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## The Influence of Digital Transformation and Organizational Agility on Business Performance Mediated by Product Innovation

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**Abstract:** Objective: This study aims to analyze the influence of digital transformation, organizational agility, and knowledge management on the business performance of culinary Micro, Small, and Medium Enterprises (MSMEs) in Bekasi City, with product innovation as a mediating variable, and to identify strategies for maintaining the sustainability of traditional culinary arts amidst competition from foreign food.

**Research Method:** This study used a quantitative approach with a survey design. Data were collected through questionnaires distributed to culinary MSMEs in Bekasi City, selected due to the significant growth of its culinary sector. Data analysis was conducted using statistical methods using Structural Equation Modeling (PLS-SEM), including validity and reliability tests, and path analysis to test the direct and mediation hypotheses.

**Results:** The results indicate that digital transformation and organizational agility have a positive and significant effect on the business performance of culinary MSMEs. Product innovation is proven to mediate the relationship between these three independent variables and business performance, strengthening the competitiveness of MSMEs in the face of globalization trends.

**Research Implications and Limitations:** The practical implications of this research are the need for culinary MSMEs to adopt digital technology and increase organizational agility to support product innovation relevant to the modern market. Theoretical implications include strengthening the dynamic capability theory in the context of culinary MSMEs. Limitations of the research include its focus on Bekasi City, requiring adjustments to generalizations to other regions, and the limited availability of secondary data that may affect the depth of the analysis.

**Originality:** This research provides an original contribution by integrating digital transformation and organizational agility into a single model mediated by product innovation, specifically in the context of culinary MSMEs in Bekasi City. This research also highlights the revitalization of traditional culinary arts in response to shifting consumer preferences due to globalization.

**Keyword:** Digital Transformation, Organizational Agility, Product Innovation, Business Performance

## INTRODUCTION

Indonesia's low agricultural productivity due to land conversion, irrigation damage, and slow adoption of technology have led to dependence on food imports (Sujai, 2014), including *K-Food* products as well as Western fast food (*burgers, pizza, ramen, sushi*), which are increasingly popular among urban people and the younger generation. This trend is accelerated by *the Korean Wave (Hallyu)*, technological advances (*online delivery platforms* and social media), and modern lifestyles that prioritize practicality and speed, thus shifting consumer preferences from traditional Indonesian food that is rich in cultural values and local wisdom to foreign food that is considered more modern and accessible (Sharma & Rana, 2025).

As a result, traditional foods are starting to be marginalized, local culinary heritage is in danger of being lost, and the younger generation has the potential to lose cultural ties, along with health risks from unhealthy fast food diets (Effendy et al., 2024). Preservation efforts are needed through innovations in presentation, processing, and technology utilization so that traditional foods remain relevant (BRIN, 2024).

On the other hand, MSEs, which dominate 99% of Indonesia's business units, contribute 60-61% to GDP, absorb 97% of the national workforce, and have proven to be resilient to crises are the main pillars of the economy, including in the culinary sector (Oswaldo, 2025). West Java Province, as the third contributor to national GDP (12.79%) with the largest population (49.4 million people) according to data Jabar, (2024) and significant growth of culinary MSMEs, has great potential as well as challenges (low global competitiveness and business planning) for traditional food MSMEs to survive and develop in the midst of the onslaught of imported food and changing consumer tastes (Nurmala et al., 2022).

The average annual growth rate of culinary MSMEs in Bekasi City ( $\pm 11.3\%$ ) during the 2020–2024 period is higher than cities in the same province. The number of culinary MSMEs in Bekasi City itself has increased significantly from 6,200 units in 2020 to 9,600 units in 2024 (Dinkop & UKM Kota Bekasi, 2024), thus making Bekasi City a strategic, empirical location, and has strong market potential to be focused on in this culinary MSME development research.

The city of Bekasi, with a very strategic geographical location as a link between Jakarta and the surrounding area and supported by iconic facilities such as the Patriot Chandrabhaga Stadium, Bekasi Junction Subuh Cake Center, Bekasi City Government MSME Bazaar, and Dekranasda Gallery, provides great opportunities for MSMEs to enjoy traditional Bekasi foods such as cork pucung, milkfish rorod, soto tangkar, ketapang seed cake, jalabia cake, coconut root cake, and dongkal cakes that are rich in the blend of Betawi-Sundanese culture.



**Figure 1. Bekasi City MSME Growth Data**

Source: Dinas Koperasi dan UMKM Pemkot Bekasi 2024

The presence of foreign food MSMEs such as takoyaki, burgers, pizza, and sushi has enriched culinary diversity in Bekasi City by offering practical, fast-food, and global trend options, thus attracting the public, especially the younger generation. The shift in preferences from traditional to foreign foods is increasingly strongly influenced by globalization, technological advances (social media and online sales), modern lifestyles, and the phenomenon of FOMO (*Fear of Missing Out*) which makes young people feel anxious about missing out on the latest trends (Makarim, 2024).

The presence of foreign food MSMEs such as *takoyaki*, *burgers*, *pizza*, and *sushi* has enriched culinary diversity in Bekasi City by offering practical, fast-food, and global trend options, thus attracting the public, especially the younger generation. The shift in preferences from traditional to foreign foods is increasingly strongly influenced by globalization, technological advances (social media and online sales), modern lifestyles, and the phenomenon of FOMO (*Fear of Missing Out*) which makes young people feel anxious about missing out on the latest trends (Makarim, 2024).

As a result, since mid-2022 there has been a significant shift in which foreign food MSMEs have surpassed traditional foods in popularity and sales, while traditional foods rich in cultural value have begun to be marginalized. Although during the COVID-19 pandemic (2020), MSMEs in traditional food had experienced a decrease in sales of up to 30%-40% (Faizi et al., 2022) and forced to switch to online sales (e.g. lontong sayur, ayam bekakak, Betawi pickles), but without more aggressive adaptation to digital trends and modernization, traditional foods risk losing their cultural identity and increasingly being left out amid the dominance of foreign cuisine.

This shift is not just a change in consumption patterns, but a deeper cultural transformation in which food becomes a symbol of social identity and self-expression. The main challenge for traditional food MSMEs is to preserve Indonesia's culinary heritage so that it is not eroded by the currents of modernization and globalization, so that it risks only becoming a historical memory if there is no proper intervention.

To survive and rise, traditional food MSMEs need to implement a *Dynamic Capabilities approach* through sensing (detecting new opportunities and trends), seizing (utilizing digital technology and menu innovation), and reconfiguring (rearranging resources and competencies, including knowledge management to employees) so that traditional food can compete with foreign foods through more modern presentation, taste, packaging, and branding. So that it remains relevant as a cultural identity that lives in the midst of changing times.

The practical problem raised is the low competitiveness of traditional culinary MSMEs, while the theoretical problem is the limitations of previous research that tends to be partial (only focusing on one or two aspects such as social media, digital payments, or entrepreneurial characteristics) as well as the irrelevance of *the Resource-Based View* (RBV) Theory which is static in a very dynamic business environment.

Therefore, this study uses *the Dynamic Capabilities Theory* (Teece et al., 1997) as a more appropriate main framework, with elements of *sensing*, *seizing*, and *transforming/reconfiguring*, to explain how traditional food MSMEs can survive and develop.

The practical contribution of this research is very real: encouraging traditional culinary MSME actors in Bekasi to adopt digital transformation (*online platforms*, aesthetic promotion on social media), increasing organizational agility to respond quickly to market trends, implementing knowledge management (training, recipe documentation), and developing product innovations (modern presentation, hygienic and practical packaging, fusion food) so that traditional foods such as Betawi soto, Betawi cork, rangi cake, or dodol remain relevant and attractive to the younger generation, thereby strengthening competitiveness, improving

business performance, and preserving Indonesia's traditional culinary heritage amid the onslaught of foreign food and digitalization.

The government needs to implement policies that actively support the preservation of traditional foods and strengthen culinary MSMEs, for example through incentives for business actors, the organization of routine culinary festivals, and the simplification of access to financing such as KUR. These measures will not only increase public awareness of culinary heritage and market demand, but also strengthen the role of MSMEs in labor absorption, contribution to GDP, local economic growth, and poverty alleviation.

The originality of this study offers a more comprehensive and original approach than the previous study by integrating three main independent variables of digital transformation, organizational agility, and knowledge management through the mediation of product innovation to explain the business performance of culinary MSMEs, based on *the theory of Dynamic Capability* expanded. This approach not only enriches the theoretical understanding of the dynamic capabilities of MSMEs in dealing with environmental changes, but also makes practical and concrete policy contributions, such as presentation innovation strategies, modern packaging, and the use of digital platforms, to increase competitiveness and support the preservation of traditional Indonesian cuisine.

## METHOD

This study uses a quantitative approach with a cross-sectional design and survey method to test the causal relationship between independent variables (*Digital Transformation, Organizational Agility*) on the Business Performance of culinary MSMEs in Bekasi City, with *Product Innovation* as the mediating variable. The analysis unit is the owner of individual culinary MSMEs in Bekasi City registered with the Cooperatives & MSMEs Office, active at least since 2020, with a population of around 9,497 MSMEs in 2024 (Bekasi, 2024). The sample was determined through purposive sampling with a minimum size of 165 respondents using G-Power as recommended (Hair et al. 2017) and (Memon et al., 2020) for social and business research. The research population is all owners of traditional food MSMEs in Bekasi City which totals 1,498 business units.

Sampling was carried out using a nonprobability sampling method using purposive sampling techniques, which deliberately selected respondents based on certain criteria (owners of traditional food MSMEs who have their own business premises and are fostered by the Bekasi City Cooperatives & MSMEs Office).

The results of descriptive statistics showed that respondents' perception was generally positive (average indicator 3.36–4.09), with the highest score in the Business Performance indicator (BP5 = 4.41) and the lowest in Product Innovation (PI2 = 3.25), accompanied by the highest standard deviation in PI3 (1.57) which indicated a considerable variation in perception in the aspect of product innovation. Overall, *Digital Transformation, Organizational Agility and Business Performance* have been well implemented, but *Product Innovation* is still a relatively weak area and needs significant improvement.

Data processing includes *convergent validity* tests through *outer loading* ( $>0.45$ ) and *composite reliability*, to ensure the feasibility of the measurement model before testing the structural hypothesis. This approach allows researchers to accurately evaluate the causal relationships between variables and identify strategic areas that must be strengthened to improve the business performance of traditional food MSMEs in Bekasi City.

In this study, the reliability test was measured using *the composite reliability* value and *the cronbach alpha* value. *Cronbach's alpha* is a reliability coefficient that shows how well items in a set are positively correlated with each other (Sekaran, Uma., & Bougie, 2016). An indicator can be declared reliable if *Cronbach's alpha* value  $\geq 0.60$ , then the indicator is suitable for use because the indicators have been consistent with each other in measuring

variables (Sekaran, Uma., & Bougie, 2016). According to (Hair et al., 2014), *Composite reliability* complements the use of *Cronbach's Alpha* which does not give weight to individual indicators in the calculation. The *composite reliability* value can be accepted in the exploration study if the CR value is 0.6 – 0.7, while the value above 0.7 has satisfactory reliability (Hair et al., 2014),

**Table 1. Composite Reliability Test Results**

Variabel	Cronbach's alpha	Composite reliability	Kesimpulan
<i>Business_Performance</i>	0.851	0.893	Reliabel
<i>Digital_Transformation</i>	0.789	0.855	Reliabel
<i>Organizational_Agility</i>	0.744	0.838	Reliabel
<i>Product_Innovation</i>	0.804	0.865	Reliabel

Source : data processed by researchers, 2025

In contrast to single statistical testing, SEM uses various *Goodness of Fit indices* to assess how well a hypothetical model fits the empirical data. Therefore, before evaluating the *measurement model* and the *structural model* separately, an evaluation of the overall feasibility of the model must be carried out first to ensure that all SEM assumptions are met (Hair, J.F. et al., 2017). This approach makes SEM a very precise and comprehensive tool for testing complex conceptual frameworks in social and business research. The results of the *goodness of fit* test are as follows:

The *structural model* in this study was declared fit and passed the *Goodness of Fit test* based on the criteria (Hair et al., 2017), where there are several indicators that indicate *Good Fit* (SRMR, d\_ULS, Chi-Square, and NFI), so that one or more fit indicators are enough to declare the model as a whole feasible and can proceed to the next stage of testing.

Furthermore, the results of the structural model evaluation showed that the *R-square adjusted value for the Business Performance variable* was 0.672 (67.2%), which was included in the category of strong influence according to (Chin, 1998). This means that the combination of exogenous variables *Digital Transformation*, *Organizational Agility* and *Product Innovation* (as mediators) was able to explain 67.2% of the variants in the *Business Performance* of traditional food MSMEs in Bekasi City, while the rest (32.8%) was influenced by other factors outside the model. This indicates that the research model has high predictive power and is relevant to explain the improvement of business performance in traditional culinary MSMEs.

**Table 2. R-Square Value**

Variable	R-square	R-square adjusted
<i>Business_Performance</i>	0.680	0.672
<i>Product_Innovation</i>	0.569	0.561

Source : Data processed by researchers, 2025

This can be concluded to have a strong influence. Meanwhile, the *R-square adjusted* variable of *Product Innovation* is 0.561. This means that the variables *Digital Transformation* and *Organizational Agility* are able to explain the variable *product innovation* by 56.10%. This can be concluded to have a moderate effect.

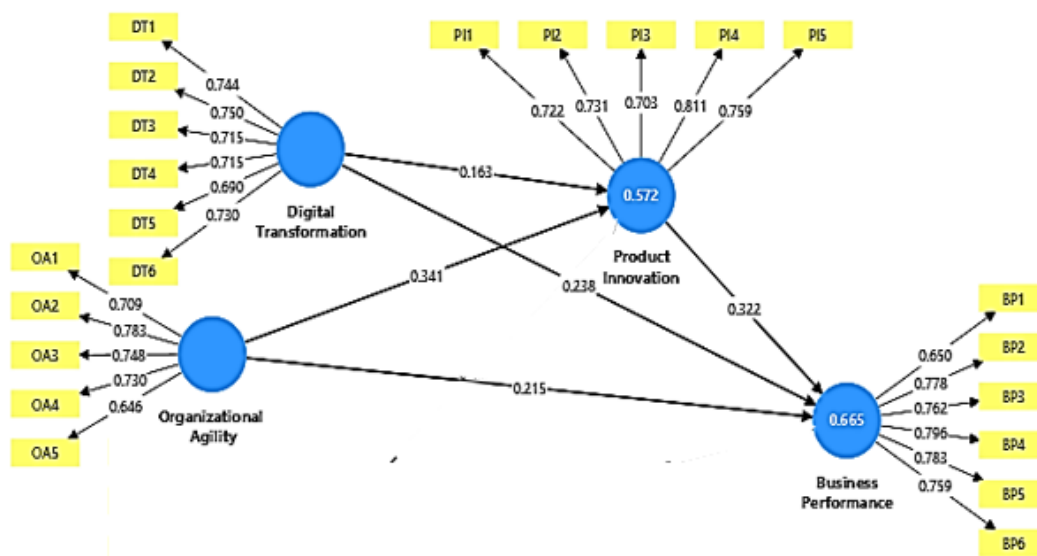


**Table 3. Special Indirect Effect Value**

Variabel	T statistics	P values
Digital_Transformation -> Product_Innovation -> Business_Performance	2.549	0.011
Organizational_Agility -> Product_Innovation -> Business_Performance	2.669	0.008

Source: data processed by researchers, 2025

The Digital Transformation → Product Innovation → Business Performance pathway has an indirect effect of 0.053, proven to be significant (T-statistic = 2.549 > 1.96; p-value = 0.011 < 0.05). The Organizational Agility → Product Innovation → Business Performance pathway has an indirect effect of 0.106, proven to be significant (T-statistic = 2.669 > 1.96; p-value = 0.008 < 0.05).



Both tracks show that Product Innovation significantly mediates the relationship between Digital Transformation and Organizational Agility and Business Performance. Organizational Agility contributed the highest indirect effect (0.106), Digital Transformation (0.053). This indicates that product innovation is an effective key mechanism in translating these two dynamic capabilities into improving the business performance of traditional food MSMEs.

## RESULT AND DISCUSSION

The discussion in this study was carried out to answer the formulation of the research problem. The discussion of the results of this study can be described as follows:

### 1. Digital Transformation has a positive and significant effect on Business Performance

The adoption of Digital Transformation helps improve operational efficiency, product innovation, customer satisfaction, and competitiveness through market expansion and cost reduction. These findings are in line with research (Mushtaq et al., 2023); (Persada et al., 2025); (Vial, 2019); (Verhoef et al., 2021) dan (Ferrerias-Méndez et al., 2021) which emphasizes that holistic digital transformation (technology, HR, strategy) is the key to the success of MSME business performance.

*H<sub>1</sub> : There is a Positive Influence of Digital Transformation on Business Performance*

## 2. Organizational Agility has a positive and significant effect on Business Performance

This is evident from the high average value of the indicator (3.73–4.13), with the highest score on *sensing* ability, namely response to changing customer demands (mean 4.13) and reaction to new competitor products (*mean* 4.02), showing that MSME actors are quite agile in detecting market opportunities and threats.

Organizational *Agility* drives continuous innovation, operational efficiency, accuracy in meeting customer needs, and long-term competitiveness amid market uncertainty. These findings are in line with research (Tallon & Pinsonneault, 2011), (Overby et al., 2006) and (Doz & Kosonen, 2010) which emphasizes that organizational agility supported by information technology and strategic alignment are the main drivers of superior business performance.

*H<sub>2</sub> : There is a Positive Influence of Organizational Agility on Business Performance*

## 3. Digital Transformation has a positive and significant effect on Product Innovation

Digital Transformation drives product innovation through three main mechanisms: (1) better market understanding via customer data from social media/e-commerce; (2) increasing efficiency and creativity through digital tools (design, production, packaging); and (3) expanding market reach that forces MSMEs to innovate (e.g., practical packaging, modern flavor variants, halal certification for online). These findings are in line with (Lukas & Ferrell, 2000), (Hills et al., 2008), serta (Kumar, 2016) which confirms that digital technology reinforces market orientation, entrepreneurial marketing, and customer interaction are all key drivers of product innovation.

*H<sub>3</sub> : Terdapat Pengaruh Positif Digital Transformation Terhadap Product Innovation*

## 4. Organizational Agility has a positive and significant effect on Product Innovation

Organizational Agility drives product innovation through three main mechanisms: (1) market responsiveness that allows for rapid product customization (modern variants, practical packaging, healthy ingredients); (2) adoption of new technologies for production efficiency and experimentation; and (3) strategic flexibility to meet broader market standards. These findings are in line with (Teece et al., 1997); (Overby et al., 2006); (Llanos et al., 2016) and (Teece, 2018) which emphasizes that organizational agility supported by information technology and dynamic capabilities is the main driver of product innovation in a dynamic market environment.

To maximize the impact of Organizational Agility on Product Innovation, interventions are needed in the form of strategic adaptation training, access to cheap technology, digital/export expansion assistance.

*H<sub>4</sub> : There is a Positive Influence of Organizational Agility on Product Innovation*

## 5. The Influence of Product Innovation on Business Performance

These findings are in line with (Atuahene-Gima, 2005); (Calantone et al., 2002), and (Prajogo & Ahmed, 2006) which emphasizes that product innovation capacity supported by learning orientation and organizational capabilities is the main driver of competitiveness, market share, and business profitability.

To maximize the impact of Product Innovation on Business Performance, targeted support is needed in the form of product innovation training (modern packaging design, healthy flavor variants, halal certification), access to simple production technology, and digital marketing assistance.

*H<sub>5</sub> : There is a Positive Influence of Product Innovation on Business Performance*

## 6. The Influence of Digital Transformation on Business Performance Mediated by Product Innovation

Product Innovation has proven to play a significant role as a significant mediating variable in the relationship between Digital Transformation and Business Performance in traditional food MSMEs in Bekasi City. Digital transformation not only has a direct impact, but mainly works through product innovation mechanisms (such as the development of traditional foods with modern packaging, the latest flavor variants, or aesthetic presentations for digital platforms) that are the main catalysts for improving business performance (sales, customer satisfaction, and competitiveness).

These findings are consistent with research (Merín-Rodrigáñez et al., 2024); (Schneider & Kanbach, 2023) and (Malahim, 2024) which confirms that innovation, whether business models, the speed of new product development, and green innovation, serve as a key mediator between digital transformation and optimal business performance.

*H<sub>6</sub> : There is a Positive Influence of Digital Transformation on Business Performance Mediated by Product Innovation*

## 7. The Effect of Organizational Agility on Business Performance Mediated by Product Innovation

Product Innovation has proven to play a significant mediator in the relationship between Organizational Agility and Business Performance in traditional food MSMEs in Bekasi City. Organizational Agility allows MSMEs to respond quickly to market changes and consumer trends (such as healthy food, instant food, or online delivery), but its impact on new business performance is optimal when translated through product innovation, both radical (e.g. changing traditional recipes into modern ready-to-eat/packaging products for export) and incremental (customization of tastes, healthy ingredients, or practical packaging according to the preferences of the younger generation).

These findings are in line with (Puriwat & Hoonsoon, 2021) which states that organizational agility increases radical/incremental innovation, especially under technological turbulence, and (AlTaweel & Al-Hawary, 2021) Asserting that innovation capabilities mediate the relationship between organizational agility and business performance Without adequate innovation (employee training, research collaboration, or production/marketing technology adoption), agility alone is not enough to produce significant performance improvements.

*H<sub>7</sub> : There is a Positive Influence of Organizational Agility on Business Performance Mediated by Product Innovation*

## CONCLUSION

The conclusion of the hypothesis of each variable was developed in a dissertation research entitled The Influence of Digital Transformation, Organizational Agility, Knowledge Management on Business Performance Mediated by Product Innovation. From the hypothesis of both direct and indirect relationships between variables, it was found that there is a positive influence between variables.

The following is a detailed explanation of the conclusions of each hypothesis test result for each variable studied in this study, namely:

### **Digital Transformation has a positive effect on Business Performance.**

Digital Transformation, such as the use of e-commerce, social media, and data analytics, improves operational efficiency, market visibility, and access to new customers. Digital transformation increases the competitiveness and business performance of MSMEs which can reach wider marketing and more efficient management or it can be said that digital transformation affects business performance. In the context of traditional food MSMEs in



Bekasi, digital platforms such as GoFood or Instagram help reach urban consumers, increase sales, and strengthen business performance.

Most of the respondents are sole proprietors who have full authority to make digital decisions, supporting management's commitment to digital transformation despite facing workload challenges that require practical and simple solutions. In addition, home-based businesses encourage the use of social media and marketplaces as promotional and sales strategies, with high enough customer engagement so that the home-based business model is very relevant to light and flexible application-based digital transformation.

### **Organizational Agility has a positive effect on Business Performance.**

Organizational agility makes MSMEs adapt quickly to market changes, such as consumer trends or disruptions such as pandemics. Agile organizations can make quick decisions and adjust strategies, thereby improving performance or it can be said that organizational agility affects business performance. In Bekasi, MSMEs that are able to adapt to business models (for example, switching to online sales during the pandemic) show increased sales and business resilience.

Most businesses are sole proprietorship, allowing for quick decisions and innovation without bureaucracy, supporting agility in the face of competitors and the use of technology. Meanwhile, home-based businesses have high flexibility in serving local customers, but are limited to expansion due to logistical and distribution constraints.

### **Digital Transformational has a positive effect on Product Innovation**

Digital technologies, such as data analytics and marketing platforms, enable MSMEs to identify consumer trends and develop new products (innovate). Digital transformation encourages product innovation by providing market insights and ease of experimentation or it can be said that digital transformation affects product innovation. In Bekasi, traditional food MSMEs use social media to promote products such as instant rangi cakes, increasing presentation and packaging innovation.

### **Organizational Agility has a positive effect on Product Innovation**

Organizational agility allows MSMEs to respond quickly to market trends, such as developing new product variants or adjusting presentation. Agile organizations are more able to produce product innovation or it can be said that organizational agility affects product innovation. In Bekasi, MSMEs that are quick to adopt trends such as modern packaging for pucung cork show an increase in product innovation that is relevant to the market.

Most sole proprietorships allow full but limited control over exploration and learning due to operational burdens, while most business locations are home-based with limited external interactions, which reinforces low access to training, market information, and benchmarking.

### **Product innovation has a positive effect on business performance.**

Product Innovation increases competitiveness by offering products that are relevant and attractive to consumers. Product Innovation increases sales and profitability or it can be said that product innovation affects business performance. In Bekasi, MSMEs that introduce products such as pucung cork chips or nasi ulam in modern packaging attract more customers, thereby improving business performance.

Product innovation directly improves business performance. Respondents of productive age are quick to adapt to market needs, while the majority of women are more sensitive to consumer preferences. Practical education supports the application of simple, relevant innovations. Sole proprietor status ensures that innovation has a direct impact on profits. The

location of the house is the starting point for local innovation that can strengthen business competitiveness.

**Digital transformation has a positive effect on business performance mediated by product innovation.**

Digital transformation drives product innovation (e.g., traditional food in modern packaging), which in turn improves sales and business performance. In Bekasi, MSMEs that use digital platforms to promote innovations such as coconut root cakes with aesthetic packaging have experienced an increase in sales and business performance.

**Organizational Agility has a positive effect on business performance mediated by product innovation.**

Organizational agility drives innovation (e.g., adapting menus to trends), and these innovations improve competitiveness and business performance. Factors of age, female gender, practical education, sole proprietorship, and home-based business location support this mediation role. In Bekasi, MSMEs that quickly adjust products (for example, milkfish in practical packaging) increase competitiveness and business performance.

All hypotheses are supported by the theory of Dynamic Capabilities (Teece et al., 1997) and previous research showing that Digital Transformation and Organizational Agility provide the ability for traditional food MSMEs to sense, seize, and reconfigure. These two variables support product innovation, which is a key mediator in improving business performance in the midst of competition with foreign food in Bekasi City.

Some of the new findings in this study can be identified from the original contributions described, especially in the context of culinary Micro, Small, and Medium Enterprises (MSMEs) in Bekasi City. The following is an explanation of the new findings resulting from this research, focusing on the aspects of originality and contribution to literature and practice, namely the integration of digital transformation and organizational agility, in One Model. This study integrates three main variables, namely digital transformation and organizational agility in a conceptual framework mediated by product innovation to explain the business performance of culinary MSMEs. These findings are new because previous studies have tended to examine these variables separately or in more limited combinations. With the addition of product innovation mediators, it provides a more holistic understanding of how MSMEs can improve business performance in the midst of competition with foreign food. The role of Product Innovation mediation in the context of Culinary MSMEs.

This study found that product innovation plays a significant mediating role in the relationship between digital transformation and organizational agility, with business performance. These findings reinforce the theory that product innovation not only functions as an output of these variables, but also as a mechanism that amplifies its impact on business performance. In the context of culinary MSMEs, product innovations such as modern presentation or aesthetic packaging in traditional foods (for example, pucung cork chips or Betawi dodol in modern packaging) have been proven to increase competitiveness. Contribution to Dynamic Capability Theory in the context of MSMEs. This research expands the application of dynamic capability theory by showing how culinary MSMEs can use sensing (identifying market opportunities), seizing (absorbing new trends for innovation), and reconfiguring (rearranging resources) to compete with foreign foods. This finding is new because it applies this theoretical framework specifically to culinary MSMEs, which often have limited resources compared to large companies.

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