

STRATEGIC MODEL FOR IMPROVING THE PERFORMANCE AND GROWTH OF LOCAL FOOD SME'S IN EAST NUSA TENGGARA

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Abstract

Small and medium-sized enterprises (SME's) in the local food sector in East Nusa Tenggara play an important role in driving regional economic growth while preserving local wisdom. This study aims to analyze the influence of market sensing, innovativeness, knowledge, motivation, partnership quality, and IT capability on the growth of local food SME's. The research method employed is a quantitative approach through a survey of 165 SME's operators, with data analysis using Structural Equation Modeling-Partial Least Squares (SEM-PLS). The analysis results indicate that market sensing, knowledge, motivation, and partnership quality have a significant impact on SME's growth. Conversely, innovativeness and IT capability do not have a significant impact. These findings emphasize that the ability to understand market needs, manage business knowledge, maintain entrepreneurial motivation, and establish quality partnerships are the primary determinants of the growth of local food SME's. Meanwhile, limited resources, low digital literacy, and local consumer preferences for traditional products are factors that explain the weak contribution of innovation and information technology. This study contributes to the development of literature by reaffirming the relevance of the Resource-Based View and Dynamic Capabilities View theories in the context of SME's in island regions. Practically, business actors need to strengthen market sensing, enhance knowledge capacity, and build strategic partnership networks. Further studies are recommended to examine the role of mediating factors, policy support, and the dynamics of SME's growth in the long term.

Keywords: *knowledge, market sensing, motivation, partnership quality, SME's growth*

INTRODUCTION

Small and medium-sized enterprises (SME's) are one of the main keys to improving the national economy because of their role in creating jobs, increasing community income, and supporting economic equality (Marei, Abou-Moghli, Shehadeh, Salhab & Othman, 2022). In Indonesia, SME's contribute more than 60% to the Gross Domestic Product (GDP) and employ the majority of the workforce (BPS, 2025). Various SME's sectors, particularly the food sub-sector, have strategic appeal, especially in regions rich in natural resources and local product diversity, such as East Nusa Tenggara Province (NTT). Local food SME's contribute to improving the

economy of the community and also preserve cultural heritage and local wisdom through traditional products.

According to data from the NTT Industry and Trade Office, in 2024, there were 2,891 food small and medium industries (SME's) spread across 22 regencies/cities. This distribution shows the highest concentration in Kupang City (776 units), followed by Kupang Regency (222 units) and North Central Timor Regency (204 units). Conversely, several regions have a relatively low number of food SME's, such as Central Sumba Regency (14 units) and Malaka Regency (17 units). This distribution reflects the significant potential that has not been maximized evenly across NTT. The disparity in the number of business units between regions also indicates differences in market access, production capabilities, infrastructure, and institutional support.

The business environment for SME's is increasingly dynamic due to the acceleration of digital transformation, changes in consumer preferences, and increasing competition both at the national and global levels (Omowole, Olufemi-Phillips, Ofodile, Eyo-Udo & Ewim, 2024). The COVID-19 pandemic has accelerated the adoption of digital technology, pushing SME's to change their marketing strategies, develop new products, and expand their partnership networks to survive (Ibarra, Bigdeli, Igartua & Ganzarain, 2020). In this context, the ability of local food SME's in NTT to conduct market sensing (detecting market opportunities and understanding consumer needs), increase product innovation (innovativeness), maintain entrepreneurial motivation, build quality partnerships (partnership quality), and optimize information technology capabilities (IT capability) are determining factors for business sustainability and growth.

Various previous studies have shown that internal capabilities such as market sensing and innovation, as well as external factors such as partnership quality and technological support, have a significant influence on SME's growth (Joensuu-Salo, Viljamaa & Kangas, 2023; Marei et al., 2022; Yang, Likai & Ruoyu, 2022). However, studies integrating all these factors in the context of food SME's in island and border areas like NTT are still very limited. Challenging geographic conditions, limited infrastructure, and heterogeneity of local markets add to the complexity of business management in this region. Departing from prior work that examines only one or two factors, this study offers a comprehensive view by combining six growth determinants (market sensing, innovation, motivation, knowledge, partnership quality, and IT capabilities) into a single model that is appropriate for the island context. Using the latest data on the distribution of food SME's in 22 districts/cities, this study captures regional differences and tests the fact that innovation and IT do not always have an impact if the "foundations" such as knowledge, market sensing, and partnerships are not yet strong. The results are expected to contribute to a simple theory of building foundations first, then using innovation/IT when ready, as well as practical guidelines that are easy to use: the sequence of capacity building, relevant measures for food (safety, packaging, sales channels), and different policy directions for central and peripheral regions.

This study aims to analyze the influence of market sensing, innovativeness, motivation, knowledge, partnership quality, and IT capability on the growth of local food SMEs in NTT. The results are expected to provide theoretical contributions to enrich the literature on capability-based SME's growth in developing regions, as well as practical contributions for business actors, policymakers, and supporting institutions in formulating strategies to strengthen the competitiveness of local food SME's sustainably.

LITERATURE REVIEW

SME's Growth

SME's growth, or the growth of small and medium enterprises, refers to increased business performance, reflected in the development of business size, both financially and non-financially. This growth is generally measured through three main indicators: sales growth, workforce growth, and asset growth (Joensuu-Salo et al., 2023). Sales growth reflects the success of marketing strategies and competitiveness in the market, workforce growth indicates increased production capacity and business scale, while asset growth signals a strengthening financial structure and opportunities for accessing external financing. SME's growth is seen not only as an indicator of business success but also as a crucial factor in job creation, improving welfare, and developing a country's economy (Neneh & Vanzyl, 2014; Tan, Smyrniotis & Xiong, 2014). Furthermore, SME's growth is understood not merely as a natural phenomenon, but rather as the result of growth intentions, managerial capabilities, and internal and external environmental influences that shape entrepreneurs' decisions in developing their businesses.

Market Sensing

Market sensing is an organization's ability to detect consumer needs, anticipate market changes, and respond appropriately to business trends (Barreto, Freitas, & de Paula 2024; Ibarra et al., 2020). Within the Dynamic Capabilities View framework, market sensing positions SMEs to be more adaptive to dynamic environments. Several studies have shown a positive relationship between market sensing and SME growth. Joensuu-Salo, Sorama, Viljamaa, and Varamäki (2018) confirmed that market sensing skills increase customer satisfaction and expand market share. Similarly, Barreto et al. (2024) found that sensing capabilities strengthen sustainable supply chain performance.

Several studies also highlight that the effectiveness of market sensing is strongly influenced by local context. In environments with strong consumer preferences for traditional products, market sensing emphasizes adapting to local wisdom rather than exploring radical innovations. This is relevant for food SMEs in East Nusa Tenggara (NTT), which face a heterogeneous market with limited infrastructure access. Therefore, this study confirms that:

H1: Market sensing has a positive effect on SME's growth.

Innovativeness

Innovativeness reflects the tendency of SMEs to create new ideas, products, or processes that add value to consumers (Sulastini & Darmawi, 2022). Based on Schumpeterian Innovation theory, innovation is the primary driver of competitive advantage. A study by Jones, Mantok, Sekhon and Sahi (2019) showed that innovation contributes to SME growth through organizational learning and product differentiation. Mogashoa and Selebi (2021) also found that innovation capacity strengthens competitiveness through process efficiency and market expansion. Empirical findings are not always consistent. In some developing country contexts, limited capital, low digital literacy, and market preference for traditional products limit the contribution of innovation (Sulastini & Darmawi, 2022). This indicates that although innovation is believed to be theoretically important, its effectiveness depends on resource availability and market acceptance. The proposed hypothesis is that:

H2: Innovativeness has a positive effect on SME's growth.

Motivation

Entrepreneurial motivation is an internal drive that influences the behavior, persistence, and dedication of entrepreneurs in achieving business goals (Billingsley, Lipsey, Burnette, and Pollack 2023). Expectancy-Value Theory Wigfield and Eccles (2000) explains that motivation is formed from expectations of success and the values considered important by entrepreneurs. A study by Billingsley et al. (2023) shows that motivation plays a significant role in shaping a growth mindset that drives business performance. Feng et al. (2023) also emphasized that motivation strengthens the resilience of female entrepreneurs in facing business challenges.

In the context of local food SME's, motivation is often not only economic but also social and cultural, such as preserving local wisdom or improving social status. Thus, motivation can strengthen resilience to risks and spur business development.

H3: Motivation has a positive effect on SME's growth.

Knowledge

Knowledge encompasses the technical, managerial, and market understanding possessed by entrepreneurs. From the Knowledge-Based View of the Firm perspective, knowledge is a strategic asset that is difficult to imitate and a source of long-term competitive advantage (Yang et al., 2022). Arifin, Noor, and Ainunnisa (2023) emphasized that financial literacy strengthens SME performance, while (Cherotich, Ayuya & Sibiko, 2019) found that financial knowledge improves the performance of women's farming businesses. Kuncoro and Sembiring (2023) added that product knowledge positively influences SME product purchase intentions.

Gaps remain regarding how local knowledge, such as traditional food processing techniques, contributes to modern market penetration. This study retests this assumption in an archipelagic context

H4: Knowledge has a positive effect on SME's growth.

Partnership Quality

Partnership quality refers to the level of trust, commitment, and effective communication between SMEs and their business partners (Liu, 2021). Based on Social Network Theory, a quality partnership network can open access to resources, information, and new market opportunities (Liu, Sidhu, Beacom & Valente, 2017). Research by Benhayoun-Sadafiyyine, Dain, Dominguez-Péry, and Lyons (2020) shows that collaborative innovation-based partnerships increase the absorptive capacity and competitiveness of SMEs. However, the quality of partnerships often depends on the socio-cultural context. In areas with limited infrastructure, networks

H5: Partnership quality has a positive effect on SME's growth.

IT Capability

IT capability is an organization's ability to utilize information technology to manage business processes, integrate resources, and support strategic decision making (Marei et al., 2022). From a Resource-Based View (RBV) perspective, unique IT capabilities can be a source of sustainable competitive advantage. Afolayan, Plant, White, Jones, and Beynon-Davies (2015) asserted that IT utilization in SMEs in developing countries improves operational efficiency and expands markets.

The actual contribution of IT capability to SME growth remains debated. In many regions, technology adoption is limited to basic applications such as WhatsApp or simple marketplaces, thus under-performing its impact on productivity. This gap is relevant to testing food SMEs in East Nusa Tenggara (NTT). Therefore, the hypothesis of this study is that:.

H6: IT capability has a positive effect on SME's growth.

The complete research model is presented in Figure 1.

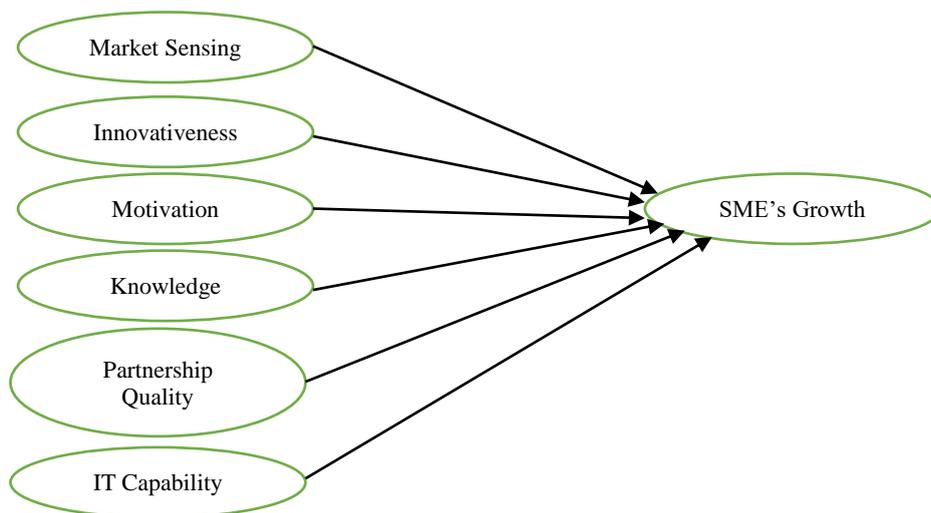


Figure 1. Research Model

RESEARCH METHODS

The method in this research is quantitative using a survey approach where questionnaires are distributed using Google Form to a group of local food SME's in NTT to determine and analyze the influence of market sensing, innovativeness, motivation, knowledge, quality of partnership, and IT capability on SMEs' growth. The population in this study is all local food SME's in NTT. The focus on this population was chosen because it is considered to represent the strategic potential of the local food sector in driving regional economic growth, maintaining the sustainability of products based on local wisdom, and increasing competitiveness in domestic and global markets. The sample of this study was 165 local food SME's in NTT who were selected intentionally to ensure that the participants have an understanding and commitment to the development of local food businesses.

The sample selection criteria include: (1) having run a local food business for at least one year, (2) having a legal business or being registered in the database of relevant agencies, (3) actively carrying out production and marketing activities, and (4) being willing to provide information needed in the research. This approach was taken to obtain relevant, in-depth data, and in accordance with the research objectives in identifying factors that influence the growth of local food SME's in NTT. 165 samples were obtained from 33 indicators and multiplied by 5 to obtain a sample of 165 respondents. Based on the guidelines from Hair, Risher, Sarstedt, and Ringle (2019) the number of indicators must be multiplied by 5-10. The number 5 was chosen because it is the lowest value in the range and when multiplied is above 100.

Table 1. Operational Variables

No	Variable	Indicator	Scale
1.	Market Sensing	MS1: I regularly pay attention to what my customers need and want. MS2: I pay attention to how my customers use the food products I sell. MS3: I can differentiate between different types of customers, such as based on age, taste, or purchasing habits (Ibarra et al., 2020)	Ordinal 1-5
2.	Innovativeness	I1: I frequently create and sell new types of food products that I've never sold before. I2: I've made significant changes to a product's recipe, shape, or presentation to make it look completely different from before. (Jones et al., 2019)	Ordinal 1-5
3.	Motivation	M1: I run this business to earn income and be respected in my social circle. M2: I feel proud to be able to run my own business. M3: I remain enthusiastic about running my business despite facing many challenges. M4: I want my business to continue to grow and be more widely known. M5: I want to provide jobs for people around me. M6: I started this food business because I wanted to work with a more flexible and enjoyable schedule. M7: I run this business because I want to live more independently. M8: I strive to continue learning to improve my business. (Billingsley et al., 2023)	Ordinal 1-5
4.	Knowledge	K1: I understand the process of processing local food ingredients into marketable products. K2: I know how to maintain the cleanliness and safety of the food products I sell. K3: I understand how to set selling prices to match costs and remain profitable. K4: I know which local ingredients have high market value. K5: I continue to learn so my food business can grow and compete. K6: I know how to package food products to make them attractive and safe for consumption. (Yang et al., 2022)	Ordinal 1-5
5.	Partnership Quality	PQ1: I maintain close working relationships with my business partners (such as stores, distributors, cooperatives, or agencies). PQ2: I feel that my working relationships with my business partners are professional and mutually beneficial. PQ3: My business partners and I trust and respect each other in our collaboration. PQ4: I actively communicate and maintain long-term relationships with my business partners. (Liu, 2021)	Ordinal 1-5

Table 1. Operational Variable (cont.)

No	Variable	Indicator	Scale
6.	IT Capability	ITC1: I have the ability to use a smartphone or computer to support my business. ITC2: I can use digital applications (such as WhatsApp, Google Forms, or Marketplace) to market my food products. ITC3: I can search for business information, recipes, or marketing methods online. ITC4: I store and manage business data (such as inventory, orders, or finances) using digital tools. ITC5: I feel that information technology helps me work faster and more efficiently (Marei et al., 2022)	Ordinal 1-5
7.	SME's Growth	SG1: The number of employees in my food business has increased compared to previous years. SG2: My business revenue from food product sales has consistently increased over time. SG3: The value of my business assets (such as production equipment, working capital, and business premises) has increased in the last one to two years. SG4: My food business has grown in terms of production volume or number of orders. SG5: I feel my food business is growing better than when I first started (Neneh & Vanzy, 2014)	Ordinal 1-5

Measurements were made using a five-point ordinal scale, and the collected data were analyzed using Structural Equation Modeling Partial Least Squares (SEM-PLS) to evaluate the relationship between research variables and SME's Growth (Hair, Howard, & Nitzl, 2020; Sarstedt, Ringle & Hair 2021; Angelina, Riskayanto, & Huda, 2025; Fallo, Amaral, & Watu 2025; Rizkalefatehania, Susilowati & Sumarmi, 2025). During the measurement model testing phase, validity and reliability were evaluated to ensure construct quality. Indicators with factor loadings below the threshold of 0.60 were deemed not to meet convergent validity criteria and were therefore eliminated from the model. This indicator purification process is a standard procedure in PLS-SEM to avoid measurement bias and ensure that each construct is represented only by truly reliable items. After removing invalid indicators, the model was re-estimated, and the remaining indicators demonstrated loadings above 0.60, Average Variance Extracted (AVE) > 0.50, and composite reliability and Cronbach's Alpha > 0.70. Discriminant validity was also confirmed (Fornell & Larcker, 1981). These results confirm that removing weak indicators does not reduce the conceptual scope of the construct but rather strengthens its convergent/discriminant validity and overall reliability, thereby increasing the robustness and credibility of the structural analysis. Table 1 presents a description of the operational definitions, indicators, and measurement scales of the variables.

RESULTS AND DISCUSSION

Respondent Profile

Table 2. Respondent Characteristics

Variable	Category	Frequency	Percentage (%)
Gender	Male	67	41
	Female	98	59
	Total	165	100
Age	< 20 years	5	3
	20-29 years	26	16
	30–39 years	87	53
	40–49 years	45	27
	More than 50 years	2	1
	Total	165	100
Educational Attainment	Primarily School	1	1
	Middle School	12	7
	Senior High School	100	61
	Bachelor's Degree	43	26
	Master's/Doctoral Degree	9	5
	Total	165	100
Business Duration	< 1 year	2	1
	1-3 years	25	15
	4-6 years	111	67
	7-10 years	20	12
	>10 years	7	4
	Total	165	100
Number of Employees	Self-employed	4	2
	2-5 people	70	42
	6-10 people	88	53
	>10 people	3	2
	Total	165	100
Location	Kupang City	15	9
	Kupang Regency	7	4
	South Central Timor Regency	5	3
	North Central Timor Regency	8	5
	Belu Regency	9	5
	Malaka Regency	10	6
	Sikka Regency	15	9
	Ngada Regency	8	5
	East Manggarai Regency	7	4
	Manggarai Regency	8	5
	West Manggarai Regency	18	11
	East Sumba Regency	6	4
	West Sumba Regency	8	5
	Rote Ndao Regency	10	6
	Sabu Raijua Regency	6	4
	Alor Regency	6	4
	Nagekeo Regency	6	4
	Lembata Regency	5	3
	Ende Regency	8	5
	Total	165	100

Respondent characteristic analysis is useful for researchers to map each demographic, social, economic, and other relevant variables that may influence the research results, thus obtaining a clear picture of the profile and distribution of respondents within the studied population. This study analyzed age, gender, highest level of education, length of business establishment, and district. A Google form distributed to local food SME groups in NTT was used to collect 165 respondents. Table 2 presents a description of respondent characteristics based on gender, age, highest level of education, business duration, number of employees, and location.

Table 2 shows that the majority of respondents from local food SME's in NTT in this study were female (69%), aged 30–39 years (53%), with a high school education (61%), having been in business for 4–6 years (67%), having 6–10 employees (53%), and located in West Manggarai Regency (11%). The respondent profile shows a predominance of female entrepreneurs, middle-aged business owners, and SME's in the middle stages of business operations with a relatively small number of employees. Education levels were concentrated at the secondary level, indicating that practical knowledge remains central to business management in this context. High geographic diversity enhances the representativeness of the sample across the economic and cultural landscape of NTT. These descriptive insights provide a foundation for understanding how demographic and business characteristics interact with marketing, leadership, and partnership factors to influence SME's growth.

Validity and Reliability

Table 3. Measurement Model

Construct/Items	Factor Loadings	AVE	α	CR
MS1	0,859	0,741	0,826	0,896
MS2	0,859			
MS3	0,865			
I1	0,927	0,792	0,744	0,884
I2	0,851			
M2	0,823	0,685	0,885	0,916
M3	0,824			
M4	0,818			
M5	0,807			
M6	0,865			
K4	0,831			
K5	0,862			
K6	0,817			
PQ1	0,616	0,696	0,844	0,900
PQ2	0,889			
PQ3	0,934			
PQ4	0,861			
ITC1	0,817	0,759	0,920	0,940
ITC 2	0,887			
ITC 3	0,917			
ITC 4	0,900			
ITC 5	0,831			
SG1	0,866	0,740	0,912	0,934
SG2	0,884			
SG3	0,855			
SG4	0,845			
SG5	0,852			

Based on the summary in Table 3, the measurement model has met the applicable validity and reliability requirements. Convergent validity is evident from all factor loading values exceeding 0.6 and AVE values above 0.5 (Sarstedt et al., 2021). Internal consistency is also guaranteed, as indicated by the composite reliability value and Cronbach's alpha which exceed the limit of 0.7 (Hair et al., 2020). The following are the validity and reliability results in Table 3.

In table 3, there are 27 indicators that are declared valid, while 4 indicators are removed because they do not meet the validity requirements of values below 0.6, including K1 = 0.498, K2 = 0.411, K3 = 0.454, M1 = 0.410, M7 = 0.338, M8 = 0.351. After the indicators are removed and declared valid and reliable, the next stage is to see the influence between variables.

Structural Model

In this model, market sensing, innovation, knowledge, motivation, partnership quality and IT capability act as independent variables, while SME's Growth is the dependent variable in Table 4.

Table 4. Discriminant validity assessment: Fornell-larcker criterion

	ITC	I	K	MS	M	PQ	SG
ITC	0,871						
I	0,060	0,890					
K	0,547	0,057	0,837				
MS	0,112	0,776	0,107	0,861			
M	0,580	0,049	0,069	0,063	0,828		
PQ	0,759	0,213	0,593	0,262	0,564	0,834	
SG	0,605	0,274	0,533	0,382	0,520	0,687	0,860

Referring to Table 4, all constructs (ITC, I, K, MS, M, PQ, SG) meet the Fornell–Larcker criteria. This is indicated by the square root of the AVE value on the diagonal, which is always greater than the highest correlation with other constructs in the same row/column, indicating that each construct better reflects its own indicators than other constructs. The endogenous variable SME's Growth (SG) has an R-Square of 0.622, meaning that the combination of predictor constructs in the model explains 62.2% of the variation in SG, while the remaining 37.8% is influenced by factors outside the current model. The following is the R-Square data in Table 5.

Table 5. R-Square

	R-Square	R-Square Adjusted
SME's Growth	0,622	0,608

The complete structure model is presented in Figure 2. Hypothesis testing in Table 6 and Figure 2 shows that Market Sensing has a significant effect on SME's growth ($t = 3.773$; $p = 0.000$), while Innovation has no significant effect ($t = 0.436$; $p = 0.331$). Furthermore, Knowledge has a significant effect ($t = 6.050$; $p = 0.000$) and Motivation is also significant ($t = 5.564$; $p = 0.000$). Partnership Quality is proven to be significant ($t = 2.041$; $p = 0.021$), while IT Capability does not show a significant direct effect on SME's Growth ($t = 0.533$; $p = 0.297$). Table 6 shows the path analysis coefficient values.

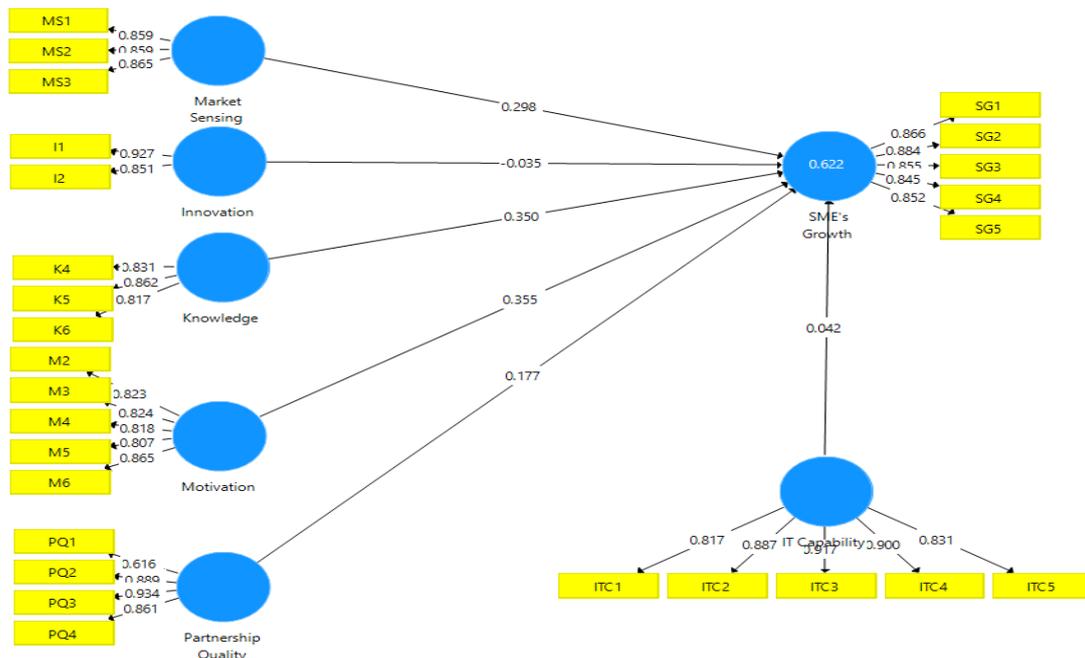


Figure 2. Structural Model

Table 6. Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDV)	T Statistics (O/STDEV)	P Values	Result
Market Sensing → SME's Growth	0,298	0,296	0,079	3,773	0,000	Accepted
Innovation → SME's Growth	-0,035	-0,029	0,079	0,436	0,331	Rejected
Knowledge → SME's Growth	0,350	0,352	0,058	6,050	0,000	Accepted
Motivation → SME's Growth	0,355	0,357	0,064	5,564	0,000	Accepted
Partnership Quality → SME's Growth	0,177	0,178	0,087	2,041	0,021	Accepted
IT Capability → SME's Growth	0,042	0,046	0,078	0,533	0,297	Rejected

Discussions

Market Sensing and SME's Growth

The results of the study indicate that Market Sensing has a significant influence on the growth of local food SME's in East Nusa Tenggara ($t = 3.773$; $p = 0.000$). This finding supports the view Barreto et al. (2024) and Ibarra et al. (2020) the ability to

understand consumer needs and anticipate market changes is crucial for business sustainability. Within the Dynamic Capabilities View framework, market sensing positions SME's in an adaptive position to navigate a rapidly changing business environment. Practically, SME's ability to detect customer needs, healthy food consumption trends, and digital-based distribution patterns enables them to tailor products to local and national market sensing. Joensuu-Salo et al., (2018) stated that market sensing improves customer satisfaction and expands market reach, ultimately driving business growth. In the NTT context, market sensing has greater implications due to market heterogeneity influenced by geographic and cultural factors. Thus, this finding is consistent with previous theory and research that SME's that proactively read the market are more likely to experience positive growth than those that are reactive.

Innovativeness and SME's Growth

Contrary to theoretical expectations, the results of this study indicate that innovation does not significantly influence the growth of local food SME's ($t = 0.436$; $p = 0.331$). However, Schumpeter's innovation theory emphasizes that the creation of new ideas and products is the driving force behind business growth. Sulastini and Darmawi (2022). A number of previous studies have also confirmed the contribution of innovation to market expansion and increased competitiveness (Jones et al., 2019; Mogashoa & Selebi, 2021).

These inconclusive results can be explained by the operational context of food SME's in NTT. First, most businesses are in the middle stage with limited capital and skilled human resources. These limitations often hinder the implementation of innovations, even though business operators have creative ideas. Second, local consumer preferences tend to favor traditional flavors, so product innovations that are too different may not be accepted by the market. This aligns with the findings Sulastini and Darmawi (2022) that innovations that do not suit consumer tastes can reduce the market value of a product. Thus, although innovation is an important factor in global literature, its contribution in the context of local food SME's in NTT is relatively limited and requires a more contextual strategy.

Knowledge and SME's Growth

The findings of this study indicate that knowledge has a significant influence on SME's growth ($t = 6.050$; $p = 0.000$). This is in line with the Knowledge-Based View of the Firm, which emphasizes that knowledge is a strategic asset that is difficult to imitate and plays an important role in creating competitive advantage (Yang et al., 2022). SME operators with technical and managerial knowledge are able to manage production more efficiently, maintain product quality, and develop competitive pricing strategies. Knowledge also plays a role in identifying high-value local materials, enabling SME's to utilize the potential of local resources. Arifin et al. (2023) and Kuncoro and Sembiring (2023) shows that adequate knowledge strengthens innovation and expands market access, which in turn increases sales and customer satisfaction. In the context of NTT, knowledge related to local food processing techniques, packaging, and food safety standards is crucial for penetrating markets outside the region. This underscores that mastering knowledge not only contributes to business sustainability but also serves as the primary driver of SME's growth in regions with limited resources.

Motivation and SME's Growth

Motivation was found to have a significant effect on SME's growth ($t = 5.564$; $p = 0.000$). This finding is consistent with Expectancy-Value theory (Wigfield & Eccles, 2000) which emphasizes that motivation is formed from expectations of success and the personal values of business actors. Research by Billingsley et al. (2023); Feng, Ahmad, and Zheng (2023) confirms that entrepreneurial motivation is a key factor in driving resilience and perseverance in the face of challenges. For local food SME's actors in NTT, motivation is not only economic, but also social and cultural. The desire to preserve local wisdom, create job opportunities, and enhance social status within the community serves as a strong driving force for business sustainability. High motivation enables entrepreneurs to take greater risks, innovate more persistently, and adapt more effectively to market uncertainties. Therefore, entrepreneurial motivation can be regarded as an internal energy that reinforces the influence of other variables on SME's growth.

Partnership Quality and SME's Growth

The results of the study also confirm that Partnership Quality has a significant effect on SME's growth ($t = 2.041$; $p = 0.021$). In line with Social Network Theory, quality partnerships open up access to resources, distribution networks, and new market opportunities (Liu et al., 2017). In the context of local food SME's in NTT, cooperative relationships based on trust, good communication, and long-term commitment facilitate knowledge transfer and supply chain synergy. Benhayoun-Sadafiyine et al. (2020) state that strong partnerships promote operational efficiency and innovative collaboration, which have implications for business growth. The findings of this study reinforce the literature that SME's with solid partnership networks are better able to survive in the market and expand their business reach, especially in regions facing infrastructure and market access constraints like NTT.

IT Capability and SME's Growth

Contrary to initial expectations, IT capability did not have a significant effect on SME's growth ($t = 0.533$; $p = 0.297$). This finding contrasts with the literature emphasizing the importance of information technology in enhancing operational efficiency, accelerating innovation processes, and expanding market access (Afolayan et al., 2015; Marei et al., 2022). The findings in NTT show that IT capabilities have not had a significant impact on SME growth. This is because in NTT use is still limited to promotional and communication purposes, rather than operational areas such as accounting, inventory, CRM, and analytics. This finding differs from a study in Jordan. That study found IT has a positive effect on business success and acts as a bridge between entrepreneurial competence and business performance. In Jordan, IT indicators covered product and process improvement, technology acquisition and operation, and technological adaptability, not just promotion. By contrast, a study in Nigeria shows that IT does improve operations, but usage is hindered by issues such as training, inadequate infrastructure (including electricity and internet), and trust or security concerns. These barriers prevent benefits from translating directly into growth, which is similar to the challenges faced by SMEs in NTT, where digitization has not yet reached core business processes. This Result findings align with other patterns in developing countries: IT drives performance and growth only when integrated into work processes and supported by complementary factors, such as data, human resources, and partnerships, rather than when it is used solely for promotion.

CONCLUSION AND SUGGESTION

This study examines the influence of market sensing, innovativeness, knowledge, motivation, partnership quality, and IT capability on the growth of local food SME's in East Nusa Tenggara. The results of the analysis show that market sensing, knowledge, motivation, and partnership quality have a significant effect on SME's growth, while innovativeness and IT capability do not show a significant direct effect. These findings emphasize that the ability to read the market, manage knowledge, maintain entrepreneurial motivation, and build quality partnerships are crucial factors driving the performance and expansion of local food SME's. Conversely, product innovation and the utilization of information technology have not yet been able to contribute optimally, likely due to limitations in resources, digital literacy, and strong local consumer preferences for traditional products.

Theoretically, this study enriches the literature on SME's growth by confirming the relevance of the Resource-Based View and Dynamic Capabilities View theories in the context of archipelagic regions. Practically, these results provide input for business actors, policymakers, and supporting institutions to emphasize strengthening market sensing capabilities, improving technical and managerial knowledge, and developing mutually beneficial partnership networks. Future research is recommended to explore the role of mediating or moderating variables, such as entrepreneurial orientation or public policy support, and to adopt a longitudinal approach to understand the dynamics of SME's growth over the long term.

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