



## **The Role of Differentiation Strategy and Innovation in Mediating Market Orientation and the Business Performance**

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### **Abstract**

Nowadays, SME have a very strategic role. The SME have a large potential in driving the economy and become the source of income which improves the welfare of the people. Thus, it is very important for the government to provide attention to the SME. However, the textile SME in Bali have experienced a fluctuation in business performance. The cause is that the business strategy is not optimal yet. This research has an aim to determine the influence of market orientation on business performance mediated by the differentiation and innovation strategy of the textile SME in Bali. The research is conducted on the textile industry in Bali with a total of 60 units. The total population sampling technique is used, which means that the entire population is included as the sample. The respondents are the entrepreneurs or owners of the textile businesses distributed in the 9 regencies/cities in Bali. The data analysis technique used is the SEM based on the PLS (Partial Least Square). The research result shows that market orientation has a positive and significant influence on business performance, differentiation and innovation strategy. Differentiation strategy has a positive and significant influence on business performance. Innovation strategy has a positive and significant influence on business performance. The differentiation and innovation strategy variable is able to partially mediate the relationship between market orientation and business performance.

**Keyword:** Market Orientation, Differentiation Strategy, Innovation Strategy and Business Performance