

FROM INNOVATION TO MARKET: INVESTIGATING THE SCALABILITY OF FOOD SMEs IN EMERGING ECONOMIES THROUGH CREATIVE DESTRUCTION

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Abstract: *This study examines how creative destruction influences the scalability of food SMEs in emerging economies, highlighting the mediating effect of innovation speed and moderating roles of local market adaptation and financial and technical assistance. Data were collected from 373 food SMEs in the Minasamaupata Metropolitan Area of South Sulawesi, Indonesia. The analysis, conducted using PLS-SEM (Partial Least Squares-Structural Equation Modelling), reveals that creative destruction positively impacts both innovation speed and scalability. Moreover, innovation speed mediates the correlation between creative destruction and scalability. However, neither local market adaptation nor financial and technical assistance significantly moderated the correlation between creative destruction and scalability. These findings underscore the importance of fostering creative destruction and innovation speed to enhance the growth potential of SMEs in emerging economies. The study contributes to the literature by extending creative destruction and innovation theories to traditional industries in developing regions, with implications for policy and practice.*

Keywords: Creative Destruction, Financial and Technical Assistance, Innovation Speed, Local Market Adaptation, Scalability

INTRODUCTION

The scalability of food small and medium-sized enterprises (SMEs) in emerging economies is important for fostering economic growth, improving food security, and enhancing the competitive landscape within the global food sector. Food SMEs, especially in low-income

markets, face many challenges, i.e. outdated business practices, limited way in to resources, and difficulty in scaling innovations to meet market demands. These constraints hinder their ability to contribute fully for the local economy ([Briliana et al. 2021](#); [Briliana 2022](#)). Previous studies have emphasized the pivotal role of

innovation in overcoming these barriers, yet the process of scaling innovation in food SMEs remains underexplored ([Taneo et al. 2020](#)). Creative destruction, a concept grounded in Schumpeterian economics, provides a framework for understanding how businesses can replace outdated processes and products with innovative solutions to enhance competitiveness and achieve sustainable growth.

A key constraint for food SMEs is access to funding for innovation. A recent study shows that approximately 58% of SMEs in emerging economies struggle with financing innovation, limiting their ability to scale operations and adopt new technologies ([Lybbert et al. 2024](#)). Financial challenges not only restrict their growth, but also reduce competitiveness in local and global markets. The importance of financial and technical assistance in supporting the growth of food SMEs has been well-documented. Research shows that SMEs in emerging economies often lack the necessary capital and expertise to implement large-scale innovations, limiting their capacity for growth and market expansion ([Lybbert et al. 2024](#)). Innovation capabilities are closely correlated to the technical assistance and knowledge creation. For instance, other studies demonstrate that knowledge creation accounts for about 37% of the impact of innovation capabilities on SME sustainability, highlighting its importance in fostering growth ([Heenkenda et al. 2022](#)). SMEs that engage in knowledge-sharing and technical collaborations report improved long-term performance and market resilience.

Additionally, local market adaptation plays a crucial role in enabling SMEs to adjust their products and business strategies to meet

the specific demands of their local consumer base, thereby increasing the relevance and appeal of their innovations ([Kawane et al. 2023](#)). These factors—creative destruction, local market adaptation, as well as financial and technical assistance—collectively provide a comprehensive framework for analyzing how food SMEs in emerging economies can successfully scale their innovations and sustain growth.

The primary research problem focuses on the scalability of food SMEs in emerging economies, specifically how they can overcome structural barriers, such as outdated business models and limited access to financial and technical resources. The general solution involves leveraging creative destruction and local market adaptation to enhance innovation adoption, coupled with targeted financial and technical assistance to support these efforts.

Creative destruction has been identified as a main driver of competitiveness for SMEs in the food sector. According to [Taneo et al. \(2020\)](#), the ability of food SMEs to engage in creative destruction by upgrading their competencies and maintaining innovation is essential for their long-term sustainability. This process allows SMEs to keep competitive by constantly evolving their products and processes to meet market demands. In particular, SMEs that can quickly adopt new technologies and business practices tend to perform better in terms of market penetration and customer retention ([Hutahayan & Yufra 2019](#)).

Moreover, local market adaptation is crucial for food SMEs to scale their innovations. [Kawane et al. \(2023\)](#) emphasizes the importance of engaging local producers and consumers in the innovation process,

particularly in regions where consumer preferences are shaped by cultural and social factors. By adapting their offerings to suit local tastes and preferences, SMEs can build stronger customer relationships and foster brand loyalty. [Chen & Liu \(2020\)](#) further suggest that involving customers in the innovation process can alleviate the pressure on SMEs to consistently produce groundbreaking innovations, while still enabling them to stay relevant and competitive in local markets.

Despite the significant contributions of creative destruction and local market adaptation to the scalability of SMEs, the limitation research on how these factors interact in the specific context of food SMEs in emerging economies is identified. While, studies have explored the benefits of creative destruction in driving competitiveness ([Taneo et al. 2020](#)), few have examined its role in the food sector, where innovation cycles and market adaptation processes are particularly critical due to the perishable nature of products and varying consumer preferences. Additionally, the literature on local market adaptation has focused largely on general consumer goods, leaving a gap in understanding how food SMEs can tailor their innovations to local market needs to achieve scalability ([Kawane et al. 2023](#)).

Furthermore, existing research on financial and technical assistance for SMEs often treats these factors in isolation, without considering their potential to enhance the effects of creative destruction and local market adaptation. Moreover, [Piza et al. \(2016\)](#) highlight the importance of technical assistance and access to capital for improving firm performance, their work does not explore how these interventions can support food SMEs in leveraging innovation to scale their operations.

This gap points to the need for an integrated approach that combines creative destruction, market adaptation, and external support to address the scalability challenges faced by food SMEs in emerging economies.

This research aims to investigate the creative destruction role in facilitating the scalability of food SMEs in emerging economies, with a focus on how innovation speed, local market adaptation, as well as financial and technical assistance influence this process. This study seeks to fill research gap by investigating how innovation speed, local market adaptation, and financial and technical assistance can enhance the effectiveness of creative destruction and local market adaptation, thereby supporting the growth and scalability of food SMEs. The novelty of this research lies in its integration of creative destruction with local market adaptation and financial support, offering a holistic framework for understanding how food SMEs can achieve sustainable growth in emerging economies. The scope of the study is confined to food SMEs operating in emerging markets, focusing on how these enterprises can replace outdated business models, adopt innovative practices, and leverage external support to scale their operations and achieve long-term success

Theoretical Framework

The primary theoretical framework for this research is Schumpeter's theory of creative destruction, which posits that economic growth is driven by the continuous cycle of innovation that displaces older technologies, processes, and products with new and more efficient alternatives ([Schumpeter 2013](#)). This theory is particularly relevant to the scalability of food SMEs in emerging economies, where firms must

constantly innovate to remain competitive and relevant in dynamic markets. Creative destruction in this context is not merely about the introduction of new products, but involves the complete overhaul of business processes, models, and even organizational structures to adapt to changing market conditions.

Scalability

Scalability is the capacity of a business to grow and enlarge its operations without being constrained by its underlying business model. In the context of SMEs, scalability involves the ability to adopt innovative practices, expand production, and reach new markets.

Scalability refers to the ability of a business to handle increased demand, expand its operations, and maintain or improve its performance as it grows (Okon 2018). A scalable business model allows SMEs to manage resources effectively while accommodating growth without a proportional increase in costs. This ability positions SMEs as key drivers of innovation, job creation, and competitive advantage within markets (Mubaraz et al. 2020). The scalability of SMEs has been correlated to their access to resources and ability to innovate, particularly in emerging economies where market conditions are often unstable (Piza et al. 2016). In order to overcome scalability challenges, SMEs can adopt several strategies, such as gradual stakeholder involvement, experimentation, and effective resource management.

However, despite the growing body of research on SME scalability, certain gaps remain. For instance, the issue of scalability in small and medium-sized manufacturing enterprises has been acknowledged but not examined in-depth (Jabłoński 2016). Other

study conducted by Galli-Debicella (2021) examines innovation in digitalizing small architecture practices in the Netherlands, yet the findings are industry-specific and not easily transferable to other SME sectors. Addressing these gaps would provide more holistic insights into the factors influencing SME scalability across diverse sectors. Furthermore, Neves & Zilber (2023) highlight how these approaches enable businesses to identify scalable opportunities and address operational bottlenecks.

Creative Destruction

Creative destruction is a transformative process that allows enterprises to replace outdated systems with innovative solutions, fostering growth, and market competitiveness. Schumpeter (2013) posited that through the continuous renewal of products, processes, and business models, firms can achieve significant competitive advantages.

In the context of SMEs, enterprises that have operated in the industry for extended periods tend to adapt and thrive by employing competence-enhancing strategies, allowing them to leverage creative destruction for sustainable growth (Taneo et al. 2020). The rise of digital technologies and e-commerce has further amplified the dynamics of creative destruction in the SME landscape. While the importance of SMEs' ability keeps to adapt and innovate, particularly in response to technological disruptions. By developing new competencies and exploring innovative business models, SMEs, including microenterprises with fewer than ten employees, can have a crucial role in the Schumpeterian process of creative destruction (Roper & Hewitt-Dundas 2017).

Nonetheless, the process of creative destruction is not without its downsides. The debate surrounding the effects of economic crises on creative destruction continues to be unresolved, with ongoing discussions on how business activity and firm survival evolve during periods of economic uncertainty ([Muñoz-Dueñas et al. 2024](#)). Creative destruction remains a driving force behind SME innovation and competitiveness, particularly in the face of digital transformation and evolving market conditions.

Innovation Speed

Innovation speed refers to the time it takes to progress from idea generation to the commercialization of new products or services ([Wang et al. 2023](#)). Faster innovation processes allow firms to secure first-mover advantages, respond rapidly to market changes, and meet customer demands efficiently. This speed enhances a firm's ability to outperform competitors by establishing industry standards, increasing market share, and securing valuable resources ([Zhang et al. 2019](#)). Therefore, for SMEs, the ability to innovate quickly is essential for survival, growth, and adaptation in dynamic business environments ([Novie et al. 2021](#)). SMEs that are able to quickly bring innovations to market tend to outperform competitors, especially in sectors like food production where consumer preferences shift frequently ([Kawane et al. 2023](#)).

However, innovation speed is not without its challenges. [Guo et al. \(2020\)](#) highlight a significant trade-off between innovation speed and innovation quality. Firms that prioritize rapid innovation may face risks related to the reliability and stability of their products or processes. This trade-off necessitates a balance between

innovation speed and overall innovation capability, ensuring that quick progress does not compromise quality. In SMEs, factors such as collaboration with partners, management support, customer orientation, and organizational learning are vital in achieving this balance while maintaining competitiveness ([Novie et al. 2021](#)).

On the other hand, influential studies emphasize the benefits of innovation speed, several studies provide limited or inconclusive findings regarding its significance. For example, the studies benefits of innovation speed focus on broader concepts, such as knowledge sharing and innovation capability, but do not specifically examine the role of speed ([Iqbal 2021](#)). Moreover, some research explores determinants of innovation speed, such as market orientation, creativity, and new product development, but fails to provide a comprehensive understanding of innovation speed as a concept ([Shaharudin et al. 2022](#)). Additionally, several studies analyze various innovation-related aspects, including entrepreneurship, organizational culture, and environmental factors, without focusing specifically on the pace of innovation ([Milošević et al. 2021](#)). These studies suggest that while innovation research is extensive, the specific role of speed as a driver of firm performance remains insufficiently addressed although faster innovation enables firms to gain competitive advantages and adapt to market changes.

Local Market Adaptation

Local market adaptation is a firm ability to adjust its products and strategies to align with the preferences and demands of specific local markets. [Kawane et al. \(2023\)](#) highlights that in emerging economies, where consumer

preferences are deeply tied to cultural and regional factors, local market adaptation is essential for the long-term success of food SMEs. By engaging local producers and consumers in the innovation process, SMEs can ensure that their offerings remain relevant and competitive.

By embracing local market adaptation, SMEs can create superior customer value, enhance competitiveness, and sustain long-term growth (Shahmohammadi 2021). SMEs that engage in customer-centric approaches are better positioned to develop products and services that align with local tastes, enabling them to gain a competitive edge over larger, causing less adaptable firms (Sair et al. 2023). Moreover, small firms that successfully implement local market adaptation strategies experience improved brand loyalty and customer retention, contributing to sustainable performance (Nagaty & El-Menawy 2023).

In response to evolving market conditions, SMEs are increasingly leveraging digital marketing to support local market adaptation. Digital tools offer SMEs greater organizational agility, enabling them to respond rapidly to changes in consumer preferences, especially during global disruptions (Nurjaman 2021). Digital marketing platforms provide SMEs with insights into consumer behavior, allowing them to tailor products, promotions, and pricing to meet local demands. Another effective approach to local market adaptation is the identification and exploitation of niche market opportunities. SMEs targeting niche segments in both local and international markets can achieve sustainable competitive advantages (Cao et al. 2018).

While the benefits of local market adaptation are well-documented, some research

findings related to this concept remain limited or peripheral. Studies on the adoption of digital marketing channels (Bouwman et al. 2019) and the exploration of organizational capabilities (Makhloufi et al. 2021) provide useful insights into SME growth and competitiveness but fail to address how these capabilities influence local market adaptation directly. Adaptation strategies that incorporate local ingredients, cultural preferences, and consumption patterns not only increase the marketability of products, but also foster customer loyalty, providing a competitive advantage over less adaptable firms (Chen & Liu 2020).

Financial and Technical Assistance

Access to financial and technical resources is critical for the scalability of SMEs, particularly in emerging economies, where such resources are often limited. Financial assistance provides SMEs with the capital needed to support operations, invest in growth, and survive periods of financial distress. Policy-driven and market-based financial support can positively influence the concentration of innovative elements within firms, particularly in sectors like artificial intelligence (AI), leading to high-quality development in SMEs (He & Zhou 2022). Beyond financial support, technical assistance has an important part in driving the sustainable development of SMEs. The utilization of modern technologies and the adoption of innovative practices have become essential for SMEs seeking to remain competitive. Emerging technologies, such as artificial intelligence and digital transformation, have been identified as key enablers for high-quality SME development (He & Zhou 2022).

While the benefits of financial and technical assistance are well-documented,

some aspects remain contentious. For instance, certain forms of direct financial assistance, such as government grants and subsidies, have been criticized for distorting market dynamics. [Xiang & Worthington \(2017\)](#) argue that direct financial aid may result in over-reliance on government support, encouraging excessive capital use and allowing unprofitable firms to survive. This unintended consequence raises concerns about the long-term sustainability of firms that depend heavily on government aid.

Financial assistance, such as grants or loans, provides the capital necessary for SMEs to invest in new technologies, expand production, and enter new markets [\(Piza et al. 2016\)](#). Technical assistance, on the other hand, involves the provision of expertise and training that helps SMEs improve their operational efficiency and innovate more effectively. [Lybbert et al. \(2024\)](#) underscores the importance of blended finance and impact investing in supporting food SMEs, especially in regions where access to traditional financial resources is constrained. These forms of assistance are crucial in enabling SMEs to overcome structural barriers and achieve scalability.

Hypothesis Development

Creative Destruction and the Scalability of Food SMEs.

Creative destruction, characterized by the replacement of outdated business models and production processes, enables food SMEs to innovate and adapt to competitive pressures. By shedding obsolete methods and embracing innovation, SMEs can enhance their ability to scale and reach broader markets. This hypothesis is grounded in Schumpeterian theory, which posits that innovation-driven destruction of existing structures leads to market

growth and business expansion [\(Schumpeter 2013\)](#). Previous studies have demonstrated that firms engaging in creative destruction are better positioned to innovate and scale their operations, as they are able to replace outdated practices with more efficient ones [\(Taneo et al. 2020\)](#). This innovation is crucial in emerging economies, where market dynamics are often volatile, and consumer preferences are rapidly evolving. By adopting new technologies and practices, food SMEs can better respond to market demands, thereby enhancing their scalability potential. The ability to innovate not only allows these enterprises to differentiate themselves but also to capture new market opportunities, which is essential for growth in competitive environments.

However, the process of creative destruction is not without its challenges. The socio-economic context of emerging economies can present several obstacles to the effective implementation of creative destruction. Institutional factors, such as regulatory challenges and limited access to financing, can hinder the ability of food SMEs to innovate and scale. [Zhu et al. \(2020\)](#) discuss how institutional factors in emerging markets can impede the growth and development of businesses, highlighting the need for supportive environments that facilitate innovation.

Moreover, the adoption of new technologies enables food SMEs to streamline operations, reduce costs, and improve product quality. [Chowdhury et al. \(2022\)](#) note that the shift towards circular economy practices can support sustainable growth by minimizing waste and optimizing resource use, further contributing to the scalability of food SMEs. The implementation of digital tools can enhance supply chain management and customer

engagement, which are critical for scaling operations in the food sector.

While creative destruction offers significant opportunities for enhancing the scalability of food SMEs in emerging economies through innovation and technological integration, it also presents challenges that must be addressed. Policymakers and stakeholders should focus on creating supportive environments that facilitate innovation while providing resources and guidance to help SMEs navigate the complexities of creative destruction.

H₁: Creative destruction positively influences the scalability of food SMEs in emerging economies

Creative Destruction and Innovation Speed

Creative destruction fosters an environment where outdated processes and products are replaced with innovative solutions. By eliminating inefficiencies and encouraging continuous renewal, creative destruction accelerates the rate at which new ideas and technologies are adopted ([Taneo et al. 2020](#)). This incremental approach allows food SMEs to adapt quickly to market demands, thereby enhancing their innovation capabilities and overall competitiveness. A faster pace of innovation development correlates positively with increased competitiveness in food SMEs ([Hutahayan & Yufra 2019](#)).

Despite its advantages, creative destruction also poses challenges for food SMEs. One significant drawback is the risk associated with innovation. The process of creative destruction often involves substantial investment in new technologies and processes, which can be particularly daunting for SMEs with limited resources ([Greco 2023](#)). Moreover, the

focus on rapid innovation can sometimes lead to a neglect of foundational business practices. As food SMEs prioritize creative destruction, they may overlook essential aspects, such as quality control and customer service, which are critical for long-term success ([Ali et al. 2021](#)). This oversight can result in a decline in customer satisfaction and loyalty, ultimately undermining the benefits gained from innovation. Furthermore, the competitive pressure to innovate rapidly can lead to a homogenization of products within the food sector. As SMEs strive to keep pace with industry leaders, they may inadvertently adopt similar strategies and offerings, reducing the diversity of products available in the market ([Rauf et al. 2023](#)).

The adoption of creative destruction fosters a culture of continuous improvement and responsiveness to consumer preferences. As consumer demands evolve, food SMEs that embrace creative destruction can innovate their product offerings more rapidly, thus maintaining relevance in a competitive market. This adaptability refers to particularly significant in emerging economies, where market conditions can change swiftly due to various socio-economic factors ([Herison et al. 2024](#)).

In the context of food SMEs, this dynamic enhances their ability to rapidly bring new products or processes to market, thus increasing the innovation speed adoption. This hypothesis suggests that creative destruction not only enhances competitiveness, but also catalyzes faster integration of innovation within SMEs.

H₂: Creative destruction positively influences the innovation speed adoption in food SMEs

Innovation Speed and Scalability

One of the primary advantages of adopting innovation speed is the enhanced competitiveness it offers to food SMEs. The faster a food SME adopts and implements innovative practices, the greater its ability to achieve scalability in competitive markets. According to [Rogers \(1995\)](#), innovation diffusion theory posits that firms that quickly embrace innovations can secure first-mover advantages, penetrate markets more effectively, and expand their operational capabilities.

Rapid innovation allows these enterprises to promptly respond to changing consumer preferences and market trends, which is particularly important in the fast-paced food industry. The speed of innovation directly correlates with the competitiveness of food SMEs, as those that innovate quickly are better positioned to capture market share and customer loyalty ([Taneo et al. 2020](#); [Hutahayan & Yufra 2019](#)). Innovation speed can lead to improved operational efficiencies. By adopting new technologies and processes quickly, food SMEs can streamline their operations, reduce costs, and enhance productivity. This is particularly relevant in emerging economies where resource constraints often challenge operational efficiency. Organizational capabilities, including innovation speed, positively influence marketing performance, which is essential for scalability in competitive markets ([Najib et al. 2022](#)).

Despite these advantages, there are notable challenges associated with rapid innovation adoption. One significant concern is the potential for resource strain. Food SMEs, particularly in emerging economies, often operate with limited financial and human resources. The pressure to innovate quickly can lead to overextension, where firms may invest

heavily in new products or processes without adequate market research or strategic planning, resulting in failures that can harm their sustainability ([Ali et al. 2021](#)). Furthermore, the competitive landscape in emerging economies can be particularly challenging. While rapid innovation can provide a competitive edge, it can also lead to increased competition as more players enter the market with similar offerings. This saturation can diminish the advantages of speed, making it essential for food SMEs to differentiate their products effectively ([Sahdev et al. 2021](#)).

Therefore, government support plays a critical role in fostering innovation speed among food SMEs. Policies that provide training, financial assistance, and market access can significantly enhance the innovation capabilities of these enterprises, thereby promoting scalability ([Taneo 2023](#)). This support is particularly important in emerging economies, where SMEs may lack the resources to invest in innovation independently. Balancing the need for rapid innovation with the necessity of maintaining quality and strategic focus is crucial for sustainable growth in this sector. Thus, SMEs with faster innovation adoption processes are better positioned to grow and expand in emerging economies

H₃: Innovation speed adoption positively influences Scalability of food SMEs

Innovation Speed as a Mediating

The mediation of innovation speed in the correlation between creative destruction and the scalability of food SMEs in emerging economies presents both advantages and challenges. One of the primary benefits of innovation speed is its ability to enhance the competitive edge of food SMEs. The pace at

which food SMEs adopt new technologies and processes plays an important role in determining the accomplishment of their scalability efforts. Rapid innovation adoption allows SMEs to gain a competitive edge and respond to market changes, thereby enhancing their scalability (Taneo et al. 2020). This adaptability is particularly important in emerging economies, where market conditions can shift rapidly due to economic fluctuations and changing consumer demands. Moreover, innovation speed can stimulate a culture of continuous improvement within food SMEs. The firms that embrace innovation are more likely to survive and thrive, as they can leverage new technologies and processes to enhance their offerings (Chipambwa et al. 2023). This proactive approach not only fosters resilience, but also positions SMEs to capitalize on new market opportunities, thereby enhancing scalability.

Despite the advantages, there are notable challenges associated with the mediation of innovation speed. One significant drawback is the potential for increased financial risk. Many SMEs in emerging economies consider R&D as an expensive and risky endeavor, which can avoid them from investing in necessary innovations (Chipambwa et al. 2023). This reluctance can hinder their ability to engage in creative destruction, ultimately limiting their scalability. Moreover, the lack of supportive infrastructure and government policies in many emerging economies can impede the ability of food SMEs to innovate quickly. Without adequate support systems, such as access to funding and technology, SMEs may struggle to keep pace with innovation, thereby limiting their scalability and competitiveness (Muridzi 2023). This systemic issue underscores the importance

of a conducive environment for fostering innovation and creative destruction.

However, the correlation between innovation speed and creative destruction can lead to increased investment in research and development (R&D). While creative destruction can discourage R&D among incumbents due to competitive pressures, it can also motivate them to innovate and improve their products (Garcia-Macia et al. 2019). This duality indicates that a balanced approach to innovation can yield significant benefits for food SMEs, allowing them to grow and scale effectively. Firms that innovate rapidly are more likely to benefit from creative destruction, as they can quickly implement new processes and products that enhance their market presence and scalability (Hutahayan & Yufra 2019).

H4: The innovation speed mediates the correlation between creative destruction and the scalability of food SMEs.

Local Market Adaptation as a Moderating Variable

The ability of SMEs to tailor their innovative products and business strategies to meet the specific needs of local consumers is expected to enhance their scalability. SMEs that successfully adapt to local market conditions are more likely to achieve sustainable growth (Maredia et al. 2024).

Local market adaptation also allows food SMEs to tailor their products and services to meet the specific preferences and cultural nuances of their target consumers. SMEs must be agile in responding to market conditions and consumer expectations, as their survival and growth often depend on their ability to adapt quickly to changes (Chan et al. 2019). This responsiveness can lead to increased customer

satisfaction and loyalty, ultimately driving sales growth. Furthermore, adaptation strategies, that align with local market conditions, can provide food SMEs with a competitive edge. The importance of adapting marketing strategies to local contexts can lead to better market penetration and customer engagement ([Fregidou-Malama et al. 2019](#)). This strategic alignment can help SMEs scale their operations more effectively by leveraging local insights to inform product development and marketing efforts.

While local market adaptation can enhance responsiveness, it often requires significant resources that many food SMEs may lack. SMEs typically operate with less resource slack compared to larger firms, which can hinder their ability to reconfigure resources effectively in response to market changes ([Chan et al. 2019](#)). This limitation can lead to challenges in implementing innovative practices or scaling operations. Besides, there is a risk that food SMEs may over-adapt to local market conditions, potentially leading to a dilution of their brand identity or core competencies. This over-adaptation can result in a lack of coherence in product offerings, making it difficult for SMEs to maintain a consistent brand image across different markets ([Samiee & Chirapanda 2019](#)). Balancing local adaptation with the preservation of core values and identity is crucial for sustainable growth. Furthermore, local market adaptation can lead to market fragmentation, where SMEs highly develop specialized products for niche markets. Meanwhile, this can enhance local relevance, that may also limit the scalability of operations. The appropriateness of adaptation strategies can be controversial, as they may not always align with broader market trends or consumer behaviors ([Samiee &](#)

[Chirapanda 2019](#)). This fragmentation can hinder the ability of SMEs to achieve economies of scale.

This hypothesis examines the moderating effect of local market adaptation, investigating how creative destruction can be more effective when combined with strategic adaptation to local consumer preferences. Adapting innovations to local market conditions allows SMEs to increase their relevance and customer loyalty, thus enhancing the scalability of their operations ([Kawane et al. 2023](#)).

H₅: Local market adaptation moderates the correlation between creative destruction and the scalability of food SMEs

Financial and Technical Assistance as a Moderating Variable

External interventions, such as financial and technical support, are expected to amplify the positive effects of creative destruction on scalability. SMEs that receive assistance in terms of capital infusion or consulting services are better equipped to implement innovative processes and expand their market reach ([Nakasone et al. 2024](#)). The combination of financial and technical assistance can create a synergistic effect that fosters an environment conducive to creative destruction. By providing the resources and knowledge necessary for innovation, these forms of assistance enable food SMEs to replace outdated practices and products with more efficient and competitive alternatives, thus driving growth and scalability. However, the specific mechanisms of this correlation may vary, and further research is needed to fully understand the nuances involved ([Ridho 2023](#)).

Despite the benefits, there are also challenges associated with financial and technical assistance. One significant concern is

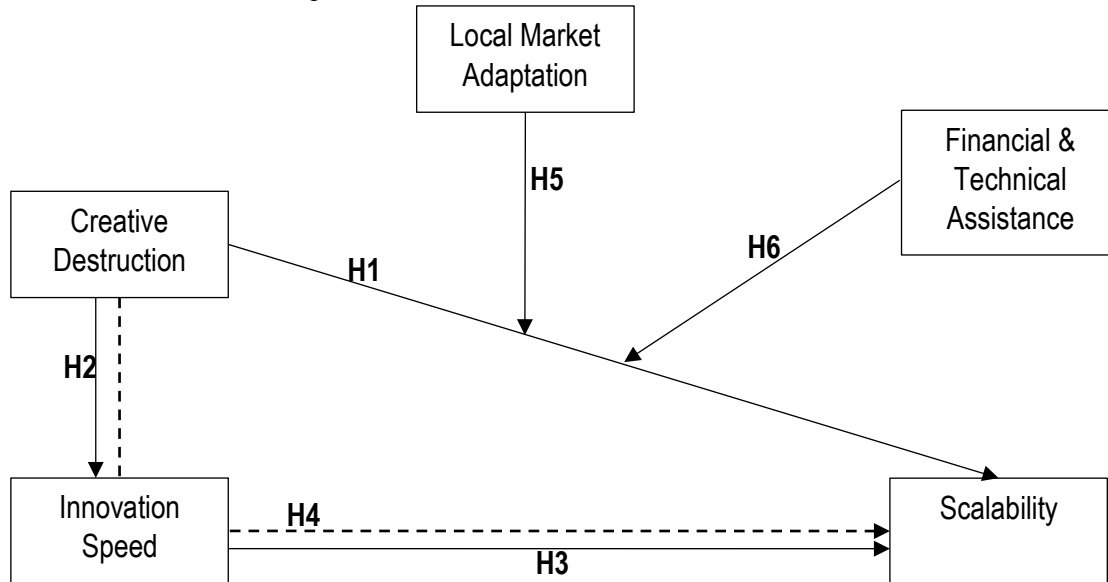


Figure 1. Research Model

the widely varying effectiveness of financial and technical assistance based on implementation and context. For example, while some SMEs may thrive with the right support, others may not fully utilize the assistance provided due to a lack of understanding or misalignment with their specific needs. This inconsistency can lead to disparities in outcomes, where only a subset of SMEs benefits significantly from available resources, potentially exacerbating inequalities within the sector (Akang 2024).

This hypothesis tests the moderating role of external assistance in facilitating the scaling efforts of food SMEs. Access to financial and technical resources enables SMEs to implement creative destruction more effectively, thus supporting their growth and scalability (Lybbert et al. 2024).

H₆: Financial and Technical Assistance positively moderates the correlation

between Creative Destruction and Scalability of food SMEs.

METHOD

Data Collection

To examine the correlation between creative destruction and scalability of food SMEs, alongside roles of innovation speed, local market adaptation, and financial and technical assistance data were gathered from food SMEs located in the Minasamaupata Metropolitan Area. This area, designated as one of the National Strategic Areas (KSN) in South Sulawesi Province, serves as a gateway to Eastern Indonesia i.e. Gowa Regency, Maros Regency, Makassar City, and Takalar Regency. The selection of these regions was based on its food SMEs’ potential for local economic development. However, innovation speed and competitiveness in these SMEs remains

underexplored. Furthermore, SMEs in this region benefit from local scientific and technological advancements, which enhance productivity, marketing strategies, and business insights, thereby positioning MSMEs as a crucial economic sector ([Taneo et al. 2020](#)).

Data on food SMEs were sourced from the Office of Cooperatives and SMEs of South Sulawesi Province. Following the Central Bureau of Statistics' classification, small businesses are defined as those employing 5-19 individuals, while medium enterprises employ between 20-99 people ([Mujahid et al. 2021](#)). The sampling technique used in this study was non-probability sampling, as a sampling technique that does not provide an equal opportunity for each member of the population to be selected. The type of the research was purposive sampling, which is a sampling technique based on the researcher's considerations to select samples that are appropriate, useful, and is able to represent the population. The considerations were based on SMEs that have been running a business for at least two years and have carried out business practices that are relevant to the research topic. In this study, 373 food SMEs were selected as a representative sample out of 12.042 registered SMEs in the Minasamaupata region, utilizing a 95% confidence level and a 5% margin of error.

As SME operations are typically owner-driven, business owners were identified as the primary respondents, given their comprehensive understanding of the study variables. The data collection employed a self-administered questionnaire approach, which allowed for the clarification of unclear questions and ensured a high response rate, even from geographically dispersed respondents ([Sekaran 2003](#)).

Questionnaire of Validity and Reliability

Before distribution to all participants, the questionnaire underwent tests for validity and reliability using a sample of 30 non-respondent food SMEs. Validity was assessed through convergent validity from the significance of correlations among individual item scores and total score of the latent variable. Reliability was evaluated using Cronbach's alpha, with threshold of 0.70 as the minimum acceptable value ([Hair et al. 2010](#)). All variables demonstrated satisfactory validity and reliability, confirming that the item instrument was suitable for use. Structural Equation Modelling (SEM) was used to analyze the accumulated data, ensuring a comprehensive examination of the hypothesized correlation. The SEM analysis process involves several steps, first by forming a model, namely defining latent variables and their indicators, and determining the causal relationship between latent variables. Then estimate model parameters, such as path coefficients and factor loadings, used SmartPLS statistical software to estimate model parameters, such as path coefficients and factor loadings. The next step was to evaluate the model fit, by checking various model fit indices to assess how well the model fits the data.

Variables

The variables investigated include creative destruction (independent variable), innovation speed (mediator), local market adaptation, financial and technical assistance (moderators), as well as scalability of SMEs (dependent variable). Each indicator was measured on a Likert scale, with responses ranging from 1 (strongly disagree) to 5 (strongly agree).

Indicators of **innovation speed** adapted from [Kessler et al. \(2007\)](#) and [Kessler & Chakrabarti \(1996\)](#), include (1) Creating innovation ideas faster than planned, (2) Starting new products to market as planned; and (3) Innovating faster than before, for the last three years.

Creative destruction is operationalized through the indicators adopted from [Tushman & Anderson \(2018\)](#), i.e.: (1) Competence-enhancing of abilities of SMEs, which include improved worker skills, better product quality, and more efficient production costs, (2) Sustaining innovation by keep existing innovation, including reinforcing the benefits of product packaging, giving the best service for the customers, and keeping an existing market network.

Local market adaptation is depicted in several dimensions from [Chen & Liu \(2020\)](#) and [Kawane et al. \(2023\)](#) includes (1) Product Localization as the adaptation of products to suit local tastes, preferences, and cultural demands; (2) Consumer Engagement refers to active involvement of local consumers in the innovation process to ensure product-market fit; and (3) Supply Chain Localization with sourcing and utilizing local materials or suppliers to enhance relevance market and consumer loyalty; and (4) Cultural Responsiveness of the firm's ability to modify marketing strategies and product offerings to reflect local cultural values.

Financial and technical assistance indicators from [Lybbert et al. \(2024\)](#) and [Piza et al. \(2016\)](#) include (1) Access to Capital with the availability of financial resources, such as loans, grants, or investments, to support business growth and innovation; (2) Technical Support include provision of expertise, training, or consulting services aimed at improving business

processes and innovation efficiency; (3) Infrastructure Improvement with support in upgrading technology, machinery, or business infrastructure; and (4) Capacity Building include programs aimed at enhancing the skills and competencies of SME employees, particularly in innovation and market adaptation

Scalability of SMEs is described in four indicators from [Piza et al. \(2016\)](#) and [Taneo et al. \(2020\)](#), including (1) Revenue Growth as the increase in sales and revenues as the firm expands its market presence (2) Market Expansion of the firm's ability to enter new geographic markets or customer segments (3) Operational Efficiency as the firm's ability to scale its operations without a significant rise in costs; and (4) Workforce Growth include the increase in the number of employees or skilled labor as the business expands

Technical Analysis

In order to evaluate the hypotheses, PLS-SEM was utilized for two main reasons ([Sarstedt et al. 2021](#)). First, PLS-SEM can provide the values for indirect and total effects, as well as their respective p-values, standard errors, and effect sizes, this makes it particularly useful for testing mediating variables, eliminating the need for manual calculations, such as the Sobel test. Second, PLS-SEM offers more efficient parameter estimation by meeting greater statistical requirements than covariance-based methods, making it more likely to produce results that reflect the actual population characteristics (significance in the sample implies significance in the population). The model's quality and fit were evaluated using appropriate indices, and hypothesis testing was conducted using the t-test ([Sarstedt et al. 2021](#)).

RESULTS

Finding

Table 1 shows the construct reliability and validity. The outer loadings indicate strong correlations between the constructs and their associated indicators. For example, the indicators for Creative Destruction (CD11-CD23) range from 0.797 to 0.870, showing strong loading factors. Similarly, Financial and Technical Assistance (FTA1-FTA4) has strong loadings between 0.742 and 0.921, and Scalability (SC1-SC4) ranges from 0.856 to 0.920, demonstrating strong measurement reliability.

All constructs show good internal consistency and reliability, with Cronbach's alpha values exceeding 0.7 (e.g., Creative Destruction = 0.912, Scalability = 0.904). Composite reliability and AVE values also exceed acceptable thresholds, confirming that the constructs are valid and reliable.

The Heterotrait-Monotrait Ratio (HTMT) matrix indicates good discriminant validity. For instance, the values between constructs, such as Creative Destruction and Innovation Speed (0.586), and between Financial and Technical Assistance and Innovation Speed (0.766) are below the 0.85 threshold, confirming distinctiveness between constructs.

Table 2 shows the path coefficient for structural model and Figure 2 shows the result of research model. The direct effect from Creative Destruction to Innovation Speed (0.497, $p < 0.001$) is highly significant, indicating that Creative Destruction positively influences Innovation Speed. Similarly, Innovation Speed positively affects Scalability (0.323, $p < 0.001$), while the direct path from Creative Destruction to Scalability is weaker but still significant (0.115, $p = 0.031$). The R-squared values show that

Scalability explains 33.9% of the variance ($R^2 = 0.339$), and Innovation Speed is explained by 33.9% ($R^2 = 0.339$) of the variance. These values suggest moderate explanatory power for the model.

The paths from Financial and Technical Assistance and Local Market Adaptation to Scalability are not statistically significant ($p > 0.1$). The indirect effect of Creative Destruction on Scalability via Innovation Speed is significant (0.160, $p < 0.001$), indicating that Innovation Speed mediates the correlation between Creative Destruction and Scalability.

In conclusion, the model shows strong correlation between Creative Destruction, Innovation Speed, and Scalability, with Innovation Speed playing a critical role in mediating effects. However, the impact of Financial and Technical Assistance and Local Market Adaptation on Scalability is less pronounced.

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Discussions

Creative Destruction to Scalability of food SMEs in emerging economies.

The creative destruction has a positive effect on the scalability of food SMEs, consistent with the hypothesis. This finding aligns with [Taneo et al. \(2020\)](#), who also recognized that introducing more efficient products or processes helps businesses to grow and expand. In the context of food SMEs in emerging economies, creative destruction allows them to differentiate themselves in competitive markets, leading to improved scalability through better production and market expansion capabilities.

Compared to prior studies, this research offers an advantage by focusing specifically on food SMEs in an emerging market setting, as opposed to previous studies, which often focus on high-tech or manufacturing industries ([Tushman & Anderson 2018](#)). The sectoral specificity of this study demonstrates that creative destruction is not just confined to technology-driven industries, but is equally relevant in traditional sectors, such as food production. This expands the understanding of creative destruction's applicability across various sectors in emerging economies.

The results confirm the hypothesis that there are some exceptions where creative destruction did not lead to scalability for some SMEs. These cases may be related to barriers institutional factors in emerging markets that can impede the growth and development of businesses ([Zhu et al. 2020](#)). These exceptions underline the need for supportive environments that facilitate innovation, for creative destruction to fully translate into scalability

Creative Destruction to Innovation Speed Adoption in food SMEs

The creative destruction positively influences the innovation speed adoption in food SMEs. This outcome is in line with [Taneo et al. \(2020\)](#), who assert that firms engaging in creative destruction are more agile and quicker in bringing new innovations to the market. By replacing outdated processes with newer, more efficient ones, food SMEs in this study showed significant improvements in innovation speed, which is crucial in responding to market demands swiftly.

When comparing this result to existing literature, this study provides a fresh perspective by applying the concept of creative destruction to SMEs within the food sector in emerging economies. Previous studies have largely focused on large corporations or developed economies ([Kessler et al. 2007](#)). Thus, this research emphasizes that the principles of creative destruction are equally relevant and impactful in smaller firms and less-developed markets, offering a broader understanding of its effects on innovation speed.

However, it is important to be concerned that not all SMEs benefited from creative destruction in terms of faster innovation. Some firms faced several challenges, such as the

focus on rapid innovation can sometimes lead to a neglect of foundational business practices (Ali et al. 2021), that can result in a decline in customer satisfaction and loyalty, the

competitive pressure to innovate rapidly can lead to a homogenization of products within the food sector, reduce the diversity of products available in the market (Rauf et al. 2023), and

Table 1. Construct Reliability and Validity

Variables	Item	Convergent Validity Loading Factor	Discriminant Validity				Cronbach Alpha	CR (rho-a)	CR (rho-b)	AVE	R-Square
			IS	CD	LMA	FTA					
Innovation Speed (IS)	IS1	0,809					0,781	0,782	0,872	0,695	0,247
	IS2	0,803									
	IS3	0,856									
Creative Destruction (CD)	CD11	0,837	0,586				0,912	0,913	0,931	0,694	
	CD12	0,835									
	CD13	0,797									
	CD21	0,809									
	CD22	0,847									
	CD23	0,87									
Local Market Adaptation (LMA)	LMA1	0,835	0,845	0,598			0,797	0,798	0,868	0,623	
	LMA2	0,767									
	LMA3	0,796									
	LMA4	0,756									
Financial and Technical Assistance (FTA)	FTA1	0,9	0,766	0,463	0,815		0,891	0,905	0,926	0,758	
	FTA2	0,908									
	FTA3	0,921									
	FTA4	0,742									
Scalability (SC)	SC1	0,877	0,643	0,416	0,559	0,511	0,904	0,907	0,933	0,777	0,328
	SC2	0,872									
	SC3	0,92									
	SC4	0,856									

Table 2. Path Coefficient for Structural Model

Hypothesis	Path	Original Sample	t statistics	P – Values
H1	Creative Destruction -> Scalability	0,115	2,153	0,031
H2	Creative Destruction -> Innovation Speed	0,497	9,674	0,000
H3	Innovation Speed -> Scalability	0,323	3,887	0,000
H4	Creative Destruction -> Innovation Speed -> Scalability	0,160	3,670	0,000

H5	Local Market Adaptation x Creative Destruction -> Scalability	-0,069	1,130	0,259
H6	Financial and Technical Assistance x Creative Destruction -> Scalability	0,103	1,281	0,200

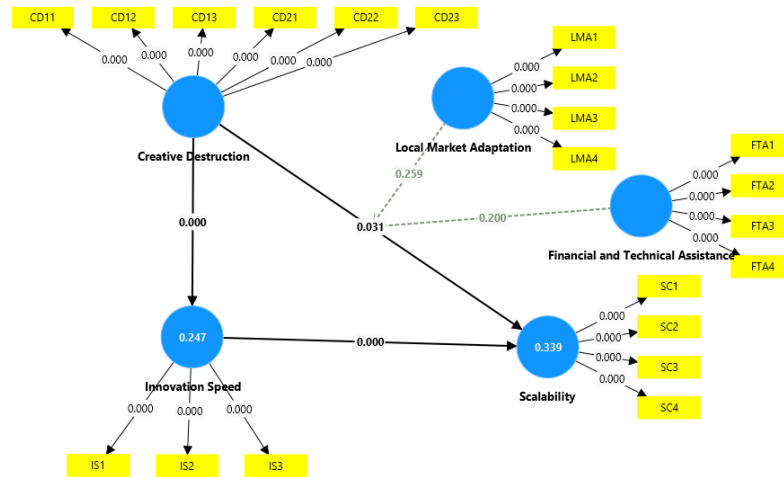


Figure 2. Research Model Result

also creative destruction involves substantial investment in new technologies and processes, which can be particularly daunting for SMEs with limited resources (Greco 2023). These outliers indicate that additional support in terms of technical assistance needed to maximize the benefits of creative destruction for innovation speed.

Innovation Speed to Scalability of Food SMEs

The positive impact of innovation speed on scalability, as hypothesized, is well-supported by the results. The findings demonstrate that faster innovation adoption leads to better scalability outcomes, allowing SMEs to introduce new products and services in a timely manner, keeping up with market trends. This is consistent with the work of Hutahayan & Yufra (2019) and Taneo et al. (2020), who found that rapid innovation adoption is a critical factor

in improving a firm's market position and growth potential.

Compared to previous literature, this research stands out by focusing on SMEs in the food industry, rather than high-tech sectors. The results show that even in industries with slower innovation cycles, such as food production, faster adoption of innovation is key to scalability. This expands the literature by showing that innovation speed is a universal determinant of scalability, regardless of the industry.

While the overall impact of innovation speed on scalability is confirmed, some exceptions exist where innovation speed did not result in scalability. These may be attributed to external market conditions or internal operational inefficiencies. These exceptions suggest that while innovation speed is crucial, scalability also depends on other supporting factors, such as access to financial markets or skilled labor.

Innovation Speed as a Mediating Variable in the Correlation between Creative Destruction and Scalability of Food SMEs

The study confirms that innovation speed plays a mediating role between creative destruction and scalability. Creative destruction, by its nature, facilitates faster innovation, which in turn leads to better scalability. This finding is in line with studies from [Hutahayan & Yufra \(2019\)](#) and [Taneo et al. \(2020\)](#), who proposed that creative destruction fosters environments conducive to rapid innovation, which eventually scales the business.

In contrast to existing research, this study's focusing on the food SME sector in emerging economies provides new insights into how this mediation mechanism works in more traditional industries. Whereas most literature has explored this relationship in tech-driven environments. This study also demonstrates that even low-tech industries can benefit from faster innovation through creative destruction.

However, some outliers in which creative destruction did not lead to faster innovation, and consequently, scalability was limited. These exceptions highlight the importance of contextual factors, such as market readiness and resource availability. The findings suggest that additional interventions may be necessary to support the full potential of this mediation effect.

Local Market Adaptation as a Moderating Variable in the Correlation between Creative Destruction and Scalability of Food SMES

The results indicate that local market adaptation did not significantly moderate the correlation between creative destruction and scalability, contrary to the hypothesis. While

previous studies, such as [Kawane et al. \(2023\)](#) and [Maredia et al. \(2024\)](#) suggested that local market adaptation could enhance scalability by aligning innovations with local demand. This study found no significant effect. may be due to the homogeneity of consumer preferences in the Minasamaupata region, limiting the impact of local adaptations.

This result contrasts with findings in other emerging economies, where market adaptation played a significant role in determining business growth. The lack of significance in this study suggests that food SMEs in this particular region might not require extensive market adaptation due to relatively stable market conditions or lower consumer expectations, as noted by [Chan et al. \(2019\)](#) and [Fregidou-Malama et al. \(2019\)](#). This implies that other factors, such as innovation speed, may be more important in this context.

Nevertheless, the absence of a significant moderating effect highlights a potential area for future research. It is possible that the role of local market adaptation varies depending on the market's complexity and level of competition. These findings suggest that while local market adaptation is important, it may not always be a decisive factor in scaling SMEs in certain emerging market environments.

Financial and Technical Assistance as a Moderating Variable in the Correlation between Creative Destruction and Scalability of Food SMEs

The result show that financial and technical assistance did not significantly moderate the correlation between creative destruction and scalability. While financial and technical assistance have been identified in past research as crucial thing for business growth

([Lybbert et al. 2024](#); [Nakasone et al. 2024](#)). This study did not find a significant moderating effect. may be due to limited access to such resources or inefficiencies in how assistance programs are implemented in the Minasamaupata region.

Compared to previous studies, this result is surprising, as [Ridho \(2023\)](#) found that financial and technical assistance played a significant role in enhancing business scalability in other regions of Indonesia. The lack of effect in this study could point to regional disparities in the effectiveness of government support programs or the unique challenges faced by food SMEs in this particular area.

This finding opens up new avenues for research, as it suggests that financial and technical assistance, while theoretically important, may not always translate into practical benefits for SMEs. Future studies could investigate how these support programs are structured and whether they are adequately addressing the needs of food SMEs in emerging markets.

The findings of this study have significant implications for both academic research and practical applications. The confirmation of the mediating role of innovation speed between creative destruction and scalability contributes to the academic understanding of how these constructs interact, especially in the context of food SMEs. This adds depth to the literature on innovation management in traditional sectors and provides a framework for future research on scaling businesses in emerging markets.

Practically, the findings highlight the importance of fostering environments that support creative destruction and rapid innovation adoption. Policymakers and business support agencies in emerging economies should

prioritize programs that encourage innovation among food SMEs, ensuring they have access to the resources needed to implement creative destruction. This is important for driving local economic growth through SME scalability.

Finally, the lack of significance in the moderating effects of local market adaptation and financial and technical assistance raises important questions for practitioners. It suggests that businesses may benefit more from direct innovation support rather than generic financial aid or market adaptation strategies. Tailored support programs that address the unique needs of food SMEs in emerging economies may be more effective in fostering scalability.

CONCLUSION

This study investigated how the creative destruction affects the scalability of food SMEs in emerging economies, focusing on the mediating effects of and innovation speed, as well as examining the moderating effects of local market adaptation and financial and technical assistance. The findings confirm that creative destruction significantly influences both innovation speed and scalability, with innovation speed playing a mediating role between creative destruction and scalability. The findings demonstrate that creative destruction serves as a driver for both innovation speed and the scalability of food SMEs in emerging economies. This highlights the transformative potential of creative destruction in reshaping business processes and fostering growth. Furthermore, innovation speed is confirmed as a pivotal mediating factor, bridging the correlation between creative destruction and scalability. This indicates that the ability of SMEs to rapidly adopt and implement innovations enhances their capacity to scale effectively.

However, contrary to the expectations, local market adaptation and financial and technical assistance did not significantly moderate the correlation between creative destruction and scalability. This suggests that while these factors are theoretically valuable, their influence on the scalability driven by creative destruction may depend on other contextual variables, such as regulatory frameworks, market conditions, or the readiness of SMEs to leverage external support. These results call for a nuanced approach to understanding how contextual factors interact with creative destruction to impact scalability in emerging markets.

The implications of these findings are notable for policymakers and practitioners in emerging economies, particularly in the food sector. Encouraging creative destruction and fostering faster innovation adoption become critical strategies for scaling SMEs. The research also highlights the need for more targeted support programs for food SMEs, which focus on addressing specific challenges, such as limited access to resources or regional disparities in market conditions.

The innovation of this research lies in integrating the mediating role of innovation speed and testing underexplored moderating factors in the context of food SMEs in emerging economies. It advances the understanding of how disruptive strategies like creative destruction can drive scalability while opening new avenues for research on external and internal enablers of SME growth.

This study contributes to the existing body of knowledge by focusing on the food SME sector in emerging economies, an area that has received limited attention in previous research. Its findings extend the applicability of creative destruction and innovation speed theories to more traditional industries and regions. Future research should explore the conditions in which local market adaptation and financial as well as technical assistance may become more effective moderators. Furthermore, efforts should be made to determine how these findings can be generalized to other sectors or regions. Addressing the limitations of this study, particularly its regional specificity, would also enhance the broader applicability of the results.

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