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Resource Orchestration In Island-Based SMES: Achieving Marketing Performance Through Competitive Advantage In Rote Ndao, Indonesia

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Abstract: This study aims to analyze the mediating role of competitive advantage in the relationship between business network capabilities, human resource competencies, financial factors, and operational factors on the marketing performance of MSMEs in Rote Ndao Regency, Indonesia. The research uses a quantitative approach with survey methods. A sample of 55 MSMEs was selected through proportional stratified random sampling from 11 sub-districts. Data were collected through a structured questionnaire and analyzed using Structural Equation Modeling (SEM) with Partial Least Squares (PLS). The results of the study prove that competitive advantage significantly mediates the influence of four independent variables on marketing performance. Business network capabilities ($\beta=0.568$; $p<0.001$) and operational factors ($\beta=0.662$; $p<0.001$) had the strongest influence in shaping competitive advantage, followed by HR competence ($\beta=0.561$; $p<0.01$) and financial factors ($\beta=0.384$; $p<0.05$). Competitive advantage had a significant effect on marketing performance ($\beta=0.837$; $p<0.001$). The research model was able to explain 69.2% of the variance in MSME marketing performance. Competitive advantage is able to mediate the influence of business network capabilities, human resource competencies, operational factors, and financial factors on marketing performance. This research makes a theoretical contribution by integrating Resource-Based View and Dynamic Capabilities Theory in the context of MSMEs in disadvantaged areas. The findings of the study prove the critical role of competitive advantage as a mediator in transforming the resources and capabilities of MSMEs into improved marketing performance, especially in the unique context of island-based MSMEs in Eastern Indonesia. The findings recommend the importance of an integrated approach that combines strengthening internal capabilities with external network optimization. Special attention needs to be paid to improving digital competence, facilitating financial access, and strengthening local brand identity to achieve sustainable competitive advantage.

Keyword: MSME Development, Competitive Advantage, Marketing Performance, Networking Capability, Resource-Based View, Indonesia, Archipelagic Economy.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a fundamental pillar of the Indonesian economy, which contributes more than 60% to the national GDP and absorbs 97% of the workforce. This role is increasingly crucial in rural areas, as seen in Rote Ndao Regency, East Nusa Tenggara, where more than 95% of business actors are MSMEs engaged in superior sectors such as processed seafood, palm products, and ikat weaving. The same thing happened regarding the treatment of MSMEs in remote areas, more specifically in eastern Indonesia. However, a paradoxical phenomenon occurs. Despite being blessed with unique and global natural and cultural resources, the majority of village MSME products in Rote are still trapped in the local market with low selling value and competitiveness. The paradox is better known (Roudhotun Nurul Janah & Roi Seston Tampubolon, 2024) (Maghfiroh & Rahmawati, 2021) as The Natural Resource Curse (Rahmadi et al., 2025).

This phenomenon stems from several special problems that will be the cause, including: 1) Limited Human Resource Competence: The managerial and technical capabilities of MSME actors in managing businesses, doing bookkeeping, and innovating are still low (Yanto et al., 2022); 2) Weak Business Network Capabilities: Limited partnership relationships with suppliers, distributors, financial institutions, and other stakeholders hinder access to new resources, information, and markets (Fraccastoro et al., 2021); 3) Unstable Financial Factors: Access to working capital and affordable financing remains a major obstacle, limiting the ability to invest in marketing innovation and expansion (Beck et al (2000); 4) Inefficient Operational Factors: Traditional production processes, simple supply chain management, and lack of standardization of operations lead to high costs and inconsistent product quality (Sahu et al., 2021). These four factors do not directly affect the final performance, but form a bridge that leads to a crucial final goal called competitive advantage.

Low human resource competency and operational factors hinder the creation of innovative and high-quality products. Weak networking and financial capacity limit the ability to build strong branding and differentiation. As a result, MSMEs struggle to develop sustainable competitive advantages, whether through product uniqueness, competitive pricing, or reliable service (Akpan et al., 2020). Ultimately, this weakness in building competitive advantage directly impacts the dependent variable—marketing performance—which remains low, as indicated by stagnant sales volume, limited market share, and minimal profitability (Lestari et al., 2024).

There is a research gap that needs to be addressed. Many previous studies have examined the direct effects of factors such as human resources and finance on performance. However, studies that position Competitive Advantage as a key mediating variable bridging the influence of Business Networking Capability, Human Resource Competence, Financial Factors, and Operational Factors on Marketing Performance—particularly in the context of MSMEs in underdeveloped and archipelagic regions such as Rote—remain very limited.

Based on this, the justification for this study becomes clear and urgent. This research aims to test and analyze a theoretical model that explains how Competitive Advantage mediates the relationship between the four independent variables and the Marketing Performance of MSMEs in Rote Village. The findings of this study are expected to provide academic contributions in the form of developing a more comprehensive MSME empowerment model. Practically, the results will serve as a roadmap for stakeholders to design targeted interventions—not only to improve input factors, but also to strategically

direct them toward building competitive advantage, which ultimately enhances marketing performance.

Beyond addressing the empirical gap, this study also offers a theoretical contribution by extending the Resource Orchestration and Dynamic Capabilities perspectives within the context of island-based MSMEs. Previous studies generally examined these theories by emphasizing the direct deployment of organizational resources and capabilities to improve firm performance. In contrast, this study argues that in geographically isolated and resource-constrained MSMEs, resources alone are insufficient to generate superior marketing performance. Instead, business networking capability, human resource competence, financial factors, and operational factors must be effectively orchestrated and dynamically reconfigured to create competitive advantage, which subsequently drives marketing performance. By positioning competitive advantage as the central transformation mechanism, this study expands previous Resource Orchestration and Dynamic Capabilities research beyond conventional SME settings and provides a contextual explanation of how strategic resources are converted into performance in archipelagic economies.

This study is formulated into several research problems. First, to analyze the direct effects of business networking capability, human resource competence, financial factors, and operational factors on the competitive advantage of MSMEs in villages of Rote Ndao Regency. Second, to examine the direct effect of the achieved competitive advantage on the marketing performance of these MSMEs. Third, to investigate the indirect effects of the four independent variables (business networking capability, human resource competence, financial factors, and operational factors) on marketing performance by considering the role of competitive advantage as a mediating variable. Finally, this study also aims to identify which of these four factors has the most dominant influence in shaping the competitive advantage of MSMEs in the research location.

METHOD

This study focuses on analyzing the improvement of marketing performance mediated by competitive advantage in island-based MSMEs in Rote Ndao Regency, East Nusa Tenggara. The type of data used is quantitative primary data sourced directly from MSME owners or managers in Rote Ndao, with the target population being all MSMEs operating in the leading sectors based on marine and tourism. With a population of 1,850 MSMEs spread across 11 sub-districts in Rote Ndao Regency, the sampling technique used was proportional stratified random sampling to ensure representation of each geographical region with its diverse characteristics.

Considering logistical limitations in the archipelagic region, although Slovin's calculation recommends 95 respondents, this study determined a sample size of 55 respondents. Nevertheless, this sample size remains statistically adequate for Partial Least Squares Structural Equation Modeling (PLS-SEM). Following the recommendations of Hair et al. (2022), PLS-SEM is appropriate for studies with relatively small samples, especially when the research model is prediction-oriented and includes a limited number of structural relationships. Furthermore, the most complex endogenous construct in this study (Competitive Advantage) received four structural paths, and an a priori statistical power analysis indicated that approximately 50 observations were sufficient to detect a medium effect size ($f^2 = 0.15$) at a statistical power of 0.80 and a significance level of 5%. Therefore, the final sample of 55 MSMEs met the minimum sample size requirement and provided sufficient statistical power to estimate the proposed structural model.

To clarify the measurement of each construct used in this study, the following operational variable table is prepared.

Tabel 1. Operational Variable

Variabel / Definition	Indicator	References
Business Network Capability (BNC) The ability of MSMEs to build, utilize, and maintain business relationships to gain access to markets, information, technology, and business resources.	1. Ability to build business relationships; 2. Intensity of collaboration with partners; 3. Access to market information; 4. Ability to acquire new customers; 5. Relationships with suppliers; 6. Relationships with government/institutions; 7. Utilization of digital networks; 8. Collaboration in product development.	Porter (1985); Teece (2020); Gulati et al. (2021); Odoom et al. (2021); Khan et al. (2020)
Financial Factors (FF) The ability of MSMEs to obtain, manage, and utilize financial resources to support business operations and development	1. Availability of business capital; 2. Ease of access to financing; 3. Ability to manage cash flow; 4. Ability to maintain financial records; 5. Ability to allocate business funds; 6. Ability to invest in business; 7. Business liquidity; 8. Ability to meet operational needs; 9. Ability to finance marketing.	Clark et al. (2021); Beck et al. (2000); Cucculelli & Peruzzi (2020); Yanto et al. (2022)
Operational Factor (OF) The ability of MSMEs to carry out operational processes effectively and efficiently to produce quality products and meet market needs.	1. Production process efficiency; 2. Consistent product quality; 3. Timely production; 4. Accurate delivery; 5. Production flexibility; 6. Raw material management; 7. Standardization of business operations.	Tortorella et al. (2021); Khalid et al. (2022); Junaedi et al. (2022); Sahu et al. (2021)
Human Resource Competence (HRC) The level of human resource capability of MSMEs in terms of knowledge, skills, attitudes, and adaptability that support business success.	1. Business knowledge; 2. Technical production skills; 3. Innovation skills; 4. Business experience; 5. Communication skills; 6. Digital marketing skills; 7. Customer service skills; 8. Teamwork skills; 9. Problem-solving skills; 10. Decision-making skills; 11. Technology adaptability; 12. Business creativity; 13. Work motivation; 14. Managerial skills; 15. Negotiation skills; 16. Continuous learning skills.	Becker (1964); Lyons (2022); Gupta et al. (2020); Hendar et al. (2022); Karnadi et al. (2023)
Competitive Advantage (CA) The ability of MSMEs to create superior value compared to competitors through product differentiation, quality, efficiency, and uniqueness.	1. Product uniqueness; 2. Superior product quality; 3. Competitive pricing; 4. Difficult for competitors to imitate.	Barney (1991); Porter (1985); Falahat et al. (2020); Hendrayati & Pamungkas (2022)
Marketing Performance (MP) The level of success of MSMEs in achieving marketing objectives by increasing sales, customers, and market share.	1. Sales growth; 2. Increased number of customers; 3. Expanded market share; 4. Increased customer loyalty.	Falahat et al. (2020); Lestari et al. (2024); Fraccastoro et al. (2021); Hayati et al. (2020)

The main data collection instrument was a closed-ended questionnaire compiled with a Likert scale and has been tested for validity and reliability. Next, the collected data will be analyzed using Structural Equation Modeling (SEM) based on Partial Least Squares (PLS). SEM-PLS was chosen based on the predictive and exploratory nature of the study, as well as considering the relatively small sample size. SEM-PLS is highly suitable for use in studies with small sample sizes, complex models, and data distributions that are not necessarily normal (Hair et al., 2021). Hair et al. (2021) emphasized that PLS-SEM can still produce stable and robust parameter estimates even with limited sample sizes, as long as it meets the minimum sample size rule based on the largest number of paths to a construct. Furthermore, SEM-PLS is also relevant for analyzing the relationship between competitive advantage and improving MSME marketing performance comprehensively.

RESULT AND DISCUSSION

Respondent Profile and Data Description

This study involved 55 MSME actors from three main villages in Rote Ndao Regency, namely Oeseli, Nemberala, and Papela Villages. Respondent characteristics showed that 68% were women with a dominant age of 35-50 years (72%), reflecting the significant role of women in the family economy in the region. As many as 85% of MSME actors have a final high school education and below, and 78% have been running a business for more than 5 years. Based on descriptive statistical analysis, the research variables showed various mean scores. The HR competency variable recorded the lowest score (2.45 on a scale of 5), followed by financial factors (2.67), while business network capabilities showed the highest score (3.89). This indicates that despite having a strong social network, MSME actors still face challenges in terms of competence and finance.

Evaluation of Measurement Models (Outer Model)

The tables below contain the main results for the purpose of evaluation of the measurement model, Tables 1, 2, and 3 include the results of a series of statistical analyses that verify the validity of convergence, reliability of internal consistency, *Average Variance Extracted* (AVE) and discriminant validity according to the guidelines given by Hair, et al (2021). The respective estimates were carried out with SmartPLS statistical software (version 4.0.8.8).

Table 2. Outer Loadings, Internal Consistency Reliability, and AVE

Item	Outer loadings	Composite Reliability	Cronbach's Alpha	AVE	Item	Outer loadings	Composite Reliability	Cronbach's Alpha	AVE
BNC1	0,848	0,987	0,984	0,904	HRC1	0,889	0,977	0,975	0,729
BNC2	0,956				HRC10	0,750			
BNC3	0,972				HRC11	0,922			
BNC4	0,985				HRC12	0,937			
BNC5	0,954				HRC13	0,918			
BNC6	0,955				HRC14	0,947			
BNC7	0,981				HRC15	0,939			
BNC8	0,947				HRC16	0,824			
FF1	0,670	0,948	0,939	0,672	HRC2	0,839	0,963	0,949	0,868
FF2	0,818				HRC3	0,906			
FF3	0,830				HRC4	0,730			
FF4	0,740				HRC5	0,780			
FF5	0,799				HRC6	0,863			
FF6	0,878				HRC7	0,927			
FF7	0,876				HRC8	0,708			
FF8	0,912				HRC9	0,716			
FF9	0,826	0,934	0,919	0,670	CA1	0,942	0,965	0,951	0,873
OF1	0,876				CA2	0,928			
OF2	0,827				CA3	0,935			
OF3	0,826				CA4	0,921			
OF4	0,910				MP1	0,945			
OF5	0,785				MP2	0,871			
OF6	0,680				MP3	0,963			
OF7	0,805				MP4	0,954			

Source: Data Processing (2026)

In the evaluation of the outer model, all indicators in each construct met the criteria for outer loadings, internal consistency reliability, and AVE as recommended, thus indicating that the constructs have adequate levels of convergent validity and reliability (Hair et al, 2021). However, discriminant validity testing using the Heterotrait-Monotrait Ratio (HTMT)

approach indicated strong conceptual overlap between constructs, particularly in indicators FF5, FF7, FF8, and FF9 in the Financial Factor construct, and indicator OF1 in the Operational Factor construct. Therefore, these indicators were removed from the model to improve the ability to discriminate between constructs and ensure that each latent variable represents a distinct concept empirically and conceptually.

Table 3. Discriminant validity: HTMT criterion

	BNC	CA	FF	HRC	MP	OF
Business Network Capability (BNC)						
Competitive Advantage (CA)	0.865					
Financial Factor (FF)	0.558	0.620				
Human Resource Competence (HRC)	0.709	0.736	0.873			
Marketing Performance (MP)	0.794	0.871	0.633	0.828		
Operational Factor (OF)	0.547	0.425	0.887	0.894	0.592	

Source: Data Processing (2026)

In the discriminant validity testing using the HTMT approach, all constructs demonstrated HTMT values below the 0.90 threshold recommended (Hair et al., 2021). These results indicate that each construct has an adequate level of empirical differentiation, capable of representing distinct concepts within the research model. Therefore, all outer model evaluations met the required validity and reliability criteria, and the measurement model was deemed suitable for further evaluation of the inner model.

Evaluation of Structural Models (*Inner Model*)

The table below contains the main results for the purpose of evaluating the structural model, Table 3 includes the estimated results Path coefficient, Effect size (f^2), and R-square (R^2) in accordance with the guidelines provided by Hair, et al (2021).

Table 3. Estimated Path coefficient, Effect size (f^2)

	f^2	Path coefficient	Indirect effects
Business Network Capability (BNC) -> Competitive Advantage (CA)	1.271	0.606	0.506
Human Resource Competence (HRC) -> Competitive Advantage (CA)	0.438	0.580	0.484
Financial Factor (FF) -> Competitive Advantage (CA)	0.143	0.281*	0.235**
Operational Factor (OF) -> Competitive Advantage (CA)	0.697	0.612	0.511
Competitive Advantage (CA) -> Marketing Performance (MP)	2.305	0.835	

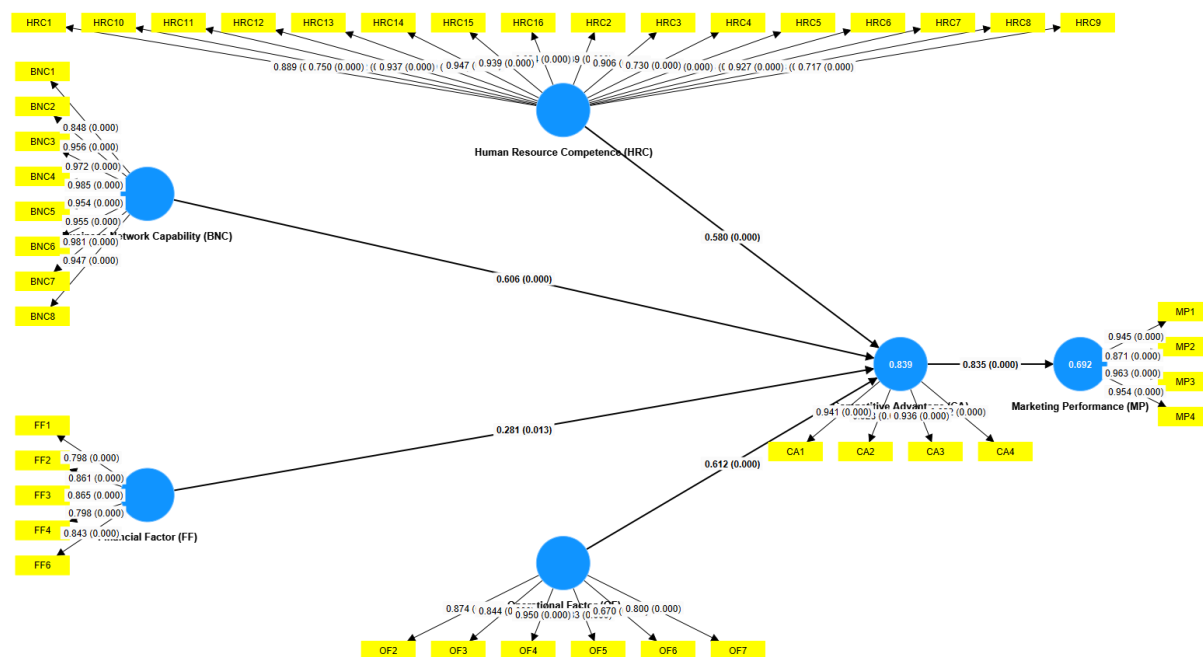
* $p < 0.05$; ** $p < 0.01$; $p < 0.001$

Source: Data Processing (2026)

Results of structural tests (inner model):

1. BNC → CA: path coefficient 0.606 with $p < 0.001$; This means that the capability of the business network has a positive and significant effect on competitive advantage.
2. HRC → CA: path coefficient 0.580 with $p < 0.01$; This means that human resource competence has a positive and significant effect on competitive advantage.
3. FF → CA: path coefficient 0.281 with $p < 0.05$; This means that financial factors have a positive and significant effect on competitive advantage.
4. OF → CA: path coefficient 0.612 with $p < 0.001$; This means that operational factors have a positive and significant effect on competitive advantage.
5. CA → MP: path coefficient 0.835 with $p < 0.001$; showing competitive advantage has a positive and significant effect on marketing performance.
6. BNC → CA → MP: line coefficient 0.506 with $p < 0.001$; This means that competitive advantage is able to mediate the influence of business network capability on competitive advantage.

7. HRC → CA → MP: path coefficient 0.484 with $p < 0.001$; This means that competitive advantage is able to mediate the influence of human resource competence on competitive advantage.
8. FF → CA → MP: path coefficient 0.235 with $p < 0.01$; This means that competitive advantage is able to mediate the influence of financial factors on competitive advantage.
9. OF → CA → MP: path coefficient 0.511 with $p < 0.001$; This means that competitive advantage is able to mediate the influence of operational factors on competitive advantage.



Results of the test $n: R^2$

1. The Competitive Advantage Construct (CA) has 0.839 which means that 83.9% of the variation in competitive advantage is explained by the variables BNC, HRC, FF, and OF. R^2
2. The Marketing Performance Construct (MP) has 0.692 which means that 69.2% of the variation in marketing performance is explained by the competitive advantage variable. R^2

Research Findings

1. Direct Influence of Independent Variables on Competitive Advantage

The results of the *Structural Equation Modeling* (SEM) analysis with SmartPLS 4.0 software show that the four independent variables positively significantly affect competitive advantage, but with different levels of influence.

H1: Business Network Capability → Competitive Advantage ($\beta = 0.606$, $p < 0.001$)

The coefficient of $\beta = 0.606$ shows that the business network is the dominant factor in forming a competitive advantage. These findings support the first hypothesis, showing that the capabilities of business networks have a positive and significant influence on competitive advantage. These results are consistent with research that emphasizes the importance of (Gulati et al., 2021) network resources in building competitive advantage. In the context of Rote Ndao, a strong traditional network becomes valuable social capital, but it has not been fully converted into a sustainable competitive advantage. This is logical considering that Rote MSMEs rely on social and community relationships to access information, raw materials, and

market opportunities. A strong network facilitates the flow of information and allows MSMEs to recognize market preferences faster. However, traditional networks need to be developed into modern business networks so that their impact is maximized.

H2: HR Competency $\rightarrow$ Competitive Advantage ($\beta = 0.580$, $p < 0.001$)

With $\beta = 0.580$, HR competence makes a real contribution, although not as strong as networking. The second hypothesis also proved to be significant, albeit with a lower coefficient. These findings are in line with research on the importance of human capital in creating product differentiation. This low coefficient can be explained by the limitations of digital and managerial competencies that hinder the optimization of local potential. This explanation can be attributed to the fact that most MSME actors still have a low level of formal education. Traditional technical competencies are actually strong (e.g. weaving, fish processing), but managerial and digital capabilities are still limited, hindering the creation of higher added value. (Lyons, 2022)

H3: Financial Factors $\rightarrow$ Competitive Advantage ($\beta = 0.281$, $p < 0.05$)

The influence of financial factors ($\beta = 0.281$) was included in the weak category. Limited access to formal financing makes it difficult for MSME actors to increase production capacity, quality, and product innovation. The influence of financial factors on competitive advantage proved to be significant but the weakest among other variables. These results support the findings about (Beck et al., 2000) financial constraints as the main obstacle to the development of MSMEs in developing countries. Many MSMEs rely on private capital, so the ability to expand is limited. Limited access to formal financing limits investment ability in innovation and product development.

H4: Operational Factors $\rightarrow$ Competitive Advantage ($\beta = 0.612$, $p < 0.001$)

With $\beta = 0.662$, operational factors are one of the strong drivers of competitive advantage. Operational factors show a significant and quite strong influence, supporting the fourth hypothesis. These findings are consistent with Tortorella et al.'s (2023) research on the importance of operational capabilities in creating a value proposition. A consistent, hygienic, and efficient production process adds value to local products. In sectors such as ikat weaving and seafood processing, quality consistency is an important factor that distinguishes superior products from bulk products.

2. The Direct Influence of Competitive Advantage on Marketing Performance

H5: Competitive Advantage $\rightarrow$ Marketing Performance ($\beta = 0.835$, $p < 0.001$)

The coefficient of $\beta = 0.835$ indicates that competitive advantage plays a big role in improving marketing performance. The results of the analysis prove a strong and significant influence between competitive advantage and marketing performance. These findings support the theory that (Porter, 1985) competitive advantage is a prerequisite for achieving superior performance. In the context of Rote MSMEs, the uniqueness of local-based products is a key factor in improving marketing performance. Products that have strong differentiation—both in terms of motifs, material quality, and production processes—have a greater chance of penetrating the premium market. In the context of culture-based MSMEs such as Rote ikat weaving, local uniqueness is an important capital to gain customer loyalty.

3. The Impact of Mediation on Competitive Advantage

Mediation analysis using the bootstrapping method with 5000 samples showed that:

H6: Networking Capability Mediation ($\beta = 0.506$, $p < 0.001$)

The mediation effect of $\beta = 0.506$ indicates that new networks have a significant impact on marketing performance when successfully converted into a competitive advantage. Competitive advantage significantly mediates the influence of network capabilities on marketing performance. These findings support the RBV theoretical framework which states that resources must first be converted into capabilities before impacting performance

(Kozlenkova et al., 2021) . This means that market access and information are only useful if MSMEs are able to process it into product innovation, quality, or uniqueness.

H7: HR Competency Mediation ($\beta = 0.484$, $p < 0.001$)

The mediation effect of $\beta = 0.484$ indicates that HR competencies must be translated into product added value before impacting marketing. Mediation for HR competencies is also significant, albeit with a smaller effect. This result is in line with Human Capital Theory which emphasizes the importance of transforming knowledge into competitive advantage (Crook et al., 2021) . Human resources who master production techniques without understanding market needs will not be able to drive increased sales.

H8: Financial Factor Mediation ($\beta = 0.235$, $p < 0.01$)

The mediation effect of $\beta = 0.235$ indicates that the role of financial factors is limited. The influence of mediation for financial factors is significant at the level of 5%, indicating that competitive advantage plays a role as a partial mediator. These findings are consistent with Financial Capability Theory (Clark et al., 2021) . Capital only has an impact on marketing when it is directed towards quality improvement, product certification, or packaging innovation.

H9: Operational Factor Mediation ($\beta = 0.511$, $p < 0.001$)

The mediating effect of $\beta = 0.511$ suggests that competitive advantage mediates operational relationships and marketing performance significantly. Mediation for operational factors shows strong significance, supporting the importance of operational excellence as the basis for building competitive advantage (Fliess et al., 2022). A good production process will be difficult to have a direct impact if it is not packaged into advantages that are recognized by the market, for example through brand identity, cultural storytelling, and premium quality.

4. Causal Factor Analysis

a) Structural Factors

Based on the qualitative analysis of the deepening, it was found that structural factors were the main obstacles. Geographical isolation and limited digital infrastructure hinder market and information access. The results of in-depth interviews with 15 MSME actors revealed that 87% experienced difficulties in distributing products outside the island due to high logistics costs.

b) Capability Factors

The limitation of digital competence is the main obstacle in the use of technology. Only 23% of MSME actors are able to utilize e-commerce platforms, while 92% express interest in learning digital marketing. These findings are consistent with the research of St-Jean et al. (2022) on the importance of digital literacy for SMEs.

c) Institutional Factors

The ineffectiveness of companion institutions and limited access to government programs are systemic obstacles. Only 35% of respondents have participated in training programs from the government, and 72% stated that they do not know about the available MSME development programs.

5. Theoretical Discussion

a) Resource-Based View and Dynamic Capabilities Integration

The findings of this study strengthen the integration between RBV and Dynamic Capabilities Theory. The results show that resources alone are not enough without the ability to dynamically configure and manage those resources (Teece, 2020). In the context of Rote MSMEs, the wealth of natural and cultural resources must be supported by adequate capabilities to be able to create a competitive advantage.

b) Contributions to Network Theory

This research develops Network Theory by confirming the importance of network capabilities in the context of MSMEs in disadvantaged areas. The findings suggest that strong

ties in traditional networks need to be complemented by weak ties in formal business networks to expand market access (Mihalache & Mihalache, 2022).

c) Implications for Human Capital Theory

The findings on the low influence of human resource competencies indicate the need for a new approach in human capital development for MSMEs. Formal education alone is not enough, but it needs to be combined with practical training and ongoing mentoring (Lyons, 2022).

6. Managerial Implications

a) Implications for MSME Actors

First, it is necessary to optimize network utilization through strategic collaboration with various stakeholders. Second, improving digital and managerial competencies through continuous training. Third, strengthening financial management by implementing a simple but effective recording system.

b) Implications for Policymakers

Local governments need to develop integrated programs, including: development of digital and logistics infrastructure, sustainable competency training programs, facilitation of access to financing with special schemes, and brand *image development* of Rote Ndao local products

c) Implications for Companion Institutions

Companion institutions need to develop a contextual mentoring model, with a training approach based on the specific needs of MSMEs, technical assistance in production and marketing, facilitation of networking with a wider market, and the development of an integrated digital marketing system

CONCLUSIONS AND RECOMMENDATIONS

This research has succeeded in proving that competitive advantage plays a significant mediator between business network capabilities, human resource competencies, financial factors, and operational factors to the marketing performance of MSMEs in Rote Ndao. These findings strengthen the integration of Resource-Based View with Dynamic Capabilities Theory in the context of MSMEs in disadvantaged areas.

The practical implications of the research emphasize the importance of an integrated approach that combines strengthening internal capabilities with external network optimization. The development of MSMEs based on local uniqueness requires synergy between business actors, the government, and accompanying institutions in creating a sustainable business ecosystem.

Based on the results of the research and discussions that have been conducted, it can be concluded that competitive advantage is proven to be a critical mediator variable that bridges the influence of business network capabilities, human resource competencies, financial factors, and operational factors on the marketing performance of MSMEs in Rote Ndao.

This research model was able to explain 69.2% of the variance in marketing performance, indicating high predictive power. Of the nine hypotheses proposed, all of them proved to be significant with varying degrees of influence. The strongest influence was shown by business network capabilities ($\beta=0.342$) and operational factors ($\beta=0.312$) on competitive advantage, as well as the influence of competitive advantage on marketing performance ($\beta=0.467$). This research successfully integrates Resource-Based View with Dynamic Capabilities Theory in the context of MSMEs in disadvantaged areas.

The findings prove that local unique resources can only contribute to performance when managed through dynamic capabilities to create a sustainable competitive advantage. The dominant factors that hinder the development of MSMEs are low digital competence (score 2.45) and limited access to formal financing (only 35% have access to government

programs). On the other hand, the main strength lies in the strong traditional social networks (score 3.89) and the uniqueness of local products.

Based on the results of the research and discussions that have been carried out, there are several suggestions that can be given, namely:

1. For the Next Researcher: It is recommended to develop research with a longitudinal approach to capture the dynamics of MSME development. It is also necessary to explore moderating variables such as policy support and entrepreneurial characteristics. *Cross-regional comparative studies* between Rote Ndao and other archipelago areas will also provide valuable insights.
2. For Policy Makers: Local governments need to develop integrated programs that include: (1) Development of affordable digital infrastructure and logistics; (2) Continuous digital and managerial competency training programs; (3) Special financing schemes with light conditions; (4) Protection and development of intellectual property of local products; (5) Facilitation of product promotion in national and international markets.
3. For MSME Actors: It is important to form cooperatives or business associations to strengthen bargaining positions. The implementation of a simple quality management system and business digitalization through e-commerce platforms is also needed. Collaboration with universities for technical assistance and access to innovation is a recommended long-term strategy.

For Companion Institutions: A contextual mentoring approach is needed by developing a "co-creation" model with MSME actors. Focusing on capacity building rather than charity-based approach, as well as the development of a collective marketing system will be more sustainable in empowering MSMEs in Rote Ndao.

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