

Develop Competitive Advantages for Msmes Post-Pademi: With A Mediation Approach

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Abstract:- The purpose of this study was to analyze the effect of marketing, network, and innovation capabilities on competitive advantage, and to analyze the impact of marketing and network capabilities on competitive advantage through innovation capabilities. Data analysis was done using the Partial Least Square (PLS) method using SmartPLS version 3 software. The number of samples in the study was 130 MSME respondents in Medan City. The results of this study are the marketing ability variable, the ability to innovate has a significant effect on the ability to innovate. Marketing ability and innovation ability have a significant effect on competitive advantage. Network capabilities do not have a significant impact on competitive advantage. Innovation ability is able to be a mediating variable between marketing ability and network ability to competitive advantage. Of the 2 control variables used, only one has an effect on competitive advantage, namely gender, while the length of work has no impact on competitive advantage.

Keywords: Covid-19 pandemic, marketing capabilities, network capabilities, innovation capabilities, and sustainable competitive advantage.

1. Introduction

The better handling of the spread of the Covid-19 pandemic in Indonesia has greatly impacted the nation's economic recovery. Indonesia's economic recovery is inseparable from the development of the MSME sector which has received attention from the Government in the form of economic stimulus. The government is still continuing stimulus for MSME players to be able to survive in the midst of a pandemic. The forms of stimulus provided include interest rate subsidies, direct financing assistance, and facilities to *e-commerce (market place)*.

The determining actor of the competitive advantage of MSMEs is good marketing ability. Marketing capability is an integrative process designed to apply the resources a company needs related to market needs that enable businesses to add value and meet competitive demand [1]. [2] Stating marketing capabilities is an operational perspective approach, a marketing mix approach, an intellectual capital approach, and a competition perspective approach. Marketing capabilities use a marketing mix approach consisting of 8 (eight) capabilities, namely pricing capabilities, products, distribution, promotion, sales information systems, marketing planning, and marketing implementation [3].

MSME players need to develop strong relationships and connections (network capabilities) with stakeholders to survive and compete in the market. Therefore, network capabilities (connections) become very important for creating knowledge and exchanging information, for identifying potential opportunities and threats and providing the benefit of exchanging information to identify potential opportunities and threats [4] [5]. [6], assume that building network capabilities and developing social capital has great potential for MSME players to be more innovative. With business networks and connections, it allows business actors to collaborate in achieving common strategic goals [7]. This strategic objective can increase the capacity of MSME actors to be more dynamic and competitive [8]. Until now, there are gaps in the literature on whether network capabilities enhance a company's ability to transform existing processes into new ones (innovation capabilities).

Expressing innovation capability is a very broad concept covering different dimensions of innovation, including new product development, innovation, strategic and technological aspects [9]. Innovation ability is understood as the acceptance of new ideas that contribute to the development of new processes and products [10]. The ability to

innovate requires strategies that are able to develop business culture changes, stimulate creativity and generate new ideas that encourage the birth of opportunities in a wider scope. Innovation capabilities can help MSMEs in emerging markets to achieve their competitive advantage. Innovation capabilities are also able to assist MSMEs in developing new ideas and changing products, processes, and management systems that enable business actors to have a better chance of surviving in one market industry.

Research on marketing capabilities, network capabilities and innovation capabilities is still very little conducted on small and medium enterprises, especially related to MSMEs in Medan City. The formulation of the problem in the study is (1) Is there an influence of marketing ability, network ability, and innovation ability on competitive advantage? And (2) Is there any influence of marketing capabilities and network capabilities on competitive advantage through innovation capabilities?

The purpose of this study is to analyze the effect of marketing ability, network ability, and innovation ability on competitive advantage, and to analyze the effect of marketing ability, and network ability on competitive advantage through innovation ability.

This research adopts the theory of a *resource-based view* (RBV) proposed by [11] regarding the marketing capabilities that MSMEs use as a basis for developing their competitive advantage. *The middle theory* used in this study is the theory of dynamic ability. In the point of view of dynamic capabilities where unique resources or capabilities can be used to drive strategies that ultimately support the continuous development of new capabilities needed to expand the market [12]. *Apply theory* in this study consists of marketing ability, network ability and innovation ability. *The middle theory* used in this study is the theory of dynamic ability. In the point of view of dynamic capabilities where unique resources or capabilities can be used to drive strategies that ultimately support the continuous development of new capabilities needed to expand the market [12]. *Apply theory* in this study consists of marketing ability, network ability and innovation ability.

2. Literature

2.1 Competitive Advantage

Leads to a sustainable competitive advantage that has a direct relationship with the company's dynamic capabilities and competitiveness [12]. Emphasizing the difference between competitiveness and sustainable competitiveness [13]. Elements to achieve sustainable competitiveness include vision of leadership, integrity and inspiration, long-term contracts, partnership building, sustainable quality management, competitive strategies in line with CSR, customer orientation, developing employee creativity, building good internal relationships, transferring experience, maintaining the quality of life of employees who are not working, future workforce investment, sustainable product innovation, patents, product line dynamics, building supplier relationships, continuous evaluation of suppliers, efficient use of materials and energy, investment in environmentally friendly use of logistics, relevant labor costs, building stakeholder relationships, honest advertising, and product reliability among many other elements. While the elements to achieve competitiveness are a focus on costs, short-term profits, and leadership without a vision to win.

Sustainable competitiveness emphasizes economic competitiveness as a driver of long-term prosperity and growth by taking into account environmental and social concerns. Competitive advantage can be understood as the ability to implement strategies not used by competitors to create value for customers [14]. There are several indicators that affect competitive advantage put forward by [14], namely adaptability, specificity, and the ability to make changes. Adaptability explains that sustainable competitive advantage is used by companies to implement new strategies in reflecting changing market conditions, combining and changing available resources in new and different ways.

Specificity describes the resources that the company obtains and uses with the market environment, describes variations in the company's performance over time. While the ability to make changes explains that the resources and capabilities owned by the company can improve company performance. With its advantages, the company is considered capable of providing and creating value for customers in achieving competitive advantage and better financial performance [15].

2.2 Marketing Capabilities

Marketing capabilities determine the performance of the company's new products [16] [17] [18]. Marketing capabilities reflect a company's competence in differentiating its products from competitors and in building a successful brand. Marketing capabilities are valuable, not easily replicated and cannot be replaced in creating sustainable competitiveness and promoting superior company performance inside and outside the market [15]. Marketing capability is a specialized interfunctional process by which marketing resources are combined to perform [15].

Marketing capabilities consist of the company's ability to deal with marketing and performance problems [19]. Marketing capabilities occur through the integration of the company's knowledge of the market and employee skills [20]. Marketing ability is measured by 7 (seven) indicators developed by [20], which consists of (1) Product ability (service) related to offering products or services but also equipped with benefits and value of the product or service, (2) Price ability, related to the company's ability to carry out pricing strategies, such as survivability, maximizing prices, maximizing sales, prestige or prestige, return on investment debt (*return on investment*) /ROI, (3) Promotional ability, relating to activities to identify customers, in achieving promotional objectives, developing messages conveyed and selecting communication mix to customers, (4) The ability of the place, relating to the place that is to provide services to customers, (5) The ability of humans, humans or people to function as service providers that affect the quality of services provided, (6) Process capabilities, relating to service marketing activities that related to the quality of services provided, especially in terms of service delivery systems, and (7) Physical evidence capabilities, which are related to activities to carry out pre-transaction service activities, during transactions and post-transactions.

2.3 Network Capabilities

Business networking capabilities are development activities that enable businesses or companies to develop, manage, and take advantage of opportunities through healthy connections and relationships [21]. Networks, connections, and relationships correlate with performance improvement by helping businesses or companies reduce barriers to parochial political culture [22]. Early literature used different terms to describe networking capabilities, such as entrepreneurial business networking, business networking, and entrepreneurial networking capabilities [23] [24]. This research will use the term network capability in the context of MSME entrepreneurship [6]. Network capability is considered as the ability of business actors or companies to introduce, build, and utilize internal and external organizational relationships [25]. Network capability is the ability to build networks that are beneficial to the company [26] and to improve company performance [23] [27].

[26], introducing 4 (four) dimensions of network capabilities, namely coordination, relationship skills, partner knowledge, and internal communication. These four dimensions improve knowledge management between partners and improve decision-making processes [28]. Management information is very important for the success of MSMEs because business actors can experience information asymmetry [23]. In addition, the rapid flow of knowledge between internal and external stakeholders can encourage the identification of opportunities along with innovation [24]. The identification of opportunities can allow business actors to change their business activities or activities in accordance with market needs and trends [8].

2.4 Innovation Capabilities

Innovation is mixed for individuals or companies, novelty for markets, for countries or regions and for the world [29]. [30], Innovation is the ability to apply creativity into something that can be implemented and provide added value to the resources owned by the company. Innovation is something that is considered new, such as a new idea, a new theory, a new hypothesis, or a new method in management in an organization or company. [31], Classify innovation into several types, including administrative innovation, technical innovation, product innovation, process innovation, *market innovation*, *incremental innovation*.

[(9)], propose innovation, technological capabilities, innovation strategies and new product development capabilities. Innovation consists of the generation and implementation of creative ideas within one corporate enterprise. Innovation requires a new mindset or attitude that needs to be adapted to be shared and disseminated

to all departments in the company to be more effective [32]. Technology capability is the accumulation of technological knowledge used by a company to develop or improve new existing goods [33].

The relationship between innovation and strategy is essential in efficient innovation management [34]. The impact of an innovation strategy on a company's performance depends on internal cooperation between different departments [35]. The ability to develop and manage new goods offerings will help companies differentiate their goods from competitors in the international market [36]. New goods development capabilities are processes that connect technology, R&D departments, and customer needs by delivering customer benefits through attributes [37].

3. Research Conceptual Framework

3.1 The Relationship of Marketing Ability to Competitive Advantage

In dynamic ability theory [12] Competitive advantage arises when dynamic capabilities are used by companies to implement new strategies to explain changing market conditions, combining and changing available resources in new and different ways. [38] states that marketing resources and capabilities drive business strategies to strengthen the edge over the competition and improve company performance. Companies that have basic marketing capabilities have the capability to create value for customers to achieve competitive advantage and better financial performance [15] which is extended to MSMEs that are suppliers to large companies. By expanding customers and being able to attract new customers, both nationally and internationally [15]. In the context of developing countries such as Indonesia, where MSME managers who become suppliers to large companies that focus on developing the company's marketing capabilities can gain a better competitive advantage [39], so that marketing capabilities become the basis of company competitiveness. Based on this explanation, the following hypothesis was formulated:

H1: *There is a positive and significant influence between marketability and sustainable competitive advantage*

3.2 The Relationship of Network Capability to Competitive Advantage

Network capabilities are developments that enable companies to develop, manage, and exploit opportunities through healthy connections and networks [21]. In classical research studied network capabilities extensively and emphasized on different network prospects such as integration of strategies and operational processes to achieve rare success, collective learning, network partnerships, and building new networks [40]. In recent years, many researchers have studied the ability of networks to have a positive and significant relationship to business performance [23] [27] [40] [25]. However, there are still not many studies that look at the relationship of network capabilities in sustainable performance growth. Strengthening the business capabilities of MSMEs at every stage in achieving sustainable growth [41] [42]. Based on this explanation, the following hypothesis was formulated:

H2: *There is a positive and significant influence between network capability and sustainable competitive advantage*

3.3 The Relationship of Marketing Ability to Innovation Ability

Marketing capabilities determine the performance of the company's new products [16] [17] [18] Marketing capabilities reflect a company's competence in differentiating its products from competitors and in building a successful brand. Marketing capabilities are valuable, not easily replicated and cannot be replaced in creating sustainable competitiveness and promoting superior company performance inside and outside the market [15]. MSMEs that have marketing capabilities can benefit more in facing changing customer needs.

Innovation ability is understood as the acceptance of new ideas that contribute to the development of new processes and products [10]. The ability to innovate requires strategies that are able to develop business culture changes, stimulate creativity and generate new ideas that encourage the birth of opportunities in a wider scope. Innovation capabilities can help MSMEs in emerging markets to achieve their competitive advantage. Innovation capabilities are also able to assist MSMEs in developing new ideas and changing products, processes, and management systems that enable business actors to have a better chance of surviving in one market industry [43].

H3: *There is a positive and significant influence between marketability and innovation ability*

3.4 The Relationship of Network Capability to Innovation Capability

In the context of MSMEs, innovation ability has a positive influence on improving company performance [44]. This allows MSMEs to identify and develop new opportunities according to the needs expressed by customers. MSMEs that are oriented towards market capabilities have a market-centric focus that supports innovation [38]. Businesses that understand customer needs in emerging markets such as Indonesia have the opportunity to break away from commodity-based positions in global value chains and price dependence through product innovation [45].

Companies that are able to adapt to customer needs in emerging markets such as Indonesia can create a competitive advantage through product innovation. Product innovation that meets customer needs at a low price point without sacrificing functionality and features will be able to become a competitive advantage [45]. Based on this explanation, the following hypothesis was formulated:

H4: *There is a positive and significant influence between network capabilities and innovation*

3.5 The Relationship of Innovation Capability to Competitive Advantage

Based on the conceptualization put forward by [9], that innovation capabilities have different dimensions. The researchers found that innovation capabilities can leverage internationalization processes or global markets to reach a wider market share [46]. Product innovation increases the likelihood of starting exports and positively affects economic performance [47]. Product innovation is able to encourage non-export MSMEs to enter the global market [47]. Innovations in new industries positively affect exports between regions. The innovation capabilities carried out by MSME businesses are able to support technological innovation and increase export [48]. And [49] affirming that technological innovation has a positive impact on the company's export and strategic performance. Based on this explanation, the following hypothesis was formulated:

H5: *There is a positive and significant influence between innovation ability and competitive advantage*

Based on the description above, the research concept framework is described as follows

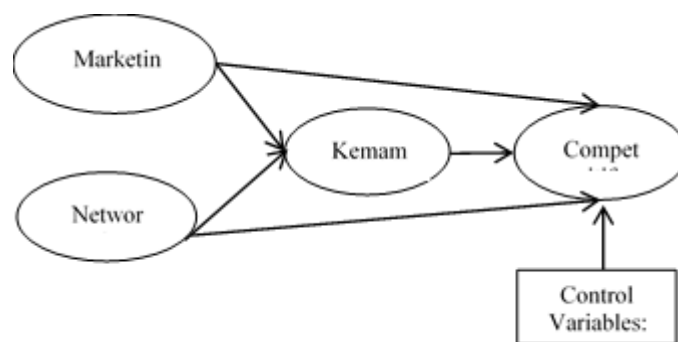


Figure 1. Research Framework

4. Research Methods

This type of research is descriptive quantitative. Quantitative descriptive research is a type of research that aims to describe systematically, factually, and accurately the facts and properties of a particular object or population. This study aims to describe or describe factors that affect sustainable competitive advantage such as marketing ability factors, network capabilities and abilities as intermediary variables (mediation). The location of the research was conducted in Medan City. The research period starts in March 2022 until it is completed. The sampling technique in this study uses a non-probability sampling technique, where random sampling based on the area or cluster is carried out by dividing the population into several groups. The distribution of samples is based on location, age, gender and other equivalent categories. Sampling is done with single stage clusters, where

researchers randomly determine which group to sample, so that some groups do not get the opportunity. The number of samples or respondents in this study was 130 respondents.

Hypothesis testing using full model structural equation modeling (SEM) analysis with smartPLS. In full model structural equation modeling in addition to confirming the theory, it also explains the presence or absence of relationships between latent variables. Hypothesis testing by looking at the calculation value of the Path Coefficient in the inner model testing. The hypothesis is said to be accepted if the significance value > 0.05 (α 5%) which means that if the significance value value > 0.05 (α 5%) it can be declared accepted or proven.

5. Research Results and Analysis

Based on the number of questionnaires distributed to respondents, 130 respondents were collected, consisting of 65 female respondents and 35 male respondents. The types of businesses run by respondents are in other sectors as much as 52%, the fashion sector (clothes, bags, shoes,) with a percentage of 21%, in the culinary sector (food and beverages) with a percentage of 15%, in the food stall sector with a percentage of 8%, and the workshop sector as much as 3%. The period or length of business that has been run for less than 1 year is 12%, 1-3 years is 30%, 3-6 years is 22%, and more than 6 years is 36%. Thus, the period of time in running the business of the respondents in this study is mostly more than 6 years. The business locations of MSME actors are mostly in Medan Tembung sub-district by 20%, Medan Denai by 15%, and the rest are in several other Medan city areas. In this study, it only covers 16 sub-districts out of 23 sub-districts in Medan City.

5.1 Outer Model Testing

The results of convergent validity analysis in this study were obtained using Smart-PLS 3.0 software. The following are the results of the measurement model analysis for each research variable used in this study, as shown in table 1 below:

Table 1. Testing Loading Factor Value

Variable	Indicator	Outer Loading	Variable	Indicator	Outer Loading
Marketing Capabilities	Kp-1	0.702	Innovation	Kt-1	0.793
	Kp-2	0.735		Kt-2	0.862
	Kd-1	0.752		Kt-3	0.813
	Kd-2	0.750		Si-1	0.803
	Khr-3	0.824	Competitive Advantage	Si-3	0.782
	Kpr-1	0.878		Pb-1	0.791
	Kpr-2	0.810		Pb-2	0.761
	Kpr-3	0.884		Pb-4	0.869
	Kpr-4	0.818		Kh-2	0.813
	Ki-1	0.809		Kh-3	0.797
	Ki-2	0.885		kk-1	0.898
	Ki-3	0.882		kk-2	0.924
	Ko-1	0.903		kk-3	0.940
	Ko-2	0.877		kk-4	0.897
	Ko-3	0.899		p-1	0.906

Network Capabilities	Hu-1	0.804	p-2	0.825
	Hu-2	0.906	p-3	0.930
	Hu-3	0.893	p-4	0.858
	Pm-1	0.821		
	Pm-2	0.848		

From the calculation results presented in table 1 that all outer loading values of each indicator are already more than 0.7. Thus the data can proceed to the next stage.

5.2 Discriminant Validity Analysis Results

Discriminant validity is done by looking at the value of cross loading contract measurements. The cross loading value shows the magnitude of the correlation between each construct and its indicators from other block constructs. A measurement model has good discriminant validity if the correlation between the construct and the indicator is higher than the correlation with other block indicators. After data processing using SmartPLS, the results of cross loading can be shown in table 2 below:

Table 2. Cross Loading Results

Indicator	Marketing	Network	Innovation	Competitive Advantage
kp1	0.702	0.409	0.539	0.439
kp2	0.735	0.496	0.599	0.559
kpr1	0.878	0.616	0.527	0.490
kpr2	0.810	0.752	0.642	0.566
kpr3	0.884	0.655	0.596	0.486
kpr4	0.818	0.698	0.619	0.547
kd1	0.752	0.596	0.651	0.611
kd2	0.750	0.390	0.577	0.438
kh2	0.665	0.731	0.834	0.813
kh3	0.686	0.710	0.722	0.797
khr3	0.824	0.620	0.683	0.454
ki1	0.493	0.809	0.617	0.445
ki2	0.723	0.885	0.654	0.469
ki3	0.777	0.882	0.659	0.504
ko1	0.678	0.903	0.670	0.502
ko2	0.732	0.877	0.574	0.420
ko3	0.639	0.899	0.605	0.406
hu1	0.573	0.804	0.504	0.261
hu2	0.619	0.906	0.665	0.440

hu3	0.619	0.893	0.617	0.509
pm1	0.614	0.821	0.638	0.442
pm2	0.553	0.848	0.567	0.473
kt1	0.629	0.484	0.793	0.738
kt2	0.630	0.526	0.862	0.681
kt3	0.424	0.528	0.813	0.552
pb1	0.485	0.508	0.791	0.656
pb2	0.718	0.617	0.761	0.616
pb4	0.762	0.716	0.869	0.703
si1	0.678	0.681	0.803	0.638
si3	0.541	0.526	0.782	0.605
kk1	0.414	0.301	0.698	0.898
kk2	0.424	0.290	0.702	0.924
kk3	0.508	0.301	0.651	0.940
kk4	0.511	0.239	0.605	0.897
p1	0.710	0.594	0.805	0.906
p2	0.508	0.354	0.632	0.825
p3	0.657	0.547	0.763	0.930
p4	0.555	0.383	0.608	0.858

From the results of cross loading in table 2 shows that the correlation value of the construct with the indicator is greater than the correlation value with other constructs. Thus, all latent constructs or variables already have good discriminant validity, where the indicators in the component indicator block are better than other blocked indicators.

5.3 AVE value and AVE square

The model has better discriminatory validity if the square root of the AVE for each construct is greater than the correlation between the two constructs in the model. A good AVE value is required to have a value greater than 0.50. In this study the AVE value and AVE square root for marketability were 0.635 and the AVE square root was 0.4032; for network capability of 0.752 and square root of AVE 0.5640; for innovation ability of 0.656 and square root of AVE 0.4303; and for a competitive advantage of 0.775 and a square root of AVE of 0.6006. The value has met the requirements according to the minimum AVE value limit for each contract, the next step is to compare the square root of AVE with the correlation between constructs in the model. In this study the results of the correlation between constructs with the square root value of AVE are shown in table 3 below:

Table 3. The correlation value between constructs and discriminant validity values

Variable	Marketing Capabilities	Network Capabilities	Innovation Capabilities	Competitive Advantage
Marketing Capabilities	0.797			
Network Capabilities	0.738	0.867		
Innovation	0.764	0.714	0.810	
Competitive Advantage	0.647	0.517	0.805	0.880

Table 3 shows that the square root value of AVE for each construct is greater than the correlation value so that the construct in this research model can still be said to have good discriminant validity.

5.4 Composite Reliability

Outer model in addition to being measured by assessing convergent reliability and discriminant validity can also be done by looking at the reliability of the construct or latent variable measured with a value of composite reliability having a value of > 0.70 , then the construct is declared reliable. Results for composite reliability on marketability of 0.940; network capability 0.971; innovation ability 0.938; and a competitive advantage of 0.972. With the resulting value, all customers have good reliability in accordance with the minimum value limit that has been required.

5.5 Inner Model Testing (structural model)

After testing the outer model that has been met, the next is testing the inner model (structural model). The inner model can be evaluated by looking at the r-square (reliability of the indicator) for the dependent column and the statistical t value of the path coefficient test. The higher the r square value means the better the prediction model of the proposed research model. The path value of the coefficient indicates the degree of significance in hypothesis testing.

5.6 Results of Variance Analysis (R^2) or Determination Test

Analysis of variance R^2 or determination test is to determine the magnitude of the influence of the independent variable on the dependent variable. Marketing capabilities and network capabilities were able to explain the variability of innovation constructs by 0.633 or 63.3% and the remaining 36.7% was explained by other constructs outside those studied in this study. While marketing ability, network ability, and innovation were able to explain the competitive advantage structure of 0.664 or 66.4% and the remaining 33.6% was explained by other constructs outside of this study.

5.7 Hypothesis Testing

Hypothesis testing is carried out based on the results of Inner Model testing (structural model) consisting of r-square output, parameter coefficients and t-statistics. To see whether the hypothesis can be accepted or rejected among others by considering the significance value between constructs, t-statistics and p-values. These values can be seen from bootstrapping. The rules of thumb used in this study are with a p-value significance level of 0.05 (5%) and a positive bet coefficient. The value of testing the research hypothesis can be described as shown below:

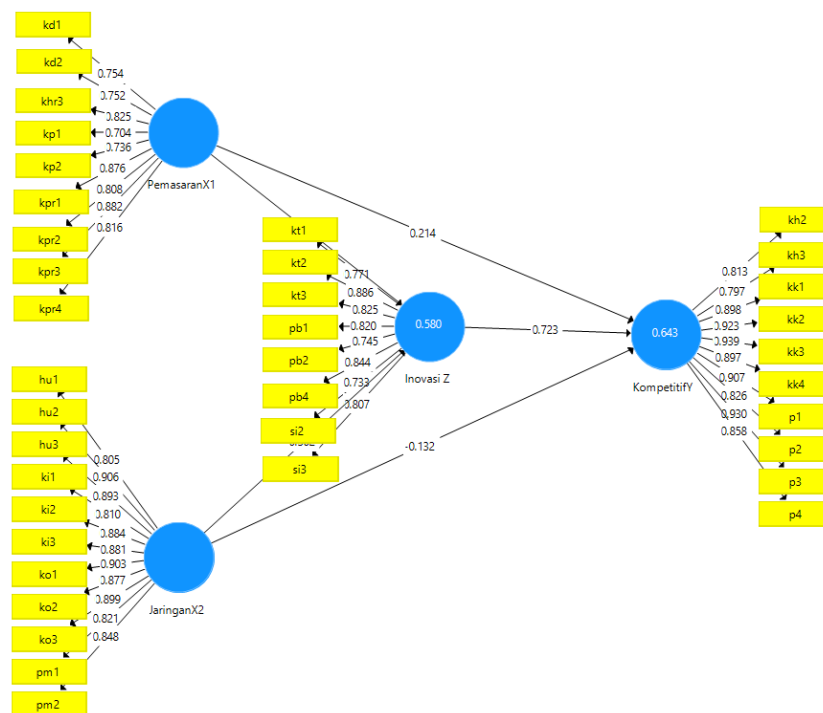


Figure 2. Research Model Results

Based on the test results, it can be seen that the first hypothesis is supported or accepted. The first hypothesis is accepted or supported. The test results show that there is a positive and significant influence between marketing ability and sustainable competitive advantage. The second hypothesis was rejected or not accepted, the test results showed that there was no positive and significant influence between the ability of the network and competitive advantage. The third hypothesis is accepted or supported, the test results show that there is a positive and significant influence between marketing capabilities and innovation. The fourth hypothesis is accepted or supported, the test results show that there is a positive and significant influence between network capabilities and innovation capabilities for MSME actors in the city of Medan.

Hypothesis five is accepted or supported, the test results show that there is a positive and significant influence between innovation ability and sustainable competitive advantage. The sixth and seventh hypotheses look at the indirect relationship between marketing ability and network capability to sustainable competitive advantage with innovation ability as a mediating variable. In this study, innovation capabilities are able to mediate or become intermediaries to increase sustainable competitive advantage with marketing capabilities and network capabilities. Thus the sixth and seventh hypotheses are accepted or supported. The following is a summary of the answers to the hypotheses in this study.

Table 4. Summary of Hypothesis Results

	Original Sample (o)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Information
Marketing-> Capabilities Competitive advantage	0.160	0.153	0.086	1.847	0.000	Accepted
Network-> Competitive Advantage	-0.181	-0.169	0.109	1.659	0.098	Rejected
Marketing-> Innovation Capabilities	0.520	0.526	0.121	4.315	0.000	Accepted
Network Capabilities -> Innovation	0.330	0.327	0.133	2.483	0.013	Accepted
Innovation-> Competitive Advantage	0.813	0.808	0.073	11.180	0.000	Accepted
Marketing-> Innovation-> Competitive Advantage	0.423	0.428	0.117	3.610	0.000	Accepted
Network Capabilities -> Innovation -> Competitive Advantage	0.268	0.260	0.098	2.727	0.007	Accepted

The dummy variables used in this study are gender and length of business that have been run by MSME actors in Medan City. Gender consists of 2 categories, namely women and men and length of business consists of 4 categories, namely less than 1 year, 1-3 years, 3-6 years, and more than 6 years. Based on the test results, it is seen that the gender variable has a significant influence on the competitive advantage of MSME actors in the city of Medan, in the sense that the hypothesis is accepted. This means that in order to achieve a competitive advantage, female and male MSMEs have the same marketing, network, and innovation capacities in developing the businesses they run. It can be concluded that women and men have the same ability to increase marketing capacity, networking, and innovation which aims to increase competitive advantage in running MSMEs in the city of Medan. Muhammad Sabbir [50]. Revealing that gender and length of business variables are controlling variables (dummy variables) that can affect the business continuity of a company. The variable length of effort does not have a significant effect on competitive advantage, in the sense that the hypothesis is rejected. In a sense, the period of time in running MSMEs is not a determining factor for success in running a business. The ability to increase competitive advantage depends on the capabilities of each individual. Some business actors do not need a long time to increase their competitive advantage. Previous research suggested that the length of time in running a business affects competitive advantage, but in this research, the hypothesis was rejected.

6. Discussion

Based on the structural model analysis proposed in this study that MSME players in the city of Medan already have the ability to build sustainable competitive advantages by using marketing capabilities and innovation capabilities. Meanwhile, MSME players still do not realize the importance of network capabilities in managing and building sustainable competitive advantages. MSME players have paid sufficient attention to marketing capabilities and innovation capabilities (as mediation variables) to be something positive in developing and forming sustainable competitive advantages in the city of Medan. Medan City is the fourth largest city in Indonesia and has great opportunities for MSME players in developing and reaching their potential markets. The first hypothesis (H1) in research states that marketing ability has a positive and significant effect on competitive

advantage. From the test results, it shows that there is a significant influence between marketing capabilities and the competitive advantages of MSME players in the city of Medan. This research is in line with research conducted by [2], which revealed the positive impact of marketing capabilities on company performance and demonstrated sales capabilities and performance supervision that support the company's ability to recognize better market prospects. [51], argue that the direction of the literature regarding the role of marketing capabilities in supporting the overall performance of the company. The results of this study show that marketing capabilities are related to competitive advantages for MSME actors. MSME players in the city of Medan have not realized the importance of marketing capabilities in

increasing competitiveness and business performance which will ultimately become a competitive advantage in winning and developing their markets. [38], which states that companies with well-developed capabilities can generate more value for customers, achieve competitive advantage and good financial performance. Marketing capabilities are a key factor in helping MSMEs gain a sustainable competitive advantage over their competitors, especially in emerging markets such as Indonesia.

In this study, H2 was rejected or not supported, the test results showed that there was a negative and insignificant influence between network capabilities and the competitive advantage of MSME business actors in Medan City. MSME actors in the city of Medan have not been able to maximize their networks or connections in developing businesses and there are still many MSME actors who do not have networks or connections. This is due to the lack of access to information owned by MSME actors, both access to banks in obtaining capital, and access to other parties such as the government to obtain information related to business development. This research is not in line with [52], which states that innovation ability has a significant influence on the performance of companies or organizations which will ultimately become a competitive advantage that can be used by MSME players in winning market competition. The negative influence of internal communication, coordination, ability to establish relationships, and knowledge on partners shows that the emphasis given by companies on these dimensions is the lower business performance of MSME actors in the city of Medan.

The third hypothesis (H3) in this study is the ability of marketing to the ability to innovate has a positive and significant effect. This shows that the better the marketing ability of MSMEs in the city of Medan, the better the innovation capabilities of these MSME actors. This finding is in line with research conducted by [51], marketing capabilities have a positive and significant impact on innovation capabilities. MSME actors need marketing skills as physical attributes in the form of resources and intellectual talents in terms of innovation and knowledge [44]. Ramaoa (2012), corporate strategy depends on resources and the ability to combine resources with customer demand becomes the basis for growth and makes it the main capital in competitive advantage.

The fourth hypothesis (H4) in this study is accepted or supported, the test results show that there is a positive and significant influence between network capabilities and innovation capabilities. Network capabilities incorporate management capabilities that have distinct but interrelated relationships, which can facilitate organizational innovation capabilities [26]. This research is in line with [6], network capabilities have a substantial positive impact on innovation capabilities. Research implies that by strengthening network capabilities, MSME actors in the city of Medan substantially increase their ability to innovate. This research also confirms that by building a strong network, MSME players can survive and have a competitive advantage after COVID-19.

The fifth hypothesis (H5) in this study is accepted, the test results show that there is a significant influence between innovation ability and sustainable competitive advantage. This research is in line with research [50], optimizing SME innovation capabilities has a significant impact on sustainability strategies which will ultimately become a sustainable competitive advantage for MSME players themselves. The ability to innovate is one of the strengths of MSMEs in innovating at the core of product features, designing, and improving marketing capabilities [53]. Thus, the main source of strength for MSMEs to survive the Covid-19 Pandemic so that it can improve the performance and business continuity of MSME players in the city of Medan.

The sixth and seventh hypotheses (H6 and H7) in this study were accepted, the test results showed that innovation capabilities can increase sustainable competitive advantage with marketing capabilities and network capabilities. This implies that MSME players who have the ability in terms of marketing and have networks or business

connections will produce innovations in terms of developing new products, using strategies to innovate, and the ability to use technology.

Marketing capability is an integrated process in applying the company's skills and abilities and knowledge and resources to the needs of the MSME market. These marketing capabilities enable MSMEs to add value to their products or services by adapting to new markets [54]. MSME players who have superior marketing capabilities will be able to create value for customers in achieving and maintaining competitive advantage and developing company performance, especially superior financial performance [55]. Marketing capabilities will be able to produce innovation and competitive advantages for MSME players and as the main capacity for the survival and growth of their business [56].

Network capability is a dynamic capability that balances an organization's internal competencies with its external market environment [8]. Network capabilities enable MSME players to identify opportunities, access resources, and improve dynamic capabilities after COVID-19 in Indonesia. Thus, building network capabilities is essential for the success and survival of SME entrepreneurs [57]. Network capabilities can be a bridge in facilitating the performance of SMEs by improving knowledge management, cost control, innovation, reputation, and organizational sensing capabilities [23], especially after COVID-19 that hit the world and developing countries such as Indonesia.

7. Conclusion

This research is quantitative descriptive to describe systematically, factually, and accurately the facts and characteristics of a particular object or population. This study aims to explain or describe the factors that influence sustainable competitive advantage such as marketing capability, innovation ability, and internet use as a mediating variable. The purpose of this study was to analyze the influence of marketing capabilities, network capabilities, and innovation capabilities on competitive advantage, and to analyze the effect of marketing capabilities, and network capabilities on competitive advantage through innovation capabilities.

Data analysis was done using the Partial Least Square (PLS) method using SmartPLS version 3 software. The number of samples in the study was 130 MSME respondents in Medan City. Marketing ability variable, innovation ability has a significant effect on innovation ability. Marketing ability and innovation ability have a significant effect on competitive advantage. Network capabilities do not have a significant effect on competitive advantage. Innovation ability is able to be a mediating variable between marketing ability and network ability to competitive advantage. Of the 2 control variables used, only one has an effect on competitive advantage, namely gender, while the length of work has no effect on competitive advantage.

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