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Unlocking Export Performance: The Mediating Power Of Competitive Advantage For Indonesian Smes

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Abstract: Micro, Small, and Medium Enterprises (MSMEs) contribute greatly to the national economy, but their involvement in exports is still minimal. This study analyzes the effect of export capabilities on MSME performance with competitive advantage as a mediating variable. The six capabilities analyzed include market intelligence, product innovation, pricing, marketing communication, distribution, and product development capability. This study used a quantitative approach with the Partial Least Squares Structural Equation Modeling (PLS-SEM) method, involving 250 export MSME actors selected through purposive sampling. Data were collected through questionnaires and analyzed using Smart PLS 4.0. The results showed that five of the six export capabilities - except product innovation capability - have a significant effect on competitive advantage. Competitive advantage itself is proven to have a strong effect on MSME performance and mediates the relationship between several export capabilities and that performance. A significant positive mediation effect was found in market intelligence (0.501), marketing communication (0.506), and distribution capability (0.338). However, pricing and product development capability showed a negative mediation effect. This research provides practical contributions for MSMEs and policy makers in designing strategies to increase export competitiveness. The development of capabilities such as distribution, marketing communications, and market intelligence needs to be prioritized.
Keywords: Export Capabilities, Competitive Advantage, SME's Performance, Export

1. INTRODUCTION

Please Write the Introduction and Body of the article with details. Based on Law Number 20 of 2008, Micro, Small, and Medium Enterprises (MSMEs) are productive business activities carried out by individuals or business entities according to certain criteria, and have a strategic role as the backbone of the national economy through their contribution to Gross Domestic Product (GDP), employment, and poverty alleviation. Indonesia itself is one of the countries with the largest number of MSMEs, covering various economic sectors and classified based on the number of employees, assets, and annual income, making it an important foundation for national economic growth and stability.

According to data from the Indonesian Chamber of Commerce and Industry (KADIN) in 2023, there are around 66 million Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, making it a dominant sector in the national economic structure. MSMEs contribute 61% to Gross Domestic Product (GDP), or equivalent to IDR 9,580 trillion. In addition to their very large numbers, MSMEs also play an important role in improving the economic and social welfare of the community, by absorbing around 97% of the workforce, thus becoming the main driver of the economy both at the local and national levels (Rheavanya, 2023; Yusuf, 2022). Based on data from the Ministry of Trade of the Republic of Indonesia (KEMENDAG), Indonesia's exports in the period from January to November 2024 increased by 2.06% compared to the previous year. This shows that Indonesia's export performance remains stable despite challenges from global economic conditions. Most of Indonesia's exports come from the non-oil and gas sector which contributes significantly to total exports. Among the sectors involved, the industrial sector dominates the largest export share, followed by the mining, oil and gas, and agricultural sectors, reflecting the importance of industry in driving Indonesia's economic growth in the international market.

Micro, Small, and Medium Enter` prises (MSMEs) have a strategic role in the Indonesian economy, but their contribution to exports is still low compared to other ASEAN countries. According to data from the

Coordinating Ministry for Economic Affairs (2023), the contribution of MSMEs to national exports is only 15.7%, far below Singapore (41%) and Thailand (29%). With the largest population and Gross Domestic Product (GDP) in ASEAN, as well as rich natural resources, the contribution of Indonesian MSME exports remains low, at only 14.4%, lower than Vietnam (18.7%) and Myanmar (23.7%). This shows that there are still major challenges in optimizing the role of MSMEs in international trade.

Data from the Central Statistics Agency (BPS) recorded that Indonesia's exports in December 2023 reached USD 22.41 billion, up 1.89% from the previous month but down 5.76% compared to December 2022. This annual decline reflects pressure from global market conditions and demand from major trading partners.

In terms of sectors, exports of processed industrial products remain the main contributor with a portion of 72.24% of total non-oil and gas exports based on the BPS report. However, this sector recorded a decline of 9.26% compared to the previous year, largely due to weakening global demand for Indonesia's leading manufacturing products such as textiles, electronics, and palm oil-based products. Meanwhile, the agriculture, forestry, and fisheries sector, which contributed 1.81% of total non-oil and gas exports, also experienced a decline of 10.04%. This decline was triggered by the decline in global commodity prices and challenges in maintaining the quality and quantity of production, such as in the export of coffee and horticultural products. Furthermore, the mining sector showed the largest decline of 20.68% due to the decline in coal and mineral prices on the international market and export restriction policies to increase domestic processing.

In a regional context, data shows that West Java is the region with the largest contribution to total national exports. Throughout 2023, this province recorded an export value of USD 36.63 billion or 14.15 percent of Indonesia's total exports. The second position is occupied by East Kalimantan with an export value of USD 27.94 billion (10.79 percent), followed by East Java with USD 22.43 billion (8.66 percent). These three provinces cumulatively contributed 33.60 percent of total national exports, confirming the central role of these regions in the Indonesian economy. (Central Bureau of Statistics).

Indonesia's non-oil and gas exports have been quite volatile in the last seven years, Indonesia's non-oil and gas export performance shows a fairly fluctuating pattern. A significant decline occurred in 2019 - 2020. In 2019, non-oil and gas exports were affected by the decline in global commodity prices which was the main factor in slowing export growth, considering that Indonesia's export structure is heavily dependent on primary commodities and natural resource-based industries which shows that the MSME export sector needs to be increased to offset this fluctuation (Marheni, 2022) As a result, export growth in that period fell by 4.27% compared to the previous year.

Indonesia's fluctuating non-oil and gas export performance reflects structural challenges, such as dependence on certain commodities and the impact of unpredictable global dynamics. To improve export stability, product diversification and strengthening of the manufacturing sector are needed, including from the MSME sector whose contribution is still low. The internationalization of MSMEs plays an important role in improving internal capabilities, technology, and skills that support sustainable growth. Despite its great potential, many MSMEs are still trapped in the local market due to obstacles such as limited capital, low technology adoption, and difficulty in meeting international standards.

Research shows that competitive advantage can be achieved through cost efficiency, product innovation, and quality service. According to Hatammimi & Thahara (2022), product innovation plays a critical role in enhancing competitive advantage within small-scale enterprises, contributing approximately 15% to its formation. Entrepreneurial marketing also plays an important role in improving MSME business performance, as supported by a study conducted by Susilo & Yuldinawati (2024) on fashion-sector MSMEs in Bandung. Their findings reveal that internal capabilities such as effective resource utilization, measured risk-taking, and opportunity orientation significantly enhance business performance. However, internal capabilities alone are not sufficient. Wahyuningtyas et al. (2023) emphasize that stronger governmental assistance significantly increases the competitiveness of cooperatives, which also applies to MSMEs facing similar systemic barriers in scaling their operations.

This study aims to identify the main sub-variables that have a significant effect on the export performance of MSMEs, focusing on the aspects of cost, product, and service. These three aspects were selected based on previous research findings that confirmed that low-cost strategies, product innovation, and high-quality services contribute to the competitiveness of MSMEs in the global market. These findings also show that internal capabilities and adaptive competitive advantages are essential to compete with foreign products that are increasingly aggressive in terms of price. By strengthening previous findings while adding new perspectives, this study is expected to be the basis for designing a more effective and sustainable export strategy for Indonesian MSMEs.

Research Hypothesis

The research in this study represents an integration of the conceptual models developed by Falahat et al. (2020) and Zou et al. (2003), both of which investigate how internal firm capabilities contribute to competitive advantage and export performance in small and medium-sized enterprises (SMEs). Falahat et al. highlight the roles of Market Intelligence, Product Innovation, Pricing, and Marketing Communication capabilities, while Zou et al. stress the significance of Distribution and Product Development capabilities. This integrative approach is aligned with the context of Indonesian export-oriented MSMEs, where internal capabilities play a central role in enhancing competitiveness. Based on this synthesis, the following hypotheses are developed to examine the mediating role of competitive advantage.

H1: Market Intelligence has a positive influence on Competitive Advantage on MSME Exports in Indonesia.
H2: Product Innovation Capability has a positive influence on Competitive Advantage on MSME Exports in Indonesia.
H3: Pricing Capability has a positive influence on Competitive Advantage on MSME Exports in Indonesia.
H4: Market Communication Capability has a positive influence on Competitive Advantage on MSME Exports in Indonesia.
H5: Distribution Capability has a positive influence on performance Competitive Advantage on MSME Exports in Indonesia.
H6: Product Development has a positive influence on performance Competitive Advantage on MSME Exports in Indonesia.
H7: Competitive Advantage has a positive influence on export performance in Indonesia.
H8: Competitive Advantage mediate influence Market Intelligence Capability to Export Performance
H9: Competitive Advantage mediate influence Product Innovation Capability to Export Performance
H10: Competitive Advantage mediate influence Pricing Capability to Export Performance
H11: Competitive Advantage mediate influence Marketing Communication Capability to Export Performance
H12: Competitive Advantage mediate influence Distribution Capability to Export Performance
H13: Competitive Advantage mediate influence Product Development Capability to Export Performance`

2. METHOD

This study used a quantitative approach that aims to reveal facts objectively through numerical data analysis. This type of research was descriptive, which aims to describe certain conditions or phenomena systematically and accurately, as explained by Darwin et al. (2021) and Cooper & Schindler (2014), without manipulating the variables studied. Descriptive research is widely used to gain a comprehensive understanding of the object of study.

Data collection was carried out using a questionnaire based on the theoretical framework and research objectives. In addition, this study uses a cross-sectional approach, namely data collection at a certain time without monitoring long-term changes.

In this study, the population used is all export UMKM actors in Indonesia who meet certain criteria. The number of populations referred to in this study is not known for certain.

This research uses the technique purposive sampling in selecting the sample, namely the sampling method based on specific criteria that are in accordance with the research objectives. The sample criteria determined are:

Determination of the number of samples must be done correctly so that the samples obtained can represent the research population. The minimum number of samples that must be used in this study is 96 respondents. This is done to ensure that the data collected is able to represent the population accurately. Adequate samples will increase the external validity and inference power of the study. In addition, the minimum sample calculation helps in resource efficiency, both in terms of time, cost, and energy, so that the research becomes more planned, more effective and efficient.

3. FINDINGS AND DISCUSSIONS

Descriptive Variables Market Intelligence Capability (X1)

Variables Market Intelligence Capability in this study measured by 5 indicators. The following is a summary of the respondents' answers to each statement.

Table 1. Descriptive Analysis of Variables Market Intelligence Capability (X1)

Challenge Items	STS (1)	TS (2)	N (3)	S (4)	SS (5)	Number of Respondents	Shoes Total	Rather Ideal	Presentation
MIC1: How well do you understand regulatory changes in the export market?	55	36	0	81	78	250	841	1250	67.3%
MIC2: How quickly can your company understand changing customer desires in export markets?	33	31	79	26	81	250	841	1250	67.3%
MIC3: How well does your company recognize competitors' strategies in export markets?	3	36	97	86	28	250	850	1250	68.0%
MIC4: How quickly can your company understand changes in distribution channels in export markets?	27	64	25	56	78	250	844	1250	67.5%
MIC5: How well does your company understand changing demand and trends in export markets?	37	54	0	102	57	250	838	1250	67.0%
TOTAL							4214	6250	67.4%

Source: Author Data Processing (2025)

Based on Table 4.7, it can be seen that from the results of the analysis of the five statements that measure Market Intelligence Capability obtained a total score of 4,214 from an ideal score of 6,250, resulting in an average percentage of 67.4%. Based on Table 4.6, this value is included in the "Quite Good" category. This means that, in general, the respondents have a fairly good ability to understand the information and dynamics that occur in the export market.

The highest-scoring statement is MIC3: "How well does your company recognize competitors' strategies in export markets?", with a percentage of 68.0%. This shows that respondents are quite confident in their company's ability to identify competitors' strategies, and this aspect is one of the strengths in market intelligence capabilities.

Meanwhile, the statement with the lowest score was MIC5: "How well does your company understand changes in demand and trends in the export market?", with a score of 67.0%. Although still in the "quite good" category, this result indicates that understanding of export market trends and demand can still be improved, for example by strengthening market data analysis and increasing customer feedback.

Descriptive Variables Product Innovation Capability (X2)

Variables Product Innovation Capability in this study measured by 5 indicators. The following is a summary of the respondents' answers to each statement.

Table 2 Descriptive Analysis of Variables Product Innovation Capability(X2)

Challenge Items	STS (1)	TS (2)	N (3)	S (4)	SS (5)	Number of Respondents	Shoes Total	Rather Ideal	Presentation
PIC1: How well is your company able to adapt products to suit export market demands and tastes?	36	55	45	58	56	250	793	1250	63.4%
PIC2: How well does your company develop new products or services for export markets?	55	36	0	30	129	250	892	1250	71.4%
PIC3: How well is your company able to manage new product development to meet export market needs?	0	12	155	79	4	250	825	1250	66.0%
TOTAL							2510	3750	66.9%

Source: Author Data Processing (2025)

Based on Table 7, it can be seen that from the results of the analysis of the three statements that measure Product Innovation Capability obtained a total score of 2,510 from an ideal score of 3,750, resulting in an average percentage of 66.9%. Based on Table 5, this percentage is included in the "Quite Good" category. This means that the company's ability to innovate products for the export market is considered quite adequate by respondents.

The statement with the highest score is PIC2: "How well does your company develop new products or services for export markets?" with a percentage of 71.4%, which is included in the "Good" category. This indicates that the company is considered quite capable of creating new products or services that suit the needs of the export market.

Meanwhile, the statement with the lowest score was PIC1: "How well is your company able to adjust products to suit export market demands and tastes?" with a score of 63.4%, which is still in the "Quite Good" category. This indicates challenges in the process of adjusting products to overseas market preferences.

Descriptive Variables Pricing Capability (X3)

Variables Pricing Capability in this study measured by 5 indicators. The following is a summary of the respondents' answers to each statement.

Table 3 Descriptive Analysis of Variables Pricing Capability (X3)

Challenge Items	STS (1)	TS (2)	N (3)	S (4)	SS (5)	Number of Respondents	Shoes Total	Rather Ideal	Presentation
PC1: How well is your company able to adjust prices according to export market conditions?	55	36	0	56	103	250	866	1250	69.3%
PC2: How well does your company respond to price changes made by competitors in export markets?	12	24	132	27	55	250	839	1250	67.1%
PC3: How well is your company able to respond to customer needs regarding pricing factors in the export market?	26	65	50	107	2	250	744	1250	59.5%
PC4: How effective is your company in conveying price information to customers in export markets?	28	39	24	81	78	250	892	1250	71.4%
TOTAL							3341	5000	66.8%

Source: Author Data Processing (2025)

Based on Table 8, the total score for all statements in the Pricing Capability variable is 3,341 out of an ideal score of 5,000, with an average percentage of 66.8%. Referring to Table 7 Interpretation Criteria, this figure is included in the "Quite Good" category. This means that the company's ability to set and manage product prices for the export market is considered sufficient by the respondents.

Of the four statements, the one with the highest score is PC4: “How effective is your company in communicating price information to customers in export markets?” with a percentage of 71.4%, which is included in the “Good” category. This indicates that the company is considered quite successful in communicating price information to export customers.

In contrast, the statement PC3: “How well is your company able to respond to customer needs related to price factors in the export market?” received the lowest score, namely 59.5%, which is at the lower limit of the "Quite Good" category. This indicates that there is room for improvement in terms of understanding and adjusting to customer price preferences in the export market.

Descriptive Variables Marketing Communication Capability (X4)

Variables Marketing Communication Capability in this study measured by 5 indicators. The following is a summary of the respondents' answers to each statement.

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Table 4 Descriptive Analysis of Variables Marketing Communication Capability (X4)

Challenge Items	STS (1)	TS (2)	N (3)	S (4)	SS (5)	Number of Respondents	Shoes Total	Rather Ideal	Presentation
MCC1: How well is your company able to develop effective marketing communications programs?	10	54	52	103	31	250	841	1250	67.3%
MCC2: How good is your company at launching marketing communications programs for export markets?	81	10	76	31	52	250	713	1250	57.0%
MCC3: How well can your company manage marketing communications programs for export markets?	1	38	52	52	107	250	976	1250	78.1%
MCC4: How skilled is your company in using marketing communications programs for export markets?	10	81	25	131	3	250	786	1250	62.9%
TOTAL							3316	5000	66.3%

Source: Author Data Processing (2025)

Based on Table 9, the total score of all statements in the variable Marketing Communication Capability is 3,316 out of an ideal score of 5,000, with an average percentage of 66.3%. This shows that the company's ability to carry out marketing communications for the export market is included in the "Quite Good" category.

Of the four statements, the highest score is on MCC3: “How well can your company manage marketing communication programs for export markets?” with a percentage of 78.1%, included in the "Good" category. This shows that respondents consider the company to have quite good management in terms of marketing communication management.

Meanwhile, the lowest value is in MCC2: "How good is your company in launching marketing communication programs for export markets?" with a percentage of 57.0%, which indicates that the company's ability in the implementation or launch stage of communication programs to export markets is still weak.

Descriptive Variables Distribution Capability(X5)

Variables Distribution Capability in this study measured by 5 indicators. The following is a summary of the respondents' answers to each statement.

Table 5 Descriptive Analysis of Variables Distribution Capability(X5)

Challenge Items	STS (1)	TS (2)	N (3)	S (4)	SS (5)	Number of Respondents	Shoes Total	Rather Ideal	Presentation
DC1: How well does your company meet the needs of distributors in export markets?	2	62	83	31	72	250	859	1250	68.7%
DC2: How much added value does your company provide to distributors in export markets?	29	35	48	56	82	250	877	1250	70.2%
DC3: How close is your company's working relationship with distributors/retailers in the export market?	61	2	53	79	55	250	815	1250	65.2%
DC4: What level of support does your company provide to distributors in export markets?	1	66	80	78	25	250	810	1250	64.8%
TOTAL							3361	5000	67.2%

Source: Author Data Processing (2025)

From Table 10, it can be seen that the total overall score of the variables Distribution Capability is 3,361 out of an ideal score of 5,000, with an average percentage of 67.2%. This shows that the company's distribution capability in the context of the export market is in the "Quite Good" category.

The statement with the highest score was in DC2: "How much added value does your company provide to distributors in the export market?" with a percentage of 70.2%, indicating that respondents considered the company relatively capable of providing added value to distributors in the export context.

Meanwhile, the statement with the lowest score was DC4: "How high is the level of support provided by your company to distributors in export markets?" with a percentage of 64.8%, indicating that the company's support for distributors can still be improved in order to support distribution effectiveness in international markets.

Descriptive Variables Product Development Capability (X6)

Variables Product Development Capability in this study measured by 5 indicators. The following is a summary of the respondents' answers to each statement.

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Table 6 Descriptive Analysis of Variables Product Development Capability (X6)

Challenge Items	STS (1)	TS (2)	N (3)	S (4)	SS (5)	Number of Respondents	Shoes Total	Rather Ideal	Presentation
PDC1: How good is your company at developing new export products to leverage R&D investments?	55	12	25	78	80	250	866	1250	69.3%
PDC2: How successful is your company in launching new products for export markets?	63	0	73	56	58	250	796	1250	63.7%
PDC3: How fast is your company in developing and launching new products for export markets?	9	31	107	52	51	250	855	1250	68.4%
PDC4: How effective is your company's new product development system for export markets?	29	62	0	79	80	250	869	1250	69.5%
TOTAL							3386	5000	67.7%

Source: Author Data Processing (2025)

Based on the data in Table 11, the total overall score of the variables Product Development Capability is 3,386 out of an ideal score of 5,000, resulting in an average percentage of 67.7%. This shows that the company's ability to develop new export products is still in the "Quite Good" category.

The statement with the highest score is PDC4: "How effective is your company's new product development system for export markets?" with a percentage of 69.5%, indicating that the product development system is considered relatively quite effective by the respondents.

Meanwhile, the lowest score was on PDC2: "How successful is your company in launching new products for export markets?" with a percentage of 63.7%, indicating that the success of export product launches still needs to be improved.

Descriptive Variables Competitive Advantage (M)

Variables Competitive Advantage in this study measured by 5 indicators. The following is a summary of the respondents' answers to each statement.

Table 7 Descriptive Analysis of Variables Competitive Advantage (M)

Challenge Items	STS (1)	TS (2)	N (3)	S (4)	SS (5)	Number of Respondents	Shoes Total	Rather Ideal	Presentation
CA1: How well does your company compare its competitive advantages in terms of costs with major competitors?	9	82	25	100	34	250	818	1250	65.4%
CA2: How well does your company's selling price compare to major competitors?	80	11	56	2	101	250	783	1250	62.6%
CA3: Is your product perceived to be of better quality than major competitors?	11	1	79	87	72	250	958	1250	76.6%
CA4: How unique is your packaging design, branding, or product compared to competitors?	9	82	45	80	34	250	798	1250	63.8%
CA5: How good is your company at developing or customizing products to meet customer needs?	29	62	26	58	75	250	838	1250	67.0%
CA6: How good is your product accessibility compared to competitors?	26	37	60	23	104	250	892	1250	71.4%
CA7: How good is the technical support and after-sales service	37	30	24	126	33	250	838	1250	67.0%

Challenge Items	STS (1)	TS (2)	N (3)	S (4)	SS (5)	Number of Respondents	Shoes Total	Rather Ideal	Presentation
you offer to customers?									
CA8: How well does the delivery of goods and its reliability meet your customers' expectations?	0	91	0	82	77	250	895	1250	71.6%
CA9: How satisfied are end customers with the quality of service you provide?	30	34	83	23	80	250	839	1250	67.1%
CA10: How satisfied are end customers with their overall experience of the services you provide?	35	28	73	88	26	250	792	1250	63.4%
TOTAL							4195	6250	67.1%

Source: Author Data Processing (2025)

Based on the data in Table 12, the total overall score of the variables Competitive Advantages 4,195 from the ideal score of 6,250 which produces an average percentage of 67.1%. This shows that the company's competitive advantage is in the "Quite Good" category.

The statement with the highest score was CA3: “Is your product considered to be of better quality compared to major competitors?” with a percentage of 76.6%, indicating that the company’s product quality is considered superior by respondents compared to other aspects.

Meanwhile, the lowest score was on CA2: “How good is your company’s selling price compared to major competitors?” with a percentage of 62.6%, indicating that the price aspect is still a relative weakness in the company’s competitiveness.

Descriptive Variables of SME’s Performance (AND)

SME's variable Performance this study measured by 5 indicators. The following is a summary of the respondents' answers to each statement.

Table 8 Descriptive Analysis of Variables Sme's Performance (AND)

Challenge Items	STS (1)	TS (2)	N (3)	S (4)	SS (5)	Number of Respondents	Shoes Total	Rather Ideal	Presentation
SP1: How much has your company's export sales	54	37	31	74	54	250	787	1250	63.0%

Challenge Items	STS (1)	TS (2)	N (3)	S (4)	SS (5)	Number of Respondents	Shoes Total	Rather Ideal	Presentation
increased in the last year?									
SP2: How successful have you been in entering new international markets in the past year?	36	3	122	32	57	250	821	1250	65.7%
SP3: How much does the international market contribute to your company's profit growth?	2	62	47	36	103	250	926	1250	74.1%
TOTAL							2534	3750	67.6%

Source: Author Data Processing (2025)

Based on the data in Table 13, the total overall score of the SME's variables Performance is 2,534 from the ideal score of 3,750 which produces an average percentage of 67.6%. This shows that the performance of small and medium enterprises (SMEs) in terms of exports and international market penetration is in the "Quite Good" category.

The statement with the highest score is SP3: "How much does the international market contribute to your company's profit growth?" with a percentage of 74.1%, indicating that the international market has a relatively significant positive impact on the company's profitability.

Meanwhile, the lowest score was on SP1: "How much has your company's export sales increased in the past year?" with a percentage of 63.0%, indicating that the increase in export volume is still moderate and is an aspect that needs to be improved.

Measurement Model Testing (Outer Model)

Testing Convergent Validity

The measurement model in this study consists of a reflective measurement model where the variables Market Ability, Product Innovation Ability, Pricing Ability, Marketing Communication Ability, Distribution Ability, Product Development, Competitive Advantage and MSME Performance are measured reflectively. In Hair et al (2021), the evaluation of the reflective measurement model consists offloading factor ≥ 0,70 composite reliability ≥ 0,70, Cronbach's alpha and average variance extracted (AVE ≥ 0.50) and evaluation of discriminant validity, namely the criteria fornell and paints as well as HTMT (Heterotrait Monotrait Ratio) below 0.90.

Table 9 Test Results Convergent Validity

Variables	Measurement Items	Outer Loading	AVE	Conclusion
	MIC1	0.938	0.753	Valid

Variables	Measurement Items	Outer Loading	AVE	Conclusion
Market Intelligence Capability (X1)	MIC2	0.792		Valid
	MIC3	0.770		Valid
	MIC4	0.878		Valid
	MIC5	0.945		Valid
Product Innovation Capability(X2)	PIC1	0.911		Valid
	PIC2	0.888	0.722	Valid
	PIC3	0.741		Valid
Pricing Capability (X3)	PC1	0.975		Valid
	PC2	0.644	0.909	Valid
	PC3	0.924		Valid
	PC4	0.961		Valid
Marketing Communication Capability (X4)	MCC1	0.924		Valid
	MCC2	0.825	0.834	Valid
	MCC3	0.920		Valid
	MCC4	0.978		Valid
Distribution Capability(X5)	KD1	0.876		Valid
	KD2	0.793	0.716	Valid
	KD3	0.854		Valid
	KD4	0.859		Valid
Product Development Capability (X6)	PDC1	0.956		Valid
	PDC2	0.735	0.758	Valid
	PDC3	0.794		Valid
	PDC4	0.972		Valid
Competitive Advantage (M)	CA1	0.896		Valid
	CA2	0.905		Valid
	CA3	0.818		Valid
	CA4	0.863		Valid
	CA5	0.913		Valid
	CA6	0.848	0.760	Valid
	CA7	0.871		Valid
	CA8	0.973		Valid
	CA9	0.809		Valid
	CA10	0.805		Valid
SME's Performance (AND)	SP1	0.938		Valid
	SP2	0.727	0.762	Valid
	SP3	0.937		Valid

Based on the loading factor values obtained in table 14, it shows that almost all indicators have loading factor> 0.7 so it is stated as valid in measuring each of its constructs. Except for PC2 with a value of outer loading of 0.644. Likewise, all variables that have an AVE value greater than 0.5 can be concluded that the model has convergent validity good. As seen in the following picture.

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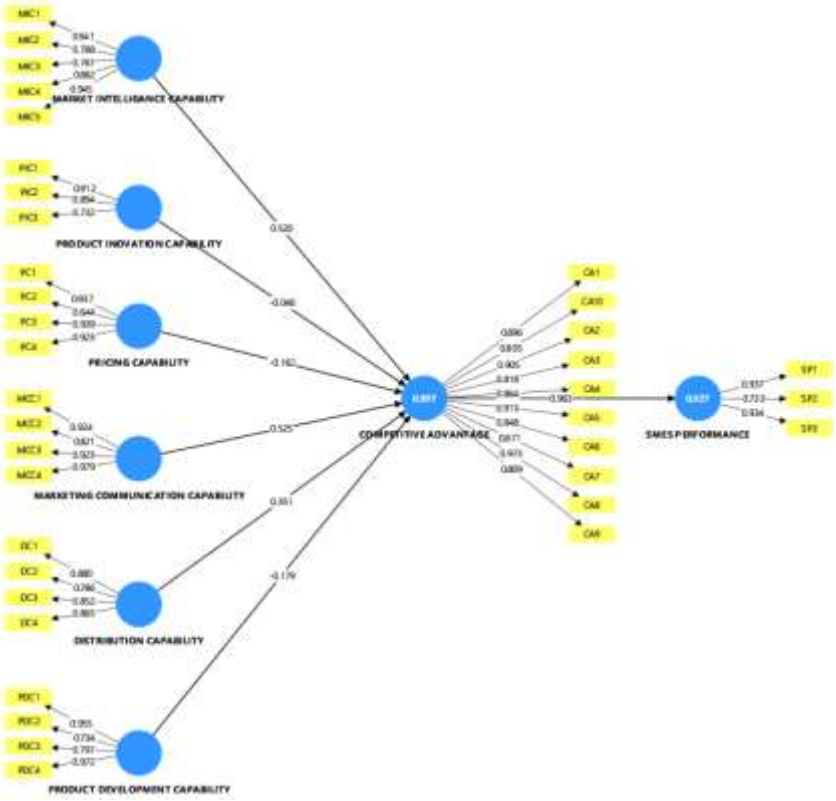

Figure 4PLS Algorithm Test Results

Testing Discriminant Validity

Test discriminant validity can be seen using the test Cross Loading, Fornell-Larcker and Heterotrait-Monotrait (HTMT).

Table 10 Test Results Cross Loading

Indicator	THAT	DC	MIC	MCC	PC	PDC	PIC	SP
CA1	**0.896**	0.829	0.895	0.925	0.930	0.873	0.858	0.834
CA10	**0.805**	0.715	0.789	0.829	0.787	0.773	0.830	0.803
CA2	**0.905**	0.944	0.890	0.861	0.876	0.889	0.871	0.871
CA3	**0.818**	0.791	0.811	0.795	0.772	0.788	0.800	0.710
CA4	**0.864**	0.806	0.882	0.855	0.867	0.823	0.854	0.851
CA5	**0.913**	0.923	0.889	0.924	0.942	0.930	0.862	0.879
CA6	**0.848**	0.838	0.825	0.811	0.781	0.822	0.867	0.857
CA7	**0.871**	0.804	0.904	0.874	0.875	0.875	0.843	0.811
CA8	**0.973**	0.979	0.949	0.962	0.968	0.963	0.932	0.928
CA9	**0.809**	0.871	0.791	0.762	0.778	0.807	0.809	0.830
DC1	0.785	**0.880**	0.748	0.713	0.756	0.734	0.747	0.741
DC2	0.825	**0.786**	0.849	0.824	0.857	0.828	0.845	0.862
DC3	0.888	**0.852**	0.857	0.900	0.872	0.863	0.872	0.876
DC4	0.800	**0.865**	0.782	0.770	0.782	0.804	0.744	0.705
MCC1	0.880	0.844	0.842	**0.924**	0.885	0.885	0.868	0.852
MCC2	0.883	0.912	0.894	**0.821**	0.850	0.865	0.897	0.914

Indicator	THAT	DC	MIC	MCC	PC	PDC	PIC	SP
MCC3	0.890	0.809	0.896	**0.923**	0.890	0.894	0.853	0.801
MCC4	0.952	0.911	0.937	**0.979**	0.964	0.944	0.927	0.896
MIC1	0.926	0.914	**0.941**	0.911	0.958	0.913	0.871	0.867
MIC2	0.798	0.766	**0.788**	0.779	0.731	0.790	0.853	0.823
MIC2	0.733	0.709	**0.767**	0.685	0.672	0.705	0.764	0.749
MIC3	0.885	0.861	**0.882**	0.892	0.927	0.865	0.821	0.820
MIC5	0.937	0.892	**0.945**	0.949	0.927	0.964	0.941	0.908
PC1	0.925	0.916	0.948	0.890	**0.937**	0.904	0.877	0.866
PC2	0.689	0.637	0.650	0.734	**0.644**	0.717	0.754	0.733
PC3	0.916	0.904	0.884	0.916	**0.939**	0.863	0.866	0.866
PC4	0.879	0.881	0.895	0.870	**0.923**	0.883	0.824	0.822
PDC1	0.896	0.871	0.922	0.901	0.897	**0.955**	0.900	0.902
PDC2	0.809	0.746	0.825	0.773	0.772	**0.734**	0.803	0.788
PDC3	0.753	0.776	0.700	0.790	0.746	**0.797**	0.723	0.685
PDC4	0.943	0.924	0.948	0.943	0.945	**0.972**	0.946	0.950
PIC1	0.882	0.806	0.871	0.918	0.872	0.888	**0.912**	0.894
PIC2	0.927	0.904	0.955	0.902	0.938	0.917	**0.894**	0.871
PIC3	0.655	0.702	0.637	0.619	0.577	0.649	**0.732**	0.720
SP1	0.924	0.947	0.904	0.906	0.909	0.928	0.923	**0.937**
SP2	0.711	0.662	0.724	0.723	0.725	0.703	0.701	**0.733**
SP3	0.871	0.843	0.880	0.846	0.835	0.875	0.922	**0.934**

Table 15 shows that each indicator has a value loading factor the highest in their respective constructs, it can be concluded that the model has discriminant validity which is good. Apart from cross loading, test discriminant validity can be done by testing Fornell-Larcker.

Table 11 Fornell then varnish

	THAT	DC	MIC	MCC	PC	PDC	PIC	SP
Competitive Advantage	0.872							
Distribution Capability	0.978	0.846						
Market Intelligence Capability	0.991	0.959	0.868					
Marketing Communication Capability	0.988	0.952	0.978	0.914				
Pricing Capability	0.987	0.969	0.980	0.984	0.870			
Product Development Capability	0.982	0.957	0.983	0.983	0.971	0.870		
Product Innovation Capability	0.979	0.952	0.980	0.971	0.955	0.975	0.849	

	THAT	DC	MIC	MCC	PC	PDC	PIC	SP
Smes Performance	0.963	0.945	0.962	0.949	0.947	0.963	0.979	0.873

Based on the results of the analysis using the criteria Fornell and LarckerIn table 16, the discriminant validity for all variables in this study has been met. Discriminant validity is a form of evaluation to ensure that each variable in the model is theoretically and empirically different from each other. In the criteria Fornell and Larcker, discriminant validity is considered achieved if the square root value Average Variance Extracted (AVE) of a variable is greater than the correlation value of that variable with other variables.
All AVE root values are higher than the correlation of each variable with other variables in the table. Fornell And Larckerwhich shows that each construct in the model is able to distinguish itself from other constructs empirically. Thus, it can be concluded that all constructs in the model have met the criteria for discriminant validity well.

Table 12 Heterotrait-Monotrait Ratio (HTMT)

	THAT	DC	MIC	MCC	PC	PDC	PIC	SP
Competitive Advantage								
Distribution Capability	1.065							
Market Intelligence Capability	1.053	1.072						
Marketing Communication Capability	1.042	1.055	1.056					
Pricing Capability	1.070	1.102	1.083	1.089				
Product Development Capability	1.062	1.090	1.086	1.083	1.102			
Product Innovation Capability	1.101	1.131	1.132	1.108	1.123	1.142		
Smes Performance	1.068	1.097	1.100	1.074	1.107	1.112	1.186	

Based on the results of discriminant validity testing using the approach Heterotrait-Monotrait Ratio (HTMT), it can be concluded that the discriminant validity in this model is not met as a whole. According to Hair et al. (2019), the recommended HTMT value for discriminant validity to be accepted is below 0.90. However, based on the HTMT table above, all values between variables actually exceed this threshold.
Values exceeding 1 indicate that the constructs in the model have too high a correlation with each other, so that they do not show adequate differences (discrimination). This indicates that the construct does not divide the measurement variance predominantly on its own indicators, but also with other constructs. Thus, the results of this HTMT indicate a problem of discriminant validity, so that evaluation and possible improvements are needed in the measurement model.

Testing Reliability

Reliability testing is carried out to measure the consistency of respondents' answers to all items in the measure. In Hair et al. (2022), reliability testing of indicators is declared reliable if the value Cronbach's alpha, reliability ρ_A(rho A), and composite reliability more than 0.70.

Table 13 Test Results Reliability

Construct	Cronbach's alpha	Composite reliability	Conclusion
Competitive Advantage	0.964	0.966	Reliable

Construct	Cronbach's alpha	Composite reliability	Conclusion
Distribution Capability	0.867	0.868	Reliable
Market Intelligence Capability	0.916	0.925	Reliable
Marketing Communication Capability	0.932	0.934	Reliable
Pricing Capability	0.885	0.905	Reliable
Product Development Capability	0.887	0.901	Reliable
Product Innovation Capability	0.805	0.836	Reliable
Smes Performance	0.838	0.863	Reliable

Based on table 18, it is known that each variable has a value Cronbach's alpha> 0.6 and Composite reliability> 0.7, then reliable. This indicates that each indicator in each variable has good consistency in measuring its respective variables.

Structural Model Testing (Inner Model)

Structural model testing is carried out to measure the relationship between constructs (Hair et al, 2022). Structural model testing in this study includes Coefficient of Determination (R2), Effect Size (f^2) And Q-Square.

Testing Coefficient of Determination (R^2)

Mark R-squarecan be used to find out the size variability dependent variables that can be explained by independent variables. The following are the results of the value obtained R-squarefor each dependent variable.

Table 14 Test Results R-Square

	R Square	R Square Adjusted
Competitive Advantage	0.997	0.997
SME's Performance	0.927	0.927

Based on the analysis results, the value R-Squarefor variables Competitive Advantage of 0.997 and the value R-Square Adjusted also amounted to 0.997, indicating that the model is able to explain 99.7% of the variation in Competitive Advantage, while only 0.3% is influenced by other factors outside the model. This indicates that the model has a very high ability to explain changes in the variables. Competitive Advantage.

Meanwhile, the value R-Square And R-Square Adjusted for SME's variables Performances 0.927, which means that 92.7% of the variation in SME's Performance can be explained by the independent variables in the model and only the remaining 7.3% is influenced by other variables not included in the model.

Testing Effect Size (f^2)

To find out the impact of a variable if it is removed from the model, this can be seen from the results of the f test.^{2}. Testing Effect size (f^2) can be seen in table 20.

Table 15 Test Effect size(f2)

Connection	f-square
Competitive Advantage -> Smes Performance	12.667
Distribution Capability -> Competitive Advantage	1.670
Market Intelligence Capability -> Competitive Advantage	1.194
Marketing Communication Capability -> Competitive Advantage	1.135
Pricing Capability -> Competitive Advantage	0.100
Product Development Capability -> Competitive Advantage	0.202
Product Innovation Capability -> Competitive Advantage	0.016

Based on the test results effect size(f^2), it is known that Competitive Advantage has a very big influence on SME's Performance, with an f^2 value reaching 12,667. This value shows that competitive advantage is a very dominant factor in improving MSME performance. In addition, the variable Distribution Capability, Market Intelligence Capability, And Marketing Communication Capability also showed a large influence on the formation of competitive advantages, with f^2 values of 1,670, 1,194, and 1,135, respectively.

This indicates that the ability to distribute products, understand market conditions, and carry out effective marketing communications is very important in creating company competitiveness. Meanwhile, the variable Product Development Capability and Pricing Capability has a smaller f^2 value, namely 0.202 and 0.100, which means that its influence is classified as moderate to small. As for Product Innovation Capability shows the lowest f^2 value of only 0.016, which indicates that in the context of this study, product innovation has not made a significant contribution to the formation of competitive advantage. Overall, these results emphasize the importance of distribution strategy, market intelligence, and marketing communication in building competitive advantage that has a major impact on MSME performance.

In this study, there are 13 hypotheses tested. The following is a summary of the results of the hypothesis test based on the values. Path coefficient with Boots trapping.

Table 16 Hypothesis Testing

Hypothesis	T statistics	P values	Information
H1: Market Intelligence Capability Competitive Advantage	8.403	0.000	Significant
H2: Product Innovation Capability Competitive Advantage	0.763	0.446	Not Significant
H3: Pricing Capability Competitive Advantage	2.364	0.018	Significant
H4: Marketing Communication Capability Competitive Advantage	7.714	0.000	Significant
H5: Distribution Capability Competitive Advantage	13.119	0.000	Significant
H6: Product Development Competitive Advantage	2.994	0.003	Significant
H7: Competitive Advantage SME's Performance	178.783	0.000	Significant

Hypothesis test results in the table show a direct relationship between the variables in the research model, which was analyzed using the method boots trapping in PLS-SEM. This analysis helps evaluate the strength and significance of the relationship between variables based on the path coefficient value, sample mean, standard deviation, t-statistic, and p-value. The following is an explanation of the results of the hypothesis test.

Based on the results of the hypothesis testing shown in table 21, it can be concluded that of the seven hypotheses proposed, six of them were declared significant because they had a p-value < 0.05 and T-statistic > 1.96.

Hypothesis H1 states that Market Intelligence Capability have an impact on Competitive Advantage proven significant with T-value statistic of 8,403 and p-value of 0.000. This shows that the ability to understand the market in depth contributes strongly to creating competitive advantage.

Hypothesis H2, namely the influence Product Innovation Capability to Competitive Advantage not significant because it has T-statistic of 0.763 and p-value of 0.446 (> 0.05) which means that product innovation is not considered to have a real impact on competitive advantage in the context of this research.

Hypothesis H3 regarding influence Pricing Capability to Competitive Advantage stated significant with T-statistic of 2,364 andp-value0.018, which means that pricing strategy plays an important role in forming competitive advantage.

Hypothesis H4 states that Marketing Communication Capability have an impact on Competitive Advantage also significant (T-statistic = 7.714; p-value= 0.000), shows the importance of marketing communications in strengthening the company's competitive position.

Hypothesis H5 regarding Distribution Capability to Competitive Advantage has a T-value statistic amounting to 13,119 andp-value0.000, which shows that effective distribution plays a major role in forming competitive advantage.

Likewise, Hypothesis H6 states that Product Development Capability have an impact on Competitive advantage also significant (T-statistic = 2.994; p-value= 0.003), which means that product development capabilities are also important in competitive advantage strategies.

Lastly, Hypothesis H7 states that Competitive Advantage impact on SME's Performance proven to be very significant with the T-value statistical mounting to 178,783 andp-value0.000. This shows that competitive advantage has a major impact on the performance of small and medium enterprises, reinforcing the importance of competitive strategy in improving MSME performance.

Table 17 Testing the Hypothesis of Mediation Effect

Hypothesis	Indirect Effect	Lower Bound	Upper Bound	P values	Information
H8: Market Intelligence Capability -> Competitive Advantage -> Smes Performance	0.501	0.395	0.626	<0,05	Significant
H9: Product Innovation Capability -> Competitive Advantage -> Smes Performance	-0.044	-0.162	0.060	>0.05	Not Significant
H10: Pricing Capability -> Competitive Advantage -> Smes Performance	-0.156	-0.279	-0.028	<0.05	Significant (Negative)
H11: Marketing Communication Capability -> Competitive Advantage -> Smes Performance	0.506	0.385	0.643	<0.05	Significant
H12: Distribution Capability -> Competitive Advantage -> Smes Performance	0.338	0.287	0.387	<0.05	Significant
H13: Product Development Capability -> Competitive Advantage -> Smes Performance	-0.172	-0.297	-0.071	<0.05	Significant (Negative)

Based on the results of the mediation hypothesis testing shown in Table 22, it is known that the variables Market Intelligence Capable this, Marketing Communication Capability, And Distribution Capability has a significant impact on SME's Performance through mediation Competitive Advantage. This is shown by the value indirect effect which are quite high, each of which is 0.501, 0.506, and 0.338, with a p-value < 0.05 and a range of confidence interval (lower bound and upper bound) which does not pass through zero. This means, Competitive Advantage proven to be an effective mediator in the relationship between the three variables and MSME performance.

On the other hand, the variable Product Innovation Capability, Pricing Capability, And Product Development Capability show different results. Although it has a value-value < 0.05, two of which (Pricing and Product Development) has a value indirect effect negative, namely -0.156 and -0.172, and the confidence interval does not include the number zero which indicates a significant but negative mediation effect on MSME performance. Product Innovation Capability have value-value> 0.05 and the confidence interval passes zero, which means the effect is not significant and it cannot be concluded that there is strong mediation.

4. CONCLUSION

Based on the results of the study, it was concluded that most export capabilities have a positive and significant influence on the competitive advantage of MSMEs, which ultimately affects export performance. Market intelligence, pricing, marketing communication, distribution, and product development capability are proven to support competitive advantage, while product innovation capability does not have a significant effect. Competitive advantage itself plays a very strong role in improving MSME export performance. In addition, competitive advantage positively mediates the relationship between market intelligence, marketing communication, and distribution capability on MSME performance. However, a negative mediation effect was also found on the relationship between pricing and product development capability on export performance, indicating that overly aggressive pricing strategies and product development that is not in line with the market can actually reduce performance even though it increases competitiveness. Product innovation also does not mediate significantly, indicating the need for further adjustments to global market needs. Future research should consider longitudinal or qualitative methods to explore the evolving dynamics between export capabilities, competitive advantage, and export performance more comprehensively.

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