


# SMEs Development Strategy Model Based on Creative Economy With Quadruple Helix Approach


Naili Farida, Diponegoro University, Indonesia

 <https://orcid.org/0000-0001-8532-4984>

Hari Susanta Nugraha, Diponegoro University, Indonesia

Agus Naryoso, Diponegoro University, Indonesia

Elia Ardyan, Universitas Ciputra Surabaya, Indonesia

 <https://orcid.org/0000-0002-6705-8958>

## ABSTRACT

The purpose of this study is to examine the effect of competitor-sensing capability and customer-sensing capability on the success of product innovation and SME performance. The sample of this study was 294 Islamic fashion business in Central Java. This study uses structural equation modeling. AMOS version 20 is used to process data. The results of this study indicate that there are different results between competitor and customer-sensing capability. Competitive sensing capability is a driving factor in creating success innovation products compared to customer sensing capabilities. This study also found that competitor and customer sensing capabilities were unable to improve marketing performance. Marketing performance can enhance if entrepreneurial orientation and product innovation success are also improved. This study contributes to practice.

## KEYWORDS

Competitor-Sensing Capability, Customer-Sensing Capability, Entrepreneurial Orientation and Marketing Performance, Product Innovation Success

## 1. INTRODUCTION

At the end of 2015, a free market was applied in countries belonging to the Association of South East Asia Nations (ASEAN). Countries included in it include Indonesia, Singapore, Malaysia, the Philippines, Thailand, Vietnam, Brunei, Myanmar, Cambodia, and Laos. The free market will benefit countries in it because the market share will be broader and more profitable. The development of creative industries in ASEAN countries has the opportunity to expand abroad, one of which is the Islamic fashion industry. Based on data from the largest Islamic fashion exporter in 2014 the first rank was Bangladesh, amounting to USD 22 billion, second place was Turkey for USD14 billion and third place was Indonesia for USD 11.78 billion. Indonesia has a great opportunity to develop the Muslim fashion industry. Increasing the expansion of Indonesia Islamic fashion abroad, the Islamic

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fashion industry must change the way offline marketing goes online. Another way is to increase the exhibition and fashion show in member countries of the ASEAN Economic Community.

Product competitiveness and innovation are vital in the Islamic fashion industry. Product competitiveness and innovation are important factors to improve SME performance (Ardyan, 2016; Ardyan et al., 2016; Ardyan & Sugiyarti, 2018; Sugiyarti & Ardyan, 2017). Product competitiveness can mean that SME products are better quality than their competitors (Luo, 2010). Product competitiveness is obtained because of superior quality (Ardyan & Sugiyarti, 2018) and the ability of SMEs to innovate (Liu & Jiang, 2016). Factors driving product innovation include knowledge sharing (Bao et al., 2012; Jenny, 2005; Wang & Wang, 2012), relationship and networking (Ardyan et al., 2016; Farida et al., 2017), and co-creation (Hidayanti et al., 2018).

The ability of SMEs to sense the environment is very important for SMEs. Market sensing capability can be interpreted as the company's ability to learn (Day, 2002), understand, and use information (Kok et al., 2003) about markets with the aim of anticipating changes in the market (Foley & Fahy, 2004). The ability to sense customers will have an impact on increasing innovation (Ardyan, 2016; Calantone et al., 2002; Sugiyarti & Ardyan, 2017; Zhang & Wu, 2013), speed to market (Ardyan, 2016), quality of market entry (Sugiyarti & Ardyan, 2017), and business performance (Lindblom et al., 2008). Adequate information will be able to influence the company's response (Daugherty et al., 1995). Companies that are able to respond will have an impact on their export performance (Darmawulan et al., 2018).

Day (2002) dan Olavarrieta and Friedmann (2008) explain that market sensing capability is a learning process for customers, competitors, and other parties. In this study, we divide market sensing capabilities into two types, namely competitor-sensing capability and customer-sensing capability. The use of competitor and customer-sensing capability is very rare in previous literature. This research contributes to the knowledge of how competitor and customer sensing capabilities have an impact on product innovation success and SME performance. The purpose of this study is to examine the effect of competitor-sensing capability and customer-sensing capability on the success of product innovation and SME performance.

## **2. LITERATURE REVIEW**

### **2.1. Quadruple Helix**

In the early 1990s, the Triple Helix concept was one of the basic concepts of innovation developed by Henry Etzkowitz and Loet Leydesdorff. The triple helix concept which explains the need for a relationship between the University, Industry and the Government in the development of innovation (Hoffman & Novak, 1996). In its development the concept of triple helix developed into a quadruple helix. The quadruple helix concept was developed by Elias G. Carayannis and David F.J. Campbell in 2009 (See-To & Ho, 2014). The Quadruple helix concept includes civil society or the public into University, government and industry relations. The public referred to in the concept of quadruple helix is the physical environment and social environment (Mauri & Minazzi, 2013). The helix quadruple approach in the context of innovation is important to explore (Galvao et al., 2017). The Quadruple Helix is a model of innovation and collaboration with a civil society perspective. Quadruple helix is very important for needs such as health services or other services.

### **2.2. Market Sensing Capability**

The concept of market sensing initially stated by Day (1994). Market sensing is one of dynamic capabilities that should be owned by the company. Market sensing capabilities are able to observe the various trends and changes taking place in the market. Teece (2007) explains that this capability is part of the dynamic capabilities that are needed in an environment that tends to change and uncertain. Organizations systematically and proactively learn about any changes that affect customers,

competitors, and the macro environment, perhaps gathering valuable knowledge about the market and continuing to see trends about current and future market developments (Morgan et al., 2009), companies will be able to produce products or services that are better than competitors (Fang et al., 2014), and able to meet the needs of consumers both expressed and latent needs (Atuahene-Gima et al., 2005; Bodlaj, 2010; Bodlaj et al., 2012; Bodlaj & Rojsek, 2010; Narver et al., 2004; Tsai et al., 2008; Voola & O'cass, 2010; Wang et al., 2013).

Sensing the market is a business ability to understanding, process and use information (Kok et al., 2003). Market orientation based on Foley and Fahy (2004), ability to sensing the market allows company can anticipate market changes and develop upon ability to focus on new customers. Furthermore, Teece (2007) explain that market sensing capability is company capability to perform scanning, searching and browsing to the market demands upon ability to investigate customer, industry structure and new opportunities. Sensing capabilities based on Zhang and Wu (2013) is a unique capability to scanning, searching, and exploring the market to develop new product. Roberts and Grover (2012) define customer sensing capabilities as a business ability to scanning, creating, learning and interpretation the consumers. Sensing capability make opportunity for the company to investigate the needs of customers and utilize the knowledge to satisfy the customers.

### **2.3. Entrepreneurship Orientation**

Entrepreneurial orientation has several approaches. Miller (1983) defines entrepreneurial orientation as a company advantage through risk-taking, proactive and innovative. Mochalova and Nanopoulos (2014) stated that entrepreneurial orientation can improve information gathering related to suppliers, competitors, and customers. Oh et al. (2012) linking entrepreneurial orientation to the network of government systems and competencies that may be obtained within a company. From a behavioral perspective, Covin and Slevin (1989) show a conceptual model of entrepreneurial orientation based on entrepreneurial activity, including innovative, proactive and risk-taking. The organization will improve entrepreneurial orientation behavior in an innovative, risk-taking form and always strive to produce new products through proactive behavior to capture market opportunities (Covin & Slevin, 1989; Wiklund & Shepherd, 2005).

### **2.4. Product Innovativeness Success**

Innovativeness is the level of novelty or newness of the product innovation (Garcia & Calantone, 2002; Janssen et al., 2015; Khong et al., 2010). Newness has 3 indicators, namely new in the industry, new to consumers and new to the company (Sussman & Siegel, 2003). Companies must be able to innovate. The purpose of the organization to develop the ability of innovation is to achieve success in the future (Saunila & Ukko, 2012). Company performance will depend on its innovation capability (Akgun et al., 2009; Ardyan, 2016; Ardyan et al., 2016; Calantone et al., 2002; Sugiyarti & Ardyan, 2017). Innovation has an impact on business performance related to quality, productivity and flexibility (Armbruster et al., 2008).

There are several activities that must be done by the company to increase innovation. First, companies must create a work environment that supports creativity development (Amabile et al., 1996; Im & Workman, 2004). The company does not turn off employees who have creative ideas. The company accommodates various creative ideas from its employees. These ideas will be reviewed for the next process. Second, the company continues to learn in developing creativity (Chen et al., 2009). Companies must be willing to share information (Vaccaro et al., 2010; Wang & Wang, 2012) and learning from outside. Learning and absorptive capability can improve its innovation performance (Cockburn & Henderson, 1998). Third, research and development (Santamara et al., 2009). Companies that have R & D will have the opportunity to improve their innovation performance. Fourth, internal coordination and external cooperation (Cheng & Shiu, 2008). Companies that do not have internal coordination will have an impact on various things. Coordination makes each department within the organization able to understand other departments. Coordination will make each department able to

unite the desire to increase innovation. Networking with another party is important too. Networking is a driving factor for increasing innovation (Ardyan et al., 2016; Farida et al., 2017)

## 2.5. Marketing Performance

Marketing performance concept evolved over recent decades. Clark (1999) explained that there is a change in the measurement of financial performance. There are three movements, among others: first, the financial aspects (profit, sales revenue, and cash flow) to the non-financial aspects (market share, quality of service adaptability, customer satisfaction, customer loyalty, and brand equity); Second, from output to input measurement (marketing assets, marketing audit, marketing implementation, and marketing orientation); The third, from un-dimensional to multidimensional measurements (efficiency, effectiveness, and multivariate analysis). Vargo and Lusch (2008) states that marketing performance includes 1) the level of sales growth, 2) market share, 3) the growth rate of profit before tax and overall performance. From a managerial standpoint, Clark (2000) explains that such marketing performance efficiency perspective, the perspective of adaptation, perspective effectiveness, and satisfaction perspective.

## 3. HYPOTHESIS

In this study, there were seven hypotheses constructed.

Ardyan (2016) Ardyan (2016) explains that the sensing capability of SMEs in the market will be able to increase innovation significantly. Basically, sensing the market is the company's ability to generalize the knowledge that is in the market for use in decision making (Day, 1994; Lankinen et al., 2007; Olavarrieta & Friedmann, 2008). By having the ability to sense the market, the company will be able to learn about the environment, understand the strategy of competitors, understand the market trends, and responsive. They become the knowledge gained from the outside. Alvarez and Iske (2015) explain that the source of the knowledge gained from the outside will be able to influence innovation in SMEs. Hart et al. (1999) believe that an effective market information will be able to increase the level of the company's success in innovation. Market sensing capabilities can be divided into sensing capabilities of customers and competitors sensing capability, where both will be able to increase innovation in the company.

**H1:** Customer-sensing capability has a positive impact on product innovativeness success.

**H2:** Competitor Sensing Capabilities has a positive impact on product innovativeness success.

Some researchers explain sensing market that will be able to improve performance (Day, 1994, 2002; Tseng & Lee, 2014). Day (2002) explains that the sensing market has the same function as the learning process. The learning process in question is the company's ability to sense, absorb and interpret information obtained from external (Day, 1994; Day & Nedungadi, 1994). Various studies explain that the learning process will be able to increase knowledge that will ultimately affect the performance of the company (Akhtar et al., 2011; Baker & Sinkula, 1999; Jimenez-Jimenez & Sanz-Valle, 2011; Mahmud & Hilmi, 2014; Morgan & Berthon, 2008). In this study, we divided the sensing capability into the sensing capabilities of customers and competitors. Both those sensing capabilities will be able to improve marketing performance.

**H3:** Customer-sensing capability has a positive impact on marketing performance.

**H4:** Competitor Sensing Capabilities has a positive impact on marketing performance.

Basically, product innovation will enhance performance (Akgun et al., 2009; Harmancioglu et al., 2010; Jenny, 2005; Wang & Wang, 2012). For created many innovations, the research and

development need to be promoted, the company capabilities in innovation will impact on company performance. Companies that innovate will certainly make creating new things in the product. The current trend is that consumers want products that are up to date, the latest, and different than others. The desire of consumers of new products will make consumers vying to buy the new product. This will affect the company's performance.

**H5:** Product innovativeness success has a positive impact on marketing performance.

Entrepreneurial orientation is one of the important concepts in the company. Indications companies that have an entrepreneurial orientation is innovation, risk-taking, and responsive. Several studies have described that entrepreneurial orientation is able to influence the innovation (Avlonitis & Salavou, 2007). This is believed because of innovation, risk-taking or responsive an entrepreneur will make him come forward and creative ideas where these ideas will be able to create something new.

**H6:** Entrepreneurial orientation has a positive impact on product innovativeness success.

Several studies have described that the entrepreneurial orientation and significant positive effect on performance (Kajalo & Lindblom, 2015; Li et al., 2009; Zhang & Zhang, 2012). Research conducted by Ardyan (2016) also proves that the entrepreneurial orientation still affects the performance, particularly the performance of small and medium businesses. From the point of view of the theory of competitive advantage, entrepreneurial orientation is a resource capable of facilitating the company to win the competition and generate positional advantage (Hunt, 1995; Hunt & Morgan, 1996; Hunt & Morgan, 1997). Positional advantage will enhance performance (Day & Wensley, 1988).

**H7:** Entrepreneurial orientation has a positive impact on marketing performance.

## 4. RESEARCH METHODOLOGY

### 4.1 Sample

The questionnaire was distributed to 350 respondents. There are 294 questionnaires were returned and proper to be analyzed further. So, the sample in this study is 294 respondents. Characteristics of respondents in this study are as follows. (1) **Based on gender.** The majority of respondents by sex as many as 161 people or 54.8 percent of craftsmen who have sex male and the remaining 133 people or 45.2 percent were women. (2) **Based on marital status.** Based on respondents' marital status of the majority of SMEs business owners Fashion Muslim fashion has the status of a married 94.6 percent unmarried while as many as 13 people and as many as three people are already widows. (3) **Based on the study.** The education level of the majority of 198 votes, or 67.3 percent are educated Senior High School Level (SLTA), as many as 40 people or 13.6 per cent are educated Junior High School (SLTP), as many as 26 people or 8.8 per cent have education Diploma (D3), as many as 22 people or 7.5 percent have a Bachelor degree, and as many as 8 people or 2.7 per cent of primary school education (SD). (4) **Based on the work.** Based on the work of the respondents are 268 people or 91.2 per cent is as an entrepreneur or business owner Fashion Muslim clothing and as many as 21 people or 7.1 percent of private sector employees or employees is in business place, and as many as 5 people or 1.7 per cent had a job as Government employees. (5) **Based on the length of the business standing.** Based on the duration of the company stands 144 SME entrepreneurs Clothing or 49 percent have a long effort of 6 to 10 years, as many as 130 companies or 44.2 per cent had a long business less than 5 years, as many as 15 companies, or 5.1 per cent had a long business 11 up to 15 years, and there are 5 or 1.7 percent of companies that have long efforts of more than 15 years. (6) **Based on the status of the company.** Based on the status of the company shows that the majority of SMEs

Table 1. Variables and Indicators Research

No.	Variable Names	Indicators	Source
1.	Competitor-sensing capability	<ul style="list-style-type: none"> <li>· Ability to learn competitor's new product strategy</li> <li>· Ability to learn a competitor's product</li> <li>· Ability to learn a competitor's product range of competitor products</li> <li>· Ability to learn a competitor's product design</li> <li>· Strategy for an understanding of the ability of competitors to develop products</li> </ul>	Atuahene-Gima et al. (2005); Narver and Slater (1990)
2.	Customer Sensing Capabilities	<ul style="list-style-type: none"> <li>· Ability to learn future customer needs.</li> <li>· Ability to learn the tastes of customers</li> <li>· Ability to learn to improve customer satisfaction</li> <li>· Ability to face customer complaints and suggestions</li> <li>· The ability to understand the characteristics of customers.</li> </ul>	Atuahene-Gima et al. (2005); Narver and Slater (1990)
3.	Product Innovativeness Success	<ul style="list-style-type: none"> <li>· Products novelty in the market</li> <li>· Offer products in the market</li> <li>· Special benefits of new products</li> <li>· Appearance of new products address the troubleshooting</li> <li>· The appearance complete new product against features on the market</li> </ul>	Zhang and Wu (2013); Bao et al. (2012)
4.	Entrepreneurship Orientation	<ul style="list-style-type: none"> <li>· Risk-taking</li> <li>· Innovativeness</li> <li>· Proactiveness</li> </ul>	Wiklund and Shepherd (2003); Bolton et al. (2014)
5.	Performance Marketing	<ul style="list-style-type: none"> <li>· Growth in the value of sales</li> <li>· Growth in the number of customers</li> <li>· Gain on sale of customer retention</li> </ul>	Meyer and Schwager (2007); Vargo and Lusch (2008)

business operators Fashion Clothing 273 companies or 92.9 percent of the status of the individual, as many as 19 companies or 6.5 percent CV status, and as many as two companies, or 0.7 percent of PT status. (7) **Based on the number of workers.** Based on the amount of power owned, the majority of respondents have about employees between 10 people of 181 companies, or 72.7 percent have fewer than 10 employees or workers, as many as 83 companies or 33.3 percent had 11 to 30 employees or labor, as many as 18 companies or 7.2 percent have 31 to 50 employees or labor, and 12 companies or 4.8 percent have more than 50 employees or workers.

## 4.2. Measurement

In this study, there were five variables, namely competitor-sensing capability, customer-sensing capability, product innovation success, entrepreneurial orientation, and marketing performance. Each item in question developed in this study measured with a Likert scale, where the scale of 1 indicates is strongly disagree and 5 showing the scale of strongly agree. Operational of variables in this study are shown in Table 1.

## 5. RESULTS

### 5.1. Validity and Reliability

Reliability and validity of the instruments used to test whether the research that we've developed a reliable or valid. In this study, the measurement reliability applies Cronbach Alpha while the validity of using a loading factor. Cut off of Cronbach alpha is more than 0.60. Cut off of factor loading is

**Table 2. These Factor Loading and Cronbach Alpha**

No.	Variable Names	Indicators	Factor Loading	Cronbach Alpha
1.	Competitor-sensing capability	<ul style="list-style-type: none"> <li>· Ability to learn competitor's new product strategy</li> <li>· Ability to learn a competitor's product</li> <li>· Ability to learn a competitor's product range of competitor products</li> <li>· Ability to learn a competitor's product design</li> <li>· Strategy for understanding of the ability of competitors to develop products</li> </ul>	0.587 0.719 0.712 0.664 0.717	0.811
2.	Customer Sensing Capabilities	<ul style="list-style-type: none"> <li>· Ability to learn future customer needs.</li> <li>· Ability to learn the tastes of customers</li> <li>· Ability to learn to improve customer satisfaction</li> <li>· Ability to face customer complaints and suggestions</li> <li>· The ability to understand the characteristics of customers.</li> </ul>	0.676 0.708 0.772 0.710 0.707	0.836
3.	Product Innovativeness Success	<ul style="list-style-type: none"> <li>· Products novelty in the market</li> <li>· Offer products in the market</li> <li>· Special benefits of new products</li> <li>· Appearance of new products address the troubleshooting</li> <li>· Appearance complete new product against features on the market</li> </ul>	0.584 0.750 0.559 0.740 0.748	0.805
4.	Entrepreneurship Orientation	<ul style="list-style-type: none"> <li>· Risk-taking</li> <li>· Innovativeness</li> <li>· Proactiveness</li> </ul>	0.551 0.720 0.659	0.674
5.	Performance Marketing	<ul style="list-style-type: none"> <li>· Growth in the value of sales</li> <li>· Growth in the number of customers</li> <li>· Gain on sale of customer retention</li> </ul>	0.848 0.689 0.853 0.773	0.868

more than 0.50. From Table 2 we can conclude that the research instruments we have are reliable and valid. This is because both the value of factor loading and Cronbach Alpha is already above the required value.

### 5.2. Goodness of Fit

Model fit is a fit between the models is created by the research data. In this study, the model of it's using IFI and CFI. IFI value is 0,806 and the CFI is 0.804. These results are not in accordance with the prescribed cut-off value that is above 0.90. IFI and CFI value is below 0.90 but can be tolerated because the value is still considered average.

### 5.3. Results and Discussion

There is seven proposed hypothesis in this study (Table 3). Here are the results of hypothesis testing. First, The results of this study indicate that the customer sensing capabilities is an insignificant positive effect on the success of the product innovation ( $\beta = 0.261$ ;  $p = 0.091$ ). Thus, hypothesis 1 was rejected. Second, Competitor Sensing Capabilities has a positive and significant impact on product innovativeness success ( $\beta = 0.358$ ;  $p = 0.014$ ). So, hypothesis 2 is accepted. Customer-sensing capability and competitor-sensing capability have a different result in influencing the product innovativeness success. Basically, both capabilities are part of the market sensing capability, where the market sensing capability could improve product innovation (Ardyan, 2016; Day, 1994; Lankinen et al.,

**Table 3. Results of Hypothesis Testing**

Hypothesis	Result	Notes
H1: Customer-sensing capability has a positive impact on product innovativeness success	$\beta = 0,261$ ; $p = 0,091$	Hypothesis is rejected
H2: Competitor Sensing Capabilities has a positive impact on product innovativeness success	$\beta = 0,358$ ; $p = 0,014$	Hypothesis is accepted
H3: Customer-sensing capability has a positive impact on marketing performance	$\beta = -0,851$ ; $p = 0,007$	Hypothesis is rejected
H4: Competitor Sensing Capabilities has a positive impact on marketing performance	$\beta = 0,435$ ; $p = 0,103$	Hypothesis is rejected
H5: Product innovativeness success has a positive impact on marketing performance.	$\beta = 1,142$ ; $p < 0,05$	Hypothesis is accepted
H6: Entrepreneurial orientation has a positive impact on product innovativeness success	$\beta = 0,012$ ; $p = 0,939$	Hypothesis is rejected
H7: Entrepreneurial orientation has a positive impact on marketing performance	$\beta = 0,743$ ; $p = 0,011$	Hypothesis is accepted

2007; Olavarrieta & Friedmann, 2008). These results of this study indicate that in the fashion industry, especially the Islamic fashion, understand what the competition is doing (to learn a competitor's product, study the range of competitor products, study the design of competitors' products, learn the strategies of competitors) more significant effect on marketing performance compared to understand the customers (study needs customers that will come, learn the taste of customers, improve customer satisfaction, study the complaints and suggestions of customers, and understand the characteristics of the customer). That is uniqueness in fashion business, especially in the Islamic fashion.

Third, customer-sensing capability has negative and significant impact on marketing performance ( $\beta = -0.851$ ;  $p = 0.007$ ). So hypothesis 3 is rejected. Fourth, competitor-sensing capability has positif but not significant impact on marketing performance ( $\beta = 0.435$ ;  $p = 0.103$ ). So the hypothesis 4 was rejected. Customer and competitor sensing capabilities can't influence marketing performance significantly. Basically, customer or competitors sensing capability should improve performance significantly (Day, 1994, 2002; Tseng & Lee, 2014). Referring to Ardyan (2016) research, there are some factors that cause sensing capabilities can not enhance performance in a positive and significant, namely: the main purpose of sensing not directly improve performance but must affect innovation first.

Fifth, product innovativeness success has a positive and significant impact on marketing performance ( $\beta = 1.142$ ;  $p < 0.05$ ). So hypothesis 5 was accepted. Some study explains that success of the product innovation can enhance performance (Akgun et al., 2009; Harmancioglu et al., 2010; Jenny, 2005; Wang & Wang, 2012). Business success in developing innovation will greatly affect the performance of marketing. Innovation is what will be a key driver in improving marketing performance.

Sixth, entrepreneurial orientation has a positif and insignificant impact on product innovativeness success ( $\beta = 0.012$ ;  $p = 0.939$ ). So the hypothesis 6 in this study was rejected. The results of different studies with previous studies (Avlonitis & Salavou, 2007). Referring to Ardyan (2016), which explained that there are some factors that make entrepreneurial orientation are not able to have positive effect on the success innovation significant product, which is less focused on this type of innovation (incremental or radical). If the type of innovation that unexplored, then it is possibility effect will be positive and significant.

Seventh, entrepreneurial orientation has positive and significant impact on marketing performance ( $\beta = 0.743$ ;  $p = 0.011$ ). So hypothesis 7 is accepted. The results are consistent with previous research studies (Ardyan, 2016; Kajalo & Lindblom, 2015; Li et al., 2009; Zhang & Zhang, 2012). Increasingly,



companies have innovation, risk-taker, and responsive to changes in the environment, it will greatly affect its performance.

## 6. CONCLUSION

The purpose of this study is to examine the effect of competitor-sensing capability and customer-sensing capability on the success of product innovation and SME performance. The results of this study indicate: First, the driving factor for product innovativeness success is competitor-sensing capability. Customer-sensing capability and entrepreneurial orientation cannot improve product innovativeness success. Second, the factors that influence the performance of Islamic fashion business are entrepreneurial orientation and product innovativeness success.

Managerial implications in this study, among others: (1) SMEs must always perceive competitors on a regular basis. This competing sensing will make SMEs able to see the development of products produced by competitors. SMEs who understand about products made by competitors will certainly try to develop products that are more innovative than competitors. (2) Innovation must be the main concern of fashion SMEs. This innovation is what makes the SMEs performance will be high. The more product innovation is developed, the marketing performance will increase.

The limitation of this research is that the goodness of fit is still low. The size of the goodness of fit in this study uses IFI and CFI where the value is between 0.8 - 0.9 or still average. In the future, the model developed is not too varied.

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*Farida Naili is a lecturer at the Doctoral Program of Social Sciences, University of Diponegoro in Semarang, Indonesia began in 1990. She began research in 1995 until now. Her areas of research in Marketing, Consumer Behaviour, SMEs, and Entrepreneurship. Journal published several journals, among others: Jurnal Keuangan dan Perbankan, Volume 14, No. 2, pp. 221-230 (Indonesia Higher Education Indexed), Market Trzste, Vol.27No.2, pp.189-202 (Scopus Index), Journal of Internet Banking and Commerce (Scopus Index), Vol.21, No.2, pp. 1-19, Advance Science Letters Vol. 23 (1), pp. 471-474. Dinamika Manajemen, Vol.No.2. pp. 200-208., Jurnal Dinamika Manajemen, Vol. 7.No.1 (Indonesia Higher Education Indexed). She followed several international conference, like: The 3<sup>rd</sup> International Conference on Business and Banking of Thailand, 2014, The 1<sup>st</sup> International Conference on Business Administration and Policy, University of Indonesia, 2015, 2016 Advanced Research on Business, Management and Humanities, 2016, the International Conference on Management in Emerging market 2016. She became Editorial Member of Journal of Business Administration, and Editorial Board of Jurnal Dinamika Manajemen (Indonesia Higher Education Indexed) in 2016.*

*Hari Susanta Nugraha is a lecturer at Diponegoro University. He is currently focusing on research and learning towards the governance of knowledge capital in Small and Medium Enterprises (SMEs) in Central Java. Some of the research that's been done to contribute to increased business performance thinking sector of SMEs.*

*Agus Naryoso is a lecturer and researcher at Diponegoro University Semarang, Indonesia. He began to be lecturer and researcher from 2002 until now. His area research in communication, public speaking, integrated marketing communication, marketing public relations. His studies published in Indonesia journal Public Relations Model in Semarang Senior High School Vol. 1 No. 1, pp. 12-24 Journal of Ikatan Sarjana Komunikasi Indonesia (ISKI) and are several international conference I attended, among others: (1) International Conference of Public Management 2016, China; (2) National Seminar: Political Gender and development in Indonesia, Sebelas Maret University Solo 2015; (3) The 1<sup>st</sup> UPI International Conference on Sociology Education (UPI ICSE) Bandung 2015; (4) National Health Communication Symposium, Padjajaran University, Bandung 2015. Agus Naryoso is Editors in Chief of FORUM Jurnal Pengembangan Ilmu Sosial Faculty of Social and Politic Sciences Diponegoro University, the head of Public Relations Diploma Faculty of Social and Politic Sciences Diponegoro University.*

*Elia Ardyan, MBA, is a lecturer and researcher at Sekolah Tinggi Ilmu Ekonomi Surakarta, Central Java Indonesia. His research are entrepreneurship, small medium enterprises, and marketing. His studies are published in International Journal of Innovation Digital Economy (IJIDE) vol. 6, Iss. 2. Pp. 38-51, 2015; Market/Tržište Vol. 27, No. 2, pp. 189-202, 2015; DLSU Business & Economics Review, Vol. 25, No. 2., pp. 79-97, 2016; International Review of Management and Marketing Vol. 6, No. 4, 2016; International Journal of Sociotechnology and Knowledge Development, Vol. 8, No. 4, pp. 38-55, 2016; International Journal of Social Ecology and Sustainable Development, Vol. 8, No. 4, pp. 1-14, 2017; DLSU Business & Economics Review, Vol. 27, No. 1., pp. 175-189, 2017; International Journal of Business and Society, Vol. 19, No.1, pp.15-26, 2018; International Journal of Electronic Customer Relationship Management, Vol. 11, No.2, pp. 158-178, 2018; International Journal of Asian Business and Information Management, Vol. 9, No.3, pp. 44-60, 2018.*