



# Improving Business Performance Through Creativity, Innovation and Digital Transformation of Micro, Small and Medium Enterprises: Mediated by Competitive Advantage

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## ABSTRACT

The purpose of this study is to examine and analyze the Influence of Creativity, Innovation, and Digital Transformation on Business Performance of Micro, Small, and Medium Enterprises: Mediated by Competitive Advantage (Study on Culinary Business in Malolos City Philippines). The population in this study was MSMEs owners engaged in the Culinary Business for at least 3 years in Malolos City, Bulacan Philippines, as many as 101 MSME owners. The sample consideration in this study was that respondents had a minimum education level of high school because they were considered capable of making good financial decisions. While for the business criteria, the researcher decided on the minimum criteria for the business to have been running for 3 years and have a minimum turnover of PHP 15,000 per month, the number of samples determined in this study was 101 respondents. The data analysis technique used was Smart Partial least square (SmartPLS). The results of the study indicate that Creativity has a significant influence on Business Performance of MSMEs in Malolos City Philippines. Creativity has a significant effect on the Competitive Advantage of MSMEs in Malolos City Philippines. Innovation has a significant effect on the Competitive Advantage of MSMEs in Malolos City Philippines. The relationship between innovation and Business performance in the study is directly proportional where it can be said that the better the innovation, the better the business performance and provide a significant impact. Innovation has a significant effect on Business Performance of MSMEs in Malolos City Philippines. The relationship between Innovation and competitive advantage in the study is directly proportional where it can be said that the better the creativity is carried out, the better the competitive advantage have a significant effect. Digital Transformation has a significant effect on Business Performance of MSMEs in Malolos City Philippines. The relationship between digital transformation and business performance in the study is directly proportional where it can be said that the better the digital transformation, the better the business performance Personnel and have a significant impact. Digital Transformation Have a Significant Influence on the Competitive Advantage of MSMEs in Malolos City Philippines. The relationship between digital transformation and competitive advantage in the study is directly proportional where it can be said that the better the digital transformation, the better the competitive advantage will be and have a significant impact. Competitive Advantage has a significant effect on Business Performance of MSMEs in Malolos City Philippines. Competitive Advantage acts as a mediator influence Creativity towards Business Performance of MSMEs in Malolos City Philippines. Thus, it can be said that competitive advantage is able to mediate the influence of the creativity on performance. Competitive Advantage acts as mediation influence Innovation to Business Performance of MSMEs in Malolos City Philippines.

**Keywords:** Business Performance, Competitive Advantage, Creativity, Digital Transformation, Innovation.

## I. INTRODUCTION

Around the world, MSMEs are often viewed as the engines for economic growth and therefore deemed valuable in national development. The World Bank (2017) estimates that MSMEs account for 99% of firms and 70% of the labor force in emerging economies, thus contributing about 40% to GDP. The United Nations also regards MSMEs as a vital component of achieving its Sustainable Development Goals (SDGs). In a bid to further strengthen MSMEs, governments pushed for the adoption and use of new technologies which started with the introduction of electronic means to conduct buying and selling activities (ie e-commerce). However, with the internet's ubiquity and increased computing power came new technologies in the form of cloud computing, data analytics, and artificial intelligence. These trends started to force MSMEs to go beyond e-commerce by adopting a digital transformation approach.

Micro, Small and Medium Enterprises (MSMEs) have been recognized as one of the main drivers of economic growth in many countries. They are critical to economic development as they contribute to job creation, income generation, innovation, and technological advancement (Mubarak et al., 2019). According to the World Bank, MSMEs constitute about 90% of all businesses worldwide and employ about 50% of the global workforce. Although MSMEs have made significant contributions to economic growth, they face several challenges that limit their ability to reach their full potential (Zaelani, 2019). These challenges include limited access to finance, lack of access to modern technology, limited managerial and entrepreneurial skills, inadequate infrastructure, and an unfavorable regulatory environment (Sulaiman et al., 2021). These challenges can significantly hamper their growth and competitiveness in the market.

Understanding MSMEs in economic growth and overcoming the challenges they face is essential for policy makers, entrepreneurs and other stakeholders. This can help create a conducive environment for MSMEs to thrive and contribute more effectively to economic growth, job creation, poverty alleviation, and overall social development (Akpoviro & Owotutu, 2018; Roxas & Chadee, 2016). The development of MSMEs has significant implications for economic growth and poverty alleviation, because it can encourage economic activities in various sectors. MSMEs often operate in low-income areas and employ people who may have limited opportunities for other types of employment (Harahap et al., 2020). They can provide opportunities for sustainable and inclusive economic development, including creating jobs and supporting local businesses (Iskandar et al., 2020; Putri, 2020; Rapih, 2015). For example, in Indonesia, MSMEs contribute significantly to the economy, with more than 60 million MSMEs generating around 97% of the country's employment opportunities. Moreover, increasing economic globalization has created new opportunities and challenges for MSMEs.

Globalization has enabled MSMEs to access new markets, technology and capital, but it has also created more competition, especially for firms with limited resources or those operating in low-income areas. As a result, many MSMEs need additional support to improve their competitiveness, capacity and market access (Alkhamery et al., 2021; Mubarak et al., 2019). One of the main challenges is limited access to finance, especially for those in developing countries (Riffianto & Suryani, 2017). Access to finance is critical for MSMEs to start and grow their businesses, as they often lack collateral and can be considered high-risk borrowers by banks and other financial institutions. Limited access to finance is a problem for women entrepreneurs and those in low-income areas, who may have limited access to capital and financial services. Another challenge faced by MSMEs is the lack of access to modern technology, which can affect their competitiveness and productivity (Santoso et al., 2020). Many MSMEs are unable to access or afford new technology, which can limit their ability to innovate and compete effectively in the market. Additionally, many MSMEs lack the skills necessary to use technology effectively or take advantage of new opportunities. Lack of access to modern technology is a particular problem in low-income areas, where infrastructure and technology may be inadequate or even non-existent (Rizos et al., 2016).

Competitive advantage can be met if customers get consistent differences in the products produced compared to competitors, where the differences are obtained from the results of market orientation by the company (Kaleka & Morgan, 2017). So, in this study, it is necessary to include the competitive advantage variable as a mediator of the influence of market orientation on business performance. Some experts also revealed that SMEs need the role of digital technology to increase performance and productivity (Papadopoulos et al, 2020). Technology has presented a significant role, namely digital technology in SMEs. Digital transformation is a term used in academia to describe the organizational change influenced by digital technology. Digital transformation occurs because of changes driven by technological developments in organizations and the environment. Referring to (Muditomo & Wahyudi, 2021), digital transformation and business innovation can change customer expectations and behavior, suppressing traditional companies and market disruptions. Changes in customer needs and behavior are also forcing companies and general administration to excel in digital transformation, so many business sectors require change and digital transformation is a process carried out by organizations or companies.

Innovation can be used to achieve business performance (Christa & Kristinae, 2021). Customers generally want innovative products according to their wishes. By conducting a careful market orientation, the company will create innovative products and improve business performance. Based on the research results conducted by (Bamfo & Kraa, 2019), innovation can be used as a mediation between the influence of market orientation on business performance.

Some experts also revealed that MSMEs need the role of digital technology to increase performance and productivity (Papadopoulos et al, 2020). Technology has presented a significant role, namely digital technology in MSMEs. Digital transformation is a term used in academia to describe the organizational change influenced by digital technology. Digital transformation occurs because of changes driven by technological developments in organizations and the environment. Referring to (Muditomo & Wahyudi, 2021), digital transformation and business innovation can change customer expectations and behavior, suppressing traditional companies and market disruptions. Changes in customer needs and behavior are also forcing companies and general administration to excel in digital transformation, so many business sectors require change and digital transformation is a process carried out by organizations or companies

Micro, small, and medium enterprises (MSMEs) play a significant role in the Philippine economy due to their impact on employment, income, and overall economic development. According to the Philippine Statistics Authority, MSMEs comprised 99.5 percent of all registered business establishments in 2019. They generated 62.4 percent of the country's total employment, contributed 36 percent of gross value added, and accounted for 25 percent of total exports.

The Department of Trade and Industry categorizes MSMEs based on their asset size and number of employees. Enterprises are classified as micro if they have PHP 3,000,000 or less in assets and one to nine employees, small enterprises if they have PHP 3,000,001 to PHP 15,000,000 in assets and 10 to 99 employees, and medium enterprises if they have PHP 15,000,001 to PHP 100,000,000 in assets and 100 to 199 employees. Large enterprises have over PHP 100,000,001 or more in assets and 200 or more employees.

Almeda and Pobre (2012) revealed that most local MSMEs are managed by their owners, especially among microenterprises, and most (63%) are led by women. Out of 1,740 respondents in the study, 30 percent started their business with a capital of less than PHP 150,000. Thus, most of them are microenterprises, such as sari-sari stores and other businesses that offer goods and products that are readily available.

MSMEs often struggle to access affordable financing options. Financial institutions may perceive them as risky borrowers due to their small size, lack of collateral, and limited financial track record, which may hamper their growth and expansion. Raquiza (2022) noted that they have minimal credit access from formal lending institutions. They rarely approach commercial banks due to their high-interest rates, high minimum loan requirements, voluminous requirements, short repayment periods, and difficulty in restructuring loans.

Although they are considered the backbone of the economy, MSMEs do not appear to survive once they engage in foreign trade. Bautista and Manzano (2018) found that only six in every ten exporting Philippine MSMEs survive after their first year of operation. This figure drops to less than four in every ten by the end of their fourth year. Thus, the authors urged the government to support exporting MSMEs. The focus, they emphasized, should be directed toward increasing the capability of the firms, targeted appropriately so they may reach larger orders, either through financing or consolidation with other similar firms that have successfully complied with the product standards required by foreign buyers.

In fact, according to the recently issued 2018 List of Establishments of the Philippine Statistics Authority (PSA), MSMEs accounted for 99.52% of total businesses in the country – over 998,342 Filipino enterprises delivering goods and services to customers every day. MSMEs have been regarded as a “key pillar of the Philippines' competitiveness and inclusive growth strategy” as they comprise 99.52% of the business enterprises operating in the country and account for nearly two-thirds of the labor force (Garcia et al., 2019 ). MSMEs represent a very important economic sector in developing countries, as they account for a large share of the total number of firms and employment. In the Philippines, roughly 99.5 per cent of firms are classified as micro, small, or medium and together they contribute around two-thirds of employment and 35 per cent of Gross Value Added (GVA). Although SMEs are integral to the economy, they are often affected by productivity and efficiency problems caused by factors such as limited access to finance (Harvie et al., 2013), human resources (ADB, 2015) and limited technical and management knowledge (Asasen et al., 2003). Among these challenges, a critical factor is access to markets, both local and international. Market access is one of the key constraints on SME growth and development, particularly in developing countries (Kiveu & Ofafa, 2013; Abor and Quartey, 2010).

In countries with low population and low purchasing power, the domestic market may not be enough for an MSME to reach its growth potential. MSMEs in the Malolos City, Bulacan Philippines face the same challenges. Indeed, there are several factors explaining why MSMEs in the Malolos City, Bulacan Philippines – and in developing countries in general – have difficulty accessing markets. One is poor infrastructure. The country consistently ranks low in infrastructure in several competitiveness rankings, including transportation, communications, and technological facilities. Poor communication infrastructure limits technology based marketing methods and on-line sales. This makes it difficult for MSMEs to compete with big businesses already using these alternative methods. Problems accessing financing can also contribute to problems as some new market-access platforms, such as internet-based sales, may require significant investment.

MSMEs represent an important sector in the Malolos City, Bulacan Philippines. Yet, their productivity remains low compared to larger firms, due in part to limited market access. It has been shown that business associations can help MSMEs build capacity, gain market access and grow. Using a survey of MSMEs and a series of

key informant interviews with MSMEs and business associations. The primary obstacles to market access among Malolos City, Philippine SMEs are: 1) inadequate business operations, 2) human resource constraints, 3) difficulties complying with international standards and government regulations, 4) an inability to compete with competitors, 5) marketing and branding constraints, 6) inadequate infrastructure and distance to markets, 7) lack of access to finance, 8) lack of access to market information, and 9) shifting consumer preferences.

## II. LITERATURE REVIEW

### 2.1. Creativity

In general, creativity is defined as presenting new perspectives to generate new and meaningful ideas. Creativity can also mean employees use their diverse skills, abilities, knowledge, views, and experiences to create new ideas for decision making, problem solving, and task completion in an efficient manner (Tamba, et al., 2020). Meanwhile, according to Smith in (Riansyah, 2018) creativity is a person's ability to create something different, either in the form of results that can be assessed or in the form of ideas (actions that produce new and different copyrighted works).

Employee creativity can be interpreted as central to the long-term survival of an organization because employees can generate new and valuable ideas for creating unique and/or improving existing products, services, processes, and routines (Astuti et al., 2019). According to (Ruzikna, 2018), employee creativity is defined as the production of ideas, products, or procedures that are new or original and have potential benefits for an organization. In some studies, creativity is considered a personal characteristic with features covering a wide area of interest and a high level of energy (Mittal & Dhar, 2015). Creativity is essential for organizations because creative contributions can help organizations become more efficient and responsive to opportunities and help organizations adapt to change, grow, and compete in the business environment.

According to Hughes *et al.*, (2018), creativity is the capacity to generate new ideas that are useful for solving problems. Completing tasks and solving problems in organizational activities requires creativity from employees to generate innovative and valuable ideas, suggestions, actions to support the achievement of organizational goals. In a situation full of uncertainty and risk, it requires employees to be willing to be creative by contributing their emotions, attention and perseverance to face the company's dynamic situation (Wang, *et al.*., 2021). This shows that employee creativity is about how to do something in a new and better way or generate useful ideas related to processes, services, methods, products, or problem solutions to contribute to the environment and business development in the company (Ngo *et al.*., 2020:2).

### 2.2. Innovation

Innovation, according to Richards and Wilson (2012), is the introduction of new discoveries or spreading the meaning of new discoveries into general use in society. Brata (2009), also stated that innovation is a thought and action in making improvements or repairs periodically to things that already exist. Fontana (2011), said that innovation is the introduction of new ways or new combinations of old ways in transforming input into output (technology) that results in major or drastic changes in the comparison between the utility value perceived by consumers for the benefits of a product (goods and/or services) and the price set by the producer

### 2.3. Digital Transformation

Adaptation of the company's business concept to suit the automation brought by the concept of industry 4.0 is carried out with a digital transformation program. Some experts define digital transformation as follows:

1. Digital Transformation is an evolutionary process that leverages digital capabilities and technologies to enable business models, operational processes and customer experiences to create value (Morakanyane in Gatautis et al., 2017:427).
2. Digital Transformation is concerned with "the changes digital technologies can bring about in a company's business model, which result in changed products or organizational structures or automation of processes" (Clohessy in Gatautis et al., 2017: 111).
3. Digital transformation is not about technology, but rather about strategies and new perspectives (Rogers, 2017).

Digital transformation is about becoming a digital enterprise—an organization that uses technology to continually evolve all aspects of its business model such as what it offers, how it interacts with customers and how it operates (Deloitte, 2013). Westernman (2011) states that digital transformation is a change that carried out by an organization through the use of digital technology to improve performance and serve its customers.

### 2.4. Competitive Advantage

The concept of competitive advantage in small and medium-sized enterprises was invented by (Sultan, S., & Mason, M., 2010) who explained that the sustainability of a business is achieved through competitive advantage; how upon the formulation of business strategies, it is necessary to create values to customers. Such values may be in the aspect of cost leadership that presents products and services to customers at appropriate prices, the aspect of differentiation of products and services, or the aspect of better responsiveness to customer needs in the niche market than competitors in the same industry. Indeed, competitive advantage is regarded as the ability of the organization to differentiate itself from other competitors.



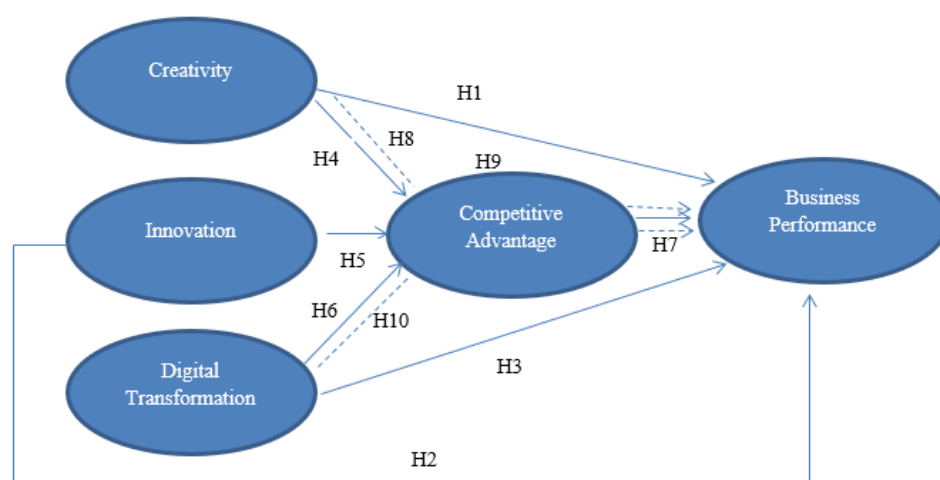
Furthermore, competitive advantage is also an essential foundation for developing business strategies to achieve sustainable growth (Simpson, M., Taylor, N., & Barker, K., 2004). The important elements of competitive advantage relating to the creation of values to customers were developed by (Jones, O., 2003). He invented three generic strategies, which consist of cost leadership, differentiation, and focus. Such competitive strategies are able to respond to the objectives of businesses effectively and are commonly adopted by businesses. As such, in order for businesses to achieve competitive advantage, it is necessary to create economic values for customers (Barney and Hesterly, 2010).

## 2.5. Business Performance

Nadeak et al., (2021) states that performance means work or work performance. However, it should also be understood that performance is not just the result of work or work performance but also includes how the work process occurs. Wibowo, Wahyu Hidayat, (2020) performance is an abbreviation of work energy kinetics whose equivalent in English is performance. Performance is the output produced by the functions or indicators of a job or a profession within a specific time. Sidik & Sutoyo (2020) results from work that has a strong relationship with organizational strategic objectives, customer satisfaction, and contributing to the economy.

Performance is the result of cooperative activities among members or organizational components in order to realize company goals. Simply put, performance is a product of administrative activities, namely cooperative activities within an organization or group to achieve goals whose management is commonly referred to as management. As a result (output) of a certain process carried out by all components of the organization against certain sources used (input). As a result of a series of process activities carried out to achieve certain goals.

## 2.6 Conceptual Framework



## 2.7 Research Hypothesis

- H1. Creativity has a significant effect on Business Performance of Micro, Small And Medium Enterprises In Malolos City Philippines.
- H2. Creativity has a significant effect on the Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines.
- H3. Innovation has a significant effect on Business Performance of Micro, Small and Medium Enterprises in Malolos City Philippines.
- H4. Innovation has a significant effect on the Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines
- H5. Digital Transformation has a significant effect on Business Performance of Micro, Small and Medium Enterprises in Malolos City Philippines.
- H6. Digital Transformation Have a Significant effect on the Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines
- H7. Competitive Advantage has a significant effect on Business Performance of Micro, Small and Medium Enterprises in Malolos City Philippines
- H8. Creativity has a significant effect on Business Performance mediated by Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines
- H9. Innovation has a significant effect on Business Performance mediated by Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines
- H10. Digital Transformation has a significant effect on Business Performance mediated by Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines.

### III. RESEARCH METHODS

#### 3.1 Population and Research Respondents

Population is a generalization area consisting of objects or subjects. which has quality and characteristics certain, which previously had set by researcher for studied and then withdrawn conclusion (Taherdoost, 2018). The population of this study is all MSMEs owners engaged in the Culinary Business for at least 3 years in Malolos City, Bulacan Philippines, as many as 101 MSME owners, all of whom became respondents in this study with the following criteria:

1. Level education minimum Senior High School
2. Long open business minimum 3 Year.
3. Has implemented digital technology in managing the business being run
4. Has carried out product innovation in business management

#### 3.2 Analysis Techniques Data

##### 3.2.1 Partial Least Square Warp Analysis (PLS Warp)

Warp Partial least square ( PLS ) is a more appropriate approach for the purpose of the Warp PLS model to help researchers find latent variables that in the model are *linear aggregates* of their indicators (Solimun *et al* (2019)). *Weight estimates* for creating latent variable scores are obtained based on how *the inner model* (a structural model that connects latent variables) and *the outer model* (a measurement model, namely the relationship between indicators and their constructs) are specified. The result is that *the residual variance* of the dependent variable (both latent variables and indicators) is minimized.

This model was developed as an alternative for situations where the theory is weak or the available indicators do not meet the reflective measurement model. PLS is a powerful analysis method because it can be applied to all data scales, does not require many assumptions and the sample size does not have to be large. PLS can be used not only to confirm a theory but also to recommend whether or not a relationship exists and to propose further testing propositions.

### IV. RESEARCH RESULTS AND DISCUSSION

#### 4.1 Research result

The data analysis method in this study uses the *Partial Least Square* (PLS) technique with the Smart PLS program. The results of the analysis can be done by evaluating the structural equation model. In this study, there are two basic evaluations in PLS analysis, namely: first, evaluation of the measurement model (outer model) to evaluate the validity and reliability of indicators that measure latent variables, the validity and reliability test criteria in this study refer to *discriminant validity*, *convergent validity* and *composite reliability*. Second, the value of *the inner model* or *structure model* to see the relationship between constructs, significance values and *R-square* of the research model values. Testing the inner model in PLS analysis is done through *bootstrap resampling*

##### 4.1.1 Structural Model Testing (Inner Model)

After testing *the outer model* and meeting the criteria of *convergent validity*, *discriminant validity*, and *composite reliability*, the next step is to test the structural model or *Inner Model*. Evaluation of the structural model with PLS can be started by looking at the *R- Square value* for each endogenous latent variable as the predictive power of the structural model (Ghozali, 2012). After looking at the *R- Square value*, then look at the T-Statistic value in the *Path Coefficients table* of each variable to compare with the T-table which can then be used as a reference in hypothesis testing.

Changes in the *R- Square value* can be used to explain the influence of certain exogenous latent variables (X) on endogenous latent variables (Y) whether they have a substantive influence or not. An *R- Square value* of 0.70 indicates a model at a strong level, 0.50 indicates a model at a *moderate level*, and 0.25 indicates a model at a weak level (Ghozali, 2012). The following are the *R- Square values for the construct*:

Table. 4.1 R -Square

Construct	R-Square
Competitive Advantage	0.644
Business Performance	0.784

Source: Processed primary data, 2023

*Square* value of the influence of the Creativity (X1), Innovation (X2) and Digital Transformation (X3) on Advantage (Z1) on Competitive Advantage (Z1) is 0.644. The influence of the Creativity (X1), Innovation (X2), Digital Transformation (X3) and Competitive Advantage (Z1) on Business Performance (Y2) is 0.784. This value is at a strong level (value above 0.70) which means that the influence of the Creativity (X1), Innovation (X2) and Digital Transformation (X3) on Competitive Business performance is 64.4%. Therefore, it can be concluded that the performance variable can be explained by the Creativity (X1), Innovation (X2) and Digital Transformation (X3) on Competitive Advantage (Z1) on Performance (Y2) by 78.4%. while the rest is influenced by other variables not included in this study.

Structural model evaluation is conducted to see the relationship between latent constructs that have been hypothesized previously by looking at the results of parameter coefficient estimates and their significance levels. The measures that can be used to evaluate the structural model (inner model) are R-square and Q-Square Predictive Relevance.

The R-square value ( $R^2$ ) is the coefficient of determination on the endogenous construct and the path parameter coefficient. While the Q-Square Predictive Relevance value ( $Q^2$ ) can be used to validate the model's predictive ability, the formula used is:

$$Q^2 = 1 - (1 - R^2_1)(1 - R^2_2) \\ = 1 - (1 - 0.644)(1 - 0.784) = 0.92$$

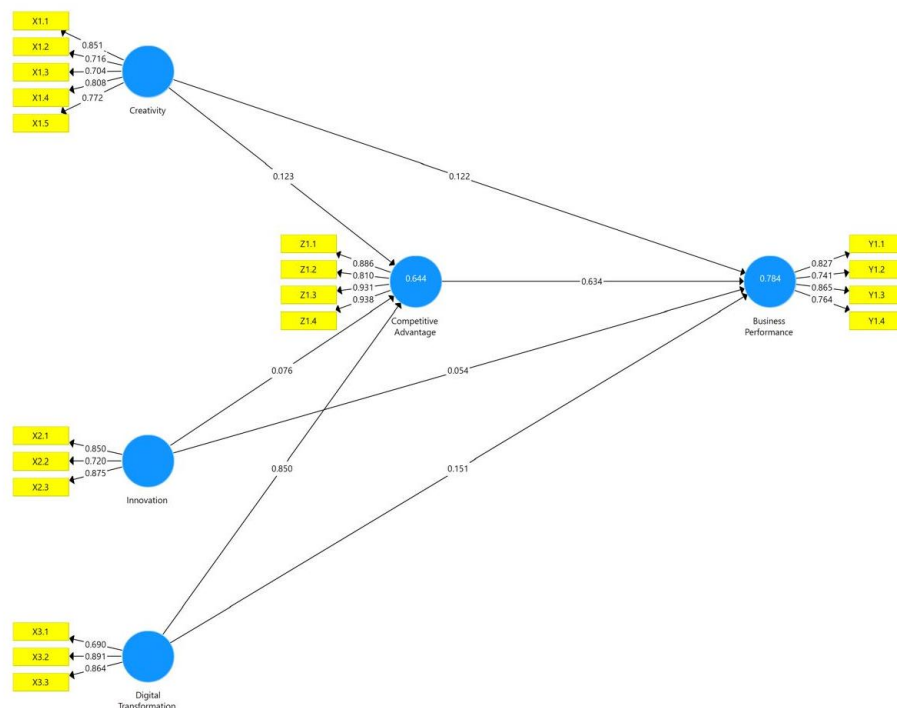
The  $Q^2$  value of 0.92 is close to 1, so it can be stated that the structural model also fits the data. Both of these test results indicate that the overall model fits the data or is able to reflect the reality and phenomena in the field. So that the results of this study can be stated as valid and reliable. The results of the analysis show that all indicator variables are valid and reliable reflecting latent variables with model testing resulting in a conclusion of a fit model. The results of partial testing show that almost all exogenous variables have a significant influence on endogenous variables.

#### 4.1.2 Testing of Structural Model and Research Hypothesis

The structural model (inner model) is evaluated by looking at the value of the path parameter coefficient of the relationship between latent variables. Testing of the structural model (inner model) is carried out after the relationship model built in this research is in accordance with the data analysis results and the overall suitability of the model (goodness of fit). The purpose of testing the structural relationship model is to determine the relationship between the latent variables designed in this study from the PLS output, testing the structural model and hypothesis is carried out by looking at the estimated value of the path coefficient and the critical point ( $t$ -statistic) which is significant at  $\alpha = 0.05$ . The complete results of the data analysis can be seen in the PLS output model (Appendix). Based on the conceptual framework of this study, testing the relationship model and hypothesis between variables can be carried out in two stages, namely: 1) testing the direct influence path coefficient and 2) testing the indirect influence path coefficient (mediation). The description of the results of testing the relationship between the variables of this study can be explained as follows:

#### 4.1.3 Direct analysis hypothesis testing

Hypothesis testing and direct influence path coefficients between Creativity (X1), Innovation (X2), Digital Transformation (X3) and Competitive Advantage (Z1) on Business Performance (Y1). The results of testing the influence between variables can be seen from the path coefficient values and point critical Which served on Figure 4.1. Diagram Coefficient Track and Testing The following hypothesis:



**Figure 4.1 Diagram Coefficient Track and Testing Hypothesis**

The results of testing the influence between variables can be seen from the path coefficient and critical point values ( $t$ -statistic). The complete details can be presented in Table 4.1. the following:

Table 4.2 Coefficient Track and Testing Hypothesis Study

Influence between variable Influence direct		Coefficient Track (β)				Results Testing	
		Original Sample Estimate	SD	t-statistic	p- value	Hypothesis	
Direct Effect							
H1.	Creativity -> Business Performance	0.122	0.086	11.211	0.000	Sig	Accepted
H2.	Creativity -> Competitive Advantage	0.123	0.106	9.072	0.000	Sig	Accepted
H3.	Innovation -> Business Performance	0.054	0.047	14.140	0.000	Sig.	Accepted
H4	Innovation -> Competitive Advantage	0.076	0.056	11.115	0.000	Sig	Accepted
H5	Digital Transformation -> Business Performance	0.151	0.092	38.646	0.000	Sig.	Accepted
H6	Digital Transformation -> Competitive Advantage	0.850	0.100	8.482	0.000	Sig.	Accepted
H7	Competitive Advantage -> Business Performance	0.634	0.057	11.160	0.000	Sig	Accepted
Indirect Effect (mediation)							
H8.	Creativity -> Competitive Advantage -> Business Performance	0.078	0.069	5.793	0,000	Sig	Accepted
H9.	Innovation -> Competitive Advantage -> Business Performance	0.048	0.036	3.249	0.000	Sig	Accepted
H10	Digital Transformation -> Competitive Advantage -> Business Performance	0.539	0.085	6.380	0,000	Sig	Accepted

Source: Results processed data PLS, Year 2024; CR\* = significant at .05 level

Based on the results of data processing in table 5.15 above, it can be seen that in testing each hypothesis that has been proposed, namely:

**H1. Creativity has a significant effect on Business Performance of Micro, Small and Medium Enterprises in Malolos City Philippines**

The first hypothesis proposed in this study is "the creativity has a significant influence on business performance". Table 5.16 shows the *original sample estimate value* between the influence of the creativity on business performance. by 0.122 and has a positive value. The T-statistic value is 11.211 and the P Value in table 5.16 is **0.000** smaller than 0.05 ( $\alpha$ ). This value shows that the creativity has a positive and significant effect on business performance.

The relationship between the creativity and business performance in the study is directly proportional where it can be said that the better the creativity, the better the business performance will be significantly. Thus, the first hypothesis proposed in this study **is accepted**.

**H2. Creativity has a significant effect on the Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines**

The second hypothesis proposed in this study is that "the creativity has a significant influence on work discipline". Table 5.16 shows the *original sample estimate value* between the influence of the creativity on competitive advantage of 0.123. and has a positive value. The T-statistic is 9.072 and the P Value is **0.000** smaller than 0.05 ( $\alpha$ ). This value shows that the creativity has a positive and significant effect on work discipline. The relationship between Creativity and competitive advantage in the study is directly proportional where it can be said that the better the Creativity, the competitive advantage will increase. Thus, the second hypothesis proposed in this study **is accepted**.

**H3. Innovation has a significant influence on Business Performance of Micro, Small and Medium Enterprises In Malolos City Philippines**

The third hypothesis proposed in this study is "Innovation has a positive and significant effect on business performance". Table 5.16 shows the *original sample estimate value* between the influence of Innovation on Business performance of 0.054 and has a positive value. The T- statistic value is 14.140 and the P Value is **0.000**. smaller than 0.05 ( $\alpha$ ). This value shows that Innovation has a positive and insignificant effect on Business performance.

The relationship between innovation and Business performance in the study is directly proportional where it can be said that the better the innovation, the better the business performance and provide a significant impact. Thus the third hypothesis proposed in this study **is accepted**.



#### **H4. Innovation has a significant effect on the Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines**

The fourth hypothesis proposed in this study is "The Innovation has a positive and significant effect on competitive advantage". Table 5.15 shows the *original sample estimate value* between the influence of Innovation on performance of 0.076. and has a positive value. The T-count value is 11.115 and the P Value of **0.083** is greater than 0.05 ( $\alpha$ ). This value shows that Teamwork has a positive but insignificant effect on competitive advantage.

The relationship between Innovation and competitive advantage in the study is directly proportional where it can be said that the better the creativity is carried out, the better the competitive advantage have a significant effect. Thus the fourth hypothesis proposed in this study **is accepted**.

#### **H5. Digital Transformation has a significant effect on Business Performance of Micro, Small and Medium Enterprises in Malolos City Philippines**

The fifth hypothesis proposed in this study is "digital transformation has a significant effect on Business performance". Table 5.16 shows the *original sample estimate value* between the influence of digital transformation on business performance of 0.151 and has a positive value. The T- statistic value is 38.646 and the P Value is 0.000 smaller than 0.05 ( $\alpha$ ). This value shows that digital transformation has a significant positive effect on Business performance.

The relationship between digital transformation and business performance in the study is directly proportional where it can be said that the better the digital transformation, the better the business performance Personnel and have a significant impact. Thus, the fifth hypothesis proposed in this study **is accepted**.

#### **H6. Digital Transformation Have a Significant Influence on the Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines**

The fifth hypothesis proposed in this study is "digital transformation has a significant effect on competitive advantage". Table 5.15 shows the *original sample estimate value* between the influence of digital transformation on competitive advantage of **0.850** and has a positive value. The T-count value is 8.482 and the P Value is 0.000. smaller than 0.05 ( $\alpha$ ). This value shows that digital transformation has a significant positive effect on competitive advantage.

The relationship between digital transformation and competitive advantage in the study is directly proportional where it can be said that the better the digital transformation, the better the competitive advantage will be and have a significant impact. Thus, the sixth hypothesis proposed in this study **is accepted**.

#### **H7. Competitive Advantage has a significant effect on Business Performance of Micro, Small and Medium Enterprises in Malolos City Philippines**

The fifth hypothesis proposed in this study is "digital transformation has a significant effect on Business performance". Table 5.16 shows the *original sample estimate values*. between the influence of digital transformation on Business performance of 0.634 and has a positive value. The T- statistic value is 11.160 and the P Value is **0.000** smaller than 0.05 ( $\alpha$ ). This value shows that digital transformation has a significant positive effect on Business performance.

The relationship between digital transformation and Business performance in the study is directly proportional where it can be said that the better the digital transformation, the better the Business performance and provide a significant impact. Thus, the seventh hypothesis proposed in this study **is accepted**.

#### **4.1.4 Hypothesis Testing and Indirect Influence Path Coefficients (Mediation)**

Previous tests of the significance of mediation effects relied on the Sobel test (1982). The Sobel test compares the direct relationship between the independent variable and the dependent variable with the indirect relationship between the independent variable and the dependent variable that includes the mediating construct (Helm et al., 2010). The Sobel test assumes a normal distribution which is inconsistent with the nonparametric PLS-SEM method. In addition, the parametric assumptions of the Sobel test usually do not hold for the indirect effects  $p1.p2$ , because the multiplication of two normally distributed coefficients results in a non-normal product distribution.

According to Hair *et al.* (2016:235) using the Sobel test, researchers must bootstrap the sampling distribution of the indirect effect. This approach has also been put forward in the context of regression (Preacher & Hayes, 2004, 2008a) and has been implemented in Hayes' SPSS-based Process macro (<http://www.processmacro.org/>). Bootstrapping makes no assumptions about the shape of the variable distribution or the sample distribution of statistics and can be applied to small sample sizes better. Therefore, this approach is very suitable for the PLS-SEM method and is implemented in SmartPLS3 software. In addition, bootstrapping indirect effects produces a higher level of statistical power compared to the Sobel test.

Based on the opinion of Hair et al (2016:235), to test the indirect effect (mediating effect) between variables in this study can be done by looking at the value in the *Specific Indirect Effect table* and the p-value in the Total Indirect Effect table. Where according to Hair et al (2016:241) if the p-value on the indirect effect is less than 0.05 then it can be said that the intervening variable in the study has a significant influence in being a mediator between variables.

#### **H8. Creativity has a significant effect on Business Performance mediated by Competitive Advantage of Micro, Small And Medium Enterprises In Malolos City Philippines**

The results of the study show that the influence of the creativity on business performance through competitive advantage (0.178) has a t statistic of 5.793 with a p-value of less than 0.05 (0.000). Thus it can be said that

competitive advantage is able to mediate the influence of the creativity on performance. Thus the eighth hypothesis proposed in this study **is accepted**.

#### **H9. Innovation has a significant effect on Business Performance mediated by Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines**

The results of the study indicate that the Influence of innovation on Business performance through competitive advantage (0.084) has a T-statistic value of 3,249 with a p-value greater than 0.5 (0.000). Thus, it can be said that competitive advantage mediates the influence of innovation variables on business performance. Thus the ninth hypothesis proposed in this study **is accepted**.

#### **H10. Digital Transformation has a significant effect on Business Performance mediated by Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines.**

The results of the study indicate that the influence of digital *transformation* on Business performance through competitive advantage (0,539) has a T statistic value of 6.380 with a p-value greater than 0.05 (0.000). Thus it can be said that competitive advantage mediates the influence of the digital transformation on business performance. Thus the tenth hypothesis proposed in this study **is accepted**.

### **4.2 Research Discussion**

In the discussion of the results of this study, the results of testing the direct and indirect influence between the variables of work discipline and creativity on commitment and business performance are discussed, described as follows:

#### **4.2.1 The Influence of Creativity on Business Performance**

Creativity has a significant influence on Business Performance of Micro, Small and Medium Enterprises in Malolos City Philippines. The relationship between the creativity and business performance in the study is directly proportional where it can be said that the better the creativity, the better the business performance will be significantly.

Employee creativity can be interpreted as central to the long-term survival of an organization because employees can generate new and valuable ideas for creating unique and/or improving existing products, services, processes, and routines (Astuti et al., 2019). According to (Ruzikna, 2018), employee creativity is defined as the production of ideas, products, or procedures that are new or original and have potential benefits for an organization. In some studies, creativity is considered a personal characteristic with features covering a wide area of interest and a high level of energy (Mittal & Dhar, 2015). Creativity is essential for organizations because creative contributions can help organizations become more efficient and responsive to opportunities and help organizations adapt to change, grow, and compete in the business environment

The higher the MSME creativity, the higher the employee performance (Helmi Adisaksana, 2022). The invention of superiors and managers will affect the performance of MSME employees. If leaders are creative in seeking innovation for the advantage of MSMEs, employee performance will also increase. In Utaminingsih, (2016)'s research also revealed that there is an influence between the creativity variable on the performance of MSMEs

#### **4.2.2 Influence Creativity to Competitive Advantage**

Creativity has a significant effect on the Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines. The relationship between Creativity and competitive advantage in the study is directly proportional where it can be said that the better the Creativity, the competitive advantage will increase.

A consumer who buys a product. According to (Kotler & Armstrong, 2008), consumers often compare the price of a product with other products. In this case, when buying a product, the high or low price of the product is very important to consumers. Research gap. (Weinzimmer, Michel, & Franczak, 2011) shows an empirical gap that shows that the effect of product creativity on competitive advantage is not significant. A study by Rodríguezpose & Lee (2013) also shows that innovation has little impact on competitive advantage. Research (Ani, 2020) shows that the individual product innovation variable has a positive and significant effect on competitive advantage, and the individual product creativity variable has a positive and significant effect on competitive advantage

Creativity has an influence on Competitive Advantage in MSMEs in Malolos City, it can be accepted. In this case, it indicates that if business Creativity increases, then business Competitive Advantage will also increase. The results of the analysis show that creativity encourages business owners to continue to be creative in finding solutions to problems in running a business, as well as increasing buyer interest in meeting needs in a business. The same results have also been found in this study conducted by researchers Surya (2021) Dismawan (2014) and Naufal Afrizal (2016) who stated in their research that the Creativity variable has a positive and significant influence on the Competitive Advantage variable

In a study conducted by (Riany & Dahmiri, 2020) on the impact of creativity and innovation on competitive advantage, the results of the hypothesis study that the variables of creativity and innovation simultaneously influence competitive advantage (Case Study of Hosatinaspita Decoration Wedding Organizer, Jambi City). The results of the hypothesis survey conducted by (Anjaningrum & Sidi, 2018) on the variables of market orientation, product innovation, and creativity have a positive effect on competitive advantage in the survey on the influence of market orientation, innovation, and product creativity on performance. This has a significant impact.

### 4.2.3 The Influence of Innovation on Business Performance

Innovation has a significant effect on Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines. The relationship between innovation and Business performance in the study is directly proportional where it can be said that the better the innovation, the better the business performance and provide a significant impact.

According to Freeman (2004) Innovation is an effort from a company through the use of technology and information to develop, produce, and market new products for the industry. In other words, innovation is a modification or discovery of ideas for continuous improvement and development to meet customer needs. Company innovation can produce research and development, production and marketing approaches and ultimately lead to the commercialization of the innovation.

Innovation is not only limited to objects or goods produced, but also includes attitudes, behaviors or movements towards the process of change in all forms of social life. So in general, innovation means new ideas, products, information technology, institutions, behaviors, values, and practices that are not yet widely known, accepted, used or applied by the majority of citizens in a particular location that can be used or encourage changes in all aspects of social life.

The results of research conducted by Helmi Adisaksana (2022) indicated that there is a significant positive influence between the variables of the innovation on performance. The better the MSME business innovation model, the higher the performance of MSME employees. These results are in line with research conducted by (Purwanto et al., 2020)

### 4.2.4 The Influence of Innovation on Competitive Advantage

Innovation has a significant effect on Business Performance of Micro, Small and Medium Enterprises in Malolos City Philippines. The relationship between Innovation and competitive advantage in the study is directly proportional where it can be said that the better the creativity is carried out, the better the competitive advantage have a significant effect.

In a study conducted by (Riany & Dahmiri, 2020) on the impact of creativity and innovation on competitive advantage, the results of the hypothesis study that the variables of creativity and innovation simultaneously affect competitive advantage (Case Study of Hosatinapspita Decoration Wedding Organizer, Jambi City). The results of the hypothesis survey conducted by (Anjaningrum & Sidi, 2018) on the variables of market orientation, product innovation, and creativity have a positive effect on competitive advantage in the survey on the influence of market orientation, innovation, and product creativity on performance. This has a significant impact. Innovation has an influence on the Competitive Advantage variable. This indicates that the better the Innovation owned by the business, the better the competitive advantage that will be carried out by the business owner. So that the results of the analysis show that with the level of Innovation owned by MSME business owners with the development of new product ideas, business owners can attract consumers for long-term income, as well as foster competition between business actors to gain benefits in a sporting manner between businesses. The same results were also found in this study conducted by Lestari (2019) Hasnatika & Nurnida (2019) and Muhajirin (2019) stating that the Innovation variable has a positive and significant influence on the Competitive Advantage variable.

### 4.2.5 Influence of Digital Transformation on Business Performance

Digital Transformation has a significant effect on Business Performance of Micro, Small and Medium Enterprises in Malolos City Philippines. The relationship between digital transformation and business performance in the study is directly proportional where it can be said that the better the digital transformation, the better the business performance Personnel and have a significant impact.

Digital technology has been widely applied in everyday life, where its existence plays a role as a media or tool to help activities in various fields such as research, education, business, social, and so on. There are several applications that are often used here and are not foreign. again, in everyday life are mobile phones, CDs for data storage, computers, and so on. In the era of the digital economy, it is appropriate for traditional MSMEs to transform into digital MSMEs. By utilizing digital technology, MSME actors will get the same opportunities as large business actors to sell their products.

Nadkarni & Prügl, (2021) explain that digital transformation is the use of technology with the aim of generally improving the performance or reach of a company. Meanwhile, Vassilakopoulou & Hustad, (2023) generally define digital transformation as a change caused or influenced by the use of digital technology in every aspect of human life. Furthermore (Winasis & Riyanto, 2020) concluded that digital transformation is a consequence of the disruption era (Industry 4.0), so that there is a change in business models, and overhauling the existing business ecosystem into a new ecosystem that is more innovative, complex and So it can be concluded that digital transformation can be an effective tool to improve the performance of SMEs in line with the results (Denicolai et al., 2021; Hadady & Iksan, 2023 Slamet et al. 2016) also explained that the ability of SMEs to adopt digital technology has been proven to be able to improve the performance of the business being run. In addition, other phenomena also clarify that Digital Transformation can be successful if the actors in an organization involved have digital literacy readiness and develop various capabilities according to the business context and needs (Reis et al., 2018).

With digital technology, they can promote products more widely at a lower cost to reach a wider marketing

area. Research by (Afrinaldi et al., 2022) Mudiantono et al. (2019), (Shettima and Shanrma, 2012) and Turais (2020) proves that digital technology has an effect on the performance of MSMEs. Research by Susilatri, et al. (2022) and Desmiyanwati, et al. (2022) also proves that digital technology has an effect on the performance of MSMEs.

#### **4.2.6 The Influence of Digital Transformation on Competitive Advantage**

Digital Transformation has a significant influence on the Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines. The relationship between digital transformation and competitive advantage in the study is directly proportional where it can be said that the better the digital transformation, the better the competitive advantage will be and have a significant impact

Research conducted by Helmi Adisaksana (2022) indicated the better the digital transformation formed by MSMEs, the higher the competitive advantage. Competitive advantage is an activity that helps the company's development so that it can be superior to competitors. This ability needs to be accompanied by digital transformation to follow developments in the industrial era 4.0. Digital transformation will help create the development of MSMEs to be superior to other competitors. The results are in line with the research conducted (Rakhmadani et al., 2020).

#### **4.2.7 The Influence of Competitive Advantage on Business Performance**

Competitive Advantage has a significant effect on Business Performance of Micro, Small and Medium Enterprises in Malolos City Philippines. The relationship between digital transformation and Business performance in the study is directly proportional where it can be said that the better the digital transformation, the better the Business performance and provide a significant impact.

Existing business competition forces business actors to have competitive advantages and strategies in competing in order to survive and win the competition. Competitive advantage has several elements, one of which is the uniqueness of the product which is the ability of entrepreneurs to adjust to customer tastes (Jyoti and Sharma, 2022). Competition in the business world, both in small, medium, and large-scale industries, is something that cannot be avoided, so MSMEs must be able to improve their quality, so that their products have an advantage to compete (Kusumawanti, 2010).

Competitive advantage is an advantage over competitors that can be obtained by offering more value to consumers, either through lower prices or by providing more benefits to support higher pricing. The indicators used to measure competitive advantage in this study are based on Porter's theory (2008) regarding the capabilities that companies must have to achieve competitive advantage from a unique perspective. These capabilities include: 1. Financial and economic capabilities 2. Ability to create strategic products 3. Technological and process capabilities 4. Organizational capabilities. Research by Haris (2018) and Ciptaningrum (2018) proves that competitive advantage affects the performance of MSMEs

#### **4.2.8 The Effect of Creativity on Business Performance mediated by Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines**

Competitive Advantage acts as a mediator influence Creativity towards Business Performance of Micro, Small and Medium Enterprises in Malolos City Philippines. Thus it can be said that competitive advantage is able to mediate the influence of the creativity on performance. Competitive Advantage can indeed act as a mediating influence between creativity and business performance, meaning that a company's creative efforts can positively impact its business performance, but this effect is largely driven by the creation of a distinct competitive advantage through those creative innovations; essentially, creativity leads to a competitive edge, which then translates into improved business performance.

Research conducted by Helmi Adisaksana (2022) indicated that there is a significant positive effect between the variables of creativity on competitive advantage. The higher the creativity of SMEs, the higher the competitive advantage. The invention possessed by MSMEs can increase the benefits of competing with competitors. Creativity means using diverse skills, abilities, knowledge, views, and experiences to generate new ideas for decision-making, problem-solving, and task completion in an efficient manner (Mulyadi et al., 2016). It will ultimately be able to create a competitive advantage by developing a business according to the objectives.

#### **4.2.9 The Effect of Innovation on Business Performance mediated by Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines**

Innovation has positive and significant effect on Business Performance mediated by Competitive advantage of Micro, Small and Medium Enterprises in Malolos City Philippines. Competitive advantage can increase innovation and firm performance. This provided evidence that the presence of competitive advantage in the company will be able to increase competitive advantage. The results of this study strengthened and provided an additional empirical theory of evidence to previous studies (Ferreira et al., 2020; Munsung & Stephens, 2020), where competitive advantage is the company's primary strategy to respond quickly to the challenges of competing with the business environment both internally and externally to improve company performance. In the era of global market share competition, companies must be able to outperform competitors by creating unique and not easily imitated environmentally friendly products.

Innovation can improve competitive advantage. Companies implementing green innovation by producing environmentally friendly products will gain a good competitive advantage. The results of this study strengthened and provided an additional empirical theory of evidence to previous studies (Ardyan et al., 2017; Gürlek & Tuna, 2017),



in which green innovation ability can form an environmentally friendly technological innovation to improve competitive advantage. Importance of innovation in generating a competitive advantage in high global competition. Companies in Indonesia must implement innovation to produce products that do not damage the environment to outperform competitors and have a wider reach in market share. Thus, a competitive advantage will be created so that the company is able to perform better than its competitors.

According to Mayasari, et.al (2023) that competitive advantage was able to mediate between green innovation and firm performance. The MSME business innovation model does affect its competitive advantage. It shows that other factors affect competitive advantage. However, the business innovation model is included in the influencing factors. These findings are supported by the results of (Wijaya, 2017)

#### **4.2.10 The Effect of Digital Transformation on Business Performance mediated by Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines.**

Competitive Advantage acts as mediation the effect of Digital Transformation to Business Performance of Micro, Small and Medium Enterprises in Malolos City Philippines. Competitive Advantage can indeed act as a mediating effect between digital transformation and business performance, meaning that the positive impact of digital transformation on business performance is largely driven by the ability to gain a competitive edge through the effective implementation of digital technology. The results of research conducted by Helmi Adisaksana (2022) indicated that there is a significant positive effect between variables the effect of digital transformation on the performance mediated by competitive advantage. The better the digital transformation of MSMEs, the better the employee performance will be; this is also reinforced by the mediation of the competitive advantage variable. This result is in line with (Wicaksono & Rahmawati, 2020).

#### **4.3 Research Limitations**

Some research limitations that can be considered by subsequent researchers are:

The data of this study uses the perception of MSMEs owners through self-assessment. In addition, due to the MSMEs owners engaged in the Culinary Business in Malolos City, Bulacan Philippines and time constraints, researchers have difficulty in digging deeper information on this research study. Furthermore, the object of research is limited to the MSMEs owners engaged in the Culinary Business for at least 3 years in Malolos City, Bulacan Philippines. Thus, it can limit the ability to generalize the results of research findings.

The researcher only studied one agency in this case the MSMEs owners engaged in the Culinary Business for at least 3 years in Malolos City, Bulacan Philippines as the object of research, so the generalization of the research results is still relatively low. Further research should use different research objects. with break down each other variables that can affect business performance.

## **V. CONCLUSION AND SUGGESTIONS**

### **5.1 Conclusion**

Based on results research and explanation empirical in the chapters previously in a way general study This can concluded as following:

Creativity has a significant influence on Business Performance of Micro, Small and Medium Enterprises in Malolos City Philippines. The relationship between the creativity and business performance in the study is directly proportional where it can be said that the better the creativity, the better the business performance will be significantly. Creativity has a significant effect on the Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines. The relationship between Creativity and competitive advantage in the study is directly proportional where it can be said that the better the Creativity, the competitive advantage will increase.

Innovation has a significant effect on the Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines. The relationship between innovation and Business performance in the study is directly proportional where it can be said that the better the innovation, the better the business performance and provide a significant impact. Innovation has a significant effect on Business Performance of Micro, Small and Medium Enterprises in Malolos City Philippines. The relationship between Innovation and competitive advantage in the study is directly proportional where it can be said that the better the creativity is carried out, the better the competitive advantage have a significant effect.

Digital Transformation has a significant effect on Business Performance of Micro, Small and Medium Enterprises in Malolos City Philippines. The relationship between digital transformation and business performance in the study is directly proportional where it can be said that the better *the* digital transformation, *the* better the business performance Personnel and have a significant impact. Digital Transformation has a significant influence on the Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines. The relationship between digital transformation and competitive advantage in the study is directly proportional where it can be said that the better *the* digital transformation, the better the competitive advantage will be and have a significant impact.

Competitive Advantage has a significant effect on Business Performance of Micro, Small and Medium Enterprises in Malolos City Philippines. The relationship between digital transformation and Business performance in

the study is directly proportional where it can be said that the better the digital transformation, the better the Business performance and provide a significant impact

Creativity has a significant effect on Business Performance mediated by Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines. Innovation has a significant effect on Business Performance mediated by Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines. Thus it can be said that competitive advantage mediates the influence of innovation variables on business performance. Digital Transformation has a significant effect on Business Performance mediated by Competitive Advantage of Micro, Small and Medium Enterprises in Malolos City Philippines.

## 5.2 Suggestion

Based on conclusion study this, can provide suggestions implications policy as following:

Owners of Micro, Small and Medium Enterprises in Malolos City Philippines need to pay attention to the implementation of Creativity, especially transformation by improving performance by modifying, combining, or by seeing new meanings, impacts, applications, or adaptations of the results of modifying objects into something new.

Regarding Innovation, it is necessary to pay attention to the product Imitation indicator which has the lowest average value. MSME owners must continue to strive to vary product types, packaging variations and product price variations.

MSMEs owners also need to pay attention to the implementation of Digital Transformation in managing their businesses, as well as mobilizing employees to carry out their responsibilities and be able to achieve good performance. In addition, MSMEs owners need to develop competitive advantages, so that they are able to compete and maintain their business existence in an era of increasingly rapid technological development.

Further research can develop other factors or new variables that can affect the level of Business Performance.

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