The effect of product innovation on business performance during COVID 19 pandemic

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Abstract

Management research maintains business performance of local products during the pandemic, requiring organizations to act effectively and efficiently in managing resources based on relevant knowledge. Efforts are needed to sustain local product business, maintain the key to organizational success based on knowledge sharing and innovation in improving business performance so that local products remain sustainable. This research was analyzed quantitatively using SEM-AMOS statistical tools, in 300 local product business actors in Central Kalimantan and Bali. The proactive antecedents of market orientation were obtained significantly positive encouraging mediation role of knowledge sharing by 51% and innovation by 63% on business performance. Activities that are managed so that superior products become management activities with significant positive Planning, Organizing, Actuatingand Controlling (POAC) carried out by mediating positive impacts to maintain local product business. The novelty of this research is a conceptual model based on Knowledge Based View (KBV) to increase local product business in two provinces affected by Covid-19. The implication of this research is to encourage business actors to synergize with market orientation into relevant information to identify changes and needs, as well as to encourage knowledge sharing and innovation in improving business performance of local products that are in accordance with consumer needs.

Keywords: Proactiveness Market Orientation Knowledge Sharing Product Innovation Business Performance

1. Introduction

Small businesses with local products in Indonesia experienced a decline in income due to a decrease in visits by foreign and local tourists. Local products are affected by the pandemic such as souvenirs made from natural ingredients, traditional medicines, bags, shoes, clothes and others made from natural materials. The current paradigm of consumer needs and purchasing power requires business actors to be supported by relevant information, knowledge and innovation so that they can quickly synergize in improving business performance (Anwar, 2018). Business competition for local products is becoming increasingly competitive and unpredictable. As a result, business actors in Central Kalimantan and Bali need to improve their business performance by knowing the consumers’ needs. This condition forces various forms of business organizations to change the paradigm of business thinking and methods by making more innovative ideas. Knowledge-based view (KBV), states the application of relevant knowledge that is getting better for product output, towards a business with a modern business pattern that is based on proactive market orientation capabilities and product innovation that emphasizes the quality of sustainable business results (Mejri et al., 2018). Performance management methods using KBV to support structured management in order to get maximum results with individual and organizational goals in the form of performance as a form of structured management in organizations that are effective and efficient to improve management-based business performance have become a necessity (Caputo et al., 2019) to support businesses that implement POAC (Planning, Organizing, Actuating, Controlling). The formulation of resource management carried out to achieve better business performance has weaknesses in business resources (Najafi et al., 2018). Thus, the condition of local consumers and products is the main point to drive the vision and mission of the organization with control of business performance...
measures that must be in line with business changes. POAC-based management is an efficient approach and resource control (Kristinae et al., 2019). Business performance will be able to have a high response supported by workers who work and will change the market. Thus, to achieve performance measures, the organization must have market orientation capabilities. This pandemic period became a phenomenon of research on local products in Central Kalimantan and in Bali, because for six months the economy had an impact on the decline in tourism industry.

The business performance of several studies has significantly improved from market orientation in order to be able to synergize with environmental changes and monitor market and consumer needs. However, there are also some studies which state that market orientation is not significant to business performance (Kocak et al., 2017). The research phenomenon in business performance research as before, based on interviews on local products, really demands the expertise of business actors in gaining knowledge and product innovation. Thus, this research based on KBV theory sees knowledge sharing as relevant knowledge and business product innovation activities to be able to mediate to improve business performance (Mejri et al., 2018; Curado et al., 2018). The research implication is to improve business performance of local products, which requires market orientation to encourage knowledge sharing and product innovation, so that local products can survive amid the pandemic in Central Kalimantan and in Bali.

2. Literature Review

2.1 Knowledge Based View on Business Performance

This research theory is based on resource and management, therefore knowledge-based theory is used as an extension of the resource-based view (Kristinae et al., 2020). In this study, the knowledge-based view becomes a new existence from the resource-based view (RBV) of organizations to improve business performance. KBV shows that knowledge in various forms is closely related to resources and based on that it needs to be supported by KBV's role in building human resource interactions so that it allows organizations to adapt to organizational problems (Caputo et al., 2019). One of the forms of change is knowledge and information that is relevant in product innovation activities and from previous market orientations. KBV existence, the existence of business organization resources that are applied in business activities to improve business performance with relevant knowledge by sharing knowledge (Mejri et al., 2018; Al mamun et al., 2018).

2.2 Business Performance Local Products

Business performance is a measure of the achievement generated by business activities and profitable for the business (Kristinae et al., 2019). The profitability obtained from comprehensive resource-based activities must be supported by knowledge as obtained from a knowledge-based perspective (Bouwman et al., 2019). More effective and efficient the resources in the organization will have an impact on business performance. The required business performance achievement is also market orientation information to see what consumer needs. In addition, market orientation has an opinion on the need for business context in the relationship process to improve business performance by adjusting to changing consumer needs and the market economy (Curado et al., 2018). The business performance achieved from KBV can be a superior business value since knowledge sharing is a collaborative relationship between resources and managed effectively and efficiently based on the RBV theory is a good business strategy (Nakos et al., 2019). The form of work is market-oriented information to encourage product innovation in improving business performance in the previous research which has a significant positive effect on maintaining local product business performance (Falayah et al., 2020). The form of product innovation must be unique, rare and difficult so that business performance can be achieved from collective action as a resource management strategy developed through knowledge of needs. The business foundation needs innovation to improve performance based on knowledge relevant to market orientation (Kristinae et al., 2019). In order to improve the performance of the product business, it requires management capabilities and expertise and resources to acquire and maintain business.

2.3 Proactiveness Market Orientation Improve Business Performance

Market orientation is information related to the market and changes in consumer behavior due to changes in the economy that affect consumer needs (Li et al., 2018). Ability to analyze markets to drive the innovations needed to sustain business, so that organizations can be sustainable and improve markets with a proactive market orientation (Al-Henzab et al., 2018). Benefits in local products, innovating as a competitor as a platform generation based on consumer needs and orientation to optimize business performance. Market orientation is a form of knowledge and intelligence that is relevant to market and consumer needs that encourages organizations to make changes interactively and exclusively as a resource to more effectively drive organizational innovation in creating products based on consumer needs (Montiel et al., 2018). Proactive market orientation can become knowledge about changes made by business actors proactively to maintain business with consumer and competitor orientation as well as interface coordination to encourage innovation (Iyer et al., 2019; Udriyah et al., 2019). The fluctuation of local products to compete competitively demands that business actors have the expertise and ability to create unique and different local products so that consumers are interested based on market orientation intelligence. Knowledge development in market orientation is related to resource effectiveness in a knowledge-based view to encourage
product innovation to improve business performance (Caputo et al., 2019; Iyer et al., 2019). Market orientation in practice can send information about consumer needs to create products that suit their needs. Business competition requires organizations in local products to continue to innovate on products to create advantages to increase sales, growth, and profits.

Based on empirical studies and theories, the research hypotheses are:

**H1:** Proactiveness Market Orientation has a positive effect on Business Performance.

**H2:** Proactive Market Orientation has a positive effect on knowledge sharing.

**H3:** Proactiveness Market Orientation has a positive effect on product innovation.

### 2.4 Knowledge Sharing improves Business Performance

The rise of a knowledge-based economy, namely as a determinant of sustainable business performance, is because knowledge sharing implies that it is one of the methods or one of the steps in the cycle used for management with knowledge that provides opportunities to members of a group, organization, agency or companies to share the knowledge they have with other members (Kim & Shim, 2018). As an intangible static asset, knowledge sharing is an organizational manifestation of obtaining knowledge and information that makes changes to product to benefit consumers and organizations. Knowledge sharing is the process of transferring, receiving and applying knowledge carried out by members of the organization well and broadly in obtaining solutions (new knowledge). The demands of modern industrialization are characterized by the superior value of the product that comes from the knowledge and skills (knowledge and skills) of the business unit (Yao et al., 2019; Degoma & Shetemam, 2018). Knowledge sharing indicators include: information technology, information, knowledge, sorting knowledge and transfer of knowledge that encourage management changes to improve business performance. The local product industrial business is one form of business that many people pursue in fulfilling their needs in Indonesia (Sulistiyani & Raharja, 2018). Maintaining local product businesses that require relevant knowledge such as sharing knowledge can maximize organizational opportunities and capabilities, from activities carried out by organizations to build superior products that are competitive (Markovic & Bagherzadeh, 2018; Curado et al., 2018). Thereby increasing the efficiency and authority of resources and helping to gain and maintain a business competitive advantage. Local product entrepreneurs need expertise and resource capabilities through knowledge sharing to gain knowledge in seeing the changing business environment from a market orientation. Based on empirical studies and theories, the research hypothesis is as follows:

**H4:** Knowledge Sharing has a positive effect on Business Performance.

### 2.5 Product Innovation improves Business Performance

Product innovation (PI) is an effort made by business actors who manufacture products to improve, enhance and develop products produced so far into superior products (Jeong et al., 2019; Ashrafi & Ravasan, 2018). Products developed in the form of goods, with innovation are a series of developments by applying science and technology to a product. This product innovation can occur due to several things, including the economy of the customer which affects needs, a combination of modes and needs and a reasonable price (Falahat et al., 2020; Kristinae et al., 2020). This innovation process must be carried out continuously so that the product continues to develop, improve, and reach perfection, which can be done by utilizing science and technology. The product innovation capability of the relationship in the business is the ability to form and a variety of organizational capabilities to increase activities to improve business performance of new products. Along with changing times and needs, goods that are created will be increasingly obsolete since they cannot meet the needs of the present. These items give an innovation in order to meet the needs of today's consumer behavior (Montiel, 2018; Acosta, 2018). Product innovation is also carried out, because products that get innovation are given additional product modes, product quality, product enhancements and product functions can improve business performance. Items with new features or abilities will increase the advantage over previous items (Nakos et al., 2019). So, in other words, goods that are given innovation will increase their excellence (Jeong et al., 2019). For local products, it is very necessary to innovate products so that business units can maintain business and improve business performance. From the empirical study and hypothesis theory we proposed the following,

**H5:** Product Innovation has a positive effect on Business Performance.

### 2.6 Theoretical framework

Theoretical is made from empirical studies and research gaps before market orientation improves business performance and mediates knowledge sharing and product innovation. Input to output is then made to build a conceptual framework into new research. Based on the RBV theory that KBV is relevant knowledge to obtain new solutions, the observation of business phenomena will be able to become the target of change with organizational policies received from information, knowledge that will be applied in management methods.
The research carried out a framework by mediating knowledge sharing and product innovation in improving business performance. The input is used to increase the output from previous research and is based on KBV knowledge which aims to obtain research results that can be applied to improve business performance as potential information with reliable relevance. To facilitate the reference of results, a conceptual framework in research based on the hypothesis was built as a conceptual framework, as follows.

Fig. 1. Research Model

3. Research Methods

The test is done quantitatively, with SEM AMOS statistical applications. Respondents in the study were from two provinces in Indonesia, namely in Central Kalimantan province 150 business actors and in Bali Province 150 business actors. Distribution of questionnaires with instruments is based on the number of indicators from the four variables. The criteria for respondents are at least 8 years of work in Central Kalimantan province as a local product business actor. Likewise, in the province of Bali which is famous for the criteria it has set for 8 years as a local product business actor. The distribution of questionnaires was carried out online through digital questionnaires and the evaluation of researchers with previous test instruments to 30 respondents. After the validity and reliability tests, the AMOS SEM test can be performed to interpret the hypothesis results (Teng et al., 2019).

4. Results of data analysis

Testing is based on a valid and reliable questionnaire instrument so that the test results do not occur error / data bias. The mediating variables of knowledge sharing and product innovation are processes in overcoming research gaps from previous empirical studies. Based on the results, it shows that all variables have a correlation with business performance. The following is presented in Fig. 2 which is complete with a loading factor. The study aims to support data and theories that support the general hypotheses to produce specific findings through the assessment process using research instruments, also through the AMOS statistical data analysis program (Ferdinand & Killa, 2018). The data analysis technique uses the structural equation model of the Amos-based equation model. Using amos is for analysis of variables with reflective or formative indicators, and can be used to analyze relationships between variables and test models that are in accordance with research.

Fig 2. Result Research with SEM AMOS 23.0

In the model analyzed by AMOS, the loading factor for reflective indicators and for the formative indicators, the average result is 0.92. In the SEM test, the normality assessment in Table 1 shows that the questionnaire instruments and samples of the 14 instruments proposed in variable four with 150 respondents in Central Kalimantan and 150 respondents in Bali,
are based on the critical data ratio test that is normally distributed and meets the research results of tolerance requirements of ±1, 96 (Arbuckle, 2016).

5. The results of data analysis

5.1 Test research instruments

Respondents of this study were 150 local product business actors in Central Kalimantan province and 150 samples in Bali. This is because business actors engaged in local products are currently inactive due to changes in the business environment due to the impact of the decline in the community's economy. The distribution of questionnaires was carried out after testing of 30 samples and the results in Table 1 indicate that the instrument can be used in data analysis.

Table 1
Assessment of normality

<table>
<thead>
<tr>
<th>Variable</th>
<th>min</th>
<th>max</th>
<th>skew</th>
<th>c.r.</th>
<th>kurtosis</th>
<th>c.r.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y1.4</td>
<td>2.000</td>
<td>5.000</td>
<td>.441</td>
<td>1.933</td>
<td>-1.321</td>
<td>-2.761</td>
</tr>
<tr>
<td>Y1.3</td>
<td>2.000</td>
<td>5.000</td>
<td>.054</td>
<td>.514</td>
<td>-8.54</td>
<td>-2.133</td>
</tr>
<tr>
<td>Y1.2</td>
<td>2.000</td>
<td>5.000</td>
<td>-3.64</td>
<td>-2.113</td>
<td>-4.28</td>
<td>-7.83</td>
</tr>
<tr>
<td>Y1.1</td>
<td>2.000</td>
<td>5.000</td>
<td>-2.216</td>
<td>-1.327</td>
<td>-7.79</td>
<td>-2.129</td>
</tr>
<tr>
<td>Y3.3</td>
<td>2.000</td>
<td>5.000</td>
<td>.181</td>
<td>.615</td>
<td>-6.60</td>
<td>-2.219</td>
</tr>
<tr>
<td>Y3.2</td>
<td>2.000</td>
<td>5.000</td>
<td>.056</td>
<td>.035</td>
<td>-6.33</td>
<td>-1.742</td>
</tr>
<tr>
<td>Y3.1</td>
<td>2.000</td>
<td>5.000</td>
<td>-.131</td>
<td>-.723</td>
<td>-.719</td>
<td>-1.817</td>
</tr>
<tr>
<td>Y2.1</td>
<td>2.000</td>
<td>5.000</td>
<td>-.042</td>
<td>-.214</td>
<td>-.658</td>
<td>-2.116</td>
</tr>
<tr>
<td>Y2.2</td>
<td>2.000</td>
<td>5.000</td>
<td>-.007</td>
<td>-.065</td>
<td>-3.64</td>
<td>-1.813</td>
</tr>
<tr>
<td>Y2.3</td>
<td>2.000</td>
<td>5.000</td>
<td>.024</td>
<td>.022</td>
<td>-8.65</td>
<td>-2.475</td>
</tr>
<tr>
<td>Y2.4</td>
<td>2.000</td>
<td>5.000</td>
<td>.062</td>
<td>.218</td>
<td>-7.43</td>
<td>-1.872</td>
</tr>
<tr>
<td>X1.1</td>
<td>2.000</td>
<td>5.000</td>
<td>-.256</td>
<td>-.721</td>
<td>-.814</td>
<td>-2.865</td>
</tr>
<tr>
<td>X1.2</td>
<td>2.000</td>
<td>5.000</td>
<td>-.362</td>
<td>-1.553</td>
<td>-.862</td>
<td>-1.824</td>
</tr>
<tr>
<td>X1.3</td>
<td>2.000</td>
<td>5.000</td>
<td>-.289</td>
<td>-1.371</td>
<td>-.374</td>
<td>-9.16</td>
</tr>
<tr>
<td>Multivariate</td>
<td></td>
<td></td>
<td></td>
<td>193.127</td>
<td>23.756</td>
<td></td>
</tr>
</tbody>
</table>

Source: results of the analysis of the authors with Sem Amos 24

5.2 Validity and Reliability Tests

To get unreliable results, this study used bivariate correlation test and Cronbach's alpha coefficient. The results of research from two places that demanded instrument testing must be valid and reliable to be taken as an interpretation of the results (Hoque, 2018). Based on the results, each variable is categorized well in the test analysis. To obtain reliable results from the research instrument, test data was carried out, the results showed that each variable was reliable because the average was above > 0.6. To assess the results can be seen in the Cronbach alpha value which also meets the requirements > 0.7. Table 2 shows that all variables have a high level of reliability. Therefore, further testing is needed with 10% each of the respondents to represent the entire sample. The results of the validity and reliability tests are shown in Table 2 which state that the questionnaire can be used as a measure in further tests.

Table 2
Validity and Reliability Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicators</th>
<th>Correlation Bivariate (r-hitung)</th>
<th>Coefisien Cronbach’s Alpha</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proactiveness Market Orientation (X1)</td>
<td>Customer Orientation (X1.1)</td>
<td>.88</td>
<td>0.835 ≥ 0.60</td>
<td>Valid and Reliable</td>
</tr>
<tr>
<td></td>
<td>Competitor Orientation (X1.2)</td>
<td>.934</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Interfirm Coordination (X1.3)</td>
<td>.947</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge Sharing (Y1)</td>
<td>Information Technology (Y1.1)</td>
<td>.964</td>
<td>0.892 ≥ 0.60</td>
<td>Valid and Reliable</td>
</tr>
<tr>
<td></td>
<td>Gathering of Knowledge (Y1.2)</td>
<td>.914</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sorting Knowledge (Y1.3)</td>
<td>.954</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Knowledge Transfer (Y1.4)</td>
<td>.971</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Innovation (Y2)</td>
<td>Product Trends (Y2.1)</td>
<td>.94</td>
<td>0.917 ≥ 0.60</td>
<td>Valid and Reliable</td>
</tr>
<tr>
<td></td>
<td>Quality Products (Y2.2)</td>
<td>.944</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Featured Product (Y2.3)</td>
<td>.916</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Product Functions (Y2.4)</td>
<td>.937</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Performance (Y3)</td>
<td>Sales (Y3.1)</td>
<td>.941</td>
<td>0.883 ≥ 0.60</td>
<td>Valid and Reliable</td>
</tr>
<tr>
<td></td>
<td>Growth (Y3.2)</td>
<td>.944</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Profit (Y3.3)</td>
<td>.849</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: analyze data by authors
The results of Table 2 show that indicators in proactive market orientation yield the variable r-count an average of 0.92 ≥ 0.7 with Cronbach's alpha 0.835 ≥ 0.6, which means the variable is valid and reliable. In terms of knowledge sharing, the variable of r-count yields an average of 0.95 ≥ 0.7 with Cronbach's alpha 0.892 ≥ 0.6, which means the variable is valid and reliable. The numbers for other variables are also remained valid and reliable.

5.3 Hypothesis testing

In SEM AMOS to see a significant value based on critical ratios, the results show that the qualifying values above > 1.96 or ± 1.96 for a good model (Arbuckle, 2016) show that the proactive effect of market orientation increases business performance 0.284 <1.96 (not accepted), the proactive effect of market orientation on knowledge sharing increases business performance 5.118> 1.96 (ok), the proactive effect of market orientation on product innovation increases business performance 6.913> 0.5. Furthermore, the effect of sharing knowledge increases business performance 2.285> 0.5 and the effect of product innovation increases business performance 3.373> 0.5. For the interpretation of the results that shows the standard estimation value of the loading factor, which is also called the influence relationship is more clearly presented with the results of the hypothesis test for the variable Proactiveness Market Orientation (PMO), Knowledge Sharing (KS), Product Innovation (PI) and Business Performance (BP). Table 3 shows the results as follows:

Table 3
Hypothesis Test

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Std Estimate</th>
<th>S.E.</th>
<th>C.R</th>
<th>Probability</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Proactiveness Market Orientation → Business Performance</td>
<td>0.110</td>
<td>1.072</td>
<td>0.284</td>
<td>0.059</td>
<td>Non-Significant</td>
</tr>
<tr>
<td>H2 Proactiveness Market Orientation → Knowledge Sharing</td>
<td>0.510</td>
<td>0.074</td>
<td>5.118</td>
<td>***</td>
<td>Significant</td>
</tr>
<tr>
<td>H3 Proactiveness Market Orientation → Product Innovation</td>
<td>0.630</td>
<td>0.086</td>
<td>6.913</td>
<td>***</td>
<td>Significant</td>
</tr>
<tr>
<td>H4 Knowledge Sharing → Business Performance</td>
<td>0.305</td>
<td>0.095</td>
<td>2.285</td>
<td>0.005</td>
<td>Significant</td>
</tr>
<tr>
<td>H5 Product Innovation → Business Performance</td>
<td>0.441</td>
<td>0.059</td>
<td>3.373</td>
<td>0.003</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: results of the analysis of the authors with Sem AMOS 23.0

Based on Table 3, the description of the results shows that the four variables in this model have a standard estimate with a positive number H2, the t-statistic value is 0.510 and the p-value *** (less than 0) <0.05 means that the proactive effect of market orientation on knowledge Sharing has a positive effect and the hypothesis is accepted. H3 t-statistic value is 0.630 and p-value *** <0.05 means that the Proactive Effect of Market Orientation on Product Innovation has a significant and accepted positive effect. H4 t-statistic value of 0.305 and p-value of 0.005 <0.05 means that the influence of Knowledge Sharing on business performance has a significant and accepted positive effect. H5 t-statistic value 0.441 and p-value 0.003 <0.05 means that the effect of Product Innovation on Business Performance has a significant positive effect and is accepted. The surprising thing is that the results of the research analysis H1 t-statistic value 0.11 or 11% and p-value 0.059> 0.05 means that the proactive influence of market orientation on business performance has no significant effect and the hypothesis is rejected and this result is due to research gaps that the market orientation cannot directly improve business performance.

5.4. Goodness of Fit Results

By default, SEM AMOS research is an analysis with a research model that is proposed as a new thing based on theory and empirical studies that can be used as a reference for results (Kristinae et al., 2020). In table 4 below are the results of the goodness of fit model, which states that the model can be used because the results analysis shows the criteria that indicate GOF, namely the Tucker Lewis Index (TLI), Comparative Fit Index (CFI), Root Mean Square Error of Approximation (RMSEA) meets conditions even though Chi Square and Significant probability do not qualify.

Table 4
Goodness of fit indices

| Goodness of fit model 1. Statistical Measure | Expected to be small (15.33) | Not accepted | Significance probability ≥ 0.05 | 0.018 | Not accepted | Goodness of Fig (GFI) ≥ 0.90 | 0.978 | ok | Adjusted Goodness of Fit (AFGI) ≥0.90 | 0.852 | deficient | Tucker Lewis Index (TLI) ≥0.90 | 0.966 | ok | Comparative Fit Index (CFI) ≥ 0.90 | 0.932 | ok | Root Mean Square Error of Approximation (RMSEA) 0.05-0.08 | 0.078 | ok |

Source: analyze the data by the author

Based on Table 4, the model value cannot answer well from the chi square value and the significant probability because the sample is taken randomly and is large. But the results of the test results of the research model are acceptable because RMSEA is a measure that improves the chi-square tendency of its value between 0.078. So that the research model can be
requires knowledge and capabilities from proactive market orientation in driving product fashion trends, product quality, and innovation. In relevant knowledge, according to a knowledge-based view, it is very effective supported by knowledge related to the market and consumers to use information technology, informing it, sorting knowledge and transferring knowledge. Knowledge-based organizations and business units will more easily adapt changes in management methods to changes in the business environment (Mejri et al., 2018; Sulistiyani & Rahardja, 2018). The effect of market orientation proactiveness antecedents on business performance by mediating product innovation can become a business reference. The results of the study support the increase in innovation-based activities as a good action in supporting local products to survive when conditions decline in purchasing power due to changes in the business environment. Product innovation requires knowledge and capabilities from proactive market orientation in driving product fashion trends, product quality, namely product and product functions based on market and consumer needs (Kristinae et al., 2019; Jeong et al., 2019; Iyer et al., 2019). Thus, management methods are related to customers and knowledge, innovation activities can be an input to encourage local product excellence and improve business performance. This research can be served as a reference and development of management methods based on a well-managed resource view with a knowledge-based view to improve business performance, through market-oriented initiatives on knowledge sharing and product innovation. In subsequent studies, PMO has insignificant results directly against BP so that it can include other moderating or mediating variables, to get the development of research studies related to management methods. Research opportunities provide opportunities for further research using knowledge-based displays of local business products in developing or developed countries.

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