

# Marketing Strategy and Its Impact on Business Performance through Strategic Agility in Small and Medium Enterprises

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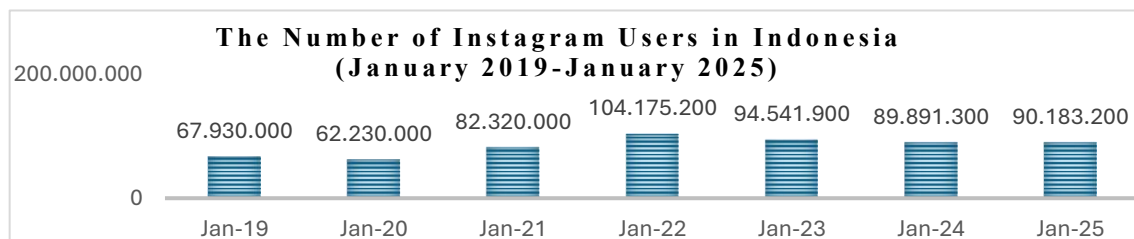
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**Abstract-**Social media is currently an effective marketing tool for Micro, Small, and Medium Enterprises (MSMEs). The Emak Cantik Community consists of business actors who utilize social media for marketing. This study aims to confirm the effectiveness of the synergy between product innovation, financial literacy, and market orientation on business performance in the Emak Cantik community, both directly and indirectly through strategic agility. This study employed a descriptive method and quantitative analysis using a questionnaire distributed to 155 respondents who are members of the Emak Cantik community. The results of the LISREL analysis show that strategic agility (48%) and financial literacy (44%) have a significant effect on business performance, while product innovation (5.2%) and market orientation (0.24%) have no effect. Meanwhile, product innovation (42%), financial literacy (39%), and market orientation (51%) have a significant effect on strategic agility. The mediation test shows that strategic agility successfully mediates the influence of product innovation, financial literacy, and market orientation on business performance. The contribution of this study is to provide the latest empirical evidence on the mediation mechanism of strategic agility that can be used as a basis for developing strategies to strengthen MSMEs in the digital era.

**Keywords:** Product Innovation; Financial Literacy; Market Orientation; Strategic Agility; Business Performance

## 1. INTRODUCTION

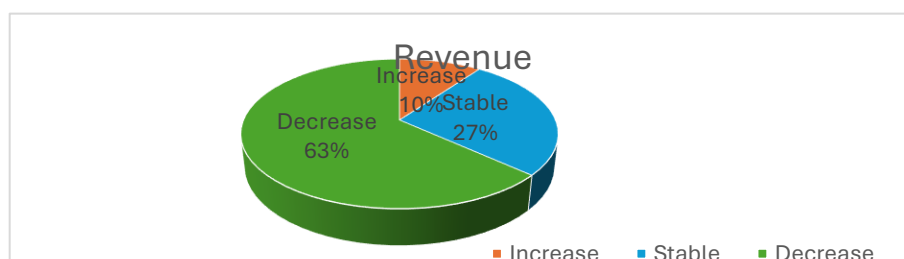
The development of digital technology has accelerated the growth of social media, significantly supporting business growth, especially in marketing. Instagram is a social media platform commonly used by both consumers and businesses. Soelaiman & Utami (2021) found that the adoption of Instagram had a significant positive effect on the performance of MSMEs.



**Figure 1.** The number of Instagram users in Indonesia ( January 2019-January 2025)  
 Source: Napoleon Cat

Figure 1 shows the growth of Instagram users over the last 5 years. In the initial period (January 2019), the number of users ranged between 60–70 million. The growth remained consistent, peaking at around 100–110 million users by early 2022. A decline occurred at the end of the period (January 2023), with user numbers falling to around 80–90 million. Overall, the data still indicates a substantial increase in Instagram usage in Indonesia over the past five years, despite fluctuations and a decline toward the end of the period.

The Emak Cantik community is comprised of business actors who use Instagram as a marketing platform. This community has 249 members from SMEs across Indonesia. The rapid growth in Instagram users does not necessarily correspond to an increase in online store revenue. Online sellers in the Emak Cantik community reported a decrease in revenue, triggered by high competition. Figure 2 shows that the majority of online stores (63 %) reported a decline in revenue over the past year. Other stores (27%) reported stable income, while the rest (10%) saw an increase.



**Figure 2.** The business revenue of sellers in the Emak Cantik community  
 Source: survey results

The sharp rise in Instagram users has intensified competition, making it necessary to develop effective marketing strategies to stay competitive. Product innovation, financial literacy, and market orientation play interconnected strategic roles. Product innovation serves as the primary driver for creating competitive advantages by enabling businesses to develop unique products that meet dynamic market demands. Financial literacy empowers business actors to make more accurate strategic decisions in product development and pricing to win market competition. Market orientation helps businesses understand consumer preferences more deeply. The interaction between these variables forms a strategic mechanism that enables businesses to design comprehensive, responsive, and sustainable marketing strategies, in line with Porter's concepts of differentiation, cost leadership, and focus (Porter & Strategy, 1980).

The application of strategic agility has been proven to enhance business performance (Rofiaty et al., 2022). The Theory of Strategic Agility developed by Bechtel et al., (2023) offers a theoretical framework that explains an organization's capability to quickly and effectively adapt and redirect strategic direction in response to business dynamics. This theory focuses on the organization's ability to remain flexible and responsive to market changes, consumer preferences, and competitive challenges while maintaining strategic alignment and operational effectiveness. Three core components of strategic agility: strategic sensitivity to recognize opportunities and threats, leadership unity for rapid decision-making, and resource fluidity for flexible resource allocation. These elements enhance organizational competitiveness through innovation and agility in responding to business challenges. Strategic agility has a significant impact on online store performance by enabling rapid adaptation to market changes. This agility is a key factor for MSME owners to respond to external shifts, find creative solutions, and remain agile amid market dynamics (Munawar et al., 2023). Firdaus et al., (2024) further show that strategic agility mediates the influence of diversity dynamics on MSME performance in international markets.

Product innovation is the process of developing or modifying existing products by changing their models, designs, or characteristics to adapt to changes in the environment, market demands, or technological advancements (Budianto & Setiawan, 2020). Product innovation positively affects strategic agility by increasing responsiveness to market changes and customer needs. Hutton et al., (2024) show that open innovation supports new product development (NPD), allowing firms to respond quickly and precisely to market and technological changes by implementing three interrelated forms of strategic agility to navigate market and environmental dynamics. Fitriana & Yuniati (2021) found that higher levels of product innovation yield better company performance, while lower innovation levels lead to poorer outcomes. Kalil & Aenurohman (2020) also found that product innovation significantly improves business performance both partially and simultaneously.

Financial literacy is the ability to understand, analyze, and evaluate financial information and use it to make effective financial management decisions (Azikin & Hamid, 2023). Better financial management allows MSMEs to respond more proactively to market changes (Margiutomo et al., 2022). Yulianto & Rita (2023) confirmed that financial literacy improves MSME performance by enabling more optimal financial management. Good financial knowledge and behavior help business actors prepare budgets and make wiser financial decisions (Leatemala, 2023).

Market orientation is a business philosophy that places consumers at the center of every decision-making process and strategy (Zahara, 2022). Nurcholis (2020) found that market orientation helps MSMEs—particularly in the Pekalongan batik industry—better understand and respond to customer needs, thereby enhancing agility and business performance. Rizan & Utama (2020) stated that optimal market orientation improves promotion and value creation, contributing to stronger performance. R. Setyowati et al., (2022) argued that entrepreneurs who prioritize consumer desires improve MSME performance as market orientation increases. Yanuar & Harti (2020) noted that firms can better plan their actions and remain competitive, contributing to increased sales performance.

A review of recent studies shows varied findings regarding the effects of product innovation, financial literacy, and market orientation on MSME performance in Indonesia. Maisaroh et al., (2022) found that product innovation did not significantly affect MSME performance when moderated by a halal supply chain. Naufal & Purwanto (2022) found no significant effect of financial literacy on MSME performance. Kurniawan & Nuringsih (2022) revealed that market orientation had no significant effect either. These inconsistencies may be due to the growing role of social media, which partly replaces traditional market orientation in the digital era.

These differences highlight a research gap that warrants further investigation. While several studies have examined the individual impact of product innovation, financial literacy, and market orientation on business performance, few have analyzed their interactions. Most prior research analyzed these variables in isolation. This indicates an opportunity for further research that offers novelty and a more comprehensive analysis of how these factors collectively influence business performance.

This study offers a new contribution by incorporating strategic agility as a mediating variable that has not been widely explored in prior studies. This addition helps explain the mechanism by which the three independent variables influence business performance. It fills the research gap by presenting a more holistic model that explains the factors influencing business performance and reveals the mediating role of strategic agility.

This research is important because the increase in Instagram users has intensified competition. This condition underscores the need for online business actors to develop effective strategies to create and sustain a competitive advantage amid growing rivalry. The findings are expected to help formulate the most effective marketing strategies to improve online store performance.

## 2. RESEARCH METHOD

### 2.1 Product Innovation and Strategic Agility

Product innovation positively impacts an organization's strategic agility by enhancing responsiveness to market changes and customer needs. Hutton et al., (2024) demonstrated that open innovation supports new product development (NPD), enabling companies to respond to market and technological changes promptly and appropriately by implementing three complementary forms of strategic agility in addressing market and environmental dynamics. Firms with a high level of strategic agility are generally more capable of responding to digital disruption, enhancing competitiveness, and delivering greater value to customers (Juninda et al., 2024). Companies with a strong culture of product innovation tend to develop a higher tolerance for risk and an enhanced capacity for rapid experimentation, which aligns with organizational strategic agility, particularly in responding to technological disruptions (Bai et al., 2023).

H1: Product innovation has a significant influence on strategic agility

### 2.2 Financial Literacy and Strategic Agility

Financial literacy plays a crucial role in enhancing the strategic agility of SMEs, particularly amidst the dynamic and uncertain business environment resulting from the Industrial Revolution 4.0. Research by Margiutomo et al., (2022) indicated that financial literacy, along with digital literacy and resilience, mediates the influence of strategic agility on company performance. Enhanced understanding of financial management can make SMEs more responsive in addressing market changes. Financial literacy can be used in determining strategic agility diversification investment (Ristianawati & Hartono, 2022). Financial literacy contributes to the development of an organization's dynamic capabilities, which are a prerequisite for strategic agility. A higher level of financial literacy is positively correlated with the speed of adaptation to market changes (Isibor et al., 2025). Financial literacy is a critical component in identifying market opportunities and formulating responsive strategies for strategic decision-making (Munawar et al., 2023).

H2: Financial literacy has a significant influence on strategic agility

### 2.3 Market Orientation and Strategic Agility

Market orientation significantly influences a company's strategic agility, particularly in improving marketing performance. Research by (Nurcholis, 2020) demonstrated that market orientation helps SMEs, particularly in the Pekalongan batik industry, to better understand and respond to customer needs, which ultimately enhances company agility. This enables SMEs to become more responsive to market changes, thereby sustainably improving competitiveness and company performance. Market orientation fosters the development of an organization's dynamic capabilities, such as the ability to sense opportunities, seize them effectively, and reconfigure resources accordingly, capabilities that form the foundation of strategic agility (Bekata & Kero, 2025). Market orientation contributes to sustainable competitive advantage by enhancing organizational readiness for Industry 4.0 technologies and strengthening ambidextrous capabilities (Ed-Dafali et al., 2023). Market orientation enhances strategic agility primarily through the accumulation of deep market knowledge, which in turn facilitates rapid responses to market changes (Xu et al., 2023).

H3: Market orientation has a significant influence on strategic agility

### 2.4 Product Innovation and Business Performance

Product innovation is the process of developing or modifying existing products by changing their models, designs, or characteristics to adapt to changes in the environment, market demands, or technological advancements (Budianto & Setiawan, 2020). Product innovation positively affects strategic agility by increasing responsiveness to market changes and customer needs. Hutton et al., (2024) show that open innovation supports new product development (NPD), allowing firms to respond quickly and precisely to market and technological changes by implementing three interrelated forms of strategic agility to navigate market and environmental dynamics. Higher levels of product innovation yield better company performance, while lower innovation levels lead to poorer outcomes (Fitriana & Yuniati, 2021). Kalil & Aenurohman, (2020) also found that product innovation significantly improves business performance both partially and simultaneously. Product innovation demonstrates a statistically significant positive influence on sustainable business performance, as measured through economic, social, and environmental dimensions (Halik, 2023).

H4: Product innovation has a significant influence on business performance

### 2.5 Financial literacy and Business Performance

Financial literacy is the ability to understand, analyze, and evaluate financial information and use it to make effective financial management decisions (Azikin & Hamid, 2023). Better financial management allows MSMEs to respond more proactively to market changes (Margiutomo et al., 2022). Financial literacy improves MSME performance by enabling more optimal financial management (Yulianto & Rita, 2023). Good financial knowledge and behavior help business actors prepare budgets and make wiser financial decisions (Leatemala, 2023).

H5: Financial literacy has a significant influence on business performance

**2.6 Market Orientation and Business Performance**

Market orientation is a business philosophy that places consumers at the center of every decision-making process and strategy (Zahara, 2022).

Nurcholis (2020) found that market orientation helps MSMEs—particularly in the Pekalongan batik industry—better understand and respond to customer needs, thereby enhancing agility and business performance. Optimal market orientation improves promotion and value creation, contributing to stronger performance (Rizan & Utama, 2020). Entrepreneurs who prioritize consumer desires improve MSME performance as market orientation increases (Setyowati et al., 2022). Yanuar & Harti, (2020) noted that firms can better plan their actions and remain competitive, contributing to increased sales performance.

H6: Market orientation has a significant influence on business performance

**2.7 Strategic Agility and Business Performance**

Agility is a key factor for MSME owners to respond to external shifts, find creative solutions, and remain agile amid market dynamics (Munawar et al., 2023). Firdaus et al., (2024) further show that strategic agility mediates the influence of diversity dynamics on MSME performance in international markets. Strategic agility and foresight have been shown to significantly enhance superior firm performance across various industries (Arokodare & Asikhia, 2020).

H7: Strategic agility has a significant influence on business performance

**2.8 Product Innovation and Business Performance through Strategic Agility**

Product innovation plays an important role in improving SME business performance through strategic agility. Research by Firdaus et al., (2024) showed that strategic agility mediates the influence of product innovation on business performance, particularly in the context of SMEs facing dynamics of diversity and inclusion. The development of relevant product innovations enables companies to respond to market changes quickly and appropriately, which is then optimized through strategic agility to achieve better performance. Strategic agility significantly contributes to the improvement of MSME performance, accounting for 51.7% when supported by digital technology and identifies that digital technology utilization, product innovation, and rapid response to market changes are key elements in enhancing MSME competitiveness (Rismawati et al., 2025).

H8: Strategic agility mediates the influence of product innovation on business performance

**2.9 Financial Literacy and Business Performance through Strategic Agility**

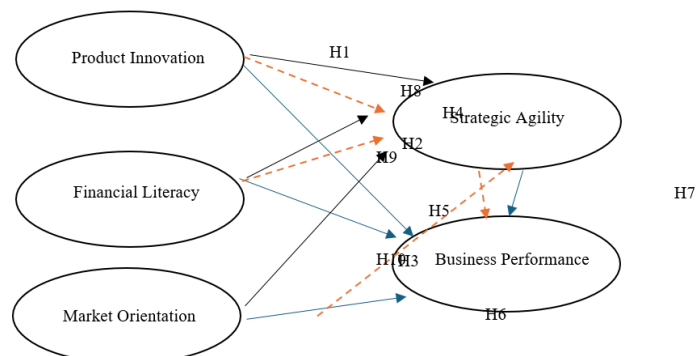
Financial literacy has an important role in improving business performance through strategic agility. Good financial literacy helps MSME owners manage their finances more effectively, supporting quick and appropriate strategic decision-making (Margiutomo et al., 2022). Financial information literacy plays a crucial role in improving the effectiveness of strategic decision-making among agribusiness entrepreneurs. This competence enables them to better navigate and respond to intricate financial conditions, ultimately supporting their long-term performance sustainability and enhancing their strategic agility (Obi-Anike et al., 2023).

H9: Strategic agility mediates the influence of financial literacy on business performance

**2.10 Market Orientation and Business Performance through Strategic Agility**

Market orientation significantly influences business performance through strategic agility. Market orientation helps companies focus more on customer needs, which increases their ability to adapt quickly to market changes through strategic agility (Nurcholis, 2020). Market orientation has a positive impact on competitive service agility, which subsequently enhances the firm's marketing performance (Setyawan, 2022). Market orientation influences a firm's network innovation agility, which functions as a mediating variable in improving business performance (Mulyana & Hendar, 2023).

H10: Strategic agility mediates the influence of market orientation on business performance



**Figure 3.** Conceptual Framework  
 Source: Researcher processed data

This research uses a positivist quantitative approach to test hypotheses on a population or sample using research instruments and statistical analysis (Sugiyono, 2022). A deductive method is applied, utilizing concepts and theories to answer the research problems. Data were collected through a structured questionnaire distributed to selected respondents. The questionnaire consisted of questions based on predetermined indicators. A five-level Likert scale of preference was used as the measurement instrument, where respondents could assign scores from 1-5 ranging from never, rarely, sometimes, often, to always.

The population in this study includes business owners with online shops who are members of the Emak Cantik community, a group of female online entrepreneurs using Instagram for marketing. The community comprises 249 members. This study used purposive sampling with a non-probability method (Sugiyono, 2022). Criteria for inclusion were: (1) female entrepreneur, (2) business operating for at least one year, and (3) actively using social media for sales. The Slovin formula with a 5% margin of error resulted in a sample size of 155 respondents.

**Table 1.** Operational Definition of Variables and Questionnaire Items

Variable	Reference Source	Indicators
Business Performance	Camilleri (2024)	<ol style="list-style-type: none"> <li>1. My Instagram business monthly revenue has consistently reached more than IDR 1 million per month in the past year</li> <li>2. My Instagram business revenue increases every month</li> <li>3. The number of followers who are potential new customers increases monthly</li> <li>4. The number of customers of my Instagram business continues to grow</li> <li>5. I obtain a minimum net profit margin per product of 10% of the selling price</li> <li>6. My Instagram business profit margin increases consistently</li> <li>7. There are more than 2 customers who repurchase my products within 1 year</li> <li>8. My Instagram business is able to maintain stable profits</li> </ol>
Strategic Agility	Bechtel, J., Kaufmann, C., & Kock, A. (2023)	<ol style="list-style-type: none"> <li>1. I quickly adjust marketing strategies when shopping trends change on Instagram</li> <li>2. I regularly monitor market trends and changes on Instagram</li> <li>3. I update marketing strategies after identifying significant market changes</li> <li>4. I actively respond to customer needs through Instagram DM or comments</li> <li>5. I have reserve funds for urgent needs</li> <li>6. I easily change marketing approaches (e.g., content types or promotions) to follow consumer behavior on Instagram</li> <li>7. I regularly update SOPs for resource management</li> </ol>
Product Innovation	Todorov et al., (2024)	<ol style="list-style-type: none"> <li>1. I proactively introduce new products or services before competitors do on Instagram</li> <li>2. My content is always fresh and in line with the latest trends on Instagram</li> <li>3. The products I offer always follow the latest market innovations and attract consumer attention on Instagram</li> <li>4. My products have unique characteristics compared to similar products</li> <li>5. My products have special advantages not found in competing products on Instagram</li> <li>6. I provide special services such as direct consultation or exclusive discounts for certain customers</li> </ol>
Financial Literacy	Culebro-Martínez et al., (2024)	<ol style="list-style-type: none"> <li>1. I understand how to calculate net profit from product sales</li> <li>2. I understand the importance of financial recording in running a business</li> <li>3. Business transactions are conducted through business accounts separate from personal accounts</li> <li>4. I have knowledge about various payment methods available to facilitate transactions</li> <li>5. I create a budget plan for business operational costs</li> <li>6. I have a clear financial strategy to achieve sales targets</li> <li>7. I set maximum spending limits for each operational cost category</li> <li>8. I regularly monitor business cash inflows and outflows</li> </ol>
Market Orientation	Powers et al., (2025)	<ol style="list-style-type: none"> <li>1. I regularly evaluate customer satisfaction levels</li> <li>2. I prioritize customer satisfaction in running the business</li> <li>3. I conduct interviews with loyal customers to get feedback from them</li> <li>4. I understand customer needs and desires</li> <li>5. I actively monitor customer comments and reviews on Instagram to know their opinions about my products</li> <li>6. I observe consumer behavior on Instagram, such as the types of content they like or when they are most active</li> </ol>

Source : Adapted from (Camilleri, 2024), (Bechtel et al., 2023), (Todorov et al., 2024), (Culebro-Martínez et al., 2024), and (Powers et al., 2025).

Table 1 provides a comprehensive overview of the operational definitions for each variable and the specific questionnaire items used to measure them. The variables include marketing strategy as the independent variable, strategic agility as the mediating variable, and business performance as the dependent variable. Each construct is broken down into measurable indicators derived from relevant theoretical foundations, ensuring construct validity and reliability in the measurement process.

The analysis method used is Structural Equation Modeling (SEM) with the LISREL 8.8 software. SEM is a comprehensive statistical approach for testing hypotheses about relationships between observed and latent variables. It combines factor analysis and multiple regression, enabling simultaneous testing of measurement and structural models.

### 3. RESULTS AND DISCUSSION

#### 3.1 Respondent Profile

Respondent profiles provide an overview of the participants' basic characteristics. This information is essential for understanding the respondents' backgrounds and providing context for interpreting the data obtained, ensuring a more comprehensive analysis that reflects the conditions of the population being studied.

**Table 2.** Respondent Profile

Item	Respondents	
	n	percentage
Gender		
Male	0	0%
Female	155	100%
Age Interval		
19-29	45	29%
30-40	76	49%
41-52	34	22%
Domicile		
Jabodetabek (Jakarta, Bogor, Depok, Tangerang, Bekasi)	74	47.7%
West Java (Bandung, Purwakarta, Sukabumi, Tasikmalaya, Subang, Karawang)	26	16.8%
Central Java (Solo, Pekalongan, Kudus, Brebes, Tegal, Banyumas)	29	18.7%
East Java (Surabaya, Malang, Mojokerto, Kediri, Madiun, Sidoarjo, Jombang, Tuban, Lumajang)	20	12.9%
DI Yogyakarta (Yogyakarta, Bantul)	10	6.5%
Outside Java (Bali, Kalimantan, Lombok, Lampung)	6	3.9%
Business Duration		
1 to 3 years	54	34.80%
More than 3 years	101	65.20%

Source: Researcher processed data

Based on Table 2, the majority of respondents were within the productive age group of 30–40 years (49%), followed by the 19–29 age group (29%), and the senior group aged 41–52 years (22%). In terms of geographical distribution, a significant portion of respondents resided in the Greater Jakarta area (Jabodetabek) with 47.7%, followed by Central Java (18.7%), West Java (16.8%), East Java (12.9%), Yogyakarta (6.5%), and the remainder outside Java (3.9%). Regarding business tenure, 65.2% of respondents had operated their businesses for more than three years, while 34.8% had been running for between one and three years.

#### 3.2 Data Normality Test

The normality test aims to ensure that the distribution of the analyzed data meets the statistical assumptions required in the structural model. The plausibility of a normal data distribution is the basis for the validity of the estimation results, making this test crucial before proceeding to further analysis.

**Table 3.** Test of Multivariate Normality for Continuous Variables

Skewness			Kurtosis			Skewness and Kurtosis	
Value	Z-Score	P-Value	Value	Z-Score	P-Value	Chi-Square	P-Value
690.592	25.492	0.000	2035.542	11.728	0.000	787.371	0.000

Source: Lisrel 8.8 Output (2025)

Multivariate normality was assessed using the Skewness and Kurtosis test from LISREL 8.8. Based on Table 3, the p-value was less than 0.05, indicating non-normal distribution. As a result, the Robust Maximum Likelihood approach was applied for model estimation.

### 3.3 Goodness of Fit

The model's goodness of fit shows generally favorable results. The Chi-Square value of 939.37 with a p-value of 0.00 indicates the model is perfectly fit (which is common in large samples), other indices support a good model fit.

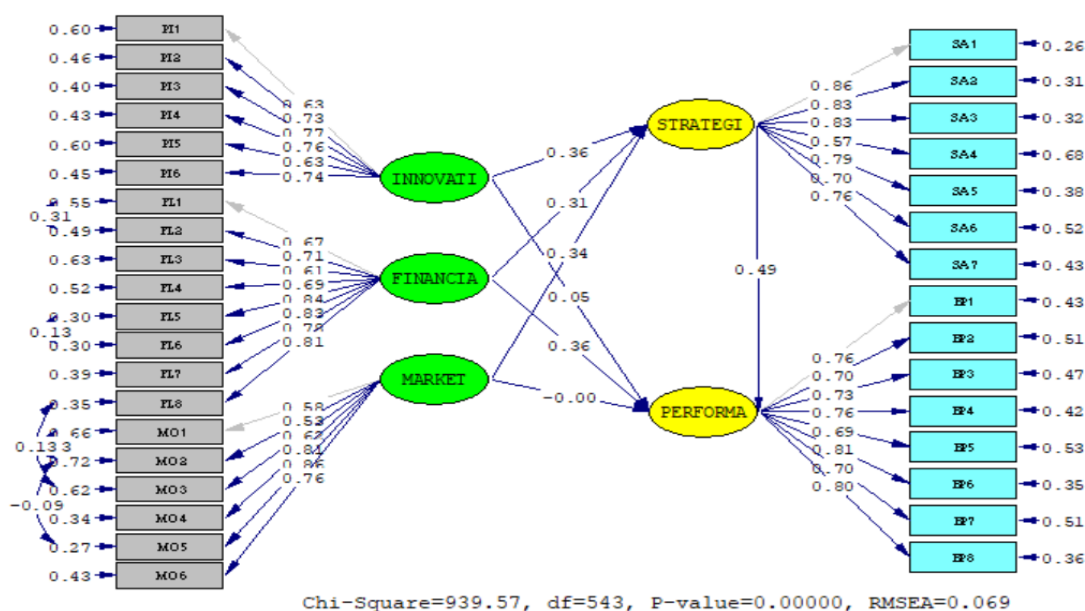
**Table 4.** Goodness of Fit

Goodness of Fit Statistic	Cut Off	Model Index	Remark
Chi Square	The smaller the better	939,37	Good fit
P value	$p \geq 0,05$	0,00	Good Fit
RMSEA	$RMSEA \leq 0,08$	0,069	Good Fit
NFI	$NFI \geq 0,9$	0,95	Good Fit
NNFI	$NNFI \geq 0,9$	0,97	Good Fit
CFI	$CFI \geq 0,9$	0,98	Good Fit
IFI	$IFI \geq 0,9$	0,98	Good Fit
RFI	$RFI \geq 0,9$	0,97	Good Fit
SRMR	$RMR \leq 0,08$	0,073	Good Fit
GFI	$GFI \geq 0,9$	0,69	Not Fit
AGFI	$AGFI \geq 0,9$	0,65	Not Fit
ECVI	Model < Saturated and Independence	7,23	Good Fit
AIC	Model < Saturated and Independence	1113,37	Good Fit
CAIC	Model < Saturated and Independence	1465,34	Good Fit

Based on Table 4, the RMSEA value of 0.069 falls within acceptable limits ( $\leq 0.08$ ). Incremental fit indices such as NFI (0.95), NNFI (0.97), CFI (0.98), and IFI (0.98) all exceed the recommended value of 0.90. Although GFI (0.69) and AGFI (0.65) are below the ideal threshold, the SRMR value of 0.073 supports model adequacy. The AIC, CAIC, and ECVI values also confirm model efficiency. Overall, the model demonstrates acceptable fit for further analysis.

### 3.4 Validity and Reliability

Validity testing was conducted to ensure that each indicator used in the study accurately represented the construct being measured. Instrument validity was analyzed through the loading factor values of each indicator against the intended latent variable. An indicator was declared valid if its loading factor value met the minimum criteria, thus concluding that the research instrument accurately measured the concept and aligned with the research objectives.



**Figure 4.** Confirmatory Factor Analysis

Construct validity testing was conducted by examining the loading factor values (standardized loading factor/SLF) of each indicator. Good SLF value is  $\geq 0.50$ . Figure 4 shows all indicator loading factors were above the threshold of 0.50, indicating valid constructs.

Reliability testing in LISREL is typically assessed through construct reliability (CR) and variance extracted (VE) values. A high CR value indicates that the indicator consistently measures the same construct, while an adequate VE indicates the amount of variance explained by the construct relative to the error. Thus, the research instrument can be declared reliable and suitable for use in structural model analysis.

**Table 6.** Construct Reliability dan Variance Extracted

Variabel	CR(Construct Reliability)	VE(Variance Extracted)	Result
Product Innovation	0.86	0.51	Reliable
Financial Literacy	0.91	0.56	Reliable
Market Orientation	0.85	0.50	Reliable
Strategic Agility	0.91	0.59	Reliable
Business Performance	0.91	0.56	Reliable

Source: Researcher processed data

Table 6 shows the result of reliability analysis using Construct Reliability (CR) and Variance Extracted (VE) also confirmed reliability, with  $CR \geq 0.70$  and  $VE \geq 0.50$  for all variables, including product innovation, financial literacy, market orientation, strategic agility, and business performance.

**3.5 Direct and Indirect Effect**

The analysis results above indicate that all goodness of fit indices confirm the model fit, and the loading factor results demonstrate that the variables are valid, while the CR and VE calculations indicate reliability. Subsequently, we can conclude that the overall model is appropriate. The structural equations model from LISREL 8.8 revealed the following results:

PERFORMA = 0.48*STRATEGI + 0.052*INNOVATI + 0.44*FINANCIA - 0.0024*MARKET, Errorvar.= 0.25, R <sup>2</sup> = 0.70				
(0.14)	(0.13)	(0.14)	(0.14)	(0.050)
3.39	0.39	3.04	-0.017	5.03
STRATEGI = 0.42*INNOVATI + 0.39*FINANCIA + 0.51*MARKET, Errorvar.= 0.20 , R <sup>2</sup> = 0.77				
(0.13)	(0.10)	(0.17)	(0.040)	
3.16	3.70	3.09	5.01	

**Figure 5.** Structural Equations  
 Source: Lisrel 8.8 Output (2025)

Based on the Structural Equations in the Figure 5 above, the following conclusions can be drawn:

- The hypothesis testing result for hypothesis 1 shows that product innovation positively influences strategic agility with a t-value = 3.16 > 1.96, indicating a significant effect; therefore, H1 is accepted.
- The hypothesis testing result for hypothesis 2 shows that financial literacy positively influences strategic agility with a t-value = 3.70 > 1.96, indicating a significant effect; therefore, H2 is accepted.
- The hypothesis testing result for hypothesis 3 shows that market orientation positively influences strategic agility with a t-value = 3.09 > 1.96, indicating a significant effect; therefore, H3 is accepted.
- The hypothesis testing result for hypothesis 4 shows that product innovation positively influences business performance with a t-value = 0.39 < 1.96, indicating a non-significant effect; therefore, H4 is rejected.
- The hypothesis testing result for hypothesis 5 shows that financial literacy positively influences business performance with a t-value = 3.04 > 1.96, indicating a significant effect; therefore, H5 is accepted.
- The hypothesis testing result for hypothesis 6 shows that market orientation negatively influences business performance with a t-value = 0.017 < 1.96, indicating a non-significant effect; therefore, H6 is rejected.
- The hypothesis testing result for hypothesis 7 shows that strategic agility positively influences business performance with a t-value = 3.39 > 1.96, indicating a significant effect; therefore, H7 is accepted.

	INNOVATI	FINANCIA	MARKET
PERFORMA	0.20 (0.09) 2.30	0.18 (0.08) 2.45	0.24 (0.10) 2.37
STRATEGI	--	--	--

**Figure 6.** Indirect Effects of KSI on ETA  
 Source: Lisrel 8.8 Output (2025)

Based on the Indirect Effect of KSI on ETA in the Figure 6 above, the following conclusions can be drawn:

- The hypothesis testing result for hypothesis 8 shows that product innovation positively influences business performance through strategic agility with a t-value = 2.30 > 1.96, indicating that strategic agility successfully mediates the effect of product innovation on business performance; therefore, H8 is accepted.

- i. The hypothesis testing result for hypothesis 9 shows that financial literacy positively influences business performance through strategic agility with a  $t$ -value =  $2.45 > 1.96$ , indicating that strategic agility successfully mediates the effect of financial literacy on business performance; therefore, H9 is accepted.
- j. The hypothesis testing result for hypothesis 10 shows that market orientation positively influences business performance through strategic agility with a  $t$ -value =  $2.37 > 1.96$ , indicating that strategic agility successfully mediates the effect of market orientation on business performance; therefore, H10 is accepted.

### 3.6 Discussion

The findings confirm that all three independent variables—product innovation, financial literacy, and market orientation—positively and significantly influence strategic agility among business actors in the Emak Cantik community. Product innovation ( $t = 3.16$ ) acts as a manifestation of dynamic capabilities, enabling proactive product development and adaptation in a dynamic business environment, aligning with Hutton et al., (2024) who argue that open innovation supports new product development and market responsiveness. Financial literacy ( $t = 3.70$ ) showed the strongest effect on strategic agility, confirming its role as a micro-level mechanism facilitating the reconfiguration of strategic capabilities. This is consistent with Margiutomo et al., (2022), who found that financial literacy mediates the effect of strategic agility on MSME performance. Market orientation ( $t = 3.09$ ) also positively influences strategic agility, reinforcing its role as a dynamic capability that enables firms to continuously gather, interpret, and respond to market information. This supports Nurcholis (2020), who found that market orientation increases responsiveness and competitiveness.

However, the direct effect of product innovation on business performance was insignificant ( $t = 0.39$ ), supporting Anderson & Hidayah (2023) who noted that resource limitations at the micro level can hinder the transformation of innovation into performance. Conversely, financial literacy had a significant direct impact ( $t = 3.04$ ), consistent with Yulianto & Rita (2023) who emphasized its role in converting intellectual potential into superior performance. Market orientation's impact on performance was also insignificant ( $t = 0.017$ ), indicating that limited analytical capabilities and access to comprehensive market data may act as barriers, as noted by Taufik (2020). Strategic agility showed the strongest direct influence ( $t = 3.39$ ), confirming its role as a key predictor of business success, in line with Munawar et al., (2023).

Mediation analysis showed that strategic agility significantly mediates the effects of product innovation (H8), financial literacy (H9), and market orientation (H10) on business performance. This highlights the importance of strategic agility as a transformation mechanism, allowing businesses to convert internal capabilities into competitive advantage. These findings align with prior studies by Firdaus et al., (2024), Margiutomo et al., (2022) and Nurcholis (2020), emphasizing the vital role of strategic agility in navigating dynamic business environments.

## 4. CONCLUSION

Based on the results of the study, it can be concluded that strategic agility is a key element in driving business performance among entrepreneurs in the Emak Cantik community. This agility is significantly influenced by product innovation, financial literacy, and market orientation, which synergistically enhance the ability to adapt to dynamic business environments. Product innovation and market orientation were found to enhance strategic agility; however, their direct effects on business performance were not strong or even negative without the presence of mediating factors. On the other hand, financial literacy and strategic agility were proven to have a direct positive effect on business performance. Financial literacy strengthens strategic decision-making and resource management, while strategic agility enables quick adaptation to market changes. Thus, enhancing the organization's adaptive capacity through strategic agility is essential to transform the internal potential of entrepreneurs into superior and sustainable business performance. This study has several limitations that should be considered. First, the research focuses solely on internal organizational aspects—namely product innovation, financial literacy, and market orientation—without taking into account external factors such as economic conditions, industry competition, and changes in government policy that could influence strategic agility. Second, this study uses strategic agility as a single mediating variable, which limits the comprehensiveness of the model. It does not explore other potential mediating variables that may play a role in linking the independent variables to business performance. Future research should consider additional internal and external factors that may influence strategic agility and further enrich the analysis of business performance dynamics.

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