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Improving MSME Performance Based on Digital Marketing, Intellectual Capital, Product Innovation and Competitive Advantage

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Abstract

Research aims: Using influence and route analysis tests, this study will examine how digital marketing, intellectual capital, item innovation, and competitive advantage have been used to boost the achievement of micro, small, and medium-sized enterprises (MSMEs).

Design/Methodology/Approach: The researchers in this study used a quantitative research strategy based on survey data. Due to its sheer size and employment density, the food and beverage industry in East Java is chosen as the study's population of micro, small, and medium-sized enterprises (MSMEs). Probability sampling is the method used for the sampling. Various tests are employed in data analysis, including validity, reliability, hypothesis, and route analysis.

Research findings: Based on the findings, digital marketing, intellectual capital, and item innovation are factors that impact MSME achievement and competitive advantage to a lesser extent. Furthermore, MSMEs' success is partially impacted by digital marketing, intellectual capital, and item innovation, all of which contribute to their competitive edge.

Theoretical Contribution/Originality: This study addresses a gap in the literature by investigating the factors that contribute to the improvement of achievement for micro, small, and medium-sized enterprises (MSME), specifically looking at the effects of digital marketing, intellectual capital, and item innovation. Here, variables such as market domination, new item development, IQ, and internet advertising come into play. By exploring how this generation's digital marketing and intellectual capital function, the study adds to the field's knowledge.

Practitioners/Policy Implications: Findings from this research stress the need for a multi-faceted strategy to boost MSME performance, rather than a singular emphasis on digital marketing, ICM, item innovation, and competitive advantage. With this in mind, it is anticipated that MSME players would devise plans that incorporate these four aspects in order to improve market competitiveness and welfare.

Research Limitations/Implications: Although the results are significant, there are a number of caveats to this study. It is possible that the study's geographical scope and the industries it examined are too narrow. The success of micro, small, and medium-sized enterprises (MSME) in areas such as digital marketing, IP, item innovation, and competitive advantage could differ in different regions and sectors. Hence, due to variations in technical infrastructure, resources, and markets, it is possible that not all MSMEs or locations may be completely served by this study's findings.

Keywords: digital marketing; intellectual capital; item innovation; competitive advantage; MSME performance

Introduction

The health of Indonesia's economy is heavily dependent on the success of its MSMEs, or micro, small, and medium-sized businesses. Small and medium-sized enterprises (SMEs) are considered the engine that drives Indonesia's economy. Until early 2023, SMEs accounted for about 97% of the country's employment and contributed over 60% to GDP. Small and medium-sized enterprises (SMEs) make a huge impact by contributing to the alleviation of poverty and the expansion of economic growth in different parts of the world. Many people in Indonesia have the belief that micro, small, and medium-sized enterprises (MSMEs) may help the country's economy recover from the Great Recession of the late 1990s and early 2000s (Hermawan & Sriyono, 2020). Many huge firms went bankrupt during the recession, while MSMEs managed to stay afloat. There will be an uptick in Indonesia's MSME graph in 2022. After West Java and Central Java, East Java takes third place. The economic and commercial circumstances in East Java are influenced by a number of trends and dynamics experienced by MSMEs (Bubun et al., 2022).

If Indonesia wants to boost economic development and lessen economic inequality, it must do more to support micro, small, and medium-sized enterprises (MSMEs). A company's success as an MSME may be gauged by looking at three key metrics: sales growth, customer growth, and profit growth. There are two main types of achievement metrics: monetary and non-monetary. Digital marketing, intellectual capital, item innovation, and competitive advantage are some of the tactics used to boost the achievement of micro, small, and medium-sized enterprises (MSMEs) .

The success of Indonesia's micro, small, and medium-sized enterprises (MSMEs) is increasingly dependent on digital marketing strategies. Using digital marketing techniques is crucial for small and medium-sized enterprises (SMEs) in today's digital age. These methods allow SMEs to connect with more clients, expand their target market, and boost their worldwide competitiveness. Indicators of digital marketing include things like being easy to access, entertaining, instructive, credible, and interactive (Lombok & Samadi, 2022). According to previous studies, digital marketing helps small and medium-sized enterprises (SME) enhance their marketing effectiveness and grow into new markets (Sudirjo et al., 2023).

Human interest, knowledge, and talent are the components that make up an organization's intellectual capital. IC encompasses data, expertise, and knowledge that may offer a business an edge in the market (Akbar & Hermawan, 2023). Hermawan et al. (2020) states that human capital, structural capital, and relational capital are the three primary components of intellectual capital. Prior studies have demonstrated that human, structural, and relational capital all have a role in the success of micro, small, and medium-sized enterprises (MSMEs) (Sari & Pramuki, 2021).

Rivalry in the business world is getting fiercer by the day. As a result, enterprises on all levels local, national, and international are working harder than ever to create better goods to satisfy customer demands. This intense rivalry is becoming a critical component in helping MSMEs enhance their performance. Innovation in goods may help micro, small,

and medium-sized enterprises (MSMEs) succeed by meeting consumer demands with better, more efficient offerings. Because of this, MSME players may feel more motivated to keep innovating and making better goods. Indicators of item innovation include things like triability, observability, complexity, compatibility, and relative advantage (Soleha & Indrawati, 2022). Cite prior studies demonstrating that item innovation significantly and positively affects the operational achievement of MSMEs (Pratama, 2021; Safri & Syarfan, 2023).

How well micro, small, and medium-sized enterprises (MSMEs) do in a competitive market is heavily dependent on their competitive edge. Achieving and sustaining a competitive edge is crucial for small and medium-sized enterprises (SMEs) in Indonesia, as they form the foundation of the country's economy. To survive in a cutthroat market, startups and micro, small, and medium-sized enterprises (MSMEs) must rapidly expand their consumer base and raise their brand's profile (Chaturvedi & Karri, 2022).

One critical component of competing successfully in business is having a competitive edge (Chaturvedi & Karri, 2022). What makes it possible for MSMEs to stay in business is their competitive edge. Benefits, such as lower prices and the ability to outperform rival products, will accrue to MSMEs as a result of their competitive advantages. According to (Nguyen et al., 2021), small and medium-sized enterprises (SMEs) with a competitive edge will boost their achievement and ultimately increase their profitability. Product distinctiveness, low pricing, difficulty in locating, replicating, or replacing, and difficulty in doing so are all signs of a competitive advantage (Kusuma & Dharyanti, 2023). According to earlier studies (Sari & Kasmiruddin, 2016), having a competitive edge can increase sales volume.

Strategy for Addressing the Issue Increasing the efficiency of micro, small, and medium-sized enterprises (MSMEs) is the focus of this study. The impact of digital marketing, intellectual capital, item innovation, and competitive advantage on the achievement of micro, small, and medium enterprises (MSME) has been the subject of several studies (Akbar & Hermawan, 2023; Hariyanto & Hermawan, 2015; Humairoh & Budi, 2019; Ukamah et al., 2022). As part of the strategy for resolving issues through the use of route analysis and influence testing. Finding out which metrics significantly impact MSME achievement is the main goal of this test. We will next compare the findings of prior studies with the fundamental theories in order to have a qualitative discussion of these indicators (Ridwan et al., 2021).

Using many factors to boost MSMEs' achievement is both unique and state-of-the-art in this study. Internet advertising, IQ, new item development, and market dominance are the factors at play here. A number of studies about online advertising have been published by (Ukamah et al., 2022). According (Sholikhah and Hermawan, 2022), there are a few findings about intellectual capital. A number of findings from studies about new item development (Ibniwasum, 2020). (Hermawan et al., 2020) cite a number of studies that address the topic of competitive advantage.

Literature Review and Hypotheses Development

Digital Marketing

According to (Oklander et al., 2018), digital marketing is the process of promoting a item or service via the use of the Internet and other digital media. "Digital marketing" refers to the promotion of a item or service by electronic means, such as the World Wide Web, electronic mail, mobile phones, digital television, and other similar platforms (Ranjbar, 2023). At the same time, branding is marketing activities that make use of digital media such websites, blogs, email, Adwords, and social networks (Lucyantoro & Rachmansyah, 2018). The new approach to online marketing known as digital marketing involves reaching consumers through numerous channels of interaction, including social media, mobile apps, blogs, emails, and search engine optimization (SEO). The goal is to establish a closer relationship with consumers through various forms of advertising (García et al., 2019). To reach a wide variety of consumers, businesses are increasingly turning to digital marketing strategies that take use of the many online resources available today. In addition, digital marketing is all about promoting products and services through online marketplaces that react instantly to internet connections (Dastane, 2020).

The following are some indicators of digital marketing: accessibility, which refers to how easy it is to reach; interactivity, which means communication in two or more directions; entertainment, which means drawing in buyers or viewers or giving pleasure and joy; credibility, or trust, is the degree to which other people trust an entity; and informativeness, which means providing information; informing in nature (Lombok & Samadi, 2022).

(Boonmalert et al., 2021; Gao et al., 2023; Omar et al., 2020; Yusuf et al., 2022) are among the research that demonstrate that small and medium-sized enterprises (SMEs) that strategically employ digital marketing strategies see an uptick in sales, cost efficiency, and customer connections. The more effective digital marketing is, the more chances there are for micro, small, and medium-sized enterprises (MSME) to grow, develop, and be competitive in today's market. This suggests a positive correlation between digital marketing and improved MSME performance. Small and medium-sized enterprises (SMEs) that master digital marketing are more likely to succeed in a competitive market. This is because digital marketing allows SMEs to increase brand recognition, engage with customers on a personal level, and react to market demands instantly. Micro, small, and medium-sized enterprises (MSMEs) may boost their sales, cost efficiency, and client connections through digital marketing. This will help them achieve financial success and growth in the long run.

Digital marketing also has the potential to be an effective weapon in the fight for market dominance. Companies may stand out in a crowded market and improve their bottom line by enhancing data-driven decision-making, targeting, visibility, and cost efficiency while strengthening customer connections. In line with earlier studies that demonstrate the impact of digital marketing on competitive advantage, these findings are pertinent (Lee & Falahat, 2019; Zuhdi et al., 2021).

H₁: Digital marketing influences the achievement of MSMEs.

H₄: Digital marketing influences competitive advantage.

Intellectual Capital

Intellectual capital, sometimes known as IP, is an intangible asset that may provide a business a leg up in the marketplace. IP is distinctive to a certain business and thus difficult for competitors to replicate. The expertise and information held by a group of people, whether it's a business, a group of professionals, or just a group of thinkers, is called intellectual capital. Stewart states that the term "intellectual capital" refers to the material assets that may be utilized to generate wealth through the creation of asset value. This material includes things like knowledge, information, intellectual property rights, and experience (Stewart & Ruckdeschel, 1998). The intangible assets that may boost a company's achievement and competitiveness are known as intellectual capital, according to Silalahi (Silalahi, 2021). An intangible asset with a huge impact on operational operations, performance, and competitive advantage is intellectual capital, according to Sigit Hermawan (Hermawan et al., 2021).

Three measures of intellectual capital are as follows: A person's human capital consists of their habits, knowledge, social traits, personality, and the capacity to do labor in a way that generates economic value. In order to maximize intellectual output, organizations rely on structural capital, which includes things like infrastructure, information systems, routines, processes, and organizational culture. Intellectual capital will function at its highest potential in a company with solid processes. When a business invests in its infrastructure, it helps boost employee productivity. Everything that contributes to the intangible worth of the business, such as databases, organizational charts, process manuals, and strategic procedures; In addition, relational capital encompasses all forms of market relationships, power dynamics, and collaboration that are forged among businesses, organizations, and the general public. These forms of capital stem from the deep sense of community and exceptional ability to work together that characterizes individuals and groups with shared cultural backgrounds.

The significance of the relationship between intellectual capital and the success of MSME cannot be overstated. Small and medium-sized enterprises (SMEs) may boost their financial achievement by investing in human, structural, and relational capital. This will increase operational efficiency, innovation, customer happiness, and competitiveness. Consequently, in order to succeed and expand sustainably, MSMEs should prioritize building and maintaining their intellectual capital. Past studies have demonstrated that intellectual capital affects the achievement of micro, small, and medium-sized enterprises (MSME) (Ganawati et al., 2021; Islami et al., 2020; Dabić et al., 2019; Rokhman et al., 2023), so these findings are pertinent to those conclusions.

Aside from that, intellectual capital is useful for establishing and keeping an advantage over the competition. Differentiating themselves from rivals, increasing operational

efficiency, and building strong customer connections may be achieved via the effective utilization of human, structural, and relational capital. Because of this, we are able to maintain our competitive edge and achieve long-term success in business. Prior studies have demonstrated that intellectual capital affects competitive advantage; these findings are consistent with that (Xu & Liu, 2020).

H₂: Intellectual capital influences the achievement of MSMEs.

H₅: Intellectual capital influences competitive advantage.

Product Innovation

Kotler Keller posits that new item development is the result of interdependent cycles (Permatasari & Maryana, 2021). In Wiratmo's view, item innovation entails either the introduction of new goods and services or the enhancement of current ones. The capacity to integrate preexisting manufacturing components in novel and improved ways is also a part of item innovation. Meanwhile, item innovation is being able to put one's creative mind to work on something that can be put into action and add value to one's own resources, says Suryana. The advent of novel concepts, theories, hypotheses, or approaches to management is what we mean when we talk about item innovation (Avriyanti, 2022). A new product, service, concept, or perspective is what we mean when we talk about item innovation, according to the previous definition. When customers view a item or service as novel, we say that it is innovative. To put it simply, innovation is a game-changer when it comes to new products.

Setiadi posits that innovations in products can be identified by a number of characteristics. These include relative advantage, which is a measure of how well a new item compares to older versions, compatibility, which is the degree to which the item aligns with existing values or previous experiences with the product, complexity, which is when an innovation is not accepted because it is difficult to understand and use, trialability, which is the ability to conduct experiments or trials to prove the innovation's superiority and speed up adoption, and visibility (observability), which is the degree of the outcomes of the use or adoption of an innovation after its introduction

A robust positive association exists between MSME achievement and item innovation. Small and medium-sized enterprises (SMEs) can boost their sales, customer happiness, operational efficiency, and brand image by introducing new goods or significantly improving current ones. The findings are in line with earlier studies that have demonstrated the impact of item innovation on the achievement of micro, small, and medium-sized enterprises (MSME) (Larios-francia & Ferasso, 2023; Latifah et al., 2020; Puspaningrum, 2020; Tirtayasa & Rahmadana, 2023).

Also, small and medium-sized enterprises (SMEs) can get an edge in the market and adjust to new circumstances through item innovation. Investment in item innovation, then, might be a useful tactic for helping MSMEs thrive and expand. To top it all off, new item

development, enhanced quality and efficiency, increased market penetration, and a more positive public perception of the brand are all ways in which item innovation may give businesses a leg up in the marketplace. Companies can solidify their market position and establish long-term competitive advantages by consistently innovating to fulfill changing consumer demands. Previous research has shown that item innovation influences competitive advantage (Farida & Setiawan, 2022), and our results are pertinent to that.

H₃: Product Innovation influences the achievement of MSMEs.

H₆: Product Innovation influences competitive advantage.

Competitive Advantage

In contrast to Markova's view that competitive advantage is superiority, Azoef argues that competitive advantage is the outcome that shows that competitive advantage exists. This means that in order to reach a specific objective, comprehend the processes that form competitive advantage, reveal its content, and understand its internal relationships, one must investigate the essence of competitive advantage (Radostina Emilova Yuleva, 2019). A competitive advantage, according to Kotler, is a leg up over the competition, and it can be yours by providing more value at lower prices or by providing more advantages at higher prices (Lee et al., 2022). State that a company's competitive advantage is its ability to accomplish success through efficiency. In a highly competitive market, a competitive advantage can be gained by removing entry barriers, strengthening supplier power, strengthening buyer power, and making accurate decisions (Marco-Lajara et al., 2022).

According to Porter, there are several signs of a competitive advantage. These include: item uniqueness, which is when a company's products are both artistically valuable and tastefully designed; competitive price, which is when a company can set its prices relative to the market; not easy to find, which means that the company's products are rare compared to its competitors; and not easy to imitate, which means that they can be imitated imperfectly. According to Kusuma and Dharyanti (2023), when something is difficult to replace, it signifies that there is no easy equivalent for it.

A number of studies and investigations have demonstrated that a competitive edge correlates positively with the achievement of MSME. There is a robust relationship between competitive advantage and the success of MSME. Sales, customer happiness, operational efficiency, and expansion potential can all be enhanced for MSMEs by gaining a competitive advantage. Advantages in the marketplace also aid MSMEs in surviving in a crowded marketplace, building customer loyalty to their brands, and securing long-term success. Thus, a straightforward and adaptable basic for canonical time synchronization services that prioritizes creating and sustaining competitive advantages elapsed time on arrival can be a powerful tool for micro, small, and medium-sized enterprises (MSMEs) to boost achievement and thrive in the long run. Consistent with earlier studies (Puspaningrum, 2020; Udriyah et al., 2019), our findings demonstrate that MSMEs' achievement is impacted by competitive advantage.

H₇: Competitive advantage influences the achievement of MSMEs

MSME Performance

The efficiency and effectiveness with which a micro, small, or medium-sized firm (MSME) runs its day-to-day operations and meets its objectives is known as its performance. A good indicator of the health of a business over a certain time frame is how well its MSMEs are doing. Financials, Customers, Internal Business Processes, and Learning and Growth are the four pillars upon which the Balanced Scorecard (BSC) approach to measuring MSME achievement rests (Meekaewkunchorn et al., 2021). Hasibuan states that the term "MSME performance" refers to the outcomes attained by an organization or individual in completing activities that are dependent on factors such as experience, seriousness, time, and competence (Hasibuan, 2023).

Among the many measures of success for micro, small, and medium-sized enterprises (MSME), one is sales growth, which is defined as an increase in revenue from item or service sales; The term "customer growth" describes the gradual expansion in a company's clientele. This is a crucial metric for gauging the efficacy of advertising and sales campaigns, as well as the success of acquiring and maintaining consumers; A firm or business experiences profit growth when its earnings rise over a period of time. A rise in the overall worth of a company's assets over a period of time is known as growth in total assets. Factors such as workforce growth the increase in the number of employees or workers employed by an organization over time and asset accumulation and management success serve as important indicators of a company's ability to expand, invest, or increase its value. As such, it is a crucial metric for gauging HR requirements, operational efficiency, and company growth.

Micro, small, and medium-sized businesses (MSMEs) rely heavily on their capacity to establish competitive advantages to sustain and improve their achievement in an age of fiercely competitive business environments. In a world where market dynamics are always shifting, small and medium-sized enterprises (SMEs) rely on their competitive edge to stay afloat. Digital marketing, intellectual capital, and item innovation are three key strategic components that contribute significantly to the development of this competitive advantage.

As a first point, digital marketing allows MSMEs to access a wider audience and raise awareness of their brand in a more effective way. Social media, online marketplaces, and search engines allow micro, small, and medium-sized enterprises (MSMEs) to connect with customers on a more personal level, learn about what the market wants, and create more focused marketing campaigns. This benefit sets MSMEs apart from their competitors who still use old-fashioned practices. Second, an intangible asset that is crucial to the success of creative and flexible company operations is intellectual capital, which encompasses human capital, structural capital, and relational capital. Human resources that are both competent and creative facilitate better strategic decision-making and are more responsive to shifts in the market and technology. Managing intellectual

capital effectively may help micro, small, and medium-sized enterprises (MSMEs) thrive in a fast-paced commercial environment. Thirdly, a key component of customer acquisition and retention is item innovation. Differentiation from rivals is more likely for MSMEs that can innovate new items or enhance current ones in response to consumer preferences. In addition to benefiting buyers, this innovation gives micro, small, and medium-sized enterprises (MSMEs) more leverage in market negotiations.

All three of these things work hand in hand to make a company more competitive in the long run. Innovation in products helps micro, small, and medium-sized enterprises (MSMEs) respond to changing market demands, intellectual capital enhances the quality of company strategy and execution, and digital marketing speeds up the dissemination of information and builds brand recognition. The three factors work together to provide a competitive edge that helps small and medium-sized enterprises (SMEs) improve their achievement in many areas, including sales growth, customer happiness, operational efficiency, and profitability.

When it comes to driving achievement for micro, small, and medium enterprises (MSME) by creating lasting competitive advantages, the convergence of digital marketing, intellectual capital, and item innovation is highly relevant.

H₈: digital marketing influences achievement of MSMEs through competitive advantage.

H₉: intellectual capital influences achievement of MSMEs through competitive advantage.

H₁₀: item innovation influences achievement of MSMEs through competitive advantage.

Research Methods

According to Hermawan and Hariyanto (2022), this study employed a quantitative research strategy based on a survey technique. This study's population consists of 746,732 micro, little, and medium-sized enterprises (MSMEs) in East Java's food and beverage sector, as this industry employs the most number of people overall (Anugerah & Nuraini, 2021). In this investigation, 400 samples were utilized, according to estimates made using the Slovin formula.

An online survey data distribution questionnaire measuring factors from 1 to 5 was utilized for data collecting. This study makes use of the Structural Equation Modeling (SEM) technique, specifically the Partial Least Square (PLS) methodology, to analyze the data. The study data will be managed using smartPLS software. In the end, stakeholders in East Java's micro, small, and medium-sized enterprises (MSMEs) can benefit from policies that address the interplay between digital marketing, intellectual capital, item innovation, and competitive advantage. As a consequence, micro, small, and medium-sized enterprises (MSMEs) function better, the economy grows, and the unemployment rate falls.

Table 1 Respondent Profile

No	Variable	Category/Range	Frequency (n)	Percentage (%)	Remarks/Implication
1	Gender	Male	240	60.0	The majority of business owners are male, indicating male dominance in the F&B sector.
		Female	160	40.0	Women still have a significant role in this sector.
2	Age	< 30 years	80	20.0	Younger entrepreneurs tend to be more adaptive to trends and new technology.
		30–39 years	140	35.0	The most dominant group, representing peak productive age.
		40–49 years	110	27.5	Experienced business owners who are still highly productive.
		≥ 50 years	70	17.5	Focus more on business stability rather than expansion.
3	Highest Education Level	High School	150	37.5	The largest portion of respondents, indicating accessible entry to the F&B sector.
		Diploma	80	20.0	Provides technical skills for operations.
		Bachelor's Degree	140	35.0	Tend to have more developed managerial strategies.
		Master's Degree	30	7.5	A small group with potential for innovation.
4	Type of Business	Food & Beverage	400	100.0	All respondents are from the F&B sector as the research focus.
5	Years in Business	1–5 years	180	45.0	Many new businesses with high growth potential.
		6–10 years	140	35.0	Established businesses with medium stability.
		> 10 years	80	20.0	Senior businesses with loyal customer bases.
6	Number of Employees	1–5 employees	250	62.5	Dominated by micro-scale enterprises.
		6–10 employees	100	25.0	Categorized as small enterprises.
		> 10 employees	50	12.5	Tend to be medium-scale enterprises.
7	Monthly Turnover (IDR)	< 10 million	120	30.0	Low revenue, often representing newly established businesses.
		10–50 million	200	50.0	Medium revenue category, the most dominant group.
		> 50 million	80	20.0	High revenue, often associated with businesses operating for more than 10 years.

Results and Discussion

Data Analysis

Measurement Model (Outer Model)

An external model evaluation's goals are to determine the model's validity (using convergent and discriminant validity tests) and reliability (using composite reliability and cronbach's alpha for the indicator blocks) (Cheah et al., 2023).

Convergent Validity

Every indication of a concept is tested for convergent validity. Indicators are termed genuine when their loading factors are greater than 0.70, and acceptable when they fall between 0.50 and 0.60. If an indicator's loading factor is less than 0.50, it should be discarded from the model (Cheah et al., 2023). All indicators of the study variables are genuine, according to the test findings, because their Outer Loading values are more than 0.70. As a result, we think the survey questions will work for our future research.

Discriminant Validity

The following test will compare the variables' correlation with the square root of AVE (\sqrt{AVE}). If the absolute value of each variable is higher than the correlation between variables, then the measurement model has excellent discriminant validity. Each construct's square root of the Average Variance Extracted (AVE) is larger than its correlations with other constructs in the model, according to the test findings. This discovery proves that the estimated model's constructs meet the requirements for discriminant validity (Cheah et al., 2023).

Table 2 Discriminant Validity Test Results (Fornell Larcker Criterion)

	Competitive Advantage	Digital Marketing	Product Innovation	Intellectual Capital	MSME Performance
Competitive Advantage	0.901				
Digital Marketing	0.684	0.887			
Product Innovation	0.698	0.607	0.937		
Intellectual Capital	0.666	0.555	0.632	0.766	
MSME Performance	0.795	0.662	0.669	0.659	0.904

With respect to Table 2, the square root of each construct's Average Variance Extracted (AVE) surpasses its correlations with other constructs in the model. Everything points to the calculated model's constructs meeting the discriminant validity requirements.

HTMT (Heterotrait-Monotrait)

Indicators measuring the same construct tend to have geometric means of correlations, while indicators assessing distinct constructs have heterotrait-heteromethod correlations, which is represented by HTMT (Cheah et al., 2023). If the Heterotrait-Monotrait Ratio (HTMT) is less than 0.90, as proposed by (Hair et al., 2017), then the test findings indicate that the discriminant validity is acceptable. Absolutely no HTMT readings were greater than 0.9.

Average Variance Extracted (AVE)

By modifying the error rate, the AVE value attempts to quantify the degree of dispersion of an indicator-collected build component. It is more important to test using AVE values than with composite reliability. According to Cheah et al. (2023), all AVE values should be at least 0.50. All indicators exhibit sufficient reliability for further investigation, since the test results reveal that the AVE values are more than 0.50

Composite Reliability dan Cronbach's Alpha

The last step in assessing the external model is to check its reliability with Composite Reliability and Cronbach's Alpha to make sure there are no measurement problems. These checks make that the research tools are consistent. The components in this study have strong reliability, meaning the questionnaire employed is consistent, if Cronbach's Alpha or Composite Reliability is more than or equal to 0.70 for all latent variables (Cheah et al., 2023).

All latent variables achieved scores of 0.70 or above, indicating that both Cronbach's Alpha and Composite Reliability are adequate according to the test findings. This proves without a reasonable doubt that the study questionnaire used was accurate and consistent.

Structural Model Testing (Inner Model)

After the estimated model passes the Outer Model test, the structural model (Inner Model) is tested. Using the conceptual framework as a guide, this procedure entails creating a theoretical model to investigate the interrelationships of both internal and external factors. Following these steps allows for the execution of structural model testing (Inner Model):

Model Test

Finding the NFI values, which can take on values between 0 and 1, involves comparing the proposed model with an independent model that has been defined. The model shows satisfactory goodness of fit with an NFI value of 0.383, as seen in the Table 3.

Table 3 Model Test

	Saturated Model	Estimated Model
SRMR	0.113	0.113
d_ ULS	29.987	29.987
d_ G	38.801	38.801
Chi-Square	38933.739	38933.739
NFI	0.383	0.383

R-Square Value (R²)

With an Adjusted R² of 0.635 and a R² value of 0.638 for Competitive Advantage, we can see that the independent variables account for 63.8% of the variation in competitive advantage, while 63.5% of that allowing for any bias caused by the number of variables. An adjusted R² value of 0.684 and a R² value of 0.687 for MSME Performance (Business Performance) indicate that the independent variables explain 68.7% of the variance, with an additional adjusted value of 68.4%. This proves that the model is quite good at predicting how MSME would do.

f² Effect Size

An indicator of the size of the partial influence of each predictor variable on the endogenous variable is the f-square (f²) value. States that a high effect of the latent predictor variable is indicated by a f² value of 0.35 or above, a moderate influence by a value between 0.15 and 0.35, and a weak influence by a value between 0.02 and 0.15.

The following are the results of the f² value of each exogenous variable on the endogenous variablez:

Table 4 Results of the f² Effect Size Test

	Competitive Advantage	MSME Performance
Competitive Advantage		0.272
Digital Marketing	0.183	0.041
Product Innovation	0.141	0.023
Intellectual Capital	0.117	0.044

Competitive advantage is a critical factor affecting the achievement of MSME, according to the analysis of the f² impact size values. Interprets the f² value of 0.272 as indicating a medium effect for the association between competitive advantage and MSME performance. Based on these results, it seems that competitive advantage has a substantial effect on the efficiency and effectiveness of MSME operations.

The results demonstrate that digital marketing has a moderate effect on competitive advantage (f² = 0.183), suggesting that it helps to fortify a company's competitive advantage. Nevertheless, there is little evidence that it improves MSME achievement directly (f² = 0.041). Product innovation may bolster competitive positioning, but it has little influence on achievement outcomes when considered in isolation (f² = 0.023), and its influence on competitive advantage is weak (f² = 0.141). The mediating impact of

competitive advantage is shown by the fact that it regularly has a moderate influence on MSME achievement ($f^2 = 0.272$).

When it comes to competitive advantage ($f^2 = 0.117$) and MSME achievement ($f^2 = 0.044$), intellectual capital doesn't have much of an impact. Intellectual capital has a small but significant impact on how a company positions itself in the market and how well it performs overall.

Taken as a whole, these results show that competitive advantage is a key mediator between MSME success, digital marketing, item innovation, and intellectual capital

Q-Square (Goodness of Fit Model)

How Well It Fits Structural model testing involves the application of predicted relevance value (Q^2) for the inner model. The model's predictive importance is shown by a Q-Square value larger than zero, according to Cheah et al. (2023). Every endogenous variable in this investigation has the following R-Square predictive relevance (Q^3) values: Good predictive achievement is demonstrated by Competitive Advantage's Q^2 result of 0.512, which indicates that the model explains 51.2% of its variance. MSME Performance (Business Performance) has remarkable predictive power with a Q^2 value of 0.556, which indicates that the model explains 55.6% of the observed variation.

Hypothesis Testing Results (Path Coefficient Estimation)

A statistically significant route effect estimate is required in the structural model. By utilizing the bootstrapping process, one can attain this statistically significant number. Examine the hypothesis's relevance by examining the values of the parameter coefficients and the significant t-statistics in the bootstrapping report technique. Check the t-table at alpha 0.05 ($5\% = 1.96$) to see if it's statistically significant. According to Cheah et al. (2023), the t-table and t-count are then compared.

The significance of competitive advantage, digital marketing, item innovation, and intellectual capital in improving MSME achievement is highlighted by the substantial correlations among the variables analyzed, as indicated by the structural model's hypothesis testing findings.

To begin, with an Original Sample (O) value of 0.484, a T-statistic of 8.004, and a P-value of 0.000, competitive advantage clearly has a substantial and statistically significant impact on the achievement of MSME. A larger level of competitive advantage significantly increases the achievement of MSME, as shown by these data. Second, digital marketing greatly affects MSME achievement and competitive advantage. A strong correlation between digital marketing and competitive advantage is supported by rigorous statistical evidence, including an O value of 0.337, a T-statistic of 7.830, and a P-value of 0.000. In a similar vein, the direct impact of digital marketing on the achievement of MSME is likewise statistically significant (O = 0.160, T = 4.179, P = 0.000). Lastly, a significant factor impacting competitive advantage and MSME success is item innovation. There is a strong

positive correlation between item innovation and competitive advantage, as shown by the following statistics: $O=0.318$, $T=6.148$, and $P=0.000$. Aside from that, it has a statistically significant impact on MSME achievement ($O = 0.129$, $T = 2.717$, $P = 0.007$). There is a strong correlation between intellectual capital and competitive advantage as well as MSME performance. A substantial impact on competitive advantage is demonstrated by the following: an O value of 0.277 , a T -statistic of 6.509 , and a P -value of 0.000 . The impact on MSME achievement is also statistically significant, with a 0.000 P -value, a T -statistic of 3.714 , and an O -value of 0.167 .

Table 5 Hypothesis Testing Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Competitive Advantage -> MSME Performace	0.484	0.484	0.061	8.004	0.000
Digital Marketing -> Competitive Advantage	0.337	0.338	0.043	7.830	0.000
Digital Marketing -> MSME Performace	0.160	0.161	0.038	4.179	0.000
Product Innovation -> Competitive Advantage	0.318	0.317	0.052	6.148	0.000
Product Innovation -> MSME Performace	0.129	0.127	0.047	2.717	0.007
Intellectual Capital -> Competitive Advantage	0.277	0.277	0.043	6.509	0.000
Intellectual Capital -> MSME Performace	0.167	0.169	0.045	3.714	0.000
Digital Marketing -> Competitive Advantage -> MSME Performace	0.163	0.163	0.030	5.505	0.000
Product Innovation -> Competitive Advantage -> MSME Performace	0.154	0.154	0.032	4.779	0.000
Intellectual Capital -> Competitive Advantage -> MSME Performace	0.134	0.134	0.025	5.332	0.000

Statistically significant results support all of the anticipated linkages in the structural model. According to these results, competitive advantage is a critical moderator, and MSMEs may improve their achievement with the use of digital marketing, item innovation, and intellectual capital.

The findings of the structural model's indirect impact analysis definitively show that competitive advantage mediates the link between digital marketing, item innovation, and intellectual capital on the achievement of MSME.

With an Original Sample (O) value of 0.163 , a T -statistic of 5.505 , and a P -value of 0.000 , it can be seen that digital marketing has a considerable impact on MSME achievement through competitive advantage. Hence, digital marketing tactics improve MSME achievement in two ways: first, by increasing their visibility in search engine results, and second, by making them more competitive in the market. On a second point, item

innovation has a substantial indirect impact on MSME achievement via competitive advantage. The results indicate that item innovation greatly enhances achievement by increasing competitive advantage, as shown by an O value of 0.154, a T-statistic of 4.779, and a P-value of 0.000. Finally, a competitive advantage stemming from intellectual capital has a substantial indirect impact on MSME achievement ($O = 0.134$, $T = 5.332$, $P = 0.000$). Thus, it is clear that MSMEs may improve their achievement results through the creation and exploitation of intellectual capital, which includes knowledge, skills, and organizational procedures.

Finally, our results show that competitive advantage is a crucial mediator, and that digital marketing, item innovation, and intellectual capital all work together to improve MSME achievement when they help to create a competitive advantage.

Discussion

The Influence of Digital Marketing on MSME Performance

The findings of the hypothesis testing show that digital marketing significantly and positively affects the achievement of micro, small, and medium-sized enterprises (MSMEs). Therefore, we accept H1. The increasing amount of research that emphasizes the significance of digital technology in improving the operations and competitiveness of small businesses is supported by this study. Distribution of questionnaires confirmed that small and medium-sized enterprises (SMEs) in East Java Province had done an excellent job of using technology, especially digital platforms, to boost sales and marketing.

Many companies see digital marketing as more than just a promotional tool; it's a strategic enabler that helps with things like reaching new markets, engaging existing customers, improving operations, and establishing a strong brand. With the help of e-business platforms, e-commerce apps, social media, SEO, and online advertising, micro, small, and medium-sized enterprises (MSMEs) can now compete more effectively with larger enterprises, reach more customers, and overcome geographical limitations.

Because digital marketing accessibility helps MSMEs improve their efficiency, expand their reach, engage with customers, and respond to changes in the market, it is a key achievement indicator in the digital marketing variable that impacts MSMEs' performance. Because digital marketing allows MSME businesses to develop closer relationships with clients, enhance the user experience, and obtain useful information, indicators of interaction in these factors impact MSME success. Due to the fact that digital marketing freebies assist MSMEs in increasing brand recognition, engagement, new customer acquisition, and relationship building, the entertainment indication inside the digital marketing variable affects MSME performance. Given these advantages, giveaways have the potential to greatly boost the growth and achievement of MSMEs. Digital marketing trust indicators impact micro, small, and medium enterprise (MSME) achievement because trust impacts purchase decisions, customer loyalty, brand reputation, and operational issues. Developing and competing more successfully in the market is possible for MSMEs when they build and keep client trust. Because MSMEs may

enhance the quality of their interactions with clients, create trust, and increase their overall marketing achievement by delivering informative and helpful material, informative indicators in the digital marketing variable impact MSME performance.

Boonmalert et al. (2021), Gao et al. (2023), Omar et al. (2020), and Yusuf et al. (2022) have all shown that digital marketing affects the achievement of micro, small, and medium enterprises (MSME).

The Influence of Intellectual Capital on MSME Performance

To conclude that intellectual capital significantly affects MSME performance, we take H2 as true from the findings of the hypothesis testing. This discovery lends credence to the idea that in the modern knowledge-based economy, intangible assets such as information, expertise, systems, and connections matter as much, if not more, than tangible assets when it comes to deciding the success of a firm.

The findings from the survey show that intellectual capital significantly boosts MSME achievement through increasing innovation capacity, operational efficiency, customer and partner relationships, and knowledge and skill utilization. In addition to fostering productivity in the near term, these factors are the engine that propels development and sustainability in the long run. Successfully navigating today's fast-paced and cutthroat business environments requires small and medium-sized enterprises (SMEs) to make the most of their intellectual capital. By doing so, they may increase their chances of developing unique capabilities and establishing long-term competitive advantages.

Because human capital affects many facets of MSMEs' performance, including campaign planning and execution, creativity, management, and communication, the human capital indicator in the intellectual capital variable affects their performance. Contributing to the growth and success of MSMEs, a competent and experienced staff can boost marketing effectiveness, broaden audience reach, and more. The intellectual capital variable's structural capital indicators impact MSMEs' achievement due to the critical role that structural capital plays in supporting company operations and plans through infrastructure, processes, and procedures. Increases in productivity, quality, and responsiveness—three key achievement indicators (KPIs) for MSMEs—can be achieved through the implementation of effective processes, the acquisition of sufficient technology, and the cultivation of an innovation-friendly corporate culture. Various components of relational capital, which are part of the intellectual capital variable, have a substantial impact on the achievement of micro, small, and medium-sized enterprises (MSME). Increased competitiveness, expanded markets, and long-term growth may be achieved by MSMEs through excellent connections with customers, partners, and other stakeholders. For micro, small, and medium-sized enterprises (MSMEs), strong relational capital is a strategic asset that may help them succeed in the market and reach their objectives.

These results are relevant to previous research which shows that intellectual capital influences MSME achievement (Ganawati et al., 2021; Islami et al., 2020; Dabić et al., 2019; Rokhman et al., 2023).

Influence of Product Innovation on MSME Performance

Although it was shown to be the weakest variable among those studied, item innovation does have a statistically significant impact on MSME performance, according to the findings of hypothesis testing. Therefore, H3 is accepted. This indicates that other strategic elements, such digital marketing and intellectual capital, may have a more substantial influence on success than item innovation.

Results from the surveys show that item innovation is crucial for MSME competitiveness, customer happiness, sales, income production, and market development, even if it has less statistical clout than other factors. In example, small and medium-sized enterprises (SMEs) may stay relevant in the face of fast industry changes, satisfy customers' changing demands, and stand out in congested marketplaces through innovation. Strategically, item innovation is still very valuable, even when the results may not be immediately apparent or may rely on supplementary skills (such as marketing and operational preparedness).

When we talk about item innovation, we're not only talking about making brand-new items; we're also talking about making current products better or repackaging them in a way that better suits customer demands. Due to limited resources and research and development capabilities, improvements made by MSMEs are often small and driven by the market. But even little tweaks, like better packaging, using consumer input, or modifying local materials, can have a big impact on performance.

Small and medium-sized enterprises (SME) achievement is affected by the relative advantage indication in the item innovation variable. This is because relative advantage has the potential to boost competitiveness, brand image, premium pricing, and market differentiation. Products that have relative advantages tend to do better in the market, which boosts consumer happiness and loyalty and encourages more item development. In a competitive market, all of these things help micro, small, and medium-sized enterprises (MSMEs) develop, succeed, and stay in business. Because harmony ensures that the goods created are in accordance with market demands, corporate strategy, and the company's internal capabilities, alignment indicators in the item innovation variable impact the success of MSMEs. Alignment like this helps with things like marketing efficacy, customer happiness, item development efficiency, reaching strategic goals, and adapting to changes in the market. All the way from marketing, operations, and risk management to development costs and time, technological capabilities, and market acceptability, the complexity indicator in the item innovation variable affects MSME achievement in a myriad of ways. Both possibilities and threats can arise from complicated innovation, depending on how micro, small, and medium-sized enterprises (MSMEs) handle and adjust to it. Optimal achievement is achieved when item complexity, corporate capacity, and market demands are all aligned. Indicators of trialability within the item innovation

variable have an impact on MSME achievement by boosting item acceptability, decreasing purchase risk, and offering helpful criticism for enhancement. Reducing customer resistance to new items and boosting customer loyalty are two outcomes of trialability's involvement in marketing strategy. Micro, small, and medium-sized enterprises (MSMEs) may boost their company achievement and market success by making greater use of trial and error to speed up item uptake, boost customer happiness, and improve risk management. By raising sales, brand recognition, and market distinction, visibility indicators in the innovation variable of products impact the achievement of micro, small, and medium enterprises (MSME). Marketing efforts, consumer loyalty, and word-of-mouth recommendations all benefit from high exposure, which also makes it easier to test and provide feedback on products. Also, distribution tactics and item placement in the market are heavily influenced by visibility. More item exposure means more potential buyers, which means more money in the pockets of micro, small, and medium enterprises' pockets.

These results are relevant to previous research which shows that item innovation influences MSME achievement (Larios-francia & Ferasso, 2023; Latifah et al., 2020; Puspaningrum, 2020; Tirtayasa & Rahmadana, 2023).

The Influence of Digital Marketing on Competitive Advantage

The findings of the hypothesis testing support H4, which states that digital marketing has a considerable impact on the competitive advantage of micro, small, and medium-sized enterprises (MSMEs). This discovery highlights the critical role that digital platforms and technologies play in helping MSMEs thrive in today's fast-paced, highly competitive marketplaces. The results from the surveys show that small and medium-sized enterprises (SMEs) may sustainably acquire an edge in the market by increasing their brand's exposure, improving customer interaction, and gaining valuable insights into the industry. By providing cost-effective avenues for promotion, communication, and customer relationship management, digital marketing empowers MSMEs to compete not just with similar-sized enterprises but also with bigger, more established organizations. Personalized, targeted, and quantifiable tactics for client acquisition and retention may be developed by MSMEs through the utilization of social media, SEO, email marketing, content marketing, and e-commerce platforms.

Competitive advantage is affected by the accessibility indication in the digital marketing variable. This is because accessibility is connected to how quickly the audience can obtain information and engage with the brand through digital channels. One facet of accessibility is the ease with which people may access digital material, such as websites and mobile apps. Because micro, small, and medium-sized enterprises (MSMEs) may improve their market position, customer acquisition and retention rates, and competitive advantage through the proper use of interactivity, this signal in the digital marketing variable affects competitive advantage. Because freebies aid in data and lead collection, promote client loyalty and retention, and boost sales and conversions, the giveaway indication in the digital marketing variable affects competitive advantage. Influencer marketing, buzz, and good publicity may all be boosted with freebies. Micro, small, and medium-sized

enterprises (MSMEs) may boost their market standing, bring in new clients, and set themselves apart from rivals by implementing a successful giveaway plan. Because micro, small, and medium-sized enterprises (MSMEs) may improve their market position, customer acquisition and retention rates, and competitive advantage through the development and maintenance of high trust, this digital marketing variable's trust indicator affects competitive advantage. Given the importance of relevant, accurate, and helpful information in molding consumer views, developing trust, and motivating profitable actions for MSMEs, informative indicators in digital marketing factors impact competitive advantage.

These results are relevant to previous research which shows that digital marketing influences competitive advantage (Lee & Falahat, 2019; Zuhdi et al., 2021).

The Influence of Intellectual Capital on Competitive Advantage

Evidence from tests of hypotheses supports hypothesis 5, which states that IC significantly affects the competitive advantage of micro, small, and medium-sized enterprises (MSMEs). An increasing body of research in knowledge-based theory (KBT) and strategic management literature supports the idea that intangible assets, especially intellectual capital, are critical to a company's ability to gain and maintain a competitive advantage. Strategic use of intellectual capital can compensate for restrictions in physical and financial capital, which are common in the setting of micro, small, and medium-sized enterprises (MSMEs).

Human, structural, and relational capital are the three main categories into which intellectual capital is sometimes divided. What we call "human capital" in the business world are the knowledge, abilities, perspectives, and experiences of our managers and staff. Innovation, problem-solving, and adaptable aptitude are greatly enhanced by this component in MSMEs. In contrast, structural capital includes things like intellectual property, databases, organizational procedures, and internal mechanisms that help keep knowledge and processes efficient. To improve sustainability and scalability, well-developed structural capital makes sure that important information isn't just handed down from people but is actually a part of how the organization works. Finally, the firm's interactions with external stakeholders, including customers, suppliers, partners, and the wider community, represent relational capital. Trust, loyalty, and the ability to tap into external expertise and resources are essential for micro, small, and medium-sized enterprises (MSMEs) to thrive in fast-paced, competitive markets.

The fact that H5 was accepted shows that various aspects of intellectual capital work together and help to create and strengthen competitive advantage. In today's knowledge-driven economy and digital transformation age, where competition is predicated on innovation, speed, flexibility, and customer intimacy, this is especially crucial. According to the resource-based view (RBV), intellectual capital is a source of sustainable competitive advantage since it is a non-imitable resource. As the RBV explains, VRIN resources—those that are valuable, rare, inimitable, and non-substitutable—are able to bring about sustainable achievement gains. Since intellectual capital is intrinsic to an

organization's culture, processes, and networks, it satisfies this need. In light of this, the study's results have theoretical and practical significance for policymakers and managers of micro, small, and medium enterprises (MSME). If a company wants to stay ahead of the competition, it has to put money into staff training, digital infrastructure, knowledge documentation, and relationship building. Developing a strong foundation of intellectual capital may help small and medium-sized enterprises (SME) become more agile, innovative, and responsive to customers, especially in environments with high levels of external competition and market instability.

These results are relevant to previous research which shows that intellectual capital influences competitive advantage (Xu & Liu, 2020).

The Effect of Product Innovation on Competitive Advantage

Results from hypothesis testing support H6, which states that item innovation has a substantial impact on the competitive advantage of micro, small, and medium-sized enterprises (MSMEs). In fast-paced, cutthroat industries, this discovery emphasizes the significance of innovation as a key to standing out and maintaining a dominant position in the market. The term "product innovation" describes the process of creating and releasing new or enhanced products and services with the purpose of satisfying consumers' needs. Innovation for micro, small, and medium-sized enterprises (MSMEs) goes beyond new technologies; it also includes better item design, features, performance, packaging, and customer experience. Micro, small, and medium-sized enterprises (MSMEs) may compete on more than simply pricing by constantly innovating their products and services.

These results are relevant to previous research which shows that item innovation influences competitive advantage (Farida & Setiawan, 2022).

The Effect of Competitive Advantage on MSME Performance

Tests of hypotheses have shown that competitive advantage is the most important factor influencing MSME success, so we accept H7. This discovery emphasizes the importance of competitive advantage in propelling organizational performance, especially in the ever-changing and resource-limited setting of MSMEs. The Resource-Based View (RBV) and Dynamic Capabilities Theory, which state that companies beat their competitors by using resources and capabilities that are unique, valuable, and hard to replicate, are both supported by the substantial effect of competitive advantage on performance.

Small and medium-sized enterprises (SMEs) can gain a competitive edge by differentiating themselves from rivals in the market and appealing to specific target audiences with distinctive value propositions, such as cutting-edge item features, exceptional customer service, or individualized solutions. To succeed in the long run, you need to establish your brand and win over loyal clients. This may be achieved via differentiating your item or service from the competition. In addition, operational efficiency helps control costs, simplify processes, and maximize resource usage; it is a key competency for MSMEs that achieve and maintain competitive advantage. Profitability and financial achievement are

both enhanced as a direct result of these improvements. Companies that are well-positioned to compete also have more strategic leeway, which helps them respond better to changes in the marketplace and in external factors like customer tastes, technology advances, and government regulations. Due of their smaller size and lack of resources, MSMEs must be able to change quickly. Maintaining a competitive edge helps small and medium-sized enterprises (SME) respond quickly to market demands, which helps them gain market share and stay protected from competitors.

When it comes to profitability, growth, innovation, and customer happiness, empirical studies show that small and medium-sized enterprises (SMEs) with well defined competitive strategies (e.g., cost leadership, differentiation, or focus strategies) do better. Improved financial metrics and operational indicators show that these strategic approaches enable MSMEs to produce and provide higher value. In addition, this study highlights how important it is for organizations to have their internal strategies aligned so that their resources, competencies, and procedures all work together to maintain a competitive advantage. Programs that boost the competitiveness of micro, small, and medium-sized enterprises (MSME), such as those that encourage innovation, provide access to markets, create capacity, and encourage the use of new technologies, should be prioritized by lawmakers and business support organizations.

Last but not least, having a competitive edge is crucial for the success of micro, small, and medium-sized enterprises (MSME), as confirmed by admitting H7. It is the bedrock upon which companies may construct growth, adaptation, and resilience, particularly in the face of intense competition and unpredictability. Thus, in order to improve the achievement of MSMEs, academic research and practical interventions should center on strengthening competitive advantage through innovation, brand development, customer relationship management, and operational excellence.

These results are relevant to previous research which shows that competitive advantage influences the achievement of MSMEs (Puspaningrum, 2020; Udriyah et al., 2019).

The Influence of Digital Marketing on MSME Performance through Competitive Advantage

The findings of the hypothesis testing support H8, which states that digital marketing strongly affects the achievement of MSME's via the medium of competitive advantage. This research adds to the increasing amount of evidence showing digital marketing is more than just a promotional tool; it is a strategic enabler that improves a company's competitive position and, in the end, its achievement results. In today's digital world, when information is abundant and consumers' habits are always changing, small and medium-sized enterprises (SMEs) that master digital marketing will have a leg up in the race for long-term success.

Digital marketing helps get the word out by reaching more people through channels including search engines, social media, email, and content marketing. By reaching a wider audience, MSMEs are able to circumvent more conventional obstacles, such limited

geographic reach and hefty marketing expenses. Another benefit of data analytics and algorithm-based solutions is targeting effectiveness. This feature makes sure that marketing communications are focused at specific consumer profiles, which improves conversion rates and reduces marketing expenditure waste. Particularly for micro, small, and medium-sized enterprises (MSMEs) operating on a shoestring budget, this targeted strategy improves the client acquisition process, giving them a leg up in the market.

In addition, digital marketing makes it easier to innovate and personalize products by providing real-time achievement analytics, social listening tools, and feedback loops that never end. The ability to quickly adapt to changing customer tastes and market trends is a key differentiator in today's fast-paced business landscape. These technologies help small and medium-sized enterprises (SMEs) achieve just that. Small and medium-sized enterprises (SMEs) may stand out from the competition and satisfy customers better if they provide products and services that are both current and unique. An additional crucial aspect is the improvement of consumer involvement and communication. By facilitating two-way communication, digital marketing platforms help businesses strengthen connections, establish trust, and increase client loyalty. Relational capital is an essential part of intellectual capital, and these interactions boost it. They also increase brand identification and customer retention, which are crucial for long-term achievement benefits.

In a resource-based view, digital marketing helps a company gain an edge over its competitors by producing intangible assets like consumer insights, digital reputation, and online community participation. These assets are precious, unique, and hard to replicate. The fact that competitive advantage acts as a go-between in this connection means that digital marketing doesn't improve achievement on its own. Rather, it becomes a performance-enhancing resource when strategically applied in a way that aligns with a firm's capabilities and market positioning.

There are real-world consequences stemming from the evidence that supports H8. Small and medium-sized enterprises (SMEs) need to stop using digital platforms on an as-needed or tactical basis and start using digital marketing strategies that are integrated and based on their fundamental values and long-term objectives. Among these measures are the following: enhancing online consumer experiences; assessing digital metrics; investing in digital technologies; and upskilling human resources. To make this transition easier, lawmakers and groups that help businesses should provide resources including mentorship, digital infrastructure, and training.

To sum up, the fact that H8 was accepted further supports the claim that smart use of digital marketing improves MSME achievement through the development of unique competitive advantages. The ability to adapt, focus on customers, and innovate is crucial for micro, small, and medium-sized enterprises (MSMEs) to thrive in today's complicated marketplaces. Hence, for MSMEs aiming for long-term success and top-notch results, digital marketing should be considered as more than just a tactical endeavor.

The Influence of Intellectual Capital on MSME Performance through Competitive Advantage

Testing results support H9, which states that competitive advantage mediates the relationship between intellectual capital and MSME performance. This discovery is in line with the principles of the Knowledge-Based View (KBV) and the Resource-Based View (RBV) of the company. These views state that intangible resources, particularly assets based on knowledge, are crucial for a firm to maintain a competitive advantage and perform better than its competitors.

Human capital, structural capital, and relational capital are the three components that make up intellectual capital (IC), a multi-faceted concept. In micro, small, and medium-sized enterprises (MSMEs), each part is essential, and they work together to provide a competitive advantage: Human capital, which includes workers' expertise, experience, imagination, and dedication, is the engine that propels creativity, innovation, problem-solving, and flexibility. Product development, service quality, and responsive customer interaction are all greatly enhanced by a trained and motivated team, especially in MSMEs where resources are typically restricted. In order for businesses to stay relevant in dynamic marketplaces, human capital is essential since it enables ongoing learning and development. The systems, processes, databases, intellectual property, and technological infrastructure that make up an organization's Structural Capital provide for consistency, scalability, and efficiency. In order to prevent the loss of institutionalized organizational knowledge due to personnel turnover, MSMEs must have strong structural capital. In addition to facilitating better coordination, quicker decision-making, and the standardization of best practices, it boosts operational excellence and competitiveness. Market access, trust, and collaborative creativity are all bolstered by Relational Capital, which is the value obtained from connections with stakeholders like as consumers, suppliers, partners, and others. Stronger brand loyalty, repeat business, and strategic collaborations may enhance market presence and resilience for MSMEs with high relational capital.

If H9 is correct, then small and medium-sized enterprises (SMEs) can gain a competitive edge through smart use of their intellectual capital, which boosts their growth, profitability, market share, and customer happiness, among other achievement outcomes. By converting intangible qualities into measurable strategic advantages, competitive advantage connects intellectual capital with performance. To illustrate, micro, small, and medium-sized enterprises (MSMEs) have a better chance of standing out in the market, adapting to environmental uncertainties, and providing superior value to consumers if they put money into employee training (human capital), standardize best practices (structural capital), and cultivate relationships with customers (relational capital).

This discovery also lends credence to the idea that IP is worthless on its own and must be managed and used strategically in order to provide differentiation and value for consumers. To get an edge over the competition, IC components must work together in harmony with the company's mission, objectives, and current market circumstances. The

dynamic capacities framework, which stresses the need to construct, integrate, and reconfigure internal and external competences to deal with ever-changing surroundings, is in agreement with this as well. Leaders of micro, small, and medium-sized enterprises (MSME) need to take intellectual capital seriously as a strategic asset, not only a supplementary one. Invest in digital tools and information systems, create relationships with stakeholders and customers for the long haul, and devise methods to collect and use staff expertise. These results bring attention to the fact that governments and support institutions should encourage MSMEs to engage in capacity-building programs, use platforms to share information, and be incentivized to innovate and collaborate.

Finally, the fact that H9 was accepted shows that intellectual capital is a key factor in MSME achievement since it provides the groundwork for creating a competitive advantage. To succeed in today's knowledge-intensive and fiercely competitive industries, micro, small, and medium-sized enterprises (MSMEs) need to be nimble, resilient, and able to innovate. This improves their chances of not just making it, but also of growing sustainably and making a significant impact on economic growth.

The Influence of Product Innovation on MSME Performance through Competitive Advantage

Results from the hypothesis test support H10, which states that competitive advantage mediates the relationship between item innovation and MSME performance. The results of this study support the ideas put out by the Dynamic Capabilities Theory, the Resource-Based View (RBV), and the Schumpeter innovation theory, all of which state that innovation is strategically important for improving organizational outcomes. For businesses like MSMEs that operate in unpredictable and cutthroat markets, these theories stress that item innovation in particular is a key factor in maintaining a competitive edge.

One of the most important ways in which products are differentiated from one another in the market is through innovation, which entails creating or greatly enhancing products and services in relation to their quality, features, design, or functioning. For micro, small, and medium-sized enterprises (MSMEs), item innovation is a proactive approach for value creation, demand capture, and overcoming scale and resource limits, as well as a response to consumer wants and market dynamics. Small and medium-sized enterprises (SMEs) may carve out a distinct niche for themselves in the market by providing goods and services that are not only relevant but also of excellent quality. The core of a competitive advantage lies in this distinctiveness. Meet unfulfilled consumer demands, react to changing trends, and even establish whole new market niches with innovative goods from MSMEs. Businesses who are able to consistently innovate will be in the best position to adapt to the ever-changing tastes of consumers, particularly in today's digital and globally interconnected marketplace.

In addition, enhancing operational efficiency and achievement is intimately associated with item innovation. In order to innovate, many companies have to streamline their manufacturing processes, incorporate new technology, and become more nimble. In

addition to lowering expenses, these upgrades boost responsiveness and consistency. What this means for the company is that it can keep prices low while still providing excellent value to clients, which boosts its cost-value position and gives it an edge in the market.

Brand growth and positive public perception are additional outcomes of innovative item design. Brand loyalty, word-of-mouth advertising, and trust are all enhanced when micro, small, and medium-sized enterprises (MSMEs) are recognized for their capacity to introduce innovative, high-quality, and pertinent items to the market. This intangible asset, the firm's brand equity, makes it hard for rivals to replicate, which strengthens the firm's position in the market.

That item innovation alone is insufficient to ensure enhanced achievement is demonstrated by the mediating function of competitive advantage in this connection. Strategic management of innovation, alignment with market opportunities, and its transformation into distinctive value that consumers perceive and are ready to pay for are what really count. Sales growth, market share, profitability, and long-term sustainability are all metrics that measure how well a company does after making the transition from innovation to competitive edge.

A high-leverage tactic that helps micro, small, and medium-sized enterprises (MSMEs) compete with larger rivals is item innovation. This is because MSMEs typically lack vast resources and economies of scale. It lets them make the most of their strengths, which are typically more pronounced in smaller businesses compared to larger, more bureaucratic organizations: their nimbleness, proximity to the consumer, and inventiveness.

To sum up, the fact that H10 has been accepted further supports the important realization that new item development is a key factor in the success of micro, small, and medium enterprises (MSME). Micro, small, and medium-sized enterprises (MSMEs) need to make innovation a part of their company's DNA if they want to achieve peak performance. To achieve this goal, it is necessary to engage in market research, foster an environment that encourages innovation, build internal competencies, and consistently seek market feedback. To encourage innovation-led growth in the micro, small, and medium enterprise (MSME) sector, policymakers and support organizations should provide interventions that boost innovation ecosystems, expand access to research and development (R&D) resources, and encourage value chain collaboration.

Conclusion

The results of the hypothesis testing and the previous discussion lead us to the conclusion that digital marketing, intellectual capital, and item innovation all significantly impact the achievement of micro, small, and medium enterprises (MSMEs). This influence is both direct and indirect, because competitive advantage acts as a mediator. The importance of

innovation and intangible strategic resources in helping MSMEs thrive in today's fast-paced markets cannot be overstated.

The importance of digital marketing to the success of micro, small, and medium-sized enterprises (MSME) has grown in recent years, since these factors are now crucial to the continued existence and expansion of MSME businesses. Digital strategies that incorporate dimensions like informativeness, accessibility, interactivity, and trust-building help micro, small, and medium enterprises (MSMEs) increase their market reach, decrease communication barriers, personalize marketing, and develop closer relationships with customers, according to the empirical evidence. Digital marketing helps MSMEs run more effectively and stand out from the competition by bolstering customer loyalty and acquisition and substantially contributing to competitive positioning. Growth is possible despite limited resources thanks to digital marketing's smart application, which allows for brand development and focused outreach at a relatively cheap cost. Additionally, human, structural, and relational capital, which together make up intellectual capital, is an invaluable and unmatched asset that boosts the achievement and competitiveness of MSME. Entrepreneurs and workers' skills, knowledge, and imagination make up human capital, which enables micro, small, and medium-sized enterprises (MSMEs) to innovate, find solutions to issues, and run operations efficiently. Consistency, retention of knowledge, and scalability of operations are guaranteed by structural capital, which includes organizational routines, information systems, and recorded processes. At the same time, relationship capital enhances responsiveness to market demands by fortifying trust-based networks among partners, suppliers, and consumers. Taken as a whole, these parts provide an integrated system that lays the groundwork for developing distinctive market value propositions while simultaneously fostering innovation and internal efficiency. Thus, intellectual capital strengthens the company's capacity to establish a knowledge-based, non-replicable, and adaptable competitive advantage.

Among the three predictor factors, item innovation has the least direct impact on MSME performance; yet, its influence is still substantial and strategically relevant. Small and medium-sized enterprises (SMEs) can adapt to changing market demands, increase item perceived value, and break into new or neglected market niches through item innovation. Several factors, including relative benefit, conformity with consumer expectations, ease of adoption, and observability, influence the efficacy of item innovation. All of these things work together to make it easier for small and medium-sized enterprises (SMEs) to embrace new products, which in turn boosts their performance. Furthermore, item innovation is critical for maintaining a competitive edge over the long run since it keeps the company fresh, unique, and focused on the future. In addition to being the most powerful indicator of MSME success, the results show that digital marketing, intellectual capital, and item innovation are the three most important strategic resources in achieving competitive advantage. This process is crucial for companies because it allows them to turn their intangible assets and skills into real market success. Small and medium-sized enterprises (SMEs) may gain a competitive edge by differentiating themselves, being more efficient, attracting and retaining clients, and being more resilient in the face of market uncertainty. It gives businesses the strategic advantage they need to expand while

protecting themselves against rivals with more resources. Crucially, the study also verifies that competitive advantage mediates the connection between the three primary factors and the achievement of MSME. Although digital marketing, intellectual capital, and item innovation are all essential on their own, this mediation shows that when used to improve a company's competitive position, they have a far greater effect on performance. Take digital marketing as an example. It boosts achievement in more ways than just increasing online presence. It also helps with consumer interaction and building a strong brand, which sets the firm apart. Similarly, the value of intellectual capital increases when its parts—knowledge, systems, and relationships—are planned to create unique capabilities that rivals can't simply imitate. Additionally, item innovation is most beneficial to achievement when it results in exceptional, one-of-a-kind offers that are in sync with market prospects.

In conclusion, the results show that the success of MSME's depends on more than just the skills of its employees; it also depends on how those skills are combined and used to gain and keep an edge in the market. This supports the idea that small and medium-sized enterprises (SMEs) can't survive in today's complicated and competitive business climate by focusing on acquiring resources or adopting technology in a vacuum. Rather, they need to strategically coordinate these factors to create a unique value proposition that can last. So, in order to boost MSME performance, it's crucial to focus on building knowledge-based skills that drive innovation, customer engagement, and market positioning.

It is important to take into account the study's limitations when evaluating the results and planning future research. One limitation lies in the scope of variables. This study focuses exclusively on the impact of digital marketing, intellectual capital, and item innovation on the performance and competitive advantage of micro, small, and medium-sized enterprises (MSMEs). However, there are numerous other factors that may influence these two dependent variables, such as market conditions, the quality of human resources, government policy support, and access to technology. Another limitation involves the research design. This study employed a quantitative approach using Smart PLS analysis, which, while effective for statistical evaluation, does not capture the deeper, phenomenological or qualitative understanding that respondents may have regarding digital marketing practices, intellectual capital management, and item creation.

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