

## The Role of Competitive Advantage on Marketing Performance as mediator variable of Social Capital in SMEs



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**ABSTRACT:** This study aims to analyze the role of competitive advantage in mediating social capital to increase the marketing performance of SMEs. Many studies have found that SME social capital can increase marketing performance. Does this effect also apply if the relationship between these two variables is mediated by competitive advantage? This research was conducted in Malang Raya, East Java, Indonesia on SMEs who are followers of the Facebook account: Aneka Usaha and Bisnis Malang Raya (AUBMR) until January 2023, as many as 40.156 followers, with a sample of 100 SMEs. Research analysis using Partial Least Squares (PLS) method. The results of the study are: social capital directly affects competitive advantage but not on marketing performance. And competitive advantage has a significant positive effect on marketing performance. Indirectly, social capital has a significant positive effect on marketing performance through competitive advantage. These results indicate that the role of the competitive advantage variable is important in increasing the influence of social capital on marketing performance as a mediating variable. The influence of social capital variable only increasing marketing performance if via competitive advantage variable.

**KEYWORDS:** Social Capital, Competitive Advantage, Market Performance, SMEs, Malang Raya

### I. INTRODUCTION

According to studies from the following sources: [7], [18],[22],[23],[29], SME entrepreneurs need to have competitive advantage capabilities in order to increase the performance of their business. The capacity of business owners to provide excellent customer service by honing their entrepreneurial spirit and social capital mastery can boost competitive advantage, which can be attained by having sufficient competences and the originality or uniqueness of the firm [11]. By producing value and advantages of products or services that are higher than costs, a corporation can get a competitive advantage. Consumers often purchase goods or services based on their intrinsic value or benefits. Thus, the business has a competitive edge if customers receive greater value or benefits than those provided by rivals.

Three cities in Indonesia's East Java region are referred to as the Greater Malang area: Malang City, Batu City, and Malang Regency. There are several SMEs in this area that are a part of different business communities. Small and Medium Enterprises (UKM), which follow the Aneka Usaha and Bisnis Malang Raya (AUBMR) Facebook account, is one of the communities utilized as the research's subject. To solve their issues and reach their full potential, many SMEs require guidance. The goal of this advice is to provide SMEs a competitive edge so they can grow and contribute to the stabilization of the local economy. It is anticipated that using social capital to their advantage and encouraging entrepreneurship will boost business performance.

### II. MATERIAL AND METHODS

#### A. Population and Sample

The population of this study comprises of all business owners or entrepreneurs who follow the Aneka Usaha and Bisnis Malang Raya (AUBMR) Facebook page, which had 40.156 followers as of January 2023. Using the Slovin formula [24], the sample size for this investigation was determined as follows:

$$n = \frac{N}{1 + Nd^2}$$

Note:

n = minimum sample size  
N = population size

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d = error tolerance (sampling error)

Thus, if the error tolerance = 10%, the number of samples = 99,74947 people rounded up = 100 people

## B. Data analysis

Partial Least Squares (PLS) was utilized to analyze the data in this study. Partial Least Squares is a prediction technique that can handle a large number of independent variables, even if they are multicollinear, according to [12]. The path analysis model in PLS is composed of three groups of relationships: (1) the inner model, (2) the outer model, and (3) the weight relation.

## C. Research Concept Framework

The research's conceptual framework begins with the notion that social capital can improve marketing performance and influence indirectly through competitive advantage.

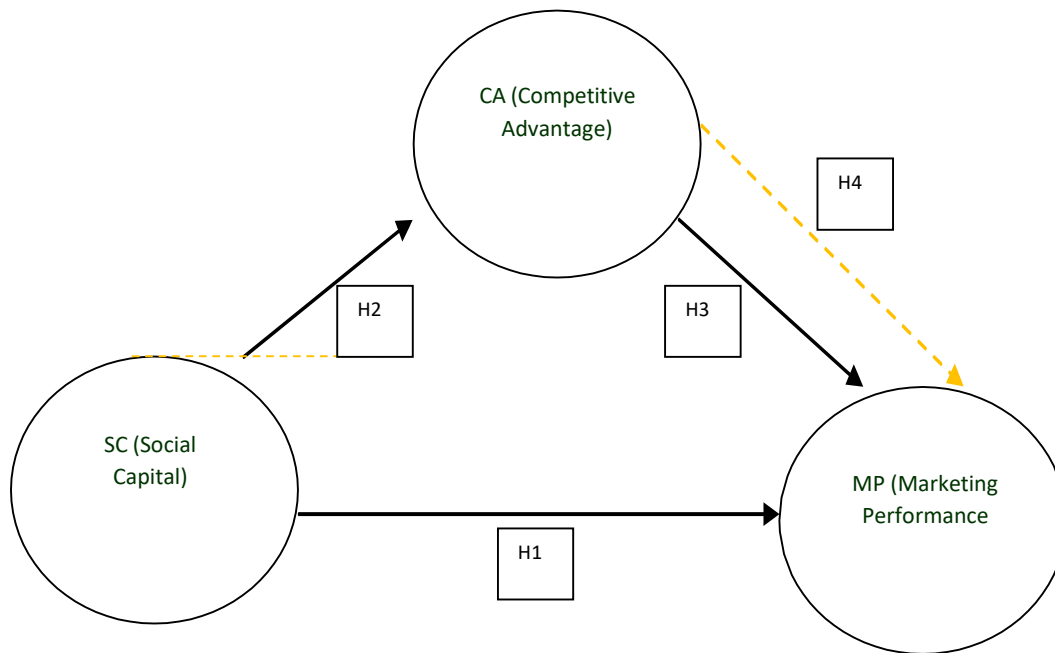


Figure 1: Research Concept Framework

## D. Validity and Reliability Test

If the convergent validity has a minimum outer loading value of 0.7, an indicator is judged valid [24]. PLS was used to evaluate three variables and twelve indicators in this investigation. All indicators that have been considered legitimate based on this parameter since their loading factor value is larger than 0.7 are included in the results. (See Figure 2).

## III. RESULT

This study was carried out by distributing Google Forms surveys to Facebook fans of Aneka Usaha and Bisnis Malang Raya (AUBMR). 204 persons completed and returned the questionnaire during the collection period. To avoid incomplete questions, the accepted Google forms were reviewed one by one, and 143 copies with complete questionnaires were obtained. Based on the demands of the sample, only 100 respondents were chosen for this study. The study's findings are as follows:

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## A. Research Result Framework

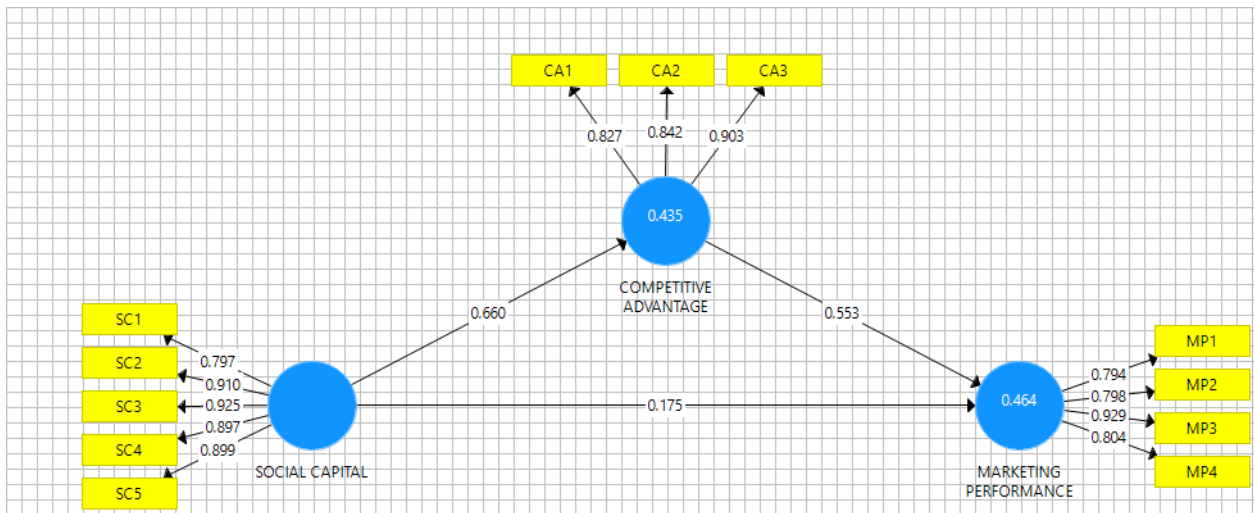


Figure 2: Research Result Framework (path coeff and outer loading)Source: Primary data processed 2023

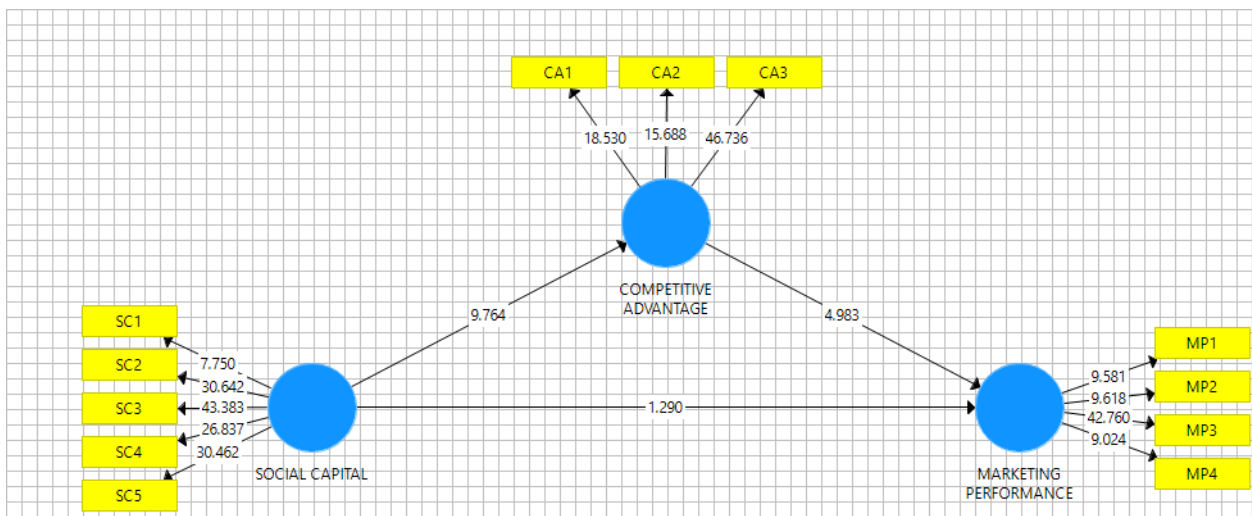


Figure 3: Research Result Framework (t-statistic value)

Source: Primary data processed 2023

## B. Direct and Indirect Effect

The values in the path coefficient, t-statistics, and P-value columns for testing the direct effect hypothesis between variables are shown in Table 1. The results reveal that two of the correlations are significant and accepted namely hypothesis 1 (H1) and hypothesis 3 (H3), and hypothesis 2 (H2) is not significant and not accepted.

Table 1: Testing Result of Direct Effect

Hypothesis	Correlation	Path Coeff.	t – Stat.	P-Value	Remark
H1	SC → CA	0,660	9,764	0.000	Sig   Acc
H2	SC → MP	0.175	1,290	0.198	NotSig   NotAcc
H3	CA → MP	0,553	4,983	0.000	Sig   Acc

Source: Primary data processed 2023

Table 2 displays the path coefficient values, t-statistics, and P-values for evaluating the hypothesis of the indirect effect of social capital on marketing performance via competitive advantage. The findings indicate that this association is significant.

Table 2: Testing Result of Indirect Effect

Hypothesis	Variable			Path Coeff.	t – Stat.	P- Value	Remark	Character.
	Exogen	Mediator	Endogen.					
H4	SC	CA	MP	0,365	4,399	0.000	Sig	Mediation

Source: Primary data processed 2023

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Table 3 shows the values of total effect after using competitive advantage as mediator variable between social capital and marketing performance

**Table 3: Testing Result of Total Effect**

Correlation	Path Coeff.	t – Stat.	P-Value	Rem.	
Social Capital → Competitive Advantage	0,660	9,764	0.000	Sig	Acc
Competitive Advantage → MarketingPerformance	0.553	4,983	0.000	Sig	Acc
Social Capital → Marketing Performance	0,540	4,528	0.000	Sig	Acc

Source: Primary data processed 2023

## IV. DISCUSSION

### A. Research Hypothesis Testing

#### Hypothesis testing 1: The effect of social capital on competitive advantage

Testing hypothesis 1 (H1) reveals that social capital has a considerable positive influence on the competitive advantage of SMEs in Greater Malang, with a coefficient value of 0.660, a t-statistic value of 9,764, and a p-value of 0.000 (Table 1). This t- statistic exceeds the t-table value of 1.66088. These studies demonstrate that social capital has a considerable beneficial influence on competitive advantage, as measured by indices such as relationship networks, social networks, social cohesiveness, trust, and social norms.

According to the findings of this study, SME entrepreneurs can gain a competitive edge through product uniqueness, product quality, and product price by establishing social capital. Building a larger network of relationships to enhance the company and make the company more known while also offering up more business opportunities is how social capital is developed. Similarly, if SME entrepreneurs broaden their social networks by: participating in activities among entrepreneurs, staying in touch with one another among entrepreneurs, strengthening solidarity and cooperation among entrepreneurs to strengthen social relations, or implementing social norms that apply among the SME entrepreneur community by carrying out and implementing: business is conducted in line with appropriate social norms, agreed-upon shared values, and mutually agreed-upon rules. All of these activities can help you get a competitive advantage by generating innovative, high-quality, and reasonably priced products.

The findings of the Malang Raya SMEs' research are comparable with those of [2, 3], [5, 14], [21], and [27], who discovered that social capital has a strong beneficial effect on competitive advantage. These findings indicate that the development of social capital, which comprises relationship networks, social networks, social cohesiveness, trust, and social norms, can help SMEs boost their competitive advantage by developing distinctive products, producing high-quality goods, and setting competitive prices.

#### Hypothesis testing 2: The Effect of social capital on marketing performance

According to the findings of hypothesis 2 (H2) testing, social capital has no significant beneficial influence on marketing performance. This is evidenced by a coefficient value of 0.17, a t-statistic value of 1,290 (smaller than the t-table value of 1.66088), and a p-value of 0.198 (Table 1). According to the study's findings, SMEs in Malang Raya cannot improve their marketing performance by strengthening their connection networks, social networks, social cohesion, trust, and social norms..

This study's findings are consistent with the findings of [14, 20], which show that social capital has little effect on company performance. This study's findings, however, contradict those of [1, 4], [9], [15], [17], and [28], which found that social capital had a significant effect on corporate performance. SMEs that use more social capital outperform those that use less social capital in terms of success and sustainability. This does not, however, apply to SMEs in the Greater Malang Region.

#### Hypothesis testing 3: The effect of competitive advantage on marketing performance

Testing hypothesis 3 (H3) reveals that competitive advantage has a strong positive influence on marketing performance, with a coefficient value of 0.553 and a t-statistic value of 4,983, which is greater than the t-table value of 1.66088 and p-value of 0.000 (Table 1). These findings indicate that if UKM entrepreneurs in Malang Raya have a competitive advantage in the form of distinctive, high-quality items at reasonable costs, they can stimulate good marketing performance.

These findings demonstrate that SME entrepreneurs' efforts to gain a competitive advantage by manufacturing distinctive, high-quality items at competitive pricing can lead to increased marketing performance. These findings are congruent with those of [7], [14], [16], [18], [19], [22], [23], and [30], who discovered that excellence had a significant effect on SME performance. As a result of the findings, the competitive advantage variable can be used to improve the marketing performance of SMEs.

The findings of this study are also consistent with the views of [25], who argued that organizations that manufacture

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goods and services must pay attention to the concept of competitive advantage in order to survive and eventually profit. Similarly, according to [13], competitive advantage will stimulate enhanced SME business performance through profit growth, sales growth, and customer growth.

### Hypothesis testing 4: The effect of social capital on marketing performance through competitive advantage

Testing hypothesis 4 (H4) reveals that competitive advantage has a strong positive influence on marketing performance, with a coefficient value of 0.365 and a t-statistic value of 4,399, which is greater than the t-table value of 1.66088 and p-value of 0.000 (Table 2). These findings indicate that if UKM entrepreneurs in Malang Raya have a competitive advantage in the form of distinctive, high-quality items at reasonable costs, they can stimulate good marketing performance.

These findings demonstrate that SME entrepreneurs' efforts to gain a competitive advantage by manufacturing distinctive, high-quality items at competitive pricing can lead to increased marketing performance. These findings are congruent with those of [7], [18], [22], [23], and [30], who discovered that excellence had a significant effect on SME performance. Thus, the research findings indicate that the competitive advantage variable can be used to improve the marketing performance of SMEs. Even after using competitive advantage as a mediator, the total effect between social capital and marketing performance is a coefficient value of 0.540, a t-statistic value of 4,528, and p-value of 0.000 (Table 3).

The findings of this study are also compatible with the views of [25], who stated that in order to survive and eventually profit, firms that create goods and services must pay attention to the concept of competitive advantage. Similarly, competitive advantage, according to [13], will encourage improved SME business performance through profit growth, sales growth, and customer growth.

## CONCLUSIONS

This study demonstrates the significance of the competitive advantage variable in boosting marketing performance as a social capital mediator. Previously, social capital had no effect on marketing performance; however, when competitive advantage is included as a mediator variable, the association between social capital and marketing performance becomes positive and significant.

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