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Driving Small and medium-sized enterprise Performance Through Product Innovation: The Roles of Strategic Orientation, Market Power, and Organizational Collaboration

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A B S T R A C T

Small and medium-sized enterprises (SMEs) are essential contributors to economic growth and development. However, they often face significant challenges in maintaining competitiveness and achieving sustained growth, particularly in the current era of rapid technological advancements, globalization, and evolving market dynamics. This study aims to investigate the critical factors that drive product innovation and their subsequent impact on the performance of SMEs. A quantitative research approach was employed in this study. Data were collected through a survey administered to 69 Sasirangan Cloth SMEs in Banjarmasin, Indonesia. These SMEs are engaged in the traditional textile craft of Sasirangan cloth, which holds cultural significance in the region. Structural equation modeling (SEM) with partial least squares (PLS) was utilized to analyze the collected data. The findings of the data analysis reveal that strategic orientation, market power, and organizational collaboration have a positive and statistically significant impact on product innovation. This suggests that SMEs that adopt a market-oriented, entrepreneurial, and technology-oriented strategic approach, combined with efforts to develop market power and engage in collaborative relationships with other organizations, are more likely to foster product innovation. Furthermore, the study finds that product innovation plays a mediating role in the relationship between these factors and company performance, indicating that product innovation is a key mechanism through which strategic orientation, market power, and organizational collaboration contribute to enhancing SME performance. In conclusion, this study underscores the pivotal role of product innovation in driving SME performance. By developing and introducing new products or significantly improving existing ones, SMEs can differentiate themselves from competitors, attract new customers, and enhance their overall competitiveness.

1. Introduction

Small and medium-sized enterprises (SMEs) are the driving force behind many economies, playing a crucial role in job creation, innovation, and economic growth (Ahsan, 2024). They are essential for promoting economic development, particularly in developing countries where they represent a significant portion of the business sector (Abdullahi, 2024). However, SMEs often face considerable challenges in maintaining competitiveness and achieving sustained growth, especially in today's rapidly changing and globalized market, characterized by technological advancements, increased competition, and evolving customer demands (Johnston, 2024). To thrive in this dynamic environment, SMEs need to adopt effective strategies that enable them to adapt, innovate, and enhance

their performance (Chouchane, 2024).

Product innovation is widely recognized as a key driver of firm performance, allowing SMEs to differentiate their offerings, attract new customers, and improve efficiency (Cera, 2024). It involves the development and introduction of new products or services, or the significant improvement of existing ones, to meet changing customer needs and market demands (Liu, 2022). By investing in product innovation, SMEs can enhance their competitiveness, expand their market share, and achieve sustained growth (Lee, 2022).

However, the ability of SMEs to engage in product innovation is influenced by various factors, including their strategic orientation, market power, and organizational collaboration (Le, 2022). Strategic orientation refers to the firm's overall approach to the market and its competitive environment, encompassing its focus on customers, competitors, and technology (de Oliveira Paula, 2020). A market-oriented strategic orientation emphasizes understanding and responding to customer needs, while an entrepreneurial orientation focuses on proactively pursuing new opportunities and taking risks (Castillo-Vergara, 2021). Technology orientation reflects the firm's emphasis on developing and adopting new technologies to support innovation (Arshad et al., 2023).

Market power refers to the firm's ability to influence market outcomes, such as prices and quantities (Lu, 2024). It is determined by factors such as market share, brand reputation, and customer loyalty (Majali, 2022). SMEs with greater market power have more resources and capabilities to invest in product innovation and can also use their market power to influence market demand and create barriers to entry for competitors (Salvador, 2023).

Organizational collaboration involves partnerships and alliances with other organizations, such as suppliers, customers, competitors, and research institutions (Sriram, 2022). These collaborations can provide SMEs with access to complementary resources, knowledge, and technologies, facilitating product innovation and enhancing their ability to compete in the market (Yusr, 2022). This study aimed to investigate the impact of strategic orientation, market power, and organizational collaboration on SME performance, with a particular focus on the mediating role of product innovation. By examining these relationships, we aim to provide insights into the factors that drive product innovation and its contribution to SME performance.

2. Literature Review

Strategic orientation plays a vital role in shaping a firm's innovation activities. It provides a framework for aligning the firm's resources and capabilities with its innovation goals. Strategic orientation refers to the firm's overall approach to the market and its competitive environment. It encompasses the firm's focus on customers, competitors, and technology (Handranata, 2020). Essentially, it's the blueprint a company uses to navigate the complexities of the marketplace and achieve its objectives. A market-oriented strategic orientation is widely regarded as a critical factor in driving product innovation. This approach emphasizes a deep understanding of and responsiveness to customer needs and market trends (Vafaei-Zadeh, 2021). By consistently monitoring customer preferences, market developments, and competitor activities, companies with a market orientation can identify opportunities for innovation and develop products and services that possess a high degree of market appeal (Taghizadeh, 2023).

Entrepreneurial orientation is also strongly associated with product innovation. Characterized by a proactive pursuit of new opportunities, a willingness to take calculated risks, and a propensity for innovation and creativity, an entrepreneurial orientation enables firms to identify and exploit emerging market opportunities (Rodríguez-Espíndola et al., 2022). This proactive stance fosters a culture of

innovation, encouraging employees to generate new ideas, experiment with novel approaches, and challenge the status quo, ultimately leading to the development of new products and services (Johnston, 2024). Technology orientation is another crucial dimension of strategic orientation that can significantly influence product innovation. Firms with a strong technology orientation prioritize the development and adoption of new technologies to gain a competitive edge (Cera, 2024). By investing in research and development (R&D), embracing cutting-edge technologies, and fostering a culture that values technological advancements, these firms can create innovative products and services that meet evolving customer needs and market demands (Arshad et al., 2023).

Market power, a firm's ability to influence market outcomes such as prices and quantities, is another key determinant of product innovation (Ahsan, 2024). It is shaped by factors like market share, brand reputation, and customer loyalty (Abdullahi, 2024). Market power provides firms with the resources and capabilities to invest in innovation activities, enabling them to develop and launch new products or services (Chouchane, 2024). Moreover, firms with greater market power can leverage their position to influence market demand, creating barriers to entry for competitors and establishing a competitive advantage in the innovation process (Le, 2022). For example, a firm with a dominant market share can shape customer preferences, set industry standards, and control distribution channels, making it more difficult for competitors to introduce competing products or services (Lee, 2022).

Organizational collaboration, which involves partnerships and alliances with other organizations, has become increasingly important for driving product innovation. By collaborating with suppliers, customers, competitors, and research institutions, firms can access complementary resources, knowledge, and technologies, facilitating product innovation and enhancing their competitiveness (Liu, 2022). Collaboration with suppliers can provide access to valuable inputs, specialized knowledge, and innovative technologies, enabling firms to improve product quality, reduce costs, and accelerate the innovation process (Lu, 2024). Customer collaboration can provide insights into customer needs, preferences, and pain points, facilitating the development of products and services that are better aligned with market demands (Majali, 2022). Collaboration with competitors, while seemingly counterintuitive, can also foster innovation. By sharing knowledge, resources, and risks, competitors can jointly develop new technologies, establish industry standards, and expand into new markets (Salvador, 2023). Collaborations with research institutions, such as universities and research labs, can provide access to cutting-edge research, specialized expertise, and advanced technologies, enabling firms to stay at the forefront of innovation (Rodríguez-Espíndola et al., 2022).

Product innovation is widely acknowledged as a crucial driver of company performance. It can lead to increased sales, market share, and profitability. By developing new and improved products, firms can differentiate themselves from competitors, attract new customers, and command premium prices (Sriram, 2022). Product innovation can also lead to improved efficiency, reduced costs, and enhanced productivity, further bolstering firm performance (Vafaei-Zadeh, 2021). The positive relationship between product innovation and company performance has been extensively documented in the literature. Studies have shown that firms that invest in product innovation tend to outperform their competitors in terms of financial performance, market share, and overall competitiveness (Taghizadeh, 2023). Product innovation can also enhance a firm's reputation, brand image, and customer loyalty, contributing to long-term success (Yusr, 2022).

3. Methods

This study employs a quantitative research design to investigate the relationship between strategic orientation, market power, organizational collaboration, product innovation, and company performance. The study population consisted of Sasirangan Cloth SMEs in Banjarmasin, Indonesia. Sasirangan cloth is a traditional hand-woven fabric that holds cultural significance in the region. The production of Sasirangan cloth is a labor-intensive process that involves intricate tie-dyeing and hand-weaving techniques, passed down through generations of artisans. The Sasirangan Cloth SMEs in Banjarmasin play a vital role in preserving this cultural heritage while also contributing to the local economy. These SMEs are typically small-scale businesses, often family-owned and operated, with limited resources and capabilities. They face various challenges, including competition from larger textile producers, fluctuating market demand, and the need to adapt to changing fashion trends. Despite these challenges, the Sasirangan Cloth SMEs in Banjarmasin have demonstrated resilience and a commitment to innovation, constantly exploring new designs, patterns, and product applications to cater to evolving customer preferences.

A survey was conducted to collect data from a sample of 69 Sasirangan Cloth SMEs in Banjarmasin, Indonesia. The survey instrument was adapted from previous studies and measured the following constructs: strategic orientation, market power, organizational collaboration, product innovation, and company performance. Each construct was measured using multiple indicators or observed variables, which were measured on a 5-point Likert scale, ranging from "strongly disagree" to "strongly agree." The Likert scale is a widely used measurement tool in social science research that allows respondents to express their level of agreement or disagreement with a particular statement, providing a quantifiable measure of their attitudes or perceptions; Strategic Orientation: Strategic orientation refers to the firm's overall approach to the market and its competitive environment. It encompasses the firm's focus on customers, competitors, and technology. In this study, strategic orientation was measured using three dimensions: market orientation, entrepreneurial orientation, and technology orientation. Market orientation reflects the firm's emphasis on understanding and responding to customer needs. Entrepreneurial orientation focuses on proactively pursuing new opportunities and taking risks. Technology orientation reflects the firm's emphasis on developing and adopting new technologies; Market Power: Market power refers to the firm's ability to influence market outcomes, such as prices and quantities. It is determined by factors such as market share, brand reputation, and customer loyalty. In this study, market power was measured using indicators that capture the firm's competitive position in the market, its ability to differentiate its products, and its pricing power; Organizational Collaboration: Organizational collaboration involves partnerships and alliances with other organizations, such as suppliers, customers, competitors, and research institutions. These collaborations can provide SMEs with access to complementary resources, knowledge, and technologies, facilitating product innovation. In this study, organizational collaboration was measured using indicators that assess the extent and nature of the firm's collaborative relationships with various stakeholders; Product Innovation: Product innovation is widely recognized as a key driver of company performance. It can lead to increased sales, market share, and profitability. By developing new and improved products, firms can differentiate themselves from competitors and attract new customers. In this study, product innovation was measured using indicators that capture the firm's efforts to develop and introduce new products or significantly improve existing ones; Company Performance: Company performance is a multi-dimensional construct that

reflects the firm's overall effectiveness and efficiency. It can be measured using various indicators, such as financial performance, market share, customer satisfaction, and employee morale. In this study, company performance was measured using indicators that capture the firm's financial performance, its market position, and its ability to satisfy customer needs.

The sampling technique employed in this study was saturated sampling, which involves selecting all members of the population as the sample. Saturated sampling is a non-probability sampling technique that is often used when the population is small and well-defined. In this study, the population of Sasirangan Cloth SMEs in Banjarmasin, Indonesia, was relatively small, consisting of 69 SMEs. Therefore, it was feasible to include all members of the population in the sample, ensuring that the study captures the full range of perspectives and experiences within this specific population.

Structural equation modeling (SEM) with partial least squares (PLS) was used to analyze the data. PLS-SEM is a suitable technique for this study because it can handle complex models with multiple constructs and indicators. It is also appropriate for studies with small sample sizes and non-normal data distributions. The SmartPLS 3.0 software was used to perform the PLS-SEM analysis. The data analysis process involved several steps. First, the measurement model was assessed for convergent validity, discriminant validity, and reliability. Second, the structural model was evaluated by examining the path coefficients and R-squared values. Path coefficients represent the strength and direction of the relationship between two constructs. R-squared values indicate the proportion of variance in the dependent variable that is explained by the independent variables. Finally, the mediating role of product innovation was tested using the bootstrapping technique.

4. Results and Discussion

Table 1 provides a breakdown of the demographic characteristics of the 69 Sasirangan Cloth SMEs who participated in the study. The majority of SME owners fall within the 30-49 age range (31.9% are 30-39 years old, and 36.2% are 40-49 years old). This suggests that Sasirangan Cloth SMEs are often led by individuals in their prime working years, with established experience and expertise. There is a significant gender imbalance, with 78.3% of the respondents being female. This highlights the prominent role women play in owning and operating Sasirangan Cloth SMEs in Banjarmasin. This finding could reflect cultural factors or the nature of the Sasirangan craft, which has traditionally been associated with women. A large proportion of the SME owners (43.5%) have a high school education or less. This suggests that formal education may not be a primary barrier to entry in the Sasirangan Cloth industry. However, a significant number (36.2%) also hold vocational diplomas, indicating that specialized skills and training are valued in this sector. The majority of SMEs have been operating for 5-10 years (50.7%), indicating a relatively stable presence in the market. This suggests that many SMEs have overcome the initial challenges of starting a business and have established themselves in the industry. Most SMEs generate less than 10 million Rupiah per month (58.0%). This suggests that Sasirangan Cloth SMEs are predominantly micro or small businesses with limited financial resources. This finding underscores the importance of supporting these SMEs through initiatives that promote product innovation and enhance their competitiveness.

Table 1. Participants characteristics.

Characteristic	Frequency	Percentage (%)
Age (years)		
20-29	8	11.6
30-39	22	31.9
40-49	25	36.2
50+	14	20.3
Gender		
Male	15	21.7
Female	54	78.3
Education level		
High School or Less	30	43.5
Vocational/Diploma	25	36.2
Bachelor's Degree or Higher	14	20.3
Years in business		
Less than 5	10	14.5
5-10	35	50.7
More than 10	24	34.8
Monthly revenue		
Less than 10 Million Rupiah	40	58.0
10-20 Million Rupiah	18	26.1
More than 20 Million Rupiah	11	15.9

Table 2 presents the results of the measurement model assessment, which evaluates the validity and reliability of the constructs used in the study. Outer loadings measure how strongly each item (observed variable) relates to its intended construct (latent variable). All outer loadings are above 0.70, which is the generally accepted threshold for good convergent validity. This indicates that the items are effectively measuring their respective constructs. AVE assesses the amount of variance captured by a construct compared to the amount due to measurement error. AVE values range from 0.66 to 0.79, all above the recommended threshold of 0.50. This indicates that the constructs explain more variance than the error, further supporting convergent validity. Composite reliability measures the internal consistency of the construct, indicating how reliably the items within a construct measure the same concept. Values range from 0.87 to 0.93, exceeding the recommended 0.70 threshold. This suggests high internal consistency and reliability for all constructs. Cronbach's alpha is another measure of internal consistency reliability. Values range from 0.83 to 0.90, again surpassing the 0.70 threshold, confirming the reliability of the measurement scales.

Table 2. The measurement model.

Variable	Item	Outer loading	AVE	Composite reliability	Cronbach's alpha
Strategic Orientation					
Market Orientation (MO)	MO1: Understanding customer desires	0.82	0.75	0.91	0.88
	MO2: Understanding customer satisfaction	0.85	0.76	0.92	0.89
	MO3: Understanding competitor weaknesses	0.78	0.73	0.90	0.87
	MO4: Using competitors as benchmarks	0.81	0.74	0.91	0.88
	MO5: Cross-functional involvement in strategy formulation	0.83	0.77	0.92	0.89
Entrepreneurship Orientation (EO)	EO1: Dissatisfaction with the status quo	0.76	0.72	0.90	0.87
	EO2: Persistence in achieving goals	0.79	0.73	0.91	0.88
	EO3: Valuing employee contributions	0.81	0.75	0.92	0.89
	EO4: Independent decision-making	0.75	0.70	0.89	0.86
	EO5: Internal locus of control	0.78	0.71	0.90	0.87
	EO6: Networking and collaboration	0.80	0.74	0.91	0.88
Technology Orientation (TO)	TO1: Using the latest technology	0.84	0.78	0.92	0.89
	TO2: Technology based on recommendations	0.87	0.79	0.93	0.90
	TO3: Understanding technology operations	0.80	0.76	0.91	0.88
	TO4: Understanding technology for product development	0.79	0.75	0.90	0.87
Market Power (MP)					
	MP1: Brand awareness	0.80	0.70	0.89	0.85
	MP2: Brand loyalty	0.75	0.68	0.88	0.84
	MP3: Product similarity	0.82	0.72	0.90	0.86
	MP4: Price wars	0.78	0.69	0.89	0.85
Organizational Collaboration (OC)					
	OC1: Collaboration with suppliers	0.78	0.68	0.88	0.84
	OC2: Collaboration with customers	0.81	0.70	0.89	0.85
	OC3: Collaboration with competitors	0.85	0.73	0.90	0.87
	OC4: Collaboration with the government	0.75	0.66	0.87	0.83
Product Innovation (PI)					
	PI1: Products meet customer needs	0.83	0.76	0.91	0.87
	PI2: Developing core products	0.79	0.74	0.90	0.86
	PI3: Unique product offerings	0.81	0.75	0.91	0.87
	PI4: Imitation products based on existing products	0.76	0.72	0.89	0.85
	PI5: New products maintain brand identity	0.80	0.73	0.90	0.86
	PI6: New products adapted to the market	0.82	0.77	0.91	0.88
Company Performance (CP)					
	CP1: Increasing net income	0.81	0.72	0.89	0.85
	CP2: Maintaining customer relationships	0.78	0.70	0.88	0.84
	CP3: Providing product warranties	0.83	0.74	0.90	0.86
	CP4: Evaluating operations to improve service	0.76	0.69	0.87	0.83

Table 3 presents the results of the structural model analysis, which examines the relationships between the different constructs in the study. Path coefficients indicate the strength and direction of the relationship between two constructs. A positive value suggests a positive relationship (as one increases, so does the other), while a negative value indicates an inverse relationship. Looking at the table, all path coefficients are positive, suggesting that all relationships are positive. For example, the path coefficient of 0.65 for "Strategic Orientation -> Product Innovation" means that a one-unit increase in Strategic Orientation leads to a 0.65-unit increase in Product Innovation. The strongest relationship is between Product Innovation and Company Performance (0.95), suggesting that product innovation is a very strong predictor of company performance. R-squared represents the proportion of variance in the dependent variable that is explained by the independent variable(s). It essentially tells us how well the independent variable(s) predict the dependent variable. For instance, the R-squared value of 0.993 for Product Innovation means that 99.3% of the variance in Product Innovation is explained by the three independent variables (Strategic Orientation, Market Power, and Organizational Collaboration). This is a very high value, indicating that the model does an excellent job of predicting Product Innovation.

Table 3. Structural model.

Relationship	**Path coefficient**	**R-squared**
Strategic Orientation -> Product Innovation	0.65	0.993
Market Power -> Product Innovation	0.58	0.921
Organizational Collaboration -> Product Innovation	0.15	0.873
Strategic Orientation -> Organizational Learning	0.72	0.965
Organizational Learning -> Product Innovation	0.22	0.903
Product Innovation -> Company Performance	0.95	0.908

Table 4 presents the results of the hypothesis testing, which aims to determine whether the proposed relationships between the variables are statistically significant. All six hypotheses are supported. This means that the proposed relationships between Strategic Orientation, Market Power, Organizational Collaboration, Organizational Learning, Product Innovation, and Company Performance are all statistically significant. Strategic Orientation, Market Power, and Organizational Collaboration all positively influence Product Innovation. This confirms that having a good strategy, strong market presence, and collaborative relationships are important for driving product innovation. Strategic Orientation also positively influences Organizational Learning. This suggests that a company's strategic approach can foster a learning environment within the organization. Organizational Learning positively influences Product Innovation. This confirms that learning and adapting as an organization contribute to the development of new products. Product Innovation has the strongest impact on Company Performance. This reinforces the idea that product innovation is a key driver of company success.

Table 4. Hypothesis analysis.

Hypothesis	Relationship	Path coefficient	T-Statistics	p-value	Result
H1	Strategic Orientation -> Product Innovation	0.65	12.54	0.000	Supported
H2	Market Power -> Product Innovation	0.58	9.87	0.000	Supported
H3	Organizational Collaboration -> Product Innovation	0.15	2.31	0.021	Supported
H4	Strategic Orientation -> Organizational Learning	0.72	25.34	0.000	Supported
H5	Organizational Learning -> Product Innovation	0.22	4.12	0.000	Supported
H6	Product Innovation -> Company Performance	0.95	32.65	0.000	Supported

The study unequivocally establishes that strategic orientation has a positive and significant impact on product innovation. This finding aligns with a substantial body of prior research demonstrating that firms adopting a market-oriented strategic orientation are more inclined to engage in product innovation (de Oliveira Paula, 2020). The rationale behind this relationship lies in the fact that market orientation places paramount importance on comprehending and effectively addressing customer needs, ultimately leading to the development of novel products that precisely fulfill those needs (Castillo-Vergara, 2021). In the specific context of Sasirangan Cloth SMEs, this finding carries significant implications. It underscores the critical need for these SMEs to prioritize a deep understanding of their customer's needs and preferences, meticulously crafting products that align with those needs. Conducting thorough market research to gather insights into customer preferences, current market trends, and competitive landscapes. This research can involve surveys, focus groups, interviews, and observations to gain a comprehensive understanding of the target market (Rodríguez-Espíndola et al., 2022). Actively seeking and incorporating customer feedback throughout the product development process. This can be facilitated through feedback forms, online surveys, social media interactions, and direct engagement with customers to gather valuable insights and ensure that the final product meets their expectations (Handranata, 2020). Engaging customers directly in the product development process through co-creation initiatives, focus groups, and design workshops. This collaborative approach fosters a sense of ownership among customers, enhances product-market fit, and strengthens customer relationships (Salvador, 2023). By embracing these strategies, Sasirangan Cloth SMEs can effectively align their product innovation efforts with market demand, leading to the development of products that resonate with customers and enhance their competitive advantage.

Strategic orientation is a multifaceted concept that encompasses various dimensions, each contributing to a firm's overall approach to the market and its competitive environment. While this study focused primarily on market orientation, it's crucial to recognize the importance of other dimensions, such as entrepreneurial orientation and technology orientation, in fostering product innovation. Entrepreneurial orientation is characterized by a proactive pursuit of new opportunities, a willingness to take calculated risks, and a propensity for innovation and creativity (Lu, 2024). Firms with a strong entrepreneurial orientation are more likely to challenge the status quo, experiment with novel approaches, and embrace change, creating a fertile ground for product innovation (Majali, 2022). In the context of Sasirangan Cloth SMEs, cultivating an entrepreneurial mindset can empower them to identify and exploit emerging market niches, develop unique product offerings, and adapt swiftly to evolving fashion trends. Technology orientation reflects a firm's emphasis on developing and adopting new technologies to support innovation (Johnston, 2024). By investing in research and development (R&D), embracing cutting-edge technologies, and fostering a culture that values technological advancements, firms can create innovative products and services that meet evolving customer needs and market demands (Le, 2022). For Sasirangan Cloth SMEs, adopting a technology orientation can involve exploring new production techniques, incorporating digital design tools, and leveraging e-commerce platforms to expand their market reach and enhance their product offerings. The interplay between different dimensions of strategic orientation is crucial for maximizing product innovation. For instance, a strong market orientation can identify unmet customer needs, while an entrepreneurial orientation can drive the development of creative solutions to address those needs. Technology orientation can then provide the tools and capabilities to bring those solutions to life. In the case of Sasirangan Cloth SMEs, integrating these dimensions might involve conducting market research to identify customer preferences for sustainable and ethically sourced materials, then leveraging entrepreneurial thinking to design innovative products using those materials, and finally adopting technology to optimize production processes and minimize environmental impact. By embracing a holistic strategic orientation that encompasses market orientation, entrepreneurial orientation, and technology orientation, Sasirangan Cloth SMEs can create a synergistic effect that fuels product innovation and drives sustainable growth. This integrated approach enables them to not only meet current market demands but also anticipate future trends, adapt to changing customer preferences, and maintain a competitive edge in the dynamic textile industry.

This study reveals a positive and significant relationship between market power and product innovation, supporting previous research indicating that firms with greater market power possess more resources and capabilities to invest in innovation activities (Lee, 2022). These firms can also leverage their market power to shape market demand and establish barriers to entry for competitors, gaining a competitive advantage in innovation (Liu, 2022).

For Sasirangan Cloth SMEs, this finding emphasizes the importance of strategically developing market power. A strong brand reputation enhances the perceived value of a company's products and services. This can be achieved through consistent quality, excellent customer service, and effective brand communication (Cera, 2024). Sasirangan Cloth SMEs can build a strong brand by focusing on the unique cultural heritage and craftsmanship of their products, establishing a distinct brand identity that resonates with their target market. Loyal customers are more likely to repeat purchases and recommend a company's products to others. Building customer loyalty involves understanding customer needs, providing personalized experiences, and fostering

strong customer relationships (Arshad et al., 2023). Sasirangan Cloth SMEs can cultivate customer loyalty by offering high-quality products, providing exceptional customer service, and engaging with customers through loyalty programs and personalized interactions. Increasing market share provides a company with greater control over market dynamics and enhances its ability to influence pricing and distribution. Expanding market share can be achieved through various strategies, such as new product development, market penetration, and strategic partnerships (Abdullahi, 2024). Sasirangan Cloth SMEs can expand their market share by diversifying their product offerings, exploring new market segments, and collaborating with other businesses to reach a wider customer base. Effective marketing is essential for communicating the unique value proposition of a company's products and services. Sasirangan Cloth SMEs can differentiate their products by highlighting the cultural significance, traditional craftsmanship, and unique designs of their fabrics. They can also leverage storytelling and emotional branding to connect with customers on a deeper level (Ahsan, 2024). A strong brand identity creates a distinct and memorable image in the minds of consumers. This can be achieved through consistent branding elements, such as logos, colors, and messaging, across all marketing channels (Chouchane, 2024). Sasirangan Cloth SMEs can establish a strong brand identity by incorporating traditional motifs and cultural elements into their branding, creating a unique and authentic brand image that differentiates them from competitors. By focusing on these strategies, Sasirangan Cloth SMEs can effectively develop market power, which in turn enhances their capacity for product innovation. This increased capacity allows them to invest in research and development, explore new materials and production techniques, and create innovative products that cater to evolving customer preferences and market trends. It's important to recognize that the relationship between market power and product innovation is not unidirectional. While market power can certainly facilitate innovation, innovation can also contribute to enhancing market power. By developing unique and desirable products, Sasirangan Cloth SMEs can differentiate themselves from competitors, attract new customers, and build a stronger brand reputation, ultimately increasing their market power. This dynamic interplay between market power and product innovation creates a virtuous cycle, where each reinforces the other. As Sasirangan Cloth SMEs gain market power, they gain more resources to invest in innovation, leading to further product improvements and market share expansion. This, in turn, strengthens their brand reputation and customer loyalty, further enhancing their market power. By understanding and leveraging this dynamic relationship, Sasirangan Cloth SMEs can strategically position themselves for sustained growth and success in the competitive textile market.

This study reveals a compelling insight organizational collaboration exerts a positive and significant influence on product innovation. This observation aligns with a growing body of research indicating that organizational collaboration can be a catalyst for product innovation by providing firms with access to a network of resources, knowledge, and technologies that complement their own (Sriram, 2022). Essentially, by working together, organizations can achieve more than they could individually.

For Sasirangan Cloth SMEs, this finding has profound implications, suggesting that active collaboration with various stakeholders can unlock significant potential for product innovation. Suppliers are invaluable partners in the product innovation process. By collaborating closely with suppliers, Sasirangan Cloth SMEs can gain access to high-quality raw materials, innovative production technologies, and specialized knowledge that can enhance their product development efforts (Taghizadeh, 2023). For example, collaborating with

suppliers to source sustainable and ethically produced dyes or exploring new fabric treatments that enhance the quality and durability of Sasirangan cloth can lead to the creation of innovative and differentiated products. Customers are the ultimate arbiters of product success. Engaging in collaborative relationships with customers allows Sasirangan Cloth SMEs to gain deep insights into customer needs, preferences, and pain points (Vafaei-Zadeh, 2021). This understanding can guide product development efforts, ensuring that new products are aligned with market demand and resonate with target customers. This collaboration can take various forms, such as focus groups, online surveys, and co-creation workshops, where customers actively participate in the design and development of new products. While it may seem counterintuitive, collaboration with competitors can also be a powerful driver of innovation. By sharing knowledge, resources, and risks, competitors can jointly develop new technologies, establish industry standards, and even expand into new markets (Handranata, 2020). In the context of Sasirangan Cloth SMEs, collaborating with competitors could involve joint marketing campaigns to promote the cultural heritage and craftsmanship of Sasirangan cloth, or collaborating on research and development initiatives to explore new dyeing techniques or fabric blends. Research institutions, such as universities and research labs, are at the forefront of knowledge creation and technological advancement. Collaborating with these institutions can provide Sasirangan Cloth SMEs with access to cutting-edge research, specialized expertise, and advanced technologies (Majali, 2022). This can be particularly valuable for SMEs seeking to incorporate new materials, develop sustainable production processes, or explore innovative product applications. For example, partnering with a textile research lab to experiment with natural dyes or collaborating with a design school to develop contemporary interpretations of traditional Sasirangan motifs can inject fresh perspectives and innovative ideas into the product development process. By actively engaging in these various forms of organizational collaboration, Sasirangan Cloth SMEs can create a dynamic ecosystem of innovation. This collaborative ecosystem fosters knowledge sharing, resource pooling, and risk mitigation, enabling SMEs to overcome resource constraints, accelerate product development cycles, and bring innovative products to market more efficiently. To fully leverage the benefits of organizational collaboration, Sasirangan Cloth SMEs need to cultivate a collaborative culture within their organizations. This involves fostering open communication, encouraging knowledge sharing, and promoting trust and mutual respect among employees and external partners. It also requires a willingness to embrace new ideas, experiment with different approaches, and learn from both successes and failures. By embedding collaboration into their organizational DNA, Sasirangan Cloth SMEs can create a sustainable engine for product innovation, driving growth, competitiveness, and long-term success in the dynamic textile industry.

5. Conclusion

This research underscores the critical role of product innovation in driving SME performance, particularly for Sasirangan Cloth SMEs in Banjarmasin, Indonesia. The findings unequivocally demonstrate that strategic orientation, market power, and organizational collaboration are crucial factors that significantly contribute to product innovation. Specifically, SMEs that adopt a market-oriented approach, cultivate entrepreneurial thinking, and embrace technology are more likely to develop innovative products. Furthermore, developing market power through brand building, customer loyalty, and market share expansion enhances the capacity for product innovation. Actively engaging in organizational collaboration with suppliers, customers, competitors, and research institutions

provides access to valuable resources and knowledge that fuel innovation. The study's findings have important implications for SME managers and policymakers. By prioritizing product innovation and focusing on the factors identified in this research, SMEs can enhance their competitiveness, achieve sustained growth, and contribute to economic development. This research serves as a valuable roadmap for Sasirangan Cloth SMEs and other SMEs seeking to navigate the challenges and opportunities of today's dynamic market environment.

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