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How Entrepreneurship Orientation Influences the Performance of New Product Development in the SME in Bantul?

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ABSTRACT

The prosperity of a company depends heavily on the quality of its new product development. Small and medium-sized enterprises (SMEs) must regularly assess, update, and adapt their product line. It has been argued that entrepreneurial orientation is crucial to improving enterprise-level outcomes like company performance in today's competitive environment where product life cycles are getting shorter.
Objectives: *This study aims to examine entrepreneurial orientation's impact on new product development performance with business model innovation serving as a moderating variable.*
Methodology: *The quantitative method is used in this study. The population under study consists of SMEs in Bantul Regency. This research employs a method of sampling known as purposive sampling with certain criteria. Partial Least Square (PLS) Structural Equation Modeling is utilized for analysis (SEM).*
Finding: *This research shows that an entrepreneurial Orientation significantly affects the development of business model innovation. Product development performance is significantly influenced by the degree of innovation introduced into the business model and by the degree to which the entrepreneurial is oriented.*
Conclusion: *Business model innovation is a great system for SMEs to bring their entrepreneurial spirit to innovation and also to improve the latest product development.*

Keywords*: Entrepreneurial orientation; New product development performance; Business model innovation; Small and medium enterprises.*

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INTRODUCTION

National economic development in Indonesia is heavily impacted by Small and Medium Enterprises (SMEs) in which they have a strategic role and important contribution in it. The facts show that SMEs are proven to be able to boost economic growth (Sijabat, 2018). SMEs are shown to be resilient in the face of adversity (Asyhari et al., 2018). SMEs in Indonesia in 2021 reached 64.2 million with a contribution to the gross domestic product (GDP) of 61.07% or IDR 8,573.89 trillion. It has the capacity to employ 97% of Indonesia's labor force and attract 60.42 % of the country's total investment (Shifa, 2022).

The role of SMEs is increasingly suitable for development, considering that the government is currently prioritizing the potential of SMEs in various regions in Indonesia, especially during the COVID-19 pandemic which paralyzed almost all aspects of life. On the other hand, SMEs face serious challenges in developing their business in entering the global market. The main obstacles for SMEs are the ability to innovate, marketing, lack of understanding of specifications and quality standards, short product cycling, poor production processing, and not understanding the map of business competition (Asyhari et al., 2018), and (Alfin, 2021).

During the COVID-19 pandemic, small and medium enterprises (SMEs) in Bantul Regency were encouraged to rise from adversity through innovation, processing quality products, proper marketing systems, and innovating business models. As a driver of company performance, innovation is very important for every business organization, especially in a disrupted environment (Sumiati, 2018). Bantul Regency's thriving SME sector is a major contributor to the region's low unemployment rate, rising standard of living, and expanding labor force. In addition, SMEs need to apply an entrepreneurial orientation to strategic activities that set goals and create superior performance.

Entrepreneurial orientation is a strategic mentality that encourages risk-taking, inventive behavior, and aggressive action on the part of a corporation (Genc et al., 2019). The degree to which firms place a priority on locating and seizing market opportunities when formulating their corporate strategy is a good indicator of the entrepreneurial orientation of those businesses (Ferreras-Méndez et al., 2021). In many cases, the innovation of a business model is directly tied to the transformation of an organization, the goal of which is to ensure that the desired level of performance can be achieved (Latifi et al., 2021). As a consequence of this, a significant shift in the culture of the company is required as a prerequisite for a successful transformation of the organization. The ever-increasing level of competition in the high-speed market has substantial consequences for the long-term sustainable development of SMEs. These implications stem from the performance of new product development (Liu et al., 2020). For instance, shifts in client requirements and the demands of particular market groups occur extremely quickly and in a very genuine way. Therefore, in order to satisfy customer needs and attract a wider audience, small and medium-sized businesses (SMEs) are required to expand various innovations of their products.

The lack of studies focusing on the relationship between entrepreneurial orientation (EO), business model innovation, and new product development performance in the context of Small and Medium Enterprises (SMEs) in Bantul Regency, Indonesia, is the research gap filled in this study. Despite the importance of SMEs in the national economy and their role in economic growth, they face obstacles when entering the global market.

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These difficulties include the ability to innovate, marketing, a lack of understanding of specifications and quality standards, short product cycles, poor production processing, and a lack of understanding of the business competition map (Arief H et al., 2021). SMEs in Bantul Regency are encouraged to overcome adversity through innovation and proper marketing systems during the COVID-19 pandemic.

A previous study (Ferreras-Méndez et al., 2021) explored the association between EO, NPD, and BMI using 400 Spanish SMEs. The findings show that EO improves BMI and NPD performance. Furthermore, BMI is discovered to play a partial mediating role between EO and NPD performance. In a cross-industry sample of 563 European SMEs, (Latifi et al., 2021) found no direct association between business model innovation (BMI) and company performance. Instead, this path is mediated by efficiency growth, organizational capacities, and revenue growth. In addition, efficiency, organizational competency, and revenue growth directly impact firm performance. The study examines the correlation between entrepreneurial orientation (EO), ambidexterity, and the acceleration of new product development (NPD) in 384 small and medium-sized enterprises (SMEs) across four sectors in Spain: biotechnology, ceramic tiles, toys, and footwear. The results suggest that there is a positive relationship between EO and the speed to market. This relationship is further amplified when SMEs demonstrate higher levels of ambidexterity (Ferreras-Méndez et al., 2022).

The inconsistencies in previous findings are a novelty in this study where the goal of this study is to fill a gap in the existing literature by addressing the limitations and weaknesses of previous studies and offering a new perspective that leads to different results. However, more research is needed to determine how entrepreneurial orientation can contribute to SMEs' strategic activities and superior performance. The current literature provides limited information on the relationship between EO, business model innovation, and new product development performance, as well as how it can be applied to the SME sector of Bantul Regency, Indonesia. By bolstering mediation's role in business model innovation, a new product development concept based on an entrepreneurial attitude can be produced for the SME craft industry. This can also be done by strengthening the innovation capacity and business performance of the SME industry by studying Entrepreneurship’s concept orientation, business model innovation, and new product development performance in an integrated and holistic approach. Different combinations of elements of an EO have been found in previous theoretical and empirical research. Each one stands for a distinct facet of the multifaceted idea of an EO. Thus, the entrepreneurial orientation component enables it to have varying effects on business performance.

This study investigates the connection between effective organizational performance and new product development (NPD) with an emphasis on the role of business model innovation (BMI) as a potential mediating variable. The primary objective of this research was to add to the existing body of knowledge concerning entrepreneurial orientation and business model evolution. The innovative nature of small and medium-sized enterprises (SMEs) can be best harnessed and applied to the innovation process through the development of new business models which in turn improves the rate at which new products are commercialized.

LITERATURE REVIEW

The Innovation-Entrepreneurship Theory highlights the key components of a successful entrepreneurial culture and their impact on a firm's performance. The focus on opportunity

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recognition, risk-taking, and proactivity are critical elements of an entrepreneurial orientation. They drive the pursuit of new opportunities, the willingness to experiment, and the proactive identification and resolution of challenges that arise in the development of new products.

Business model innovation provides a structured approach to turning entrepreneurial ideas into successful new products and services. It involves rethinking and re-engineering the ways in which a firm creates, delivers, and captures value. It is a key mediating factor between entrepreneurship orientation and performance as it helps to translate the creative energy generated by an entrepreneurial culture into tangible results.

In the context of small and medium businesses in Bantul, the Innovation-Entrepreneurship Theory provides a useful framework for understanding how these firms can improve their performance through new product development. By embracing an entrepreneurial orientation and leveraging business model innovation, these firms can better position themselves for success in a rapidly changing market. They can improve their ability to develop and launch new products and increase the chances of success for those products in the market. In doing so, they can achieve improved performance and greater competitiveness.

Entrepreneurship Orientation

The term "entrepreneurial orientation," or EO, is now commonly used to refer to a key concept in the fields of strategic management and entrepreneurship (Covin et al., 2006). To be more precise, EO is a strategic construct whose conceptual domain consists of the preferences, beliefs, and behaviors of a company's top-level managers with regard to the outcomes of the firm and the management of the organization. The concept of an EO has emerged as a central factor in the study of entrepreneurship (George, 2011). According to (Covin & Lumpkin, 2011), Danny Miller is widely credited with popularizing the concept of Entrepreneurial Orientation (EO) in academic circles and the term entrepreneurship is most applicable to established businesses that exhibit three distinct characteristics: risk-taking, innovation, and proactivity. Lumpkin and Dess added autonomy and competitive aggressiveness to measure EO in 1996 (Solikahan & Mohammad, 2019). EO measurements have been based on various previous investigations where Miller (1983) and Lumpkin and Dess (1983) EO readings are combined (1996).

Despite the fact that the term "entrepreneurial orientation" might mean different things to different people, the majority of the current literature has characterized it in terms of three basic sub-dimensions at the business level: innovation, willingness to take risks, and proactively (Bouncken et al., 2016), and (Arzubiaga et al., 2018). Two schools of thinking exist about EO: the Unidimensional School with three dimensions (proactivity, risk-taking, and innovation) and the Multidimensional School with five dimensions (innovation, risk-taking, autonomy, proactiveness, and competitive aggressiveness) (Omisakin et al., 2016). To sustain or find a new position in the marketplace, a business must continually innovate, consider risk, allow for autonomy, be proactive, and compete fiercely in a dynamic business climate (Kosa et al., 2018). Furthermore, businesses with an enterprising spirit can find previously unknown entrepreneurial chances where business people can search for entrepreneurial opportunities based on current market demands (Berlilana & Wahyuningsih, 2021).

EO can boost a company's innovation, competitiveness, and growth (Perera et al., 2019) and (Covin & Lumpkin, 2011). It emphasizes opportunity-seeking, risk-taking, and proactive behavior rather than maintaining the status quo. Innovativeness as a firm's ability to create and

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deploy new ideas and products is a major component of EO (Solikahan & Mohammad, 2019). In a dynamic market, this can help firms stay ahead. EO incorporates risk-taking which can lead to growth. Firms must establish a balance between risk-taking and conservatism to avoid failure. Another key EO trait is Proactivity or shaping the future rather than reacting to it. This can help firms find and pursue new possibilities while staying ahead of the competition. Firms must foster EO by encouraging risk-taking and creativity. This may involve investing in research and development, offering training and development, and encouraging collaboration and creativity. Finally, in today's fast-changing business climate, EO is essential. Organizations can achieve strategic goals by taking risks, innovating, and being proactive.

An entrepreneurial orientation encourages inventive activity which in turn improves the company's ability to introduce and implement product improvements. The entrepreneurial orientation is one in which one strives to be the first in the market in terms of innovation, to be willing to take chances, and to be proactive in response to changes that take place in the market. (Witjaksono, 2014). Companies that have an entrepreneurial attitude are able to generate ideas, give those ideas the physical form of the latest products and services, take part in hazardous ventures, anticipate future customer requirements, and discover untapped market prospects (Fahmi, 2015).

Entrepreneurial orientation (EO) in the context of small and medium-sized enterprises (SMEs) refers to the mindset and behaviors of individuals within the organization that promote entrepreneurship and innovation (Kljucnikov et al., 2020). This includes a focus on opportunity recognition, risk-taking, and proactivity, as well as a willingness to experiment and try new things. SMEs with a strong entrepreneurial orientation are often distinguished by a dynamic and creative culture that fosters innovation and a positive and proactive approach to business challenges (Ferreras-Méndez et al., 2022). For SMEs looking to develop and implement a more entrepreneurial orientation, it is critical to foster an innovative culture, provide opportunities for employee training and development, and encourage risk-taking and experimentation (Arzubiaga et al., 2018). SMEs can increase their chances of success and remain competitive in a rapidly changing market by doing so.

Performance of New Product Development

The New Product Development (NPD) literature emphasizes the significance of releasing new products to the market as a means of ensuring sustainable financial success for an organization (Bhuiyan, 2011). The creation of new products is critical to the expansion and continued existence of every corporation (Fok-Yew, 2014). NPD involves rethinking, packaging, creating more sustainable products, and publicizing the sustainable advantages of these goods (Amiri et al., 2020). Redesigning, substituting less polluting raw materials, and recycling additional processes are examples of these steps. As a result, the use of sustainable management practices in the new product development process can assist organizations in achieving their goals of long-term competitiveness and sustainability. New products are the result of innovative thinking aimed at meeting unmet customer needs and want (Gurbuz, 2018). They bring fresh and interesting options to the market that can attract new customers and keep existing ones.

One of the most important ways in which a company may acquire an edge over the competition and boost its performance is through the success of its new product development efforts (Liu et al., 2020). It has several stages, including ideation, concept development, design, testing, and commercialization. The success of NPD is measured by the product's market performance. A

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successful product will generate high sales, have a large market share, be well-received by customers, and provide a high return on investment (Awwad & Akroush, 2016).

New product development is intrinsically linked to entrepreneurial orientation. Formal processes for making new products are more likely to be implemented in companies where these processes are associated with better new product performance. In addition, companies with higher levels of entrepreneurial orientation tend to carry out market-based activities, such as customer needs analysis and market testing during the new product creation process. This market-based activity is also associated with better new product performance (Ferreras-Méndez et al., 2022). In addition, companies with a higher level of entrepreneurial orientation are more likely to be proactive in developing new products. This means they are more likely to take risks and try new ideas. This proactive approach is associated with better new product performance (Kosa et al., 2018). Based on the description provided previously, a hypothesis can be developed.

H1: Entrepreneurial orientation has a positive impact on new product development

An entrepreneurial perspective inspires businesses to take greater initiative and think creatively about how they conduct business. This indicates that they have a greater likelihood of developing a new business model that is both more efficient and effective than their existing business strategy. Additionally, an entrepreneurial approach helps to cultivate a culture of risk-taking and experimentation within the firm, both of which are necessary components of innovation. Companies that have an entrepreneurial mindset tend to be more flexible and adaptable which enables them to quickly adopt new business models when they prove to be effective. A company's entrepreneurial traits can affect its ability to embrace disruptive business models but only autonomy, risk-taking, and proactivity will improve the new business model's performance (Karimi & Walter, 2016). The presence of an entrepreneurial attitude in a company affects innovation, risk-taking, increased autonomy, and a higher level of proactivity which influences firms to be more innovative and adaptable (Prasetyo, 2021). An entrepreneurial mindset can have a positive and significant impact on the BMI of SMEs (Asemokha et al., 2019). It can lead to greater company innovation, adaptability, and competitiveness which can ultimately lead to greater success and profitability. Accordingly, a hypothesis can be developed.

H2: Entrepreneurial orientation has a positive impact on business model innovation

Business Model Innovation

There is a great deal of risk, ambiguity, and uncertainty associated with business model innovation because it results in substantial and lasting shifts in the core elements of a company's business model (Ferreras-Méndez et al., 2021). In a period of intensifying international rivalry, business model innovation can be a tactic for a company to grow (Hartati et al., 2021). The creation of a competitive advantage and an improvement in a company's overall performance are both possible outcomes of innovative business practices (Wahyuni & Sara, 2020).

The business model innovation’s definition itself has not been standardized so far. This is because there are differences of opinion among researchers. Therefore, researchers find it difficult to choose the definition to be used. However, (Trapp, 2014) suggests there are three ways that researchers can operate business model innovations in their research, namely by explaining business model innovations by providing details of the current situation and conditions compared to the old ones, explaining business model innovations assisted by a

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framework with components that have been determined, and explaining business model innovation by analyzing whether activities are new or changed.

There are formative measurements of three dimensions of business model innovation, namely value creation innovation, value proposition innovation, and value capture innovation which are all based on substantial studies on the definition and conceptualization of business model innovation (Clauss, 2017). The ability to innovate in SMEs is proof that SMEs need high productivity and competitiveness so that SMEs are able to increase their entrepreneurial abilities and business activities (Fitriasari, 2017). In order to get an edge in the market and boost overall performance, businesses often look to revamp their business models.

The notions of new product creation and business model innovation are closely connected but distinct. Business model innovation focuses on discovering new ways to make income or create value for consumers whereas new product development concentrates on developing new items or services to give customers. Depending on the company's specific aims and objectives, they can be utilized in tandem or independently. Businesses may utilize business model innovation to generate new products or services, or new product development to enhance their present business models. In the end, both business model innovation and new product creation are essential tactics for companies seeking to remain competitive and grow in the market. As a result, a hypothesis can be created as follows:

H3: Business model innovation has a positive impact on new product development performance

Business Model Innovation Mediation

According to research conducted by (Latifi et al., 2021), the relationship between organizational company performances is mediated by growth in efficiency, organizational competence, and income while having no direct effect on either variable. Increases in efficiency and effectiveness as well as organizational capacity and revenue have a direct and meaningful effect on business outcomes. A mindset that is entrepreneurially oriented is beneficial to the performance of new product development and the invention of business models. Additionally, it was revealed that business model innovation played a partial role in moderating the relationship between the entrepreneurial approach and the performance of new product development (Ferreras-Méndez et al., 2021).

According to the findings of the study that was carried out by (Wahyuni & Sara, 2020), the orientation toward the market, the orientation toward learning, and the entrepreneurial orientation each have a direct impact on the performance of a business. Each of these orientations has a major beneficial impact. Market orientation, learning orientation, and entrepreneurial orientation all have a major favorable effect on the performance of a firm in a roundabout way where that effect is mediated through knowledge competency and creativity. Market orientation is one of the most important of these orientations. According to the findings of (Genc et al., 2019), internationalization positively impacts innovation performance. Critically, the relationship between these two variables is not instantly and entirely mediated by an entrepreneurial mentality in small and medium-sized enterprises. The results of research mediation tests reveal that BMI serves as a crucial intermediary mechanism through which strategic agility contributes to higher business performance (Clauss et al., 2021). Therefore, it is possible to formulate a hypothesis:

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H4: Business model innovation is a mediating variable in the positive relationship between orientations entrepreneurship and new product development performance.
The subsequent is an explanation of the theoretical framework used in this study, which is based on the description of the theory that was presented before.

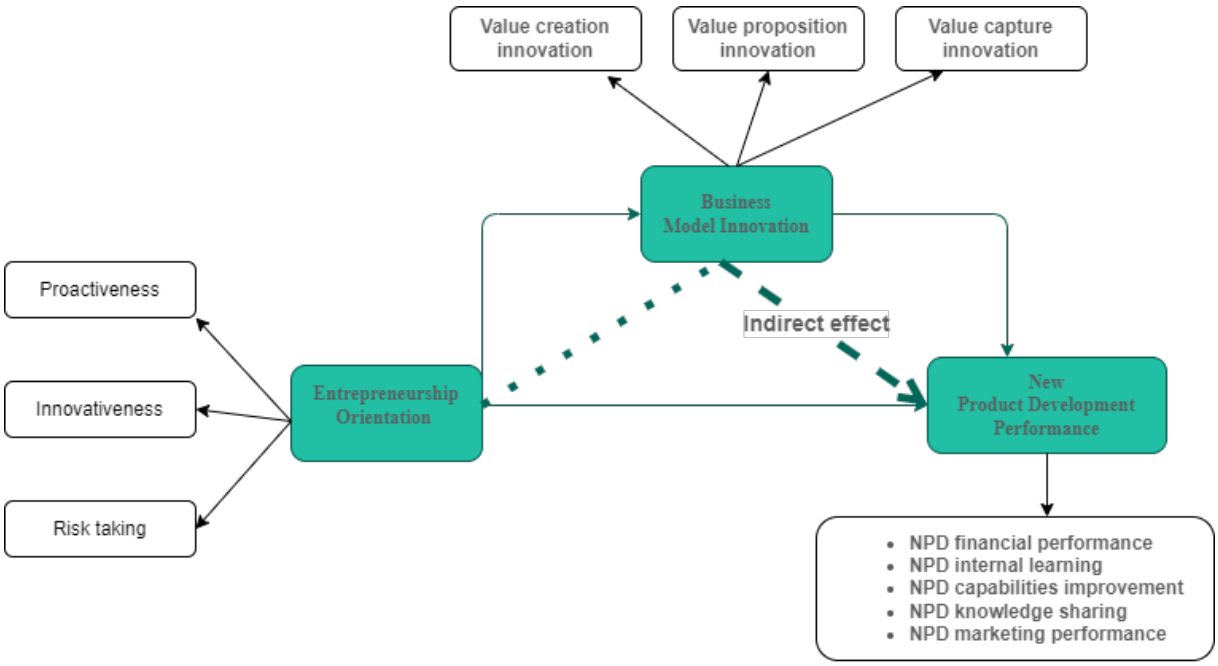

Figure 1. The theoretical framework for research

METHOD

In this study, the research approach that is utilized is the quantitative method. The small and medium-sized businesses in Bantul Regency make up the research population. Small and medium-sized firms are crucial to the economy and can shed light on their size-specific issues and opportunities. By focusing on these enterprises in a given geographic place, the researcher can better understand local characteristics that may affect the businesses and the sector. This tailored strategy can produce more relevant and helpful findings for policymakers, business owners, and other stakeholders who want to help small and medium-sized businesses expand.

The method of sampling that is carried out is known as purposive sampling where it adheres to a set of criteria. Primary data are those that were collected specifically for this research. Questionnaires were distributed directly to the owners or managers of SMEs in Bantul to collect primary data. The questionnaire was graded on a 5-point scale ranging from strongly disagree to strongly agree. In order to ensure that the measurements used are reliable and valid, the study adopts previous research conducted by (Ferreras-Méndez et al., 2022); (Ferreras-Méndez et al., 2021); and (Latifi et al., 2021).

The number of samples that were used in this research came from 44 small and medium-sized craft businesses that were located in 16 different craft centers in Bantul. The criteria that have been defined include small and medium-sized businesses (SMEs) that have been in operation for at least three years and are resilient enough to survive the epidemic caused by Covid 19.

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The method for gathering information makes use of a survey which involves the dissemination of questionnaires.

The information obtained will be examined through the use of structural equation modeling with partial least squares (PLS-SEM). PLS can be implemented in one of two ways: either as a regression model which predicts one or more dependent variables based on one or more independent variables or as a path model which relates to causal paths connecting predictor variables and paths connecting predictor variables and response variables. Either way, PLS can be used to make predictions about one or more dependent variables (Garson, 2018). An in-depth study is being carried out to investigate the impact that an entrepreneurial perspective has on the performance of new product development. The innovation of business models was employed as a moderating variable in this study which was implemented in the research. This research was carried out in an effort to verify the truth of the aforementioned hypotheses. The demographic distribution of respondents is as follows.

Table 1. Demographic Distribution of Respondents

Categories		Total	Percent
Age	31 s/d 40 Year	3	6.8
	41 s/d 50 Year	13	29.5
	50 > Year	28	63.6
Gender	Male	31	70.5
	Female	13	29.5
Position	Owner	39	88.6
	Manager	5	11.4
Education	Senior high school	25	56.8
	Diploma	8	18.2
	Bachelor	11	25
Long operation	4 s/d 7 Year	8	18.2
	7 > Year	36	81.8

RESULTS AND DISCUSSION

Based on the data analysis using PLS (Partial Least Square), the result of the study is as follows:

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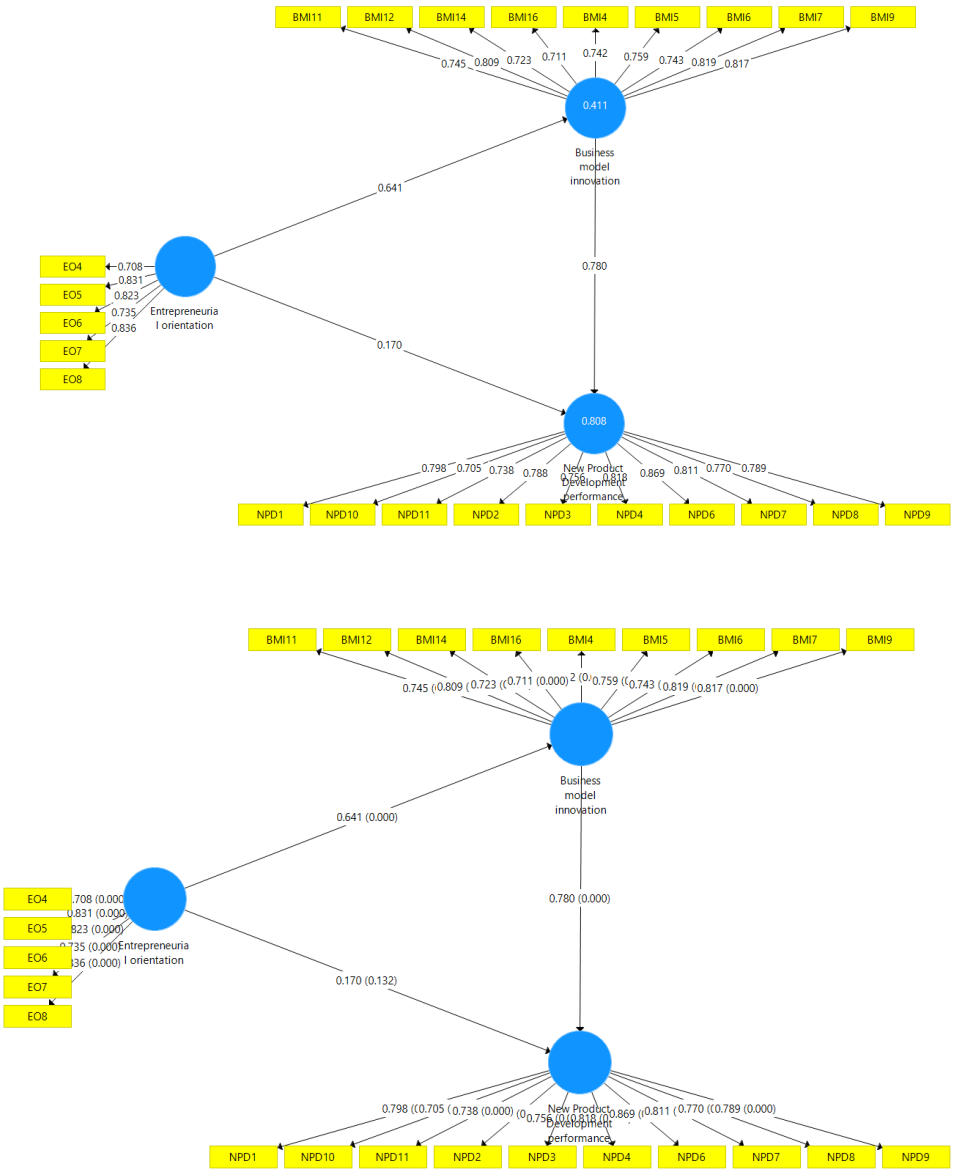

Outer model

1. Outer loading

Based on the results of the analysis above, it is known that not all outer loading values fulfill the requirements > 0.70. Therefore, loading values below 0.70 are excluded from the model. According to (Garson, 2018) in most cases, 0.70 is considered close enough to 0.708 to be acceptable. In the entrepreneurial orientation variable, 6 outer loadings were issued, namely: EO1, EO2, EO3, EO9, EO10, and EO11. As for the business model innovation variable, 7 outer loadings are excluded from the model because the value is less than 0.70, namely: BMI1, BMI2, BMI3, BMI8, BMI10, BMI13, and BMI15. Furthermore, for new product development variables, two outer loadings are excluded from the model, namely: NPD 5 and NPD 12.

It can be concluded that the outer loading values that meet the requirements are EO4, EO5, EO6, EO7, and EO8. Then BMI4, BMI5, BMI6, BMI7, BMI9, BMI11, BMI12, BMI14, and

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BMI16. As well as NPD1, NPD2, NPD3, NPD4, NPD6, NPD7, NPD8, NPD9, NPD10, and NPD11.

Table 2. Outer Loading Value

Constructs	*Outer loading*
Entrepreneurial Orientation	
EO4	*0,708*
EO5	*0,831*
EO6	*0,823*
EO7	*0,735*
EO 8	*0,836*
Business Model Innovation	
BMI4	*0,742*
BMI5	*0,759*
BMI6	*0,743*
BMI7	*0,819*
BMI9	*0,817*
BMI11	*0,745*
BMI12	*0,809*
BMI14	*0,723*
BMI16	*0,711*
New product development	
NPD1	*0,798*
NPD2	*0,788*
NPD3	*0,756*
NPD4	*0,818*
NPD6	*0,869*
NPD7	*0,811*
NPD8	*0,770*
NPD9	*0,789*
NPD10	*0,705*
NPD11	*0,738*

Source: Data Processing (2022)

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2. Construct reliability

The reliability test in PLS analysis used the Cronbach Alpha method, composite reliability, and AVE. Referring to the results of PLS data processing, the data meets the requirements for the AVE (Average Variance Extracted) value of the reflective construct is more than 0.5 while Cronbach Alpha is more than 0.7, and composite reliability is more than 0.7 (Hair et al., 2014). The following is the reliability test table.

Table 3. Reliability Test

Constructs	AVE	Cronbach Alpha	Composite reliability
Entrepreneurial orientation	0.622	0.847	0.891
Business model innovation	0.584	0.911	0.926
New product development	0.617	0.931	0.0941

Source: Data Processing (2022)

Referring to the outer model analysis's results, it can be interpreted that the research model is feasible to continue.

Inner model

1. R Square

The precise interpretation of the R2 value level is dependent on the specific search model and system. However, an R2 value of 0.75, 0.50, or 0.25 can be used in general (Hair et al., 2014). They are classified as large, medium, and weak in that specific order. Referring to the results of data analysis, the R Square value in this study are as follows:

Table 4. R Square

Constructs	R Square	R Square Adjusted
Business model innovation	0.411	0.397
New product development	0.808	0.798

Source: Data Processing (2022)

Table 4 shows that the R-value on the business model innovation variable is 41.1% so the model category is medium. This means that entrepreneurial orientation has an influence on business model innovation in SMEs in Bantul Regency by 41.1%. Meanwhile, the R-value for the new product development variable is 80.8% so the model is included in the strong category. This means that entrepreneurial orientation and business model innovation have an influence of 80.8% on new product development at SMEs in Bantul Regency.

2. Direct Effect

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Table 5. Path Coefficient and Hypothesis Testing

Hypotheses	Relationships	Original sample (β)	T Statistics	P Values	Decision
Direct effects					
H1	EO→ NPD	0,170	1,508	0.132	Not accepted
H2	EO → BMI	0,641	5,925	0.000	Accepted
H3	BMI → NPD	0,780	8,202	0.000	Accepted

Source: Data Processing (2022)

According to the table above, it is known that H1 was rejected because the P-Value is > 0.05, meaning that entrepreneurial orientation did not have a direct influence on the development of new products for SMEs in Bantul Regency. However, the study's result shows a positive relationship, meaning that if the entrepreneurial orientation is high, new product development will increase. This can be interpreted that it is possible that if EO is strengthened it will have a significant impact on NPD.

Table 4 shows that H2 is accepted, this can be seen from the P-Value <0.05. It can be said that entrepreneurial orientation has a significant influence on business model innovation in SMEs in Bantul Regency. In addition, the results of the analysis also show that EO has a positive relationship with BMI. Therefore, it can be interpreted that the better the EO, the higher the innovation of the business model.

It is known that H3 is accepted, this can be seen in the hypothesis testing table above that the P-Value is <0.05. This implies that business model innovation has a significant influence on the development of new products for SMEs in the Bantul District. The test results also show that BMI has a positive relationship with NPD, meaning that the higher the BMI, the better the development of new products in SMEs.

3. Indirect Effects

Table 6. Path Coefficient and Indirect Influence Hypothesis Testing

Hypotheses	Relationships	Original sample (β)	T Statistics	P Values	Decision
Direct effects					
H4	EO → BMI → NPD	0,500	6,914	0.000	Accepted

Source: Data Processing (2022)

Table 6 has shown that H4 is accepted. This indicated that business model innovation is able to mediate the effect of entrepreneurial orientation on new product development significantly and positively in SMEs in Bantul District. These results reflect that the better the business model innovation carried out by SMEs, the better impact it will have on entrepreneurial orientation and new product development.

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Discussion

According to the findings of this research project, entrepreneurial orientation (EO) has a beneficial effect on the development of new products in small and medium-sized businesses (SMEs). There is a connection between EO and the introduction of new products which indicates that the degree of new product creation is proportional to the level of EO present in an organization. This is in line with findings from previous studies that imply that EO plays a role in the creation of innovative products (Ferreras-Méndez et al., 2021). In addition, the researchers concluded that EO has a constructive influence on the development of novel business models. The willingness to take risks is the most important component influencing the development of small and micro firms in rural areas (Purusottama et al., 2018).

The level of innovation in the company model is proportional to the extent to which EO has been implemented. These results are consistent with those obtained from earlier studies (Genc et al., 2019a). According to the findings of the study, the development of new products by small and medium-sized enterprises (SMEs) in Bantul is significantly influenced by innovations in business models. The level of innovation in the business model contributes directly to the quality of the new product creation. This lends credence to the conclusions of the prior study (Wahyuni & Sara, 2020). To increase the performance of new products, every industry must first improve product and process innovation (Hamdani et al., 2022). In a nutshell, the findings of the study indicate that both EO and business model innovation has a favorable effect on the process of new product creation in small and medium-sized enterprises (SMEs). On the other side, a company may experience significant growth and success if it is successful in conquering new market sectors and commercial opportunities with innovative goods (Laksana et al., 2021). Additionally, by utilizing innovative products, businesses can develop a distinctive value proposition that distinguishes them from rivals and positions them as market leaders. According to the findings, implementing a business model that has been well planned into the process of entrepreneurial activity can increase the impact on the development of new products.

According to the results of this study, the implementation of a creative and effective business model can significantly lessen the detrimental effects that entrepreneurship has on the creation of new products. This finding is confirmed by the findings of additional research carried out by (Latifi et al., 2021) and (Ferreras-Méndez et al., 2021) who discovered that business model innovation acts as a mediating factor between entrepreneurial approach and the performance of new product development.

In other terms, the enhancement of the good impact that entrepreneurship has on the development of new products can be helped by the creation of a business model that encourages innovation. According to the findings of the study, a successful business model may play a significant role in the promotion of entrepreneurial activity and the development of new goods. Businesses can improve their chances of success and raise the potential effect of their entrepreneurial endeavors by adopting a method that is both transparent and strategic in its approach to the process of monetizing innovation. Entrepreneurship and business innovation are required to dramatically raise company performance (Alecia & Layman, 2021). Due to this, the research underlines how important it is to combine entrepreneurialism with innovative business model creation in order to propel the development of new products and achieve success in the market.

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CONCLUSION

Finally, the study's findings indicate a significant relationship between entrepreneurial orientation, business model innovation, and new product development in SMEs in Bantul Regency. Entrepreneurial orientation has a significant impact on business model innovation, and business model innovation has a significant impact on new product development (Berlilana, B., & Wahyuningsih, T., 2021). Furthermore, it was discovered that business model innovation can mediate the effect of entrepreneurial orientation on new product development. These findings suggest that SMEs in Bantul Regency should focus on improving their entrepreneurial orientation and business model innovation in order to improve their new product development.

This study emphasizes entrepreneurial orientation and business model innovation for Bantul Regency SMEs from a managerial perspective. Managers should encourage risk-taking, innovation, and out-of-the-box thinking by creating an entrepreneurial culture. Training, guidance, and a friendly workplace can accomplish this. In order to be competitive and relevant, managers should also focus on upgrading and inventing their company model (Hamdani, N. A., 2022). Market research, benchmarking with industry leaders, and trying new company strategies will help in achieving this goal.

This study expands the literature on entrepreneurial orientation, business model innovation, and new product development. It shows that entrepreneurial approach and business model innovation can help SMEs build new goods. This study also emphasizes business model innovation as a mediator between entrepreneurial orientation and new product development which is a novel and intriguing finding.

However, there are some limitations to this study. To start, the sample size was relatively small, consisting of only SMEs in Bantul Regency which may limit the findings' generalizability to other regions or countries. Second, the study employed a cross-sectional design, limiting the ability to draw causal conclusions. To better understand the causal relationships between entrepreneurial orientation, business model innovation, and new product development, future research should employ longitudinal designs. Furthermore, the study only looked at SMEs and ignored large corporations which may have different experiences and challenges when it comes to developing new products. Finally, the study relied on self-reported data which could be biased or objective. Further research should use a variety of data sources to validate the findings.

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