

Preserving MSMEs Competitive Advantage: Moderation by Business Size

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Abstract

One business sector that has the biggest impact on the expansion of the national economy is Micro, Small, and Medium Enterprises (MSMEs). Due to the economic crisis, some MSMEs have developed successfully, while others have failed. This study analyzes the influence of entrepreneurial leadership, digital marketing, and HR competence on MSMEs' competitive advantage, with business size as a moderating variable. This study uses quantitative methodology and a causal associative approach. The stratified random sampling technique ensured adequate representation from diverse industries and geographic regions. A questionnaire distributed and completed by 150 MSME entrepreneurs in Nunukan, Berau, and Kutai Kartanegara, East Kalimantan Province, was used to gather data. Partial Least Squares-Structural Equation Modeling (PLS-SEM) was used to analyze the data. The study showed that entrepreneurial leadership and digital marketing significantly affect MSME's competitiveness. Meanwhile, HR competence and business size have an insignificant effect on MSMEs' competitive advantage in East Kalimantan Province. Business size is proven to moderate the effect of entrepreneurial leadership and digital marketing on MSMEs' competitive advantage in East Kalimantan Province. The business size cannot moderate the relationship between HR competence and MSMEs' competitive advantage. The results of this research can serve as a guide for future researchers who will tackle related issues. The study is anticipated to act as a mutually beneficial role model to guarantee the best possible empowerment of MSMEs with the aid of technology.

Keywords: *Business size, digital marketing, entrepreneurial leadership, HR competence, MSMEs competitive advantage, East Kalimantan Province-Indonesia.*

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INTRODUCTION

Micro, Small, and Medium-Sized Businesses (MSMEs) are crucial to economic growth and job creation. In the face of an increasingly complicated business climate, MSMEs are today confronting challenging circumstances (Muliadi, 2021). The rapid flow of free trade has also increased competitiveness, forcing competition from all sides, regionally and domestically. In the wake of the post-pandemic economic recovery phase, understanding the factors influencing MSME's financial performance is more crucial than ever (Yuliantari & Pramukki, 2022). Regional development planning thereafter adjusts to new lifestyle patterns of people in the post-pandemic era. Working from home, learning remotely, and shopping online for everyday necessities for the home are some of the new practices (Nur & Made, 2024). Numerous tales of MSMEs are succeeding after the pandemic, but many more have failed. Amid a difficult situation, the MSMEs are also the sector that has adapted the fastest to the pandemic. Many MSMEs are switching to online business and also utilizing digital technology to maintain their businesses (Sumaryanto & Widajanti, 2023; Jumaroh & Suryaningrum, 2024).

Table 1. Number of MSMEs by District/City in East Kalimantan Province

District/City	Type of MSMEs					Total
	Culinary	Industry	Craft	Trade	Services	
Samarinda	45.653	1.522	591	44.851	11.107	103.724
Balikpapan	8.528	2.488	121	15.297	10.341	36.775
Bontang	8.558	3.788	115	15.905	4.711	33.077
Kutai Kartanegara	12.852	934	130	45.998	514	60.428
Berau	4.509	62	53	9.467	851	14.942
Paser	10.331	702	47	28.161	6.430	45.671
Kutai Timur	11.221	1.204	30	336	875	13.666
Kutai Barat	1.348	-	1.164	9.022	2.443	13.977
PPU	3.806	489	38	7.017	1.879	13.229
Mahulu	37	-	13	438	60	548
Total	106.843	11.189	2.302	176.492	39.211	336.037

Source: Department of Industry, Trade, Cooperatives and SMEs of East Kalimantan, 2023

The Bank Indonesia (BI) Representative Office for the Province of East Kalimantan conducts a regular review every quarter, which results in the Provincial Economic Report (LPP) of East Kalimantan. The most recent data on regional macroeconomic circumstances, government finances, inflation, stability of regional finances, payment systems, employment, and welfare, as well as future economic prospects (Hardaningrum & Alifia, 2023). Relevant stakeholders are anticipated to use this report to develop their policies. The economic performance of East Kalimantan in the first quarter of 2022 is generally improving, however not as much as it did in the previous quarter. The economic growth rate in East Kalimantan increased 1.85% year over

year in the first quarter of 2022, following a 2.91% year-over-year growth in the previous quarter. However, in response to the revival of community activities during an increasingly controlled pandemic, East Kalimantan household consumption performance has improved from the previous quarter (Fourqoniah & Aransyah, 2021).

Based on Table 1, MSMEs in East Kalimantan face the same issue as other parts of the country: a decline in revenue that harms their ability to continue in business. One indicator of a small to medium-sized company's viability that eventually leads to acquisition is revenue (Sanistasya et al., 2023). So many superior products come from East Kalimantan MSMEs, namely food, handicrafts, textile industry, and printing sectors. Most of these products are well-known both nationally and internationally. With a total number of 336.037 MSMEs in East Kalimantan Province, it certainly has the potential to be further developed to compete globally. Additionally, since MSMEs can create jobs for the community, their development must be pursued. To increase competitiveness in promoting local products, the East Kalimantan government created a creative economy team (Putri, 2022). The government support for MSMEs after the Covid-19 pandemic took the following forms: tax incentives for MSMEs, relaxation of lending requirements for MSMEs, and Direct Cash Assistance (BLT) and pre-employment cards for MSMEs (Perdana et al., 2023).

Previous studies have been conducted on the factors that influence the competitive advantage of MSMEs. Some studies, such as those proposed by Rehman et al. (2021) and Sarikullah et al. (2023), show that entrepreneurial leadership can improve the performance of MSMEs. However, Phangestu et al. (2020) and Nor-Aishah et al. (2020), revealed that leadership is not always related to increasing the competitive advantage of MSMEs. In the context of digital marketing, Munandar & Firmansyah (2018) and Rokhim & Praswati (2023) underline its positive impact on MSME performance, while other studies such as Ernestivita & Subagyo (2023) and Susanti et al. (2023) stated that marketing efforts are not always directly related to increasing the competitive advantage of SMEs. Furthermore, Alatas et al. (2024) and Millendra & Marwan (2022) argue that human resource competence plays an important role in supporting the competitive advantage of SMEs. In contrast, Sunarti et al. (2023) and Sutrisno et al. (2024) did not find a strong correlation between HR competency and the competitive advantage of MSMEs. Research conducted by Ahmed et al. (2023) and Martini et al. (2023) show that business size is related to increased MSME performance, while Estiasih et al. (2024) and Vo (2022) did not find a consistent relationship between business size and the competitive advantage of MSMEs. It should be noted that most previous research was conducted in countries with more advanced economic conditions, so the concept of "small and medium enterprises" applied there may be different from that applied in Indonesia. Therefore, this research is more appropriate to use the term MSMEs. In addition, previous studies tend to be limited in the scope of respondents which only involve MSME actors at the sub-district level, so they do not reflect the conditions of MSMEs more broadly, such as in a regency area.

Numerous factors can impact the assessment of MSMEs' competitive advantage and strong performance, one element that should be considered is entrepreneurial leadership (Purwati et al., 2021). Based on the Resource-based View (RBV) theory, to increase business actors' competence, entrepreneurial leadership provides feedback on the significance of applying skills and talents in

managing a business, detecting competitors, and also being able to spot chances. MSME actors must have leadership traits, management, networking, technical, and entrepreneurial education levels in order to function at their best. This is why having a strong managerial background and an entrepreneurial mindset is essential for running a business (Ercantan et al., 2024). Lack of entrepreneurial leadership is probably one of the main causes of subpar firm performance. However, there are other contributing factors as well. It has been said that an essential component of how business owners may stay competitive in dynamic and shifting circumstances is the role of entrepreneurial leadership (Nguyen et al., 2021). By identifying and also seizing chances to boost organizational performance, coming up with innovative solutions, and making effective use of organizational resources, entrepreneurial leadership encourages organizations to implement procedures that can strengthen their innovation culture. According to Saputra & Nasution (2023), SMEs can greatly benefit from an entrepreneurial leadership style if the leader's actions incorporate effective organizational management systems, including innovation management techniques. The empirical study makes it abundantly evident how entrepreneurial leadership contributes to the growth of MSMEs and yields favorable results. Research by Ariasih et al. (2024) and Nguyen et al. (2021) found that entrepreneurial leadership has a significant effect on MSMEs' competition.

H1: Entrepreneurial leadership has a positive effect on MSMEs competitive advantage

The importance of digital marketing for MSMEs cannot be overlooked, given their competitive advantage and the impact it has on their performance. For MSME companies looking to sell items in the digital marketplace, using digital marketing as a technique to achieve a competitive edge is particularly effective (Novandari et al., 2023). Resource-based View theory is a process for designing strategies that helps firms gain a competitive edge by assessing their strengths and concentrating on managing their resources and their capabilities to maintain that advantage. Social media adoption demonstrates how MSMEs have embraced innovation in marketing methods. Relative advantage is one of a crucial element that determines how SMEs react to marketing innovations and how social media adoption affects enterprises. Numerous studies have demonstrated the numerous advantages of adoption (Febriyantoro & Arisandi, 2018; Utama & Indarwati, 2023). MSMEs' capacity for innovation was stimulated by digitalization. As digital transformation accelerates, MSMEs are able to provide better client offerings through greater customization, improved customer happiness, and decreased cost of sales. MSMEs benefit from higher information technology performance when they employ more digitally embedded business processes. According to the results of the previous study, MSME's performance may be significantly impacted by their adoption and integration of digital marketing into business operations (Alamsyah et al., 2024; Guo et al., 2020).

H2: Digital marketing has a negative effect on MSMEs competitive advantage

In practice, the competency of human resources has a significant role in determining economic sustainability and success levels to enhance well-being, particularly for business players. Based on Resource Based View (RBV) theory, ownership of certain vital resources, particularly

those with value and duplication barriers, is essential to preserving competitive advantage. Benefits may be realized if the business efficiently maximizes these resources. In order to optimize business value, the Resource-based View (RBV) theory places a strong emphasis on strategic decisions, human resource optimization, management, identification, development, and utilization of critical resources. Human resource factors play a major role in an organization's success or failure. An MSME's competitive advantage stems from the ability to distinguish its resource characteristics from those of other companies in the same market share. Enhancing MSME's performance is a key goal of business development, and human resource development helps with this in several ways. HR competence, including skills, knowledge, and aptitude for entrepreneurship, calls for high standards of HR quality. As an employee carries out the tasks assigned to him, the quantity and quality of his work determines his performance. Employees work toward the objectives of the company in addition to their pay or solely for promotions. HR competencies have the power to determine business success because they enable organizations with superior HR competencies to enhance business performance (Sunarti et al., 2023). The competitive MSMEs will be able to make greater contributions to the welfare of society. The role of human resources as the driving force of SMEs is very important for development, where education and also training can improve quality and performance, and the results obtained are better. Studies from Costa & Xiongying (2021) and Millendra & Marwan (2022) found that human resources competence has a significant effect on SMEs' competitive advantage.

H3: HR competence has a positive effect on MSMEs competitive advantage

Due to the phenomena of economies of scale, MSMEs' size now plays a critical role in their success. To gain a competitive advantage over their rivals by cutting production costs and expanding their market share, modern MSMEs aim to grow in size (Kijkasiwat & Phuensane, 2020). Since the RBV theory primarily focuses on the variations in the company performance, it cannot be used in place of other analytical techniques at the industry level. Businesses can only generate high-quality products and fully delight their customers with superior resources. A more efficient business can provide more value for its customers and has reduced expenses while increasing earnings. One important component of business success is the nature of the link between profitability and business size, which may provide some insight into the elements that increase earnings. The type of relationships that MSMEs have inside and outside of their operating environment can be explained largely by the size of their businesses. Et al. (2023) state that large MSMEs typically outperform small SMEs because they impact their stakeholders more. Corporate finance is one of the fields in which the impact of company size has been examined the most. However, the structure conduct performance paradigm emphasizes how crucial market conduct and also concentration is to understanding profitability (Ibrahim et al., 2024). Businesses could be more efficient if they did not have to incur unnecessary costs to handle agency difficulties. The main strategy for obtaining a competitive edge when rivals are unable to quickly copy and compete is business agility. Research by Fernández et al. (2019) and Qosasi et al. (2019) found that business size has a significant effect on MSMEs' competitive advantage.

H4: Business size has a positive effect on MSMEs competitive advantage

Business size is related to how the company selects and also implements leadership strategies into practice. All parts of the company, both in terms of abilities and resources, can become competitive advantages. Business size refers to an organization's competency to carry out a sequence of coordinated tasks, utilizing organizational resources to achieve specific end results. Leadership style in SMEs is important because it is a way for companies to capture the potential value offered by the resources they have. When a company has a leader who utilizes the company's internal resources and also takes advantage of external opportunities, collaborates between internal strategic behavior and the external environment, and configures resources and processes, then competencies are created to compete, which ultimately improves business performance. Research by Phangestu et al. (2020) and Taleb et al. (2023), business size can moderate the effects of entrepreneurial leadership on MSME competitions.

H₅: Business size moderates the effect of entrepreneurial leadership on MSMEs competitive advantage

In an increasingly competitive business environment, MSMEs that can adopt and utilize digital innovation effectively experience increased digital marketing. Business size in marketing can help MSMEs to achieve marketing targets, increase brand awareness and market share, and increase customer satisfaction and loyalty. Business size in digital innovation can help MSMEs face competition, create unique products or services, and also increase customer satisfaction. Apart from that, the importance of developing digital innovation as a tactic to raise the marketing effectiveness of MSMEs. MSMEs need to continue to adapt to changes in digital trends that occur to optimize innovation and increase their competitiveness. In the ever-growing digital era, MSMEs need to utilize digital technology and digital media to reach a broader target market, optimize interactions with customers, and increase the effectiveness of their marketing. Research by Abdurohim et al. (2022) and Ernestivita & Subagyo (2023), business size can moderate the effects of digital marketing on MSME competitions.

H₆: Business size moderates the effect of digital marketing on MSMEs competitive advantage

In MSME sectors, human resources competence must be well-versed in how the company operates in this setting to stay afloat under trying circumstances. The greater HR competence, the more probable they will actively assist the company's other business units in their competence efforts. Thus, one of the main factors contributing to MSMEs' success and one of the biggest advantages of HR competence is seen to be business size. Business size plays a major role in the success of MSMEs' digitalization efforts since they can supply the employees or skills required for these processes, which can be difficult for SMEs in the trade and craft industries. Given the potential opportunities in the market, MSMEs should develop HR professionals adept at navigating the adoption of new technologies. Research by Rokhman et al. (2023) and Willian et al. (2021), business size can moderate the effects of HR competence on MSME competition.

H₇: Business size moderates the effect of HR competence on MSMEs competitive advantage

In East Kalimantan, MSMEs have expanded their product lines, and also promoted consumer-focused goods. The occurrence in the sector is that although the government has played an ideal role in boosting product use through MSMEs, users of MSME items continue to fall short of established goals. The degree of customer satisfaction that is still not distributed equally for services is one of the many issues that arise in MSMEs in East Kalimantan. This is because each MSME's physical facilities and staff capabilities are still uneven, resulting in varying customer satisfaction levels in every MSME. The complicated issues MSMEs face in East Kalimantan are comparable to those faced by businesses operating in the same industries. MSMEs in East Kalimantan must offer the highest quality products to their customers at competitive prices without sacrificing product innovation. One of the most important strategies MSMEs use in East Kalimantan to keep customers and attract new ones to boost satisfaction and sustain performance is customer relationship marketing.

The novelty of this study lies in studying MSMEs' performance during the post-pandemic period; specific regions encountered a decline in economic growth, including East Kalimantan. The selection of MSMEs as research samples is important because this industry plays a significant role in the Indonesian economy during the COVID-19 pandemic. A number of earlier studies have established that there are still discrepancies in each variable's results. This discrepancy may be because the samples used in the previous study were varied. As a result, context-specific research is required to identify more precise empirical data. This research aims to analyze the effects of entrepreneurial leadership, digital marketing, and human resources competence on MSMEs' competitive advantage, which is moderated by business size. The implications of the result of this research are to support growth, resilience, and economic resilience by improving the entrepreneurial ecosystem.

RESEARCH METHOD

This research applied a quantitative and causally associative approach to test the hypothesis. This study incorporates literature studies by referencing articles and journals as theoretical foundations. The location of this study is East Kalimantan. In-depth interviews with MSME actors and also observations are used as primary data sources in this study. Micro, Small, and Medium Enterprises doing business in East Kalimantan are the target demographic. As MSMEs are highly diverse, stratified random sampling will ensure adequate representation from various industries and geographical areas. Therefore, the estimated sample size is 150.

One hundred and fifty MSME entrepreneurs completed a questionnaire that was distributed as a sample. Data collection questionnaires were scored using a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The types of MSMEs were quite diverse, namely the culinary, handicrafts, clothing, and printing sectors. The characteristics of respondents indicated that 64 owned culinary businesses, 21 owned craft businesses, 45 owned businesses in the fashion industry, and 20 owned in the printing sectors. This information was based on the types of businesses that the respondents operated.

Table 2. Research Instrument

Variables	Indicator	Scale
Entrepreneurial Leadership	<ol style="list-style-type: none"> 1. Being brave to act 2. Easy to get along 3. Broadminded 4. Big-hearted 5. Self-confident Harjono et al. (2024)	Likert scale 5 point
Digital Marketing	<ol style="list-style-type: none"> 1. Digital business proves beneficial MSMEs 2. Digital innovation determines the success of MSMEs 3. Standard technology has been embraced by MSMEs in digital business 4. MSMEs have policies in place to strengthen digital business 5. Compared to their rivals, MSMEs adopted distinct digital business models Prihandono et al. (2024)	Likert scale 5 point
HR competence	<ol style="list-style-type: none"> 1. HR skill 2. HR knowledge 3. HR abilities 4. HR problem solving 5. HR adaptability Wongsansukcharoen & Thaweeipaiboonwong (2023)	Likert scale 5 point
Business Size	<ol style="list-style-type: none"> 1. Growth of sales 2. Growth of total assets 3. Profit margin 4. Capital growth 5. Business reputation 6. Employment growth Perényi & Yukhanaev (2016)	Likert scale 5 point
MSMEs Competitive Advantage	<ol style="list-style-type: none"> 1. Having a wider market development 2. Capacity to reduce production costs below budget 3. Being part of a professional team 4. Product updates in accordance with market trends 5. Product marketing innovation 6. supplying goods with designs distinct from those of rival goods Susanti et al. (2023)	Likert scale 5 point

Source: Authors' summary

Based on Table 2, questions on entrepreneurial leadership consist of 5 indicators. Questions on digital marketing consist of 5 indicators. The HR competence consists of 5 indicators. Business size consists of 6 indicators and questions on MSMEs' competitive advantage comprise 6 indicators.

The data analysis method used with SmartPLS, i.e. Partial Least Squares-Structural Equation Modeling (PLS-SEM). In addition to composite reliability and Cronbach's alpha, instrument tests include convergent, discriminant, and AVE validity tests. Structural Equation Modeling (SEM), the method used in data analysis, can directly investigate latent variables, indicator variables, and measurement errors. There are two stages in which the PLS evaluation model is used: the outer model, or measurement model, and the inner model, or structural model. When the probability value \leq alpha (0.05) and the t-statistic value \geq t-table (1.96), The purpose of the test criteria is to determine whether exogenous factors significantly affect endogenous variables (Solimun, 2017).

RESULTS AND DISCUSSION

Results

Characteristics of Respondents

The respondent's characteristics are classified by demographic: owner age, gender, last education level, use of e-commerce, running of business, and type of business. Table 3 presents data related to demographics; for gender category, most are female by 105 (70%) people. The last education level of the respondents was a bachelor's degree, with 129 (86%). The using of e-commerce in the East Kalimantan MSMEs business established was <10 years, with as many as 114 (76%) business actors. The firm age of the MSME's running business was 3-6 years, with 96 (64%) being an actor business. The type of business is culinary, according to 78 (52) business actors. The feasibility level of the questionnaire was distributed to 150 respondents using validity and reliability tests.

Convergent Validity, Cronbach's Alpha, Composite Reliability, and AVE

Convergent validity is evaluated using the correlation of the variables. The construct is considered large if a construct size is more than 0.70 and its scores correlate with item scores. A value of 0.50 to 0.60 is considered sufficient for early-stage research applications. To find out if an indicator has an indicator with a higher correlation than the rest, its AVE value needs to be more than 0.5. A composite reliability analysis was conducted in the interim to determine the instruments' accuracy and dependability for measuring a specific construct. It is considered reliable if the value of composite reliability exceeds 0.70.

Table 3. Characteristics of the Respondents

Characteristics	Items	Frequency	Percentage
Gender	Male	45	30%
	Female	105	70%
Age	20-29	22	14,6%
	30-39	35	23,3%
	40-49	62	41,4%
	50>	31	20,7%
Educational Level	High School	9	6%
	Bachelor Degree	129	86%
	Master Degree	12	8%
Using of E-commerce	<10 years	114	76%
	>10 years	36	24%
Firm Age	Less than 2 years	12	8%
	3-6 years	96	64%
	>10 years	42	28%
Type of business	Culinary	78	52%
	Handicraft	30	20%
	Fashion	27	18%
	Printing	15	10%

Source: Authors calculation, 2024

Based on Table 4, each indicator's factor loading value is more than 0.70, considering Table 1, demonstrating the indicator's reliability in assessing SMEs' competitive advantage. The degree of reliability is indicated by both Cronbach's alpha and composite reliability values, both of which are greater than 0.70. It was determined that every variable was dependable and that the construct reliability of each indicator varied. Additionally, because all of these indicators' AVE values are greater than 0.5, which indicates the degree of convergence, they all meet the requirements for strong convergence.

R- Square

R-square is a metric that expresses how much an independent variable can impact dependent variables. It was deemed weak with an R-square score of 0.25, moderate with a score of 0.50, and strong with a score of 0.75. Table 5 shows the R-Square results.

Table 4. Factor Loadings, Cronbach's Alpha, Composite Reliability, and AVE

Variable	Item Measurement	Factor Loadings	Cronbach's Alpha	Composite Reliability	AVE
Entrepreneurial Leadership (X ₁)	EL.1	0.780	0.861	0.905	0.655
	EL.2	0.898			
	EL.3	0.772			
	EL.4	0.828			
	EL.5	0.760			
Digital Marketing (X ₂)	DM.1	0.737	0.872	0.908	0.662
	DM.2	0.775			
	DM.3	0.861			
	DM.4	0.840			
	DM.5	0.849			
Human Resource Competence (X ₂)	HRC.1	0.713	0.830	0.869	0.594
	HRC.2	0.749			
	HRC.3	0.831			
	HRC.4	0.790			
	HRC.5	0.766			
Business Size (M)	BS.1	0.746	0.901	0.923	0.668
	BS.2	0.891			
	BS.3	0.823			
	BS.4	0.812			
	BS.5	0.852			
	BS.6	0.771			
MSMEs Competitive Advantage (Y)	MSMEs.1	0.707	0.878	0.905	0.615
	MSMEs.2	0.775			
	MSMEs.3	0.831			
	MSMEs.4	0.874			
	MSMEs.5	0.786			
	MSMEs.6	0.720			

Source: Processed data, 2024

Table 5. R-Square

	R-Square (R ²)	R-Square Adjusted	Conclusion
Fraud Prevention (Y)	0.593	0.547	Valid

Source: Data processing with SmartPLS, 2024

Based on Table 5, the effects of entrepreneurial leadership (X₁), digital marketing (X₂), and HR competence (X₃) on MSMEs' competitive advantage (Y) have a value of 0,593 or 59,3%. This

value falls within the moderate range. While the remaining 40,7% is affected by additional factors not covered in this study.

Path Coefficients

Bootstrapping was employed to ascertain whether the variables are correlated. The test criteria are satisfied when both the alpha (0.05) and the t-statistic value (1.96) are less than or equal to the probability value. It is claimed that endogenous variables are significantly influenced by exogenous variables.

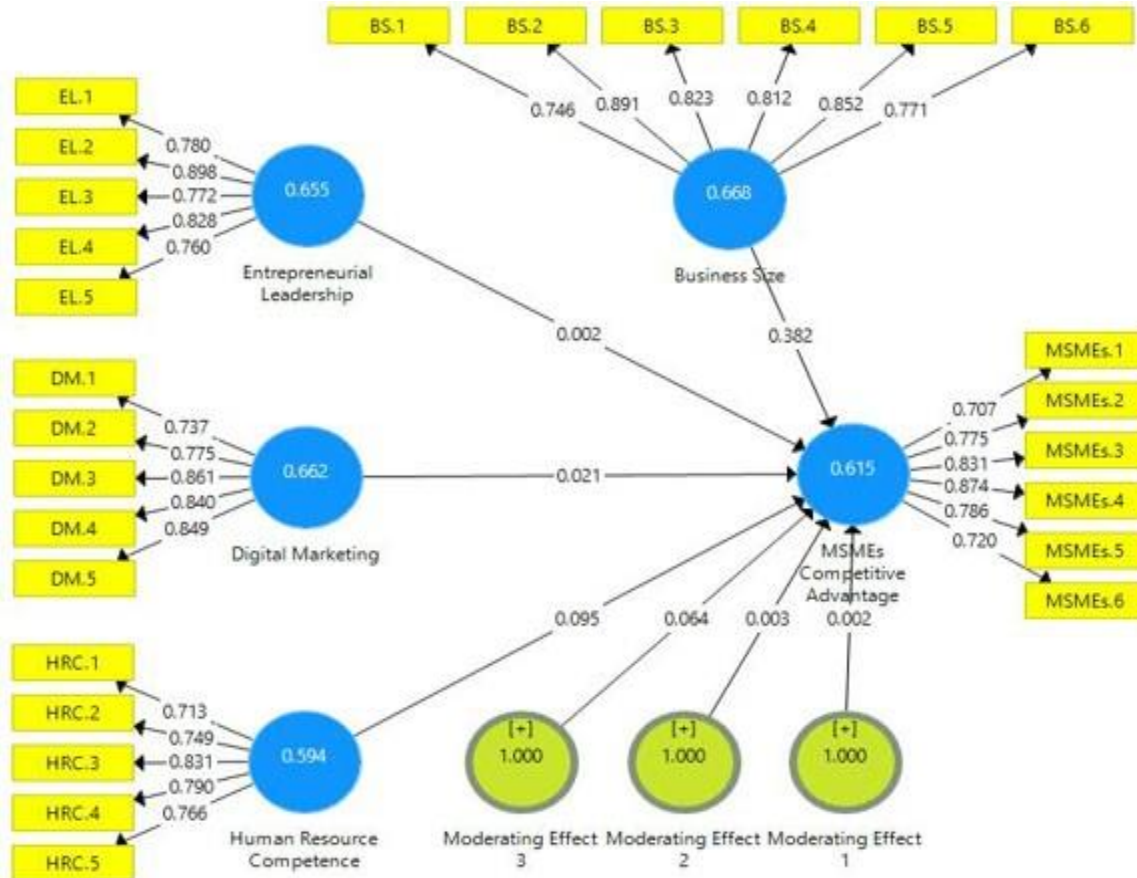


Figure 2. Bootstrapping Results
Source: Data processing with SmartPLS, 2024

Figure 2 shows the testing and analysis of previously stated research hypotheses. The outcomes of the PLS analysis of the empirical research model.

Table 6. Hypothesis Test Results

	<i>T Statistics</i> (<i> O/STDEV</i>)	<i>P-Values</i>	<i>Test Result</i>	<i>Conclusion</i>
Entrepreneurial Leadership (X ₁) → MSMEs Competitive Advantage (Y)	5.319	0.002	Positive and significant	H ₁ Accepted
Digital Marketing (X ₂) → MSMEs Competitive Advantage (Y)	2.611	0.021	Positive and significant	H ₂ Accepted
HR Competence (X ₃) → MSMEs Competitive Advantage (Y)	1.384	0.095	Positive and insignificant	H ₃ Rejected
Business Size (M) → MSMEs Competitive Advantage (Y)	0.763	0.382	Positive and insignificant	H ₄ Rejected
Business Size (M) * Entrepreneurial Leadership (X ₁) → MSMEs Competitive Advantage (Y)	5.319	0.002	Positive and significant	H ₅ Accepted
Business Size (M) * Digital Marketing (X ₂) → MSMEs Competitive Advantage (Y)	4.798	0.003	Positive and significant	H ₆ Accepted
Business Size (M) * HR Competence (X ₃) → MSMEs Competitive Advantage (Y)	1.508	0.064	Positive and insignificant	H ₇ Rejected

Source: Data processing with SmartPLS, 2024

Table 6 displays the test findings. First, there is a strong indication that entrepreneurial leadership had significant positive effects on MSMEs' competitive advantage, as indicated by the t-statistic of 5.319 and p-value of $0.002 < 0.05$. The t-statistics 2.611 and p-value $0.021 < 0.05$ for the second hypothesis indicate that digital marketing significantly affects MSMEs' competitive advantage. According to the third hypothesis, HR competence has an insignificant effect on MSMEs' competitive advantage with t-statistics 1.384 and p-value $0.095 > 0.05$. According to the fourth hypothesis, business size had no significant impact on MSMEs' competitive advantage, with t-statistics of 0.763 and a p-value of $0.382 > 0.05$. The fifth hypothesis demonstrates that using t-statistics 5.319 and a p-value of $0.002 < 0.05$, business size can moderate the impact of entrepreneurial leadership on MSMEs' competitive advantage. The results of the sixth hypothesis test show that, with t-statistics 4.798 and a p-value of $0.003 < 0.05$, the business size can moderate the effect of digital marketing on MSMEs' competitive advantage. The results of the seventh

hypothesis test show that business size cannot moderate the impact of HR competence on MSMEs' competitive advantage, with a t-statistic of 1.508 and a p-value of 0.064, more than 0.05.

Discussion

The Effect of Entrepreneurial Leadership on MSMEs' Competitive Advantage

Based on the result of the study and data analysis, entrepreneurial leadership has a significant and positive effect on MSMEs' competitive advantage in East Kalimantan Province. These results prove that entrepreneurial leadership is crucial to maintaining a sustainable business. Based on RBV theory, entrepreneurial leadership can be the primary source of competitive advantage in modern businesses. This includes managing technology in accordance with customer needs, keeping an eye on market demand, and proactively scanning the environment to maintain business. This may happen due to MSME owners using their full potential in innovation, which includes problem-solving, spotting lucrative opportunities, and coming up with creative ideas and updates for business continuity. The process of linking creativity and the capacity to seize chances to enhance MSMEs' performance is known as entrepreneurial leadership. Every MSME business actor is expected to develop a strong sense of drive and determination to outperform the average person in general (Andriani et al., 2024). An entrepreneur needs to be proactive, energetic, and driven to succeed. This goal makes a person a substantial, realistic, optimistic, and uncompromising individual and generates a strong desire to succeed in entrepreneurship. Then, business actors must have the skills and abilities to communicate what is needed clearly and effectively, as well as strong self-motivation, self-discipline, and the ability to convince others and inspire them. As well as the speed and agility to respond intelligently to various situations quickly and effectively with the aim that the pioneered business can survive and grow sustainably. The findings of this research are consistent with the study from Ariasih et al. (2024) and Nguyen et al. (2021) that entrepreneurial leadership significantly affects MSMEs' competitive advantage.

The Effect of Digital Marketing on MSMEs' Competitive Advantage

Based on the result of data analysis, digital marketing has a significant positive effect on MSMEs' competitive advantage. Through the Resource-Based View (RBV) paradigm, one can observe how HR practices enable digital capabilities and other resources that contribute to long-term competitive advantage. Since investing in the technology essentially requires a fairly high capital, especially for MSMEs, it is possible that this will not occur for some time. Digital marketing programs help MSME owners develop products through social media, allowing them to compete with similar products. Effective digital marketing capabilities are vital for MSME actors in East Kalimantan to increase their competitive advantage (Oduro & Williams, 2023). Effective marketing can support competitive advantage and serve as a strategy in response to market diversity. When market orientation is executed effectively, marketing performance helps MSMEs advance inadvertently. One of the many advantages of adopting a customer-focused approach in business is the capacity to create goods and services that satisfy the wants and needs of customers. High market orientation levels are associated with superior marketing performance in SMEs. A

market-oriented approach generates competitive benefits like innovation, high-quality goods and services, and cost-effectiveness. It is even hoped that it will boost the turnover of business actors in MSMEs, both in East Kalimantan and generally for all MSMEs that are currently in operation. The MSME sector has benefited from applying marketing strategies, which has increased profitability and market share. This study's findings align with those of previous studies conducted by Alamsyah et al. (2024) and Guo et al. (2020). Digital marketing has a significant effect on MSMEs' competitiveness.

The Effect of HR Competence on MSMEs' Competitive Advantage

Based on the result of the data analysis, HR competence has an insignificant effect on MSMEs' competitive advantage. The Resource-Based View (RBV) theory states that good competency does not necessarily affect employee performance in MSMEs, a situation where employees who are considered competent actually get more responsibilities that are sometimes not following their respective competencies. This means the employee must be able to divide the time to work on two different responsibilities. This can affect the performance of highly competent employees (Millendra & Marwan, 2022). Quality human resources are very necessary to achieve MSMEs' goals. To be accepted into an MSME, an employee must have the qualities to be considered worthy of being a member of the company. The way a business is run by its employees determines its success. Human resource development in several areas must go hand in hand with the growth of MSMEs. Quality human resources are essential, particularly regarding HR competencies like knowledge, skills, and entrepreneurial abilities. Business performance can be enhanced by having superior HR competencies. Since competence is a person's fundamental quality that is linked to how well they perform at work, quality employees can be evaluated based on their level of competence. An individual's basic characteristics have a causal or cause-effect relationship with criteria that are used as a reference, effective or excellent or superior performance in the workplace or in certain situations. This study's findings align with those of previous studies conducted by Sunarti et al. (2023) and Sutrisno et al. (2024). Research showed that HR competence has insignificant effects on MSMEs' competitive advantage.

The Effect of Business Size on MSMEs' Competitive Advantage

Based on the result of data analysis, business size has insignificant effects on MSMEs' competitive advantage. The RBV theory focuses on the extent to which businesses aim to gain a competitive edge by improving their strategic knowledge and information from both internal and external sources. Its suggested that companies that access external information resources and integrate their internal resources may be able to gain a short-term competitive advantage because knowledge and information should be used when needed to solve a particular problems. Large businesses can gain from diversification, improved access to capital markets, economies of scale and scope, specialization, improved agreements with trading partners, and simpler access to human resources (Gyamera et al., 2023). Smaller businesses with fewer resources are more negatively impacted by competitive disadvantage. In addition to having detrimental effects, assigning workers in an unprepared manner necessitates more resources to address business issues. Because they have the financial means to do so, large businesses are more likely than small businesses to invest in cutting-

edge technology and other crucial equipment. Furthermore, it is possible for large companies to execute plans more effectively and efficiently than small ones due to their larger capacity for resources. Large businesses with more resources are probably more risk-tolerant and also more resilient to pressure from the competition. The statistically significant correlation between size and performance suggests that large companies will outperform very small ones due to the diversity of skills in their workforce. These research findings align with studies by Estiasih et al. (2024) and Vo (2022) that business size has insignificant effects on MSMEs' competitive advantage.

The Effect of Entrepreneurial Leadership on MSMEs' Competitive Advantage Companies Moderated by Business Size

Considering the outcomes of the data analysis, business size can moderate the effect of entrepreneurial leadership on MSMEs' competitive advantage. Business size has great potential to improve the leadership style of MSMEs. MSMEs can adopt and utilize leadership styles effectively in an increasingly competitive business environment. Business leadership can help MSMEs face competition, create unique products or services, and increase customer satisfaction. Apart from that, the importance of developing leadership as a strategy to improve business performance. MSMEs need to continue to adapt to changes in leadership style that occur to optimize innovation and increase their competitiveness. When a company has a leader who utilizes the company's internal resources and also takes advantage of external opportunities, collaborates between internal strategic behavior and the external environment, and configures resources and processes, then competencies are created to compete, which ultimately improves business performance. Phangestu et al. (2020) and Taleb et al. (2023) found business size can moderate the effects of entrepreneurial leadership on MSMEs' competitions.

The Effect of Digital Marketing on MSMEs' Competitive Advantage Moderated by Business Size

Considering the outcomes of the data analysis, business size can moderate the relationship between digital marketing and MSMEs' competitive advantage. Business size has a great potential to improve the digital marketing aspects of SMEs. In an increasingly competitive business environment, MSMEs that can adopt and also utilize digital innovation effectively experience increased marketing performance. Digital innovation in business can help MSMEs achieve marketing targets, increase brand awareness and market share, and increase customer satisfaction and loyalty (Guo et al., 2020). Digital marketing can help MSMEs face competition, create unique products or services, and also increase customer satisfaction. Apart from that, it is important to develop digital marketing as a strategy to improve MSMEs' marketing performance. MSMEs need to continue adapting to changes in digital trends to optimize innovation and increase competitiveness. MSMEs need to utilize digital technology and also digital media to reach a broader target market, optimize interactions with customers, and increase the effectiveness of their marketing. This is in accordance with the study by Abdurohim et al. (2022) and Ernestivita &

Subagyo (2023), the business size is proven to be able to moderate the effects of digital marketing on MSME competitions.

The Effect of HR Competence on MSMEs' Competitive Advantage Moderated by Business Size

Considering the data analysis outcomes, business size cannot moderate the relationship between HR competence and MSMEs' competitive advantage. Based on the value of HR competence, it is argued that it cannot be acquired through simple means. Since competently complex resources must follow guidelines or be managed directly, competitors may not be able to reap the same advantages. The value of past deeds, and also performance can be transferred to the following generation when MSMEs are known for building HR competence. Its distinctive and complex character is linked to the performance of SMEs and can support the viability of businesses in the marketplace (Millendra & Marwan, 2022) However, HR competence is also criticized for being difficult to maintain. One is that performances will vary when business owners switch roles. Access is becoming faster, easier to obtain, and even capable of connecting to other parts of the globe to advance a more technologically advanced era. Business size use appears to create group exclusivity since not all users can take advantage of the opportunities due to service restrictions based on factors like age, gender, etc. The following study from Farida & Setiawan (2022), proved that the business size cannot significantly mediate the effects of HR competence on MSMEs' competitiveness.

CONCLUSION

The study findings, which are based on the data analysis and discussion, entrepreneurial leadership, and digital marketing have a significant effect on MSME's competitiveness. While HR competence and business size have an insignificant effect on MSMEs' competitive advantage in East Kalimantan Province. Business size is proven to be able to moderate the effect of entrepreneurial leadership and digital marketing on MSMEs' competitive advantage in East Kalimantan Province. The business size is unable to moderate the relationship between HR competence and MSMEs' competitive advantage.

To improve the performance of MSMEs, the government, owners, and managers can all benefit greatly from the research findings. Leadership is essential for MSME owners and managers to boost business performance and preserve competitive advantage. The government can help MSMEs boost their digital marketing through workshop programs or specialized marketing training. The findings of this study can be used as a guide by future researchers who are working on related problems. Transform MSMEs into the formal sector, and make it easier for them to access various government assistance programs. Other key priorities include increasing market access and enhancing product quality. MSMEs' competitiveness in the market can be raised by enhancing product quality. In the meantime, broadening market access will enhance MSME growth and sales prospects.

The limitation of this research lies in the relatively small sample size. For further research, the author recommends increasing the sample size by selecting a wider research object so that

generalization can be carried out and increasing the number of predictor variables, such as social capital, green leadership, market sense, and innovation culture. Furthermore, limitations in the duration of the study also need to be considered. This research may only cover a certain period, which does not necessarily reflect the overall business dynamics of MSMEs. Market trends or economic policy changes may influence research results over time.

List of Abbreviations

Micro, Small, and Medium Enterprises (MSMEs); Partial Least Squares-Structural Equation Modeling (PLS-SEM); Average Variance Extracted (AVE).

Authors' Contribution

N conceptualized and drafted the manuscript and final article draft. Meanwhile, *ANZ* data curation and data analysis were also used.

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