

DESCRIPTIVE ANALYSIS: INNOVATION STRATEGY, DIGITAL MARKETING, AND RESOURCE ORCHESTRATION CAPABILITY FOR BUILDING COMPETITIVE ADVANTAGE AND SUSTAINABLE BUSINESS PERFORMANCE AMONG ENDEK MSMEs IN BALI

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Abstract

The objective of this study is to describe the application of innovation strategy, digital marketing and resources orchestration capacity in building competitive advantage and sustainable business performance in endek SMEs in Bali. The population of this study was owner of endek SME firm in Bali. The sample of endek SME business owners was purposively selected and had 151 participants. The data were evaluated using descriptive analysis. The study shows that the innovative strategies applied by endek SMEs in Bali are categorized as high. Likewise, their digital marketing strategies are classified as good and the level of resources orchestration competence is likewise classified as high. In addition, their competitive advantage is classified as high and their sustainable business performance is classified as high. Therefore, it is crucial for Bali's endek SME business owners to actively improve the implementation of innovation strategies, digital marketing, and resource orchestration capabilities to strengthen their competitive advantage and to reach higher levels of sustainable business performance.

Keywords: innovation strategy, digital marketing, resources orchestration capability, competitive advantage, sustainable business performance.

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) have a critical role to assist economic growth and job creation in Indonesia. MSMEs in Bali not only become the driver of the regional economy but also an important aspect of cultural preservation and the growth of creative industries based on local wisdom. One product that has economic and cultural worth is Endek cloth. Endek handicraft is one of Bali's creative industries which has the potential to be developed into a flagship product with a wider market. However, the increasingly dynamic market conditions compel Endek MSMEs not only to maintain the traditional value of their products but also to adapt to the changing wants of consumers, technical innovations, and increased competition.

This problem may be seen from the shifting sales turnover of Endek MSMEs in Bali. Preliminary interviews with numerous Endek MSME business owners in Bali, such as Sriwidhi in Klungkung and Aiswarya in Denpasar, showed that the average annual sales turnover objective was about IDR 1.5 billion, but the actual sales were

around IDR 1 billion. This circumstance represents a gap between the targets of business performance and the actual performance. The decrease or variation in sales turnover can also effect the profitability of the business and the ability of MSMEs to run the business on a long term basis. It is vital to study this topic since MSME sustainability is not only determined by its ability to create sales in a certain period, but also the ability to maintain growth, profitability and business continuity in the long run. This condition can be affected by several things like customer preferences, increased competition, the fit of corporate strategies with target markets, innovation capabilities, marketing effectiveness and so on. firm strategy and resource availability are critical elements in influencing MSME firm performance based on previous research (Yasa et al., 2023). Innovation strategy was also shown to contribute to the improvement of the business performance of Endek MSMEs through the ability of MSMEs to respond to changes in the business environment (Telagawathi et al., 2022). These findings imply that the ability to innovate in goods, production processes, and business models is increasingly vital for Endek MSMEs to keep their products relevant in the market.

Innovation strategy can be a strategic means to create competitive advantage. The invention of products helps MSMEs to design, theme, quality and variation of products according to the changes in consumer needs. Innovation in production processes can enhance efficiency and quality and innovation in business models can assist MSMEs establish new ways to provide and create value to customers. Research on MSMEs has also shown that there is a relationship between innovation and competitive advantage. Studies of the handicraft sector in Bali have highlighted innovation as a key source of business success (Yasa et al., 2020; Guntara et al., 2024).

The rise of digital technology also opens potential for Endek MSMEs to increase their market through digital marketing. MSMEs can reach consumers beyond their geographical borders using social media, internet marketing, digital customer interactions and digital promotion. Yasa et al. (2022) demonstrated that digital marketing has an effect on MSME business performance, Rahmayanti et al. (2024) demonstrated that digital marketing strategy has an effect on the association between digital orientation and sustainable business performance. These findings suggest that the transformation of marketing through digital media can be a source of competitive advantage for MSMEs.

But the capacity to create and apply digital marketing does not mean that you will have sustained commercial performance. MSMEs should also be able to manage and integrate, merge and make optimum use of the resources available. The Resource Orchestration view implies that a firm's advantage is not just based on the possession of resources, but also on the firm's capacity to arrange, bundle and leverage resources to produce value. This view is particularly pertinent to MSMEs as

business owners need to make the most use of the internal and external resources available to them due to resource restrictions.

Resource Orchestration Capability is vital in the setting of Endek MSMEs because business owners need to integrate multiple resources, combine internal and external resources, and to mobilize resources in an effort to grasp market possibilities. Such capabilities may enhance the efficiency of innovation strategies and digital marketing, and hence create advantages that are more difficult for competitors to copy. Therefore, Resource Orchestration Capability is not only considered as resources management but a strategic capability to transform resources into competitive advantage. \

Competitive advantage is therefore positioned as a key mechanism linking the different strategic capabilities to sustained company performance. MSMEs with differentiated products, better quality and strong distinctive value are more likely to be in a better position to face competition. Competitive advantage is an important variable to explain the marketing success of handcraft MSMEs in Bali (Guntara et al., 2024). This conclusion supports the notion that the capacity to generate competitive advantage is a crucial process by which a firm's resources and plans are turned into commercial outcomes.

Empirical studies in the past still have room for additional inquiry. Studies on innovation have proven a favorable association with corporate performance. However, some of the studies still view innovation as a direct determinant of performance without a thorough explanation of the creation of competitive advantage. The research on digital marketing also showed favorable benefits on firm performance but the processes via which digital marketing activities generate sustainable performance still need to be further explored. Moreover, research that combines innovation strategy, digital marketing, and resource orchestration capabilities in a single model to explain competitive advantage and sustainable company performance, especially among Endek handcraft MSMEs in Bali, is still lacking.

The construction of the research model is based on the research gap. The current study investigated the direct influence of innovation strategy, digital marketing, and resource orchestration capabilities on sustainable company performance. However, the study considers competitive advantage as a mediating mechanism. This technique can illustrate the examination of how the innovation strategy, digital marketing and resource orchestration capacity are converted into competitive advantage and subsequently contribute to sustainable business success in the long run.

This study is unusual as it integrates three strategic capabilities, namely innovation strategy, digital marketing and resource orchestration capability, to explain the establishment of competitive advantage and sustained business

performance among Endek MSMEs. This study also expands the application of Resource-Based View, Dynamic Capability Theory and Resource Orchestration Theory viewpoints inside the framework of a creative sector based on local wisdom. With this background, this study intends to present an overview of the innovation strategy, digital marketing, and resource orchestration capability in establishing competitive advantage and sustainable business performance of Endek MSMEs in Bali.

RESEARCH METHOD

This study was categorized as qualitative research with descriptive analysis due to the research challenge's nature. This study compiles the responses of Endek MSMEs in Bali about innovation strategy, digital marketing, competitive advantage, capability to orchestrate resources, and sustainable business performance.

An investigation of Endek MSME in Bali was carried out. Offline distribution of the questionnaire was the initial step. Results from 30 participants were used to confirm the data's validity and reliability. All indicators have correlation values more than 0.30, according to the validity test results. All of the variables had Cronbach's Alpha values more than 0.60, indicating high reliability.

Subsequently, the data collection was augmented by distributing the questionnaire directly (offline) and through other WhatsApp groups using a Google Form. The formula for determining the number of samples provides that 160 respondents should be collected, which is 10 times the number of indicators (16). Nevertheless, the analysis was extended to 151 respondents who met the criteria. We used descriptive analysis to look at the data.

Validity and Reliability Test Results

Prior to conducting the main analysis, the research instrument underwent validity and reliability assessments to ensure that the measurement items adequately captured the intended constructs and produced consistent results. Validity was evaluated using the Pearson Product-Moment correlation coefficient, with values above 0.30 indicating that an item met the validity criterion. Reliability was assessed using Cronbach’s Alpha, where a coefficient of 0.60 or higher was considered indicative of acceptable internal consistency. The preliminary testing involved 30 respondents, and the results are presented in the following section.

Table 1
Instrument Validity and Reliability Test Results

Variable / Variable Indicator	Item	Correlation (r)	Cronbach’s Alpha

Innovation Strategy (X1)	X1.1	0.962	0.962
	X1.2	0.982	
	X1.3	0.948	
Digital Marketing (X2)	X2.1	0.688	0.889
	X2.2	0.935	
	X2.3	0.936	
	X2.4	0.908	
Resource Orchestration Capability (X3)	X3.1	0.863	0.827
	X3.2	0.853	
	X3.3	0.882	
Competitive Advantage (Y1)	Y1.1	0.941	0.945
	Y1.2	0.947	
	Y1.3	0.959	
Sustainable Business Performance (Y2)	Y2.1	0.894	0.890
	Y2.2	0.886	
	Y2.3	0.936	

Source: Primary data processed, 2026

Description of Respondent Characteristics

To give an overview of the demographic and professional background of the individuals participated in this study, this study investigated the characteristics of the respondents. Knowing the profile of the respondents is necessary to describe the composition of the sample, and to provide some contextual information to comprehend the ensuing research findings. The characteristics of respondents were divided into four basic elements, namely gender, age, educational level and employment position. These characteristics provide a general description of the people involved in the study and their background as Endek MSME business actors in Bali. Table 2 summarizes the distribution of respondents in these groups.

Table 2.
Respondent Characteristics

No.	Variable	Classification	Number of Respondents	Percentage (%)
1	Gender	Male	51	33.77
		Female	100	66.23
		Total	151	100.00
2	Age	20–30 years	5	3.31
		>30–40 years	10	6.62

	>40–50 years	40	26.49
	>50–60 years	71	47.02
	>60 years	25	16.56
	Total	151	100.00
3 Educational Level	Senior High School	75	49.67
	Diploma	45	29.80
	Bachelor's Degree	16	10.60
	Postgraduate	15	9.93
	Total	151	100.00
4 Position	Manager	46	30.46
	Owner/Manager	105	69.54
	Total	151	100.00

Source: Primary data processed, 2026.

Table 2 summarizes the characteristics of the 151 respondents based on gender, age, educational attainment, and occupational position. The respondent profile indicates that women constituted the larger proportion of the sample, with 100 female respondents compared with 51 male respondents. The respondents represented a broad age range, from 20 to over 60 years. Specifically, 5 respondents were aged 20–30 years, 10 were >30–40 years, 40 were >40–50 years, 71 were >50–60 years, and 25 were over 60 years.

In terms of educational attainment, the largest group consisted of respondents with a senior high school education (75 respondents), followed by those with a diploma (45 respondents), a bachelor's degree (16 respondents), and postgraduate education (15 respondents). With respect to occupational position, most respondents simultaneously served as business owners and managers, accounting for 105 respondents, while the remaining 46 respondents held managerial positions.

Descriptive Statistical Analysis

Descriptive analysis was conducted by examining the distribution of respondents' scores for each measurement item. The resulting score distributions were subsequently used to assess the respondents' perceptions of each research

variable. The criteria used to interpret the scores for the respective variables are presented in Table 3.

Table 3
Criteria for Describing the Research Variables

No.	Measurement Scale	Innovation Strategy, Digital Marketing, Resource Orchestration, Competitive Advantage, Sustainable Business Performance
1	1.00–1.80	Very Low
2	>1.80–2.60	Low
3	>2.60–3.40	Moderately High
4	>3.40–4.20	High
5	>4.20–5.00	Very High

Source: Ghozali (2014)

The descriptive statistical findings for each research variable are presented in the following subsections.

Innovation Strategy (X₁)

Innovation strategy represents a key strategic factor associated with the development of competitive advantage and sustainable business performance. In this study, the variable was assessed based on the perceptions of Endek MSME owners in Bali regarding the extent to which innovation practices are applied within their businesses. The assessment covered three dimensions: product innovation (X_{1.1}), production process innovation (X_{1.2}), and business model innovation (X_{1.3}). The distribution of respondents' perceptions regarding innovation strategy is presented in Table 4.

Table 4
Descriptive Analysis Results of the Innovation Strategy Variable (X₁)

Indicator	Score					Mean	Interpretation
	1	2	3	4	5		
Product innovation (X _{1.1})	5	7	32	82	25	3.76	High
Production process innovation (X _{1.2})	5	7	30	85	24	3.77	High
Business model innovation (X _{1.3})	5	8	32	83	23	3.74	High
Innovation Strategy (X₁)						3.75	High

The level of innovation strategy adoption of Endek MSMEs in Bali is measured with three dimensions, namely product innovation (X1.1), production process innovation (X1.2), and business model innovation (X1.3). The aggregate mean score of the 151 respondents was 3.75. As in Table 4, the innovation strategy variable is classified in high category. This finding indicates that in general Endek MSME owners regard their enterprises as having a rather strong commitment to innovation in terms of products, production processes, and business strategies. Among the three dimensions, production process innovation had the highest mean score (3.77). Conversely, business model innovation got the lowest mean score (3.74). The comparatively low score indicates the necessity for Endek MSME managers to pay more attention to the development and adaptation of their business models in the future.

Digital Marketing (X2)

The evaluation of digital marketing is done by four indicators taken from Giantari et al. (2022), which are social media usage (X2.1), online marketing (X2.2), digital connection with clients (X2.3) and digital promotion (X2.4). Table 5 presents the results of the 151 respondents, demonstrating that the overall mean score was 3.80, which denotes a high level of digital marketing adoption among Endek MSMEs in Bali. This conclusion shows that digital marketing has become an essential aspect of their business activities, especially in facilitating digital contacts with clients.

Table 5
Descriptive Analysis Results of the Digital Marketing Variable (X2)

Indicator	Score					Mean	Interpretation
	1	2	3	4	5		
Social media usage (X2.1)	5	11	31	67	37	3.79	High
Online marketing (X2.2)	5	6	38	66	36	3.81	High
Digital interaction with customers (X2.3)	5	5	38	65	38	3.83	High
Digital promotion (X2.4)	6	8	35	67	35	3.77	High
Digital Marketing (X2)						3.80	High

Of the four indicators of the Digital Marketing variable, digital interaction with customers (X2.3) had the highest mean score, at 3.83, while digital promotion (X2.4) had the lowest mean score, at 3.77. This indicates that Endek MSME managers in Bali need to improve their digital promotion activities.

Resource Orchestration Capability (X3)

The Resource Orchestration Capability possessed by Endek MSMEs in Bali consists of the following: the ability to integrate resources (X3.1), the ability to combine internal and external resources (X3.2), and the ability to mobilize resources to capture business opportunities (X3.3).

Based on Table 6, it can be seen that among the 151 respondents studied, the overall perception of Endek MSME managers in Bali regarding the Resource Orchestration Capability variable was in the high category, with an average score of 4.14.

Table 6
Descriptive Analysis Results of the Resource Orchestration Capability Variable (X3)

Indicator	Score					Mean	Interpretation
	1	2	3	4	5		
Ability to integrate resources (X3.1)	4	3	11	74	59	4.20	High
Ability to combine internal and external resources (X3.2)	4	3	12	78	54	4.16	High
Ability to mobilize resources to capture business opportunities (X3.3)	3	8	26	54	60	4.06	High
Resource Orchestration Capability (X3)						4.14	High

Of the three indicators of *Resource Orchestration Capability*, the ability to integrate resources (X3.1) had the highest mean score, at 4.20, while the ability to mobilize resources to capture business opportunities (X3.3) had the lowest mean score, at 4.06. This indicates that Endek MSME managers in Bali need to improve their ability to mobilize resources to capture business opportunities.

Competitive Advantage (Y1)

The Competitive Advantage variable in this study measures competitive advantage using a quantitative approach based on the responses of Endek MSME managers in Bali to the following indicators: product differentiation (Y1.1), superior product quality (Y1.2), and product uniqueness (Y1.3). Respondents' perceptions of the competitive advantage variable are presented in Table 7.

Table 7
Descriptive Analysis Results of the Competitive Advantage Variable (Y1)

Indicator	Score					Mean	Interpretation
	1	2	3	4	5		

Product differentiation (Y1.1)	5	4	53	55	34	3.72	High
Superior product quality (Y1.2)	4	8	37	63	39	3.83	High
Product uniqueness (Y1.3)	4	5	33	60	49	3.96	High
Competitive Advantage (Y1)							3.84 High

The Competitive Advantage of Endek MSMEs in Bali is reflected in the indicators of product differentiation (Y1.1), superior product quality (Y1.2), and product uniqueness (Y1.3). Based on Table 7, among the 151 respondents studied, the overall perception of Endek MSME managers in Bali regarding Competitive Advantage was in the high category, with an average score of 3.84. This indicates that Competitive Advantage is already relatively high, although this achievement still needs to be improved.

Of the three Competitive Advantage indicators, product uniqueness had the highest mean score, at 3.96, while product differentiation had the lowest mean score, at 3.72. This means that Endek MSMEs need to pay greater attention to product differentiation so that their products appear more distinct from those of competitors and can compete more effectively.

Sustainable Business Performance (Y2)

The measurement of Sustainable Business Performance achieved by Endek MSMEs in Bali consists of the following indicators: sales growth (Y2.1), increased business profits (Y2.2), and long-term business sustainability (Y2.3). Based on Table 8, it can be seen that among the 151 respondents studied, the overall perception of Endek MSME managers in Bali regarding the Sustainable Business Performance variable was in the high category, with an average score of 4.05. This indicates that respondents understand Sustainable Business Performance as reflected through sales growth, increased business profits, and long-term business sustainability.

Table 8

Descriptive Analysis Results of the Sustainable Business Performance Variable (Y2)

Indicator	Score					Mean	Interpretation
	1	2	3	4	5		
Sales growth (Y2.1)	5	4	35	55	52	3.96	High
Increased business profits (Y2.2)	5	7	29	49	61	4.02	High
Long-term business sustainability (Y2.3)	5	3	20	58	65	4.16	High
Sustainable Business Performance (Y2)							

Of the three indicators of Sustainable Business Performance, long-term business sustainability (Y2.3) had the highest mean score, at 4.16, while sales growth (Y2.1) had the lowest mean score, at 3.96. This indicates that the average Sustainable Business Performance of Endek MSMEs in Bali is 4.05, while the sales growth indicator still needs to be continuously improved.

CONCLUSION AND IMPLICATIONS FOR RESEARCH

Based on the results of the descriptive study, it can be stated that the innovation strategy followed by Endek MSMEs in Bali was on average rated in the high category consisting of product innovation, manufacturing process innovation, and business model innovation. Good appraisal was also given to the digital marketing activities of MSMEs Endek in Bali. In the very good category. This implies that in the future digital marketing needs to be enhanced. Similarly, the resource orchestration capability should be progressively improved from the high to the super high level by strengthening the ability to integrate resources, combine internal and external resources, and deploy resources to exploit business opportunities. These conditions are the basis for enhancing competitive advantage, as evidenced by product differentiation, improving product quality and product uniqueness. All these elements lead to more sustainable business performance. The present study presents an overview of innovation strategy, digital marketing, resource orchestration capabilities, competitive advantage, and sustainable business performance of Endek MSMEs in Bali. Thus, the results can be used as a basis for designing strategies to increase the competitive advantage and sustainable business performance of Endek MSMEs in Bali.

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