead to increased performance.

To achieve marketing performance, small and medium batik businesses need management to innovate. Product innovation is the reason SMEs innovate products, including hopes for the company's ability to survive, increase profit margins, increase market share, keep consumers choosing their products, maintain independence from suppliers, increase company prestige, and add new employees. Meanwhile, the innovation process is important for increasing productivity and product efficiency. Management through innovation is required to achieve success. A product diversity strategy reduces organizational uncertainty and creates a competitive advantage because, with a product diversity strategy, organizations can be better prepared to face competitive challenges and change according to consumer needs and demands. Apart from product diversity, which supports innovation, it also accelerates organizational innovation.

The development of batik in several countries, such as Nasarawa State, shows that the general condition of SMEs involves a stronger integration of entrepreneurial principles to drive business performance. Small and medium enterprises can achieve sustainable growth and competitive

advantage by fostering an entrepreneurial culture that emphasizes proactivity, risk-taking, and innovation [4]. Meanwhile, the condition of batik SMEs in Malaysia illustrates how creativity and a passion for preserving cultural heritage benefit artisans, cultural industry players, and the country through economic development. Malaysian batik is a superior work of art that is expected to continue to benefit future generations of batik enthusiasts. Today, Indonesian batik small and medium-sized businesses have gone global and penetrated the international market. Batik is no longer simply a traditional fabric; it has been recognized by UNESCO as an Intangible Cultural Heritage of Humanity since October 2, 2009, strengthening its position on the global stage.

As an SME organization, it is important to maintain company values, learn new creative techniques (innovation), solve problems faced by the organization and company, create core competencies, and initiate new situations [5]. Direct interaction is the main means of information in the process of sharing knowledge based on the wishes or desires of employees. Knowledge of the market is important to determine the needs and wants of the target market and to satisfy the market better than competitors can. Thus, marketing knowledge, which includes the process of generating, disseminating, and storing marketing knowledge as stated by [6], is important for SMEs. Therefore, in order to support the success of SMEs in improving their performance, this topic is important to study.

This study proposes a new concept, namely, adaptive culture-based innovation, which is a characteristic of innovation that prioritizes continuous environmental adjustments in accordance with local culture in developing products to provide consumers with the best products in obtaining satisfaction with unique product appearance or design forms, differentiation with local cultural motifs, and the novelty of a creative process for producing low-cost products in a design-intensive industry. Adaptive culture-based innovation is a characteristic of innovation that prioritizes continuous environmental adjustments in accordance with local culture in developing national products to provide for the development of local cultural products and the novelty of low-cost creative production processes based on local culture. Furthermore, in this research, adaptive culture-based innovation is measured through the variables of local cultural product development and the novelty of the creative process to produce low-cost products based on local culture.

2 Theoretical Framework and Hypotheses

The resource-based view theory [7] was adopted as the theory used to support this research. This theory provides an understanding of the relationship between resources, capabilities, competitive advantage, and profitability, especially the mechanisms used to maintain competitive advantage over time. Research results from [8] explained diversity in innovation as diversity in product innovation, process innovation, and their consequences. Meanwhile, research from [9] and [10] emphasized that consumers derive pleasure from the unique appearance or form of product design, differentiation with different motifs, novelty of techniques to produce products at low cost, and the ability to understand abstract product features are the main prerequisites for building new product competence in design-intensive industries to maintain competitive advantage over time.

Adaptation is a reaction and an adjustment process to improve the organization to meet various environmental demands, so companies need an adaptive culture. A version of adaptive organizational culture is a culture that is called a strategically appropriate culture that is appropriate for adapting to the environment. The ability to create creativity by providing unique products and innovative designs applies to SMEs in the same manner as creating new technological knowledge in the technology industry [11]. Research results from [12] and [13] explain that by providing innovations that provide product uniqueness, apart from providing consumers with good usability functions, such as aspects of pleasure provided by the product, or personal appearance, self-expression becomes an important part of involvement with the product.

As an SME organization, it is important to maintain company values, learn new creative techniques (innovation), solve problems faced by the organization and company, create core competencies, and initiate new situations [5]. Knowledge of the market is important to determine the needs and wants of the target market and to satisfy the market better than competitors can. Thus, marketing knowledge, which includes the process of generating, disseminating, and storing marketing knowledge as stated by [6], is important for SMEs.

2.1 The Influence of Entrepreneurial Orientation on New Product Development Based on Local Culture.

Entrepreneurial orientation describes how a company makes new entries. As stated in the research of [14], entrepreneurial orientation is described by the

process, practices, and decision-making activities that drive new entries. Entrepreneurial orientation is a characteristic inherent in a person whose strength will bring innovative ideas to the real business world and develop them continuously. Entrepreneurial orientation is considered to be able to work together to develop products based on local culture, thus creating unique opportunities for the survival of a product. Thus, entrepreneurial orientation has a strong relationship with the development of new products based on local culture. Entrepreneurial orientation, which includes innovation, proactivity, and risk taking, helps companies to identify market opportunities and develop products that are in accordance with the values, traditions, and needs of the local community. Based on the logic of the theory and several previous research results, hypothesis 1 (H1) can be constructed as follows:

H1: Entrepreneurial orientation influences the development of new products based on local culture

2.2 The Influence of Entrepreneurial Orientation on Low-Cost Creative Processes Based on Local Culture.

In facing competition, entrepreneurs must be creative and innovative. Creative and innovative in creating new products that are more unique. As conveyed by [15], active entrepreneurs tend to introduce new products that are more unique in the market than those of passive entrepreneurs. The creative process is oriented towards low-cost creativity, which is the process of creating new innovative ideas by minimizing expenses. This can be achieved through the use of existing resources, innovation in an economical way, and the use of efficient technology. Thus, entrepreneurial orientation greatly influences the low-cost creative process based on local culture. Entrepreneurial orientation, which includes the ability to innovate, act proactively, and take risks, encourages entrepreneurs to create unique and effective solutions while utilizing resources available in the local environment. Based on the logic of the theory and several previous research results, hypothesis 2 (H2) can be constructed as follows:

H2: Entrepreneurial orientation influences low-cost-oriented creative processes based on local culture

2.3 The Influence of Marketing Strategy Knowledge on the Development of Local Culture-Based Products.

Knowledge of marketing strategies is crucial in developing local culture-based products. A deep understanding of local culture, values, and consumer

behavior is essential to adapting marketing strategies to suit the characteristics of that culture. The right marketing strategy can help local products become better known, in demand, and competitive in the market. Local culture-based product development related to knowledge can be used to produce products, processes, and services that are beneficial for competitive advantage to meet changing customer needs. Extensive marketing strategy knowledge enables companies to enhance their customer relationships and professional associations. Research results from [16] show that marketing knowledge generates, disseminates, and stores marketing knowledge to improve distribution capabilities, marketing research, product and service development, promotion program implementation, and pricing. Based on the theoretical logic of the relationship between marketing strategy knowledge and local culture-based product development, hypothesis 3 (H3) can be constructed as follows:

H3: Marketing strategy knowledge influences the development of products based on local culture

2.4 The Influence of Marketing Strategy Knowledge on Low-Cost Creative Processes Based on Local Culture.

Creativity and product innovation involve the development and introduction of new products. Product development based on good local culture is low-cost oriented. Likewise, knowledge of effective marketing strategies is very influential in the low-cost-oriented creative process that is adapted to local culture. This knowledge helps create marketing messages that are relevant and appealing to the target market, without burdening the budget with expensive advertising. According to [17], product innovation is part of the work characteristics that link several aspects of culture with companies that innovate to improve performance. The results of research by [18] and [19] found that innovation has a positive effect on business performance. Meanwhile, [20] found that new product development improves marketing performance. Based on the theoretical logic and the results of previous studies, hypothesis 4 (H4) can be constructed as follows:

H4: Marketing strategy knowledge influences low-cost-oriented creative processes based on local culture.

2.5 The Influence of New Product Development Based on Local Culture on Organizational Performance.

Product innovation is part of the work characteristics that connect several aspects of culture with companies that have innovation to improve performance [17]. Product innovation involves the development and introduction of new products that have been successfully developed. Thus, developing new products based on local culture has an impact on improving organizational performance. Local culture can provide a deep understanding of consumer needs and preferences, so that the products developed are more relevant and accepted in the market. In addition, products that reflect local values can improve the company's positive image and build customer loyalty. The research results of [21], [22], and [23] show that product innovation has a positive effect on product performance. On this basis, hypothesis 5 (H5) is formulated as follows:

H5: New product development based on local culture influences organizational performance

2.6 The influence of low-cost, local-culture-based creative processes on organizational performance.

Organizations continuously choose, use, and master new technologies, so the technological ability to produce and manage technological change by paying attention to costs is an important issue to increase their competitiveness. Cost-oriented creative processes based on local culture have a strong positive influence on performance. The research results of [24] show that technical innovation has a significant positive effect on organizational performance. The results of research from [25] explain that a technological innovation strategy provides success in organizational innovation. Based on the literature review, we can show that the power of adaptive culture-based innovation must be possessed by Batik Bakaran SMEs to improve organizational performance. On this basis, hypothesis 6 (H₆) is formulated as follows:

H6: Low-cost-oriented creative processes based on local culture have an impact on organizational performance.

Based on the hypotheses developed, to further examine the relationship between the influence of online shopping experience and e-WoM on e-trust and consumer loyalty, a conceptual framework of the path analysis model was built as shown in Figure 1.

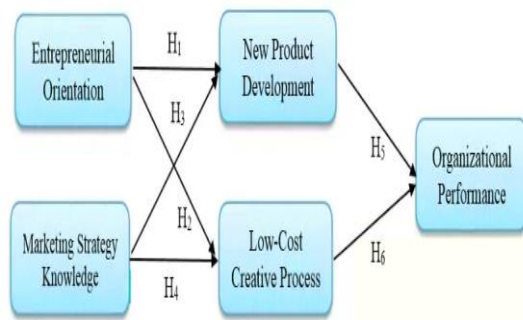


Fig. 1: Conceptual Model
Source: Created by the authors

3 Problem Solution

This research involved 140 respondents from small and medium entrepreneurs (SMEs) Batik Bakaran who participated. Data were collected using an online questionnaire for managers of SMEs Batik Bakaran in the Rembang and Pati regions based on the superior batik industry on the north coast in Central Java Province, Indonesia. Respondents were sampled with the following characteristics: 1) Have a minimum of 10 employees and a maximum of 100 employees (both permanent and non-permanent employees; 2) Have a batik business permit from the local government and are owned by an Indonesian citizen. (3) The batik business stands alone and is not a subsidiary or branch of the company. This research uses the sample size approach model proposed by [26].

A pre-tested multi-item questionnaire on a 7-point Likert scale was used to measure the research items, with 1 “Strongly Disagree” to 7 “Strongly Agree”. Entrepreneurial Orientation was measured using three question items [14], Marketing Strategy Knowledge was measured through four question items [16], Development of New Products Based on Local Culture was measured through four question items [27], low-cost creative process based on local culture was measured with four question items [28], and

All data that have been collected will be analyzed using the Structural Equation Model with AMOS software Version 24.00. The initial step is preceded by a validity and reliability test to evaluate the measurement model, and then the structural model is measured using adjusted R-squared and hypothesis testing.

The equation model to determine the influence and test the hypothesis mathematically is formulated in a regression equation as follows:

Organizational Performance was measured with four question items [29].

After 140 questionnaires were completed, they were identified as research samples and sent for additional processing. The results of the identification of respondents were that most of the respondents were female (64%), aged 39-49 years (50%), had a high school education (70%), and worked as Batik SME entrepreneurs for 17- 20 years (23%).

Table 1. below presents a detailed overview of the profiles of the 140 respondents, as previously described

Table 1. Respondent Profile

Category	Description	Frequency (customer)	Percentag e (%)
Gender	Male	90	64
	Female	50	36
Age	17 – 27 years	30	22
	28 – 38 years	30	22
	39 – 49 years	70	50
	>50 years	10	6
Level of educatio n	Senior/vocationa l schools	70	50
	Diploma	20	14
	Bachelor	46	32
	Magister	4	4
Length of works	1-4 years	24	17
	5-8 years	26	18
	9-12 years	27	19
	13-16 years	13	9
	17-20 years	30	23
	>20 years	20	14

Note: General description of 150 respondents as a sample

Source: created by the authors

$$\text{NPD} = a_{11} + b_{11}\text{EO} + b_{12}\text{MSK} + e_{11} \quad 1)$$

$$\text{LCP} = a_{21} + b_{21}\text{EO} + b_{22}\text{KSK} + e_{21} \quad 2)$$

$$\text{OP} = a_{31} + b_{31}\text{NPD} + b_{32}\text{LCP} + e_{31} \quad 3)$$

4 Results

The results of validity testing in Table 2 show that the overall loading factor (LF) is > 0.7 for each indicator, so it can be stated that all indicators are valid, and further analysis can be carried out. The results of reliability testing show that the online shopping

experiences, e-WoM, e-trust, and loyalty variables used in the research have a Cronbach's Alpha and Composite Reliability > 0.7 , so they are declared reliable. Likewise, the variance extracted test is > 0.40 . The results of this research show that all indicators are able to explain the construct.

Table 2. Validity and reliability

Variable, dimension, indicator	LF	CA	CR	AVE
Entrepreneurial Orientation (OKW)				
OKW1, OKW2, OKW3	0.782, 0.791, 0.792	0.874	0.629	0.864
Marketing Strategy Knowledge (PSP)		0.873	0.657	0.855
PSP1, PSP2, PSP3, PSP4	0.814, 0.813, 0.893, 0.821			
New Product Development Based on Local Culture (KPB)		0.861	0.657	0.855
KPB1, KPB2, KPB3, KPB4, KPB5	0.872, 0.664, 0.764, 0.641, 0.720			
Low Cost Creative Process Based on Local Culture (KTK)		0.827	0.601	0.844
KTK1, KTK2, KTK3, KTK4	0.742, 0.844, 0.862, 0.730			
Organizational Performance (KO)				
KO1, KO2, KO3, KO4	0.662, 0.484, 0.523, 0.540	0.822	0.662	0.820

Note: LF = Loading factor, CA = Cronbach's Alpha, CR = Composite Reliability, AVE = Average Variance Extracted

Source: created by the authors

The adjusted R Square of the endogenous variable, the development of local culture-based products, is 0.454. The results showed that entrepreneurial orientation and marketing strategy knowledge had a 45.4% effect on the development of local culture-based products, or that 45.4% of the variations in local culture-based product development could be explained by entrepreneurial orientation and marketing strategy knowledge, with the remaining 44.6% being influenced by other factors and not being studied. Meanwhile, the F-test results indicate that at a significance threshold of $0.000 < 0.05$. This indicates that the regression model applied in this study was accurate and satisfied the goodness-of-fit criteria.

The adjusted R-squared of low-cost creative processes based on local culture is 0.427. This demonstrates that 42.7% of low-cost creative processes based on local culture are driven by entrepreneurial attitudes and understanding of marketing tactics, whereas 57.7% are influenced by other variables not included in the study. The F value was 52.852, with a significance level of $0.000 < 0.05$. The test findings demonstrate that the employed regression model is accurate and satisfies the goodness-of-fit criteria. The adjusted R-squared of organizational performance is 0.445, indicating that low-cost creative processes influenced by local culture and product creation based on local culture have a 44.5% impact on organizational performance. The estimated F value of 56.650 at a significance level of $0.000 < 0.05$ shows that the regression model employed in this study is likewise accurate and satisfies the goodness of fit criteria.

The results of the Full Model SEM analysis (Figure 2) with AMOS Version 24.00 produced a chi-square value (187.406); p-value ($0.102 > 0.05$); the GFI, AGFI, CFI, and TLI values have met the required cut-off value, namely > 0.9 ; RMSEA value ($0.032 < 0.08$) and Cmin/df ($1.143 < 2$). Thus, the model is declared feasible so that it can be used for subsequent analysis to test the 6 (six) hypotheses proposed earlier. Full model SEM analysis results in Figure 2 with AMOS version 24.00, the model is declared suitable for use in analysis to test the 6 hypotheses proposed previously.

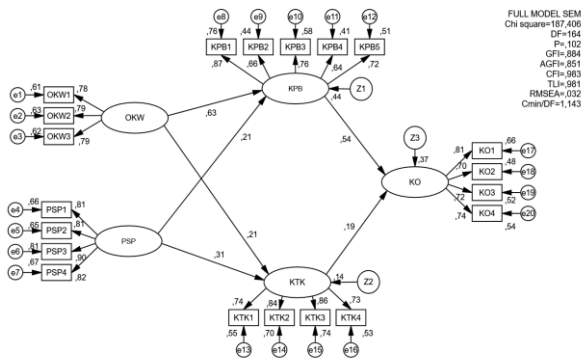


Fig. 2: Full Structural Equation Model

Source: Created by the authors

The hypothesis test results are displayed in Table 3. The table demonstrates the association between the variables entrepreneurial orientation, marketing strategy knowledge, new product development, low-cost creative process, and organizational performance as determined by AMOS' SEM analysis results for hypothesis testing.

With a path coefficient of 0.610 ($p=0.000$), the results show that entrepreneurial orientation affects the growth of new product development. This shows that enhancing the ability of entrepreneurial orientation may boost new product development. Entrepreneurial orientation affects the low-cost creative process with a path coefficient of 0.344 ($p=0.033$). Therefore, a positive entrepreneurial orientation might boost a low-cost creative process.

With a path coefficient of 0.117 ($p = 0.013$), marketing strategy knowledge significantly and positively increases new product development. This suggests that marketing strategy knowledge can boost new product development. With a path coefficient of 0.344 and a significance of $p = 0.033$, marketing strategy knowledge impacts the low-cost creative process.

Additionally, with a coefficient of 0.523 ($p = 0.000$), new product development also substantially and positively impacts organizational performance, suggesting that positive new product development can boost organizational performance. Lastly, with a coefficient of 0.111 ($p = 0.028$), the low-cost creative process also substantially and positively impacts organizational performance. The analysis's findings indicate that new product development and a low-cost creative process both significantly boost organizational performance.

Table 3. Standardized Regression Weights

Path	Std Estimate	S.E	C.R	P
New Product Development (KP) ← Entrepreneurial Orientation (OKW)	0.610	0.1	5.3	0.000
Low Cost Creative Process (KTK) ← Entrepreneurial Orientation (OKW)	0.344	0.1	2.6	0.033
New Product Development (KP) ← Marketing Strategy Knowledge (PSP)	0.117	0.04	2.9	0.013
Low Cost Creative Process (KTK) ← Marketing Strategy Knowledge (PSP)	0.344	0.1	2.6	0.033
Organizational Performance (KO) ← New Product Development (KP)	0.523	0.06	8.8	0.000
Organizational Performance (KO) ← Low Cost Creative Process (KTK)	0.111	0.05	2.2	0.028

Note: SE = Standard Error, CR = Critical Ratio, P = Probability, hypothesis test.

Source: created by the authors

5 Discussion

Entrepreneurial orientation has a positive and significant influence on the development of local culture-based products by SMEs Batik Pesisiran SME. The results of this study show that entrepreneurial orientation is optimal for achieving excellence in product development based on local culture. Entrepreneurial orientation will increase the process of making decisions that are innovative, proactive, and brave enough to take risks in innovating, further increasing the development of products based on local culture. If entrepreneurial orientation is high, it increases the development of products based on local culture. The results of this study indirectly support research by [30] that entrepreneurial orientation improves organizational culture, and research by [31] found that entrepreneurial orientation has an impact on increasing sustainable innovation. Entrepreneurial orientation has a positive influence on the development of local culture-based products. The higher the entrepreneurial orientation, the higher the development of products based on local culture.

Knowledge of marketing strategies increases the development of local culture-based products in Coastal Batik SMEs. The results of this study indicate that knowledge of marketing strategies is optimal for increasing the development of local culture-based products. This is because entrepreneurs have knowledge of product wants and needs, prices, distribution, and promotions, which further increases the advantages of developing products based on local culture. This research is in line with [20], who found that innovation capability and new product development influence marketing performance. This means that there is a positive correlation between marketing strategy knowledge as a representation of marketing performance and product development as a representation of innovation capabilities for developing new products, and this finding is supported by research from [32].

Entrepreneurial orientation increases low-cost creative processes based on the local culture of Coastal Batik SMEs. The results of this research show that entrepreneurial orientation is optimal for increasing the advantages of low-cost creative processes based on local culture. Batik Pesisiran SMEs often innovate patterns and designs to obtain new models that become trends, produce various classic and contemporary patterns and motifs, which are the needs and desires of consumers, collect information from sales personnel, and adjust services by providing products according to consumer tastes. in quality, motifs, and prices, and comparing product prices with competitors' prices. The results of this research are consistent with [33]'s opinion that

entrepreneurial orientation has a positive effect on low-cost creative processes based on local culture. This is also in line with [31] findings that entrepreneurial orientation increases low-cost strategies.

Knowledge of marketing strategies has a positive and significant effect on the low-cost creative process based on the local culture of Batik Pesisiran SMEs. The results of this study provide an overview of the knowledge of optimal marketing strategies for improving low-cost creative processes based on local culture. Batik Pesisiran SMEs have the knowledge to develop batik from classic written batik to contemporary motifs, develop various colors, develop various types of quality batik products, calculate production costs correctly, conduct market surveys, check prices in the market, and develop various raw materials for making batik, which will further increase the advantages of low-cost creative processes based on local culture. The results of this study are in line with [34], who found a positive relationship between cultural factors and marketing strategies. Thus, with a good understanding of marketing strategies, product creations that have an impact at low costs can be created.

The development of products based on local culture has a positive and significant effect on the organizational performance of Batik Pesisiran SMEs. The results of this study indicate that product development based on local culture is optimal for improving organizational performance. Batik Pesisiran SMEs carry out culture-based product development by developing the company's best products, new products compared to competitors, improving the new product development process, and developing the best products according to consumer needs, which can improve organizational performance. This research is in accordance with [18], [35], [36] that organizational culture has an impact on organizational performance. However, the results of research from [37] found no influence of cultural strength on organizational performance.

A low-cost creative process based on local culture has a positive and significant effect on the organizational performance of Batik Pesisiran SMEs. The results of this research indicate that the higher the low-cost creative process based on local culture, the more optimal it is in improving organizational performance. Batik Pesisiran SMEs use new creative techniques to improve quality, introduce creative techniques, use new creative techniques to speed up the low-cost production process, and use new creative techniques so that low costs can improve organizational performance. The results of this study are not in accordance with those of [38], who found

that the innovativeness dimension of entrepreneurial orientation has an impact on business performance. However, [39] finds that business innovation increases business performance. Research results from [19] found that innovation is positively related to business performance, and [40] found that innovativeness has a significant effect on increasing profitability growth.

This research seeks to build a model to determine the tiered influence of adaptive culture-based innovation on organizational performance in Batik Pesisiran SMEs on the north coast of Central Java, Indonesia, especially the Rembang and Pati areas. The proposed model proves that entrepreneurial orientation and marketing strategy knowledge increase the development of new products based on local culture and low-cost creative processes based on local culture. The development of new products based on local culture and a low-cost creative process based on local culture has a positive effect on organizational performance.

This study contributes to the marketing of human resources literature, especially regarding the relationship between adaptive culture-based innovation and organizational performance. This research supports the resource-based view theory, which states that successful companies will find themselves competing in the future for the development of distinctive and unique capabilities, which may often be implicit or intangible in nature. Unique resources and capabilities form the core of a strategy for maintaining a favorable market position. This research also supports entrepreneurship theory, in which the process of creativity and innovation activities creates change by exploiting existing opportunities and resources to produce added value to win the competition.

This study also provides implications for managers in making important decisions to improve the performance of Batik Bakaran SMEs. Firm performance is a measure of a company's success in carrying out operational activities. This also applies to small and medium-sized Bakaran Batik businesses in the northern coastal areas of Central Java, especially in Pati and Rembang, Indonesia. By maintaining business performance, small and medium-sized Batik Bakaran businesses can develop and be sustainable. The findings of this research show that entrepreneurial orientation and marketing strategy knowledge have an impact on increasing new product development based on local culture and low-cost creative processes based on local culture, and new product development based on local culture and low-cost creative processes based on local culture have an impact on the performance of SMEs.

The results of this study support research by [41], [42], who also found an indirect influence of entrepreneurial orientation on SME performance. In competitive business activities, the development of new products and low-cost creative processes based on the local culture is necessary to increase company competitiveness and performance. Therefore, companies must implement strategies to improve new products based on local culture, low-cost creative processes, and company performance by providing understanding and training for entrepreneurs in making batik patterns based on local culture.

6 Conclusion

This study aims to analyze the complex relationship between hierarchical entrepreneurial orientation, marketing strategy knowledge, and the organizational performance of Batik Bakaran SMEs in Indonesia. The research findings show that entrepreneurial orientation and knowledge of marketing strategies, local culture-based product development, and cost-oriented local culture-based creative processes are very important in influencing organizational performance. There is a tiered influence of entrepreneurial orientation and marketing strategy knowledge on new product development, low-cost creative processes, and organizational performance.

The importance of marketing strategies, local culture-based product development, and cost-oriented local culture-based creative processes in order to maintain organizational performance so that the quality of the Batik Bakaran produced is high enough to penetrate the international market. Batik Bakaran products based on local culture are very important because they are not just patterned cloth, but rather a form of ancestral heritage that contains philosophical, historical, and identity values, while also helping to maintain the competitive advantage of Indonesian Batik Bakaran. The more the development of new products (Bakaran Batik) with local culture-based motifs is enhanced, the more successful the Batik Bakaran SMEs will be in achieving their goals and competing in the international market.

The practical implication of this research is that Batik Bakaran SMEs must continue to maintain the development of local culture-based products and local culture-based creative processes. However, SME business actors must also adjust the environment and relationship-building strategies to suit the tastes of each country [43], [44], [45]. In this case, designers must also develop local culture-based

innovations to attract consumers in the physical retail market. Future research needs to be developed not only specifically on Batik Bakaran SMEs, but also on other Batik SMEs to reveal the potential of the batik industry in general in Indonesia. Combining quantitative and qualitative methods, such as direct face-to-face interviews, will increase the credibility and practical relevance of the findings.

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