Introduction
Small and medium enterprises in Indonesia have a significant impact on the country’s economic growth, as evidenced by their contribution to GDP (Susilawati et al., 2021). The data shows that small and medium enterprises in Indonesia have grown significantly. According to the State Ministry for Cooperatives and Small and Medium Enterprises, small and medium enterprises are defined as business entities with a net worth of not more than Rp. 200,000,000, excluding land and commercial property, and Rp. 1,000,000,000 in annual sales. This business is owned by an Indonesian citizen who has a net worth of more than Rp. 200,000,000 to Rp. 10,000,000,000, excluding land and buildings (Fatmawati & Lubis, 2020).

Small business is defined as an individual or legal entity that has been operating with a minimum annual income level or turnover of Rp. 600,000,000, apart from occupied land and...
buildings, there are 600,000,000 people in the world, divided into two groups: (1) corporate entities and (2) individuals. According to the Central Bureau of Statistics, small businesses are those with less than 4 employees, while medium-sized businesses employ between 20 and 99 people. In addition, Small Business as referred to in Law no. 9 of 1995 is a productive small business that meets the requirements for a net worth limit of Rp. 200,000,000, excluding land and buildings where the business is located or has sales proceeds. Banks can provide credit to customers up to Rp. 1,000,000,000. To qualify as a small business or small company, according to the World Bank, an organization must meet the following requirements: have fewer than 30 employees; generate annual revenue of less than 3 million; and has total assets of 3 million. Medium Enterprises are companies that meet the following criteria: a maximum of 300 employees; annual revenue up to 15 million; and total assets up to 15 million. Medium Enterprises as described in Presidential Instruction No. 10 of 1998 is a successful company with a larger net worth of up to Rp. 200,000,000, maximum Rp. 10,000,000,000, excluding land and buildings for business premises, and can be given a bank loan.

Two components from a resource-based perspective, namely resources and capabilities, are intended to ensure business competitive advantage (Nasution & Ramadhan, 2019). Resources in the form of material and intangible assets are associated with business, while capabilities are associated with how businesses carry out various tasks and activities and depend on the resources they have access to (Nasution & Muda, 2020). Company. These factors include technological capital and innovation in human resource management techniques. Intangible resources and business capacities are critical to sustaining a competitive advantage based on implicit knowledge and non-codified data, which are more difficult for competitors to imitate, according to previous research. Intellectual capital is an important strategic asset that combines elements from the social, organizational, and human domains (Nasution et al, 2020). This domain includes relationships with customers, suppliers and partners as well as personality traits, knowledge, skills and abilities. Other resources are culturally specific and focus on the interpersonal traits and abilities of business owners and corporate parties in establishing business relationships, networking, and interacting with clients and partners. Owner/manager commitment to drive product development, customer focus, technology, and market anticipation have been found to be drivers of innovation in small and medium enterprises (Nasution et al, 2021).

Previous research has shown that the sustainable development of a country's productivity and economic competitiveness requires the utilization of resources to support strategic investments in various industries. This understanding of external resource availability and commercial innovation competencies can be gained from studies of national innovation capacities and systems. A country's national innovation capacity refers to its capacity to create new ideas and eventually commercialize a steady stream of innovative technologies (Lili, 2017). National innovation systems allow local economies to access technological advances more quickly. Environmental economics also disseminates knowledge. The institutional environment can impact a company's operations, personnel management, customer-competitor relations, and interactions with public and private agencies. Understanding the importance of these variations can encourage businesses to research them in order to create more successful business plans and take better advantage of innovation opportunities (Lupiyoadi, 2013).

Innovation is very important for business functions in contemporary society (Faradasya & Trianasari, 2021). Business is an activity center that includes all efforts and conditions of behavior to facilitate value creation, competitive advantage, and business performance (Firman syah, 2019). Depending on the discipline, innovation can mean different things. A microeconomic perspective on innovation that considers entrepreneurial innovation is one of the earliest contributions to the classic literature on innovation. The expression "creative destruction" was also used by Schumpeter in 1993 to describe the process of invention and creation that constantly destroys the old and creates the new (Musfar, 2020).
Innovation is an organization’s capacity to identify, acquire and implement tasks and ideas that take various forms, such as management and administration, internal culture, services, distribution channels and marketing segmentation methods. It can be characterized as a fundamentally new invention, advancement of a current system or item, or even the diffusion of an innovation into a new industry. Identification, measurement, and development intensity as a company-wide indicator for assessing innovation is a major topic of literature research (Nurhayati et al, 2022). These input sources include money and human resources. Company innovation activity and business performance growth can also be evaluated using additional metrics such as sales growth, return on investment, return on assets, and market capitalization (Zikmund & Babin, 2007).

Method

This study uses a quantitative approach to analysis. This analysis can build statistical evidence about the strength of the relationship between variables. The survey method was chosen to collect the data. To simplify the generalization of the findings, this study used a random sampling methodology. The sample size of this research at the senior management level in Aceh Province is 330 because it is 5-10 times the sum of the manifest variables (indicators) of all latent variables. The total number of indicators in this study was 66, so 66 x 10 = 330 samples were used in the study. Senior management, including the Director, are considered key informants because they are responsible for managing all activities, especially those involving innovation, and they have a general understanding of corporate strategy and issues related to innovation practices.

Results and Discussion

The majority of respondents are male (77.16%), over 40 years old (33.33%), married (87.96%), and work as main director/general manager/owner (73.15%) , according to the demographic characteristics of the respondents. Based on the results of hypotheses 1 and 3, the microenvironment has a positive and significant effect on performance and business expansion. This conclusion is supported by the fact that owners and managers have set strategic priorities for putting into practice or creating new ideas. These strategic priorities and guidelines emphasize long term goals by incorporating innovation as a strategic objective and anticipate their market related activities. In the long term, see new possibilities, actively take part in new initiatives, and allocate funds for development and research projects. In addition, these results are consistent with previous research, particularly in the area of organizational culture.

This result can be explained by the fact that internal small and medium enterprises are created and practiced through creative methods (such as free thinking, generating and following up ideas, learning from mistakes, and taking risks) as well as learning techniques (such as accepting and adopting new things). Apart from exchanging new knowledge and skills, also getting ideas from outside sources. The majority of small and medium enterprises also have a simple internal structure. The results of hypotheses 2 and 4 show that there is no significant correlation between the innovation performance of small and medium enterprises with business growth and the macro environment, in contrast to the findings of several previous studies. In addition, this finding is different from previous studies, especially those that have concentrated on sources of funding for small and medium enterprises. Due to low participation in technology transfer and research through collaborative activities between academia and industry. The results of testing Hypothesis 5 support several previous studies which found a significant and positive correlation between small and medium enterprise innovation and business growth performance. Innovation and its importance are recognized as having a beneficial effect on economic growth, competitive advantage and business development performance. Small and medium enterprises in particular, avoid expanding marketing efforts in markets dominated by large companies and considering the environment.

Conclusion

Small and medium enterprises can find and develop new and better techniques for
identifying, acquiring and implementing ideas, innovation can become a fundamental activity that all small and medium enterprises involve and patterns of behavior. The internal and external environment, as well as its determinants and drivers, must be considered by small and medium enterprises in order to provide a deeper understanding of innovative potential and innovative activities in a sustainable manner. By examining data from the Indonesian region, especially Aceh Province, this research adds to the body of knowledge in the field of marketing management and innovation. By paying more attention to the activities of small and medium enterprises, plans, policies and programs to support national innovation are expected to be determined by the government. This can be achieved by carrying out targeted reforms that support national innovation through regional innovation using various approaches related to infrastructure, institutional support, legal instruments and regulatory frameworks, funding mechanisms, education, and capacity building of business actors and market structures. businesses must be prioritized.

References