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Marketing Creativity as a Microfoundation of Marketing Capability in SMEs

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Abstract
This study examines the role of marketing creativity as microfoundations of marketing capabilities and its influence on marketing performance in Small and Medium Enterprises (SMEs). Previous literature shows that marketing capabilities are key to successful marketing performance, but the micro-mechanisms that shape these capabilities remain unclear. Based on the microfoundations perspective, marketing creativity acts as a micro-mechanism in building marketing capabilities, which ultimately improves marketing performance. This study uses a quantitative approach with an explanatory survey design and Structural Equation Modelling–Partial Least Squares (SEM-PLS) analysis. The results show that marketing creativity has a positive effect on marketing capabilities, and marketing capabilities have a positive effect on marketing performance. These findings contribute theoretically to the literature on marketing capabilities through the micro-mechanism perspective and have practical implications for SMEs in strengthening their competitiveness through marketing creativity and strong marketing capabilities.
Keywords: marketing creativity, marketing capability, marketing performance, SMEs, microfoundations

INTRODUCTION

Small and medium enterprises (SMEs) are an important pillar of the national economy due to their contribution to job creation, income distribution, and regional economic growth (Salsabillah et al., 2023; Varga & Ph, 2021). However, SMEs still face serious challenges in maintaining competitive marketing performance, especially amid digital market penetration and increasingly dynamic changes in consumer behaviour (Bahar et al., 2024; Kindström et al., 2024). This situation requires SMEs to focus not only on operational efficiency but also on marketing capabilities that can create sustainable value and competitive advantage.

In marketing literature, marketing capability is understood as a company's ability to integrate marketing resources and knowledge to understand customer needs, design effective marketing strategies, and adapt to market dynamics (Homburg & Wielgos, 2022; Supriyanto et al., 2024). Contemporary research indicates that marketing capability is a key predictive factor for achieving superior marketing performance, including in the context of SMEs (Joensuu-salo et al., 2025; Morgan et al., 2009). SMEs with strong marketing capabilities tend to be better able to increase sales, expand market share, and maintain customer relationships. However, most previous studies still position marketing capabilities as a construct at the macroorganisational level, measured through aggregate marketing routines and processes (Cautela et al., 2022; Supriharyanti, 2022). This approach does not fully explain how marketing capabilities are formed, especially in SMEs with simple organisational structures that are highly dependent on the role of the business owner or manager. This limitation highlights the need for a theoretical approach that can explain the internal mechanisms of marketing capability formation.

The microfoundations perspective offers a relevant explanatory framework by emphasising that organisational capabilities are built through individual actions, routine practices, and cognitive processes that occur at the micro level Gheitarani et al., 2023). In the context of SME marketing, this perspective directs attention to the behaviour and capabilities of individual entrepreneurs in carrying out daily marketing activities as the foundation for the formation of broader marketing capabilities.

One prominent micro-level element in this perspective is marketing creativity. Marketing creativity refers to the ability of individuals or organisations to generate new, relevant, and valuable marketing ideas for the market (Zahara & Santi, 2023). Marketing creativity enables SMEs to respond adaptively to changes in the competitive environment, create differentiation, and develop marketing strategies that are in line with their limited resources (Oduro & Mensah-williams, 2023). Thus, marketing creativity can be seen as a micro mechanism that plays a role in the process of forming marketing capabilities.

A number of empirical studies show that marketing capabilities have a positive relationship with marketing performance, both in the form of increased sales and strengthened market position (Oduro & Mensah-williams, 2023). Other studies on SMEs also reveal that internal factors such as market orientation, innovation, and creativity contribute to marketing performance (Elgarhy & Abou-Shouk, 2022; Margaretha & Suryana, 2023; Rois et al., 2023; Wasim et al., 2024). However, these studies generally examine the direct relationship between variables, without explicitly explaining the role of marketing creativity as a micro foundation in the formation of marketing capabilities and its implications for marketing performance. Based on this research gap, this study integrates the microfoundations perspective in explaining the relationship between marketing creativity, marketing capability, and marketing performance in SMEs. This study aims to analyse the role of marketing creativity as a microfoundation of marketing capability and to examine the influence of marketing capability on marketing performance. With this approach, the study is expected to provide a more comprehensive understanding of the internal mechanisms underlying SME marketing performance.

H1: Marketing creativity has a positive effect on marketing capability. H2: Marketing capability has a positive effect on marketing performance.
H3: Marketing creativity has an indirect effect on marketing performance through marketing capability.

Based on the exposition and hypotheses formulated, a research model can be constructed as shown in Figure 1.

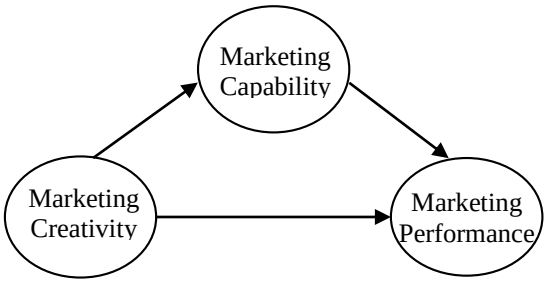


Figure 1. Empirical Research Model

RESEARCH METHOD

This study uses a quantitative approach with an explanatory research design, which aims to test the causal relationship between marketing creativity, marketing capability, and marketing performance in Small and Medium Enterprises (SMEs). The quantitative approach was chosen because the study focuses on testing hypotheses and measuring relationships between constructs objectively and structurally. A cross-sectional survey design was used to capture the perceptions of SME actors at a specific point in time (Chen et al., 2022). This design was considered appropriate because the variables studied represent relatively stable marketing conditions and practices in the short term and are commonly used in research on marketing capability and performance (Morgan et al., 2009)..

The research population consists of local product SMEs in Kuningan District. The sampling technique used purposive sampling with the following criteria: (1) SMEs must have been operating for at least two years to have sufficient marketing experience, and (2) respondents must be business owners or managers directly involved in marketing decision-making. The sample size of 187 respondents was determined based on the minimum rule in SEM-PLS analysis, which is ten times the number of the largest indicator in one latent construct (Hair et al., 2021), so the sample size was considered adequate for estimating the research model. Structural Equation Modelling–Partial Least Squares (SEM-PLS) analysis was used because this study was oriented towards testing predictive models and developing theory based on microfoundations perspectives. SEM-PLS is considered more appropriate than covariance-based SEM because it can accommodate models with moderate sample sizes, does not require normal data distribution, and is effective in estimating causal relationships involving mediating variables (Hair et al., 2021). Furthermore, SEM-PLS allows researchers to evaluate measurement models and structural models simultaneously, making it suitable for explaining the mechanism of marketing capability formation in SMEs.

The measurement of the marketing creativity (MC) variable was adapted from Lies (2021), which reflects the ability of SMEs to generate new, adaptive, and unconventional marketing ideas. The marketing capability (MCap) variable was measured by adapting the instrument from Morgan et al. (2009) which reflects the ability of SMEs to understand customers, manage marketing communications, set prices, and manage distribution channels. Meanwhile, marketing performance (MP) was measured using indicators adapted from Zahara & Santi (2023) and Rois et al. (2023), which included sales growth, customer increase, relative market share, and promotional success. All indicators were measured using an interval scale of 1–10 (1 = strongly disagree; 10 = strongly agree) to increase the sensitivity of respondent response variations. Data analysis was conducted using Structural Equation Modelling–Partial Least Squares (SEM-PLS) because this method is suitable for predictive models, capable of handling models with moderate complexity, and does not require normal data distribution (Hair et al., 2021).

RESULTS AND DISCUSSION

1. Respondent Characteristics

Respondent characteristics are presented to provide an overview of the profile of SME actors who are the subject of this study. This information is important to ensure that the respondents involved have a direct connection with marketing activities and are relevant to

the research objectives. A summary of respondent characteristics based on gender, age, length of business, and product type is presented in Table 1.

Table 1. Respondent Characteristics

Characteristics	Category	Number	Percentage
Gender	Male	102	54.5
	Female	85	45.5
Age	≤ 30 years	41	21.9
	31–40 years	63	33.7
	41–50 years	55	29.4
	> 50 years	28	15
Business duration	2–5 years	78	41.7
	6–10 years	64	34.2
	> 10 years	45	24.1
Product Type	Food & Beverages	76	40.6
	Crafts	59	31.6
	Local Fashion	52	27.8

Based on Table 1, the characteristics of the respondents show that the majority of SME actors are male (54.5%), while female respondents account for 45.5%. In terms of age, most respondents were in the productive age range of 31–40 years (33.7%) and 41– 50 years (29.4%), indicating that SME entrepreneurs have experience and maturity in running business and marketing activities. In terms of business duration, the majority of respondents have been running their businesses for 2–5 years (41.7%) and 6–10 years (34.2%), so it can be assumed that respondents have adequate experience in managing marketing activities. Based on product type, SMEs that were respondents were dominated by the food and beverage sector (40.6%), followed by handicrafts (31.6%) and local fashion (27.8%). This composition reflects the general characteristics of local product SMEs that are highly dependent on marketing creativity to build differentiation and attract consumer interest.

2. Descriptive Analysis of Research Variables

Descriptive analysis was conducted to provide an initial overview of the respondents' perceptions of the research variables before testing the causal relationship. This analysis included the mean and standard deviation of each variable, which aimed to identify the level of marketing creativity, marketing capability, and marketing performance in SMEs. The results of the descriptive analysis of the research Variables are presented in Table 2.

Table 2. Descriptive Statistics of Research Variables

Variable	**Mean**	**Standard Deviation**	**Category**
Marketing Creativity	7.86	1.12	High
Marketing Capability	7.64	1.05	High
Marketing Performance	7.42	1.18	Fairly High

Based on Table 2, the marketing creativity variable has the highest average value (mean = 7.86; SD = 1.12), indicating that SME actors generally have a high level of marketing creativity. This finding indicates that respondents are relatively active in generating new marketing ideas, trying different promotional approaches, and adjusting marketing strategies to changing market needs. The relatively moderate standard deviation value indicates that there are variations in perception among SME players, reflecting differences in the level of marketing creativity in empirical practice.

The marketing capability variable shows an average value of 7.64 with a standard deviation of 1.05, indicating that SME marketing capabilities are in the high category. These results reflect the respondents' ability to understand customer needs, manage marketing communications, and set pricing and distribution strategies. These descriptive findings provide an initial indication that relatively high marketing creativity has the potential to contribute to the formation of stronger marketing capabilities. Meanwhile, the marketing performance variable has an average value of 7.42 with a standard deviation of 1.18, indicating that SME marketing performance is in the fairly high category. However, the lower average value of marketing performance compared to marketing creativity and marketing capability indicates room for improvement in marketing performance. This condition reinforces the importance of the role of marketing capability as a mechanism that transforms marketing creativity into more optimal marketing performance.

3. Model Testing Results

Data analysis in this study was conducted in two main stages, namely evaluation of the measurement model (outer model) and testing of the structural model (inner model) using the SEM-PLS approach. The evaluation of the measurement model aimed to ensure that the indicators used in this study had adequate validity and reliability in representing latent constructs. Furthermore, structural model testing was conducted to examine the causal relationships between constructs in accordance with the formulated hypotheses. The results of the measurement model evaluation (outer model) are presented in Table 3, while the results of hypothesis testing through the structural model (inner model) are presented in Table 4.

Table 3. Measurement Model Evaluation (Outer Model)

Construct	Indicator	Loading	AVE	CR
Marketing Creativity	MC1–MC4	0.71–0.88	0.62	0.87
Marketing Capability	MCap1–MCap4	0.73–0.86	0.65	0.89
Marketing Performance	MP1–MP4	0.70–0.85	0.61	0.86

Based on the results of the measurement model evaluation in Table 1, all indicators in each construct show a loading factor value above the minimum limit of 0.70, indicating that each indicator has a strong ability to represent the latent construct it measures. The range of loading values in the marketing creativity construct (0.71–0.88) shows that the marketing creativity indicators consistently reflect the ability of SME actors to generate new and adaptive marketing ideas.

The Average Variance Extracted (AVE) value for all constructs is above 0.50, indicating that more than 50 per cent of the indicator variance can be explained by each latent construct. These findings confirm the fulfilment of convergent validity, so that the constructs of marketing creativity, marketing capability, and marketing performance have adequate conceptual clarity and do not overlap empirically.

In addition, the Composite Reliability (CR) values, which all exceed 0.70, indicate a high level of internal consistency in each construct. This indicates that the indicators used have good reliability in measuring the research constructs. With the fulfilment of these validity and reliability criteria, the measurement model is declared feasible for use in the structural model testing stage to examine the causal relationships between constructs.

Table 4. Hypothesis Testing Results (Inner Model)

Hypothesis	Influence Path	Coefficient	t-statistic	p-value	Decision
H1	MC → MCap	0.54	7.21	0.00	Received
H2	MCap → MP	0.47	6.03	0.00	Accepted
H3	MC → MCap → MP	0.25	4.89	0.00	Diteri

The results of structural model testing in Table 2 show that marketing creativity has a positive and significant effect on marketing capability ($\beta = 0.54$; $t = 7.21$; $p < 0.001$). This relatively large path coefficient indicates that marketing creativity plays a substantial role in shaping the marketing capabilities of SMEs. This finding shows that the ability of SME actors to generate innovative and relevant marketing ideas is an important foundation for the development of more systematic marketing capabilities.

Furthermore, marketing capability was found to have a positive and significant effect on marketing performance ($\beta = 0.47$; $t = 6.03$; $p < 0.001$). These results indicate that marketing capability functions as an organisational mechanism that translates marketing resources and creativity into better marketing performance, such as increased sales and customer growth. In other words, marketing capability plays a key role in achieving SME marketing performance. The indirect effect test shows that marketing capability significantly mediates the relationship between marketing creativity and marketing performance ($\beta = 0.25$; $t = 4.89$; $p < 0.001$). This finding confirms that marketing creativity does not directly impact marketing performance but works through the process of building marketing capability. Thus, these results provide empirical evidence that marketing creativity serves as a microfoundation that shapes marketing capability, which in turn impacts the improvement of SME marketing performance.

4. Discussion

The findings of this study indicate that marketing creativity has a positive and significant effect on marketing capability. These results confirm that marketing creativity acts as a microfoundation in the process of building marketing capability, particularly in SMEs with limited resources. These findings are consistent with the microfoundations perspective, which states that organisational capabilities are builtthrough the behaviour, cognition, and practices of individuals (Gheitarani et al., 2023).

Empirically, the results of this study are in line with Zahara & Santi (2023) and Oduro & Mensah-williams (2023), which show that marketing creativity enables SMEs to design more adaptive and differentiated marketing approaches. Marketing creativity encourages SME actors to develop new ways of promotion, communication, and product adaptation to market needs, which ultimately strengthens overall marketing capabilities. This relationship is also reflected in the results of the descriptive analysis (Table 2), where marketing creativity has the highest average value compared to other variables. This indicates that a relatively high level of marketing creativity is an important foundation in building marketing capability. These findings support the arguments of Homburg & Wielgos (2022) and Supriyanto et al. (2024), which emphasise that marketing capability develops through the integration of marketing knowledge and practices derived from individual activities. Furthermore, the results of the study indicate that marketing capability has a positive and significant effect on marketing performance. This finding suggests that marketing capability functions as an organisational mechanism that translates creativity and marketing resources into better marketing performance. These results are consistent with the studies by Joensuu-salo et al., (2025) and Morgan et al. (2009) which confirm that marketing capability is a key determinant of SME marketing performance success.

This relationship is further supported by descriptive findings (Table 2), where SMEs with high levels of marketing capability tend to have marketing performance in the higher category. Capabilities in understanding customers, managing marketing communication, and optimising pricing and distribution strategies enable SMEs to increase sales and expand market share. These findings are in line with Bahar et al. Bahar et al., (2024) and Kindström et al. (2024) who emphasise the importance of marketing capability in facing increasingly complex market dynamics. Furthermore, the mediation test results show that marketing capability significantly mediates the relationship between marketing creativity and marketing performance. These findings indicate that marketing creativity does not directly improve marketing performance but works through the process of building marketing capabilities. Thus, marketing creativity serves as a micro-foundation that shapes marketing capabilities, which in turn impacts the improvement of SME marketing performance. This finding expands on previous research, such as Morgan et al. (2009) and which place capability as a mediating variable in improving marketing performance. Unlike these studies, this research emphasises that marketing creativity is the initial microfoundation that bridges individual behaviour and marketing performance through the mechanism of marketing capability. Thus, this study provides a more comprehensive understanding of the capability-building process in SMEs from a microfoundations perspective.

CONCLUSION

This study aims to analyse the role of marketing creativity as a microfoundation of marketing capability and its implications for marketing performance in local product SMEs. Based on the SEM-PLS analysis results, all research hypotheses are empirically supported. The results show that marketing creativity has a positive and significant effect on marketing capability. This finding indicates that the ability of SME actors to generate creative and adaptive marketing ideas plays an important role in shaping marketing capability. Furthermore, marketing capability is proven to have a positive effect on marketing

performance, confirming that marketing capability is the main mechanism in improving the marketing performance of SMEs. In addition, this study found that marketing capability significantly mediates the effect of marketing creativity on marketing performance. This finding clarifies that marketing creativity does not directly improve marketing performance, but rather works through the process of building marketing capability as an organisational mechanism. Thus, marketing creativity can be viewed as a micro foundation in the capability building process in SMEs.

RECOMMENDATIONS

Based on the research results, SME actors are advised to actively develop marketing creativity in carrying out their daily marketing activities. This effort can be done through exploring innovative promotional ideas, utilising flexible marketing media, and adjusting marketing approaches to local market characteristics. Strengthening marketing creativity is expected to build stronger and more sustainable marketing capabilities. In addition, policymakers and SME support institutions are advised to design capacity building programmes that focus not only on technical aspects of marketing, but also on developing the creative mindset of business actors. Marketing creativity-based training programmes can be an effective strategy to increase the competitiveness of local SME products. For further research, it is recommended to expand the research model by adding contextual variables, such as environmental dynamics, digital capabilities, or market orientation as moderating variables. Further research can also use a longitudinal design to capture the dynamics of marketing capability formation and its impact on marketing performance in the long term.

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