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Asset-Based Community Development and Digital Technology Impact on MSMEs' Sustainable Competitive Advantage

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Abstract

This study aims to analyze the influence of product innovation, community asset-based development, and proactive marketing on sustainable competitive advantage by considering the moderating role of digital technology in micro, small, and medium enterprises in Muna Regency. This study used a quantitative approach with an explanatory research design and involved 214 respondents selected through purposive sampling. The research instrument was a closed-ended questionnaire with a five-point Likert scale, and data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings of this study found that product innovation significantly influences proactive marketing but does not directly influence Sustainable Competitive Advantage (SCA), its influence on SCA is mediated through proactive marketing. Community asset-based development has a positive impact on proactive marketing and SCA, while proactive marketing significantly contributes to SCA. Digital technology plays a diverse moderating role, digital technology strengthens the relationship between community asset-based development and SCA, weakens the relationship between product innovation and SCA, and has no significant influence on the relationship between proactive marketing and SCA. These findings underscore the importance of integrating innovation, community, marketing, and digital technology into MSME strategies to build sustainable competitiveness amidst market dynamics.

Keywords

Asset-Based Community, Digital Technology, Marketing Driving, Product Innovation, Sustainability Competitive Advantage.

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of the Indonesian economy. Data from the Ministry of Cooperatives and SMEs shows that MSMEs contribute more than 60 percent to the national Gross Domestic Product (GDP) and absorb over 97 percent of the workforce (Kurniadi et al., 2024). However, MSMEs face increasingly complex challenges due to globalization, changing consumer preferences, and rapid digital technology development. In this context, MSMEs are required not only to survive but also to build a Sustainable Competitive Advantage (SCA) to compete effectively. According to Hamdan (2021), sustainable competitive advantage depends not only on price but also on product differentiation, innovation, and an organization's ability to adapt to market dynamics.

Building sustainable competitive advantage requires a strategic approach that combines innovation, the utilization of community assets, and a proactive marketing orientation. These factors become more effective when supported by digital technology implementation. Supriadi et al. (2023) emphasize that digitalization allows MSMEs to expand market reach and enhance operational efficiency. Therefore, integrating product innovation, Asset-Based Community Development (ABCD), marketing strategies, and digital technology becomes essential for improving MSME competitiveness.

Product innovation is a crucial factor in increasing the attractiveness of MSME products and adapting to market changes. Kirom et al. (2022) define product innovation as the process of creating or improving products to better suit consumer needs and maintain market competitiveness. Successful innovation strengthens customer loyalty and creates differentiation that is difficult to imitate (Wongsowinoto & Susanto, 2022; Desmiyawati et al., 2023). Moreover, combining innovation with digital marketing increases promotional effectiveness and market reach (Vidyanata et al., 2023). Triwahyono et al. (2023) further confirm that MSMEs utilizing product innovation in conjunction with digital marketing achieve superior marketing performance.

Meanwhile, the asset-based community development approach focuses on optimizing community-owned assets, both physical and social, to strengthen business competitiveness. Adawiyah and Adhitya (2021) explain that asset-based community development emphasizes community strength as a strategic resource that supports business sustainability. Through this approach, MSMEs can develop marketing strategies that highlight local values and cultural narratives. Research by Santoso et al. (2023) reveals that integrating local narratives into marketing strategies builds emotional closeness with consumers and fosters loyalty. Similarly, Rianto et al. (2022) and Kaban et al. (2024) find that community-based marketing supported by digital technology increases visibility and strengthens market relationships.

Although many studies have examined MSME competitiveness, most remain partial. Yani and Suparwata (2023) emphasize the importance of product innovation in building competitiveness, while Kamboj and Rahman (2017) explore its relationship with customer satisfaction. Studies on asset-based community development in the MSME context are emerging, yet the integration of product innovation, asset-based community development, marketing drivers, and digital technology implementation remains scarce (Octasylva et al., 2022). This gap highlights the need for further research that combines these elements in one holistic model. Encouraging innovation or digitalization without considering the local socio-cultural context is problematic. Chang (2011) underscores the importance of sustainable innovation through eco-friendly design, while Aziz et al. (2022) emphasize integrating innovation with marketing practices.

This study proposes an integrative model linking product innovation, asset-based community development, and marketing drivers to explain MSMEs' sustainable competitive advantage. Product innovation provides differentiation, asset-based community development offers social and cultural capital, and marketing drivers mediate these into proactive strategies (Risdwiyanto et al., 2023; Supriadi et al., 2023; Triwahyono et al., 2023; Vidyanata et al., 2023; Salsabilla et al., 2024). Integrating digital technology as a moderating variable, digital readiness strengthens innovation competitiveness links and enhances efficiency and sustainability (Bican & Brem, 2020; Gomez-Trujillo & Gonzalez-Perez, 2022). In Muna Regency, rich in local resources but low in digital adoption, strong cultural capital supports locally based competitiveness (Riyani et al., 2023; Fernandes, 2023; Katuuk et al., 2023).

This study has three objectives: (1) to analyze the influence of product innovation and asset-based community development strategies on MSMEs' sustainable competitive advantage in Muna Regency; (2) to examine the mediating role of marketing drivers; and (3) to assess the moderating effect of digital technology implementation. Theoretically, this research contributes to strategic management and marketing literature by presenting an integrative model based on product innovation, community-based development, proactive marketing orientation, and digitalization. Practically, it provides recommendations for MSMEs and policymakers to strengthen innovation capacity, promote digital adoption, and leverage community potential for sustainable competitiveness.

2. Literature Review and Hypothesis Development

2.1. The Determinants of Market Driving

Product innovation is a crucial factor for MSMEs in strengthening their competitiveness and encouraging more proactive marketing strategies. Recent research shows that product innovation can increase the attractiveness of offerings and their alignment with consumer needs, thereby increasing opportunities for MSMEs to drive the market rather than simply respond to it (Desmiyawati et al., 2023). Integrating innovation with digital marketing strategies further strengthens this impact, as technology enables businesses to expand their reach, increase efficiency, and improve their competitive position in the market (Supriadi et al., 2023; Triwahyono et al., 2023; Vidyanata et al., 2023; Salsabilla et al., 2024). Thus, product innovation not only creates new value but also acts as a catalyst for strengthening marketing drive in MSMEs.

Product innovation is a key factor in enhancing the competitiveness of MSMEs, particularly in an increasingly competitive marketing context. Through product innovation, MSMEs can deliver differentiated value, both in terms of quality, design, and function, tailored to consumer needs (Yani & Suparwata, 2023). According to the Resource-Based View (RBV) perspective, product innovation can be a unique and difficult-to-imitate strategic resource, thus providing a sustainable competitive advantage in the market (Karnowati et al., 2023). Thus, product innovation is seen as capable of strengthening the marketing drive of MSMEs by increasing the product's relevance and attractiveness to consumers.

Furthermore, product innovation based on an understanding of community assets, local preferences, and market trends enables MSMEs to build stronger emotional connections with consumers. Integrating local wisdom into product innovation can enhance brand image and foster customer loyalty (Santoso et al., 2023). This aligns with the view that marketing is not just about promotion, but also about how the products offered represent values and identities relevant to consumers. Therefore, product innovation is expected to directly contribute to driving the effectiveness of MSMEs' marketing strategies.

H1: Product innovation has a positive effect on marketing driving.
H2: Asset-based community has a positive effect on marketing driving.

2.2. The Determinants of Sustainability Competitive Advantage

Product innovation is a key driver of sustainable competitive advantage for MSMEs because it enables relevant differentiation that competitors find difficult to imitate (Kamboj & Rahman, 2017). From the Resource-Based View (RBV), competitive advantage can be sustained through unique capabilities, particularly continuous innovation that strengthens a firm's strategic position (Hamdan, 2021). Integrating sustainability into innovation also enhances consumer loyalty and strengthens brand image, as environmentally and socially responsible products foster trust and comply with market and regulatory expectations (Chang, 2011). Therefore, product innovation serves as a catalyst for long-term competitiveness.

Sustainable competitive advantage is further supported by leveraging community resources through the Asset-Based Community Development (ABCD) approach. Local assets such as social capital, community networks, and human skills can form the foundation of unique competitive strength in line with RBV principles (Octasylva et al., 2022; Kunyati & Radianti, 2024). Community involvement enhances innovation, improves service quality, and creates added value that is difficult to replicate, strengthening MSMEs' long-term market position (Prasetyo et al., 2024).

Marketing strategies oriented toward long-term sustainability also determine MSMEs' success in maintaining competitive advantage. Relationship-based marketing embeds sustainable values into business practices, enabling stronger customer loyalty, enhanced brand reputation, and improved market resilience (Syapsan, 2019; Risdwiyanto et al., 2023; Kaban et al., 2024). Digital and green marketing reinforce these outcomes by expanding market reach and effectively communicating sustainability commitments to environmentally conscious consumers (Rachmawati et al., 2023; Rudawska, 2019). The integration of sustainability with digital strategies creates differentiation and supports enduring competitive advantage (Atika, 2023).

H3: Product innovation has a positive effect on sustainable competitive advantage.
H4: Asset-based community development has a positive effect on sustainable competitive advantage
H5: Marketing driving has a positive effect on sustainable competitive advantage.

2.3. Market Driving as Mediating Variable

Product innovation is a key driver in building sustainable competitive advantage in MSMEs. By creating and developing new products that align with consumer preferences and environmental issues, MSMEs can increase competitiveness while maintaining business sustainability (Chang, 2011; Yani & Suparwata, 2023). However, product innovation alone is insufficient without the support of an effective marketing strategy that conveys the value of sustainability to consumers. This is where the role of marketing drivers becomes crucial, as it serves as a bridge between product innovation and the creation of long-term competitive value (Tang et al., 2021).

Marketing drivers enable product innovations to gain optimal exposure and positive market acceptance. Through digital and green marketing strategies, MSMEs can expand their reach, increase consumer engagement, and communicate the benefits of sustainable products more effectively (Aziz et al., 2022).

The asset-based community development approach focuses on leveraging local assets, both physical and non-physical, to strengthen the capacity of Micro, Small, and Medium Enterprises (MSMEs) (Titisari et al., 2024). By optimizing social capital, community networks, and local wisdom, MSMEs are able to build unique

value propositions relevant to consumer trends that increasingly emphasize sustainability (Lester et al., 2023). This potential can support the formation of a sustainable competitive advantage that is more durable and difficult for competitors to imitate. To optimally benefit from utilizing community assets, the role of marketing drivers is crucial. Marketing drivers act as a link between the utilization of community assets and sustainable competitive advantage by increasing customer loyalty, strengthening brand narratives, and disseminating sustainability values to consumers (Demessie & Shukla, 2024).

H6: Marketing driving mediates the influence of product innovation on sustainable competitive advantage.
H7: Marketing driving mediates the influence of asset-based community development on sustainable competitive advantage.

2.4 Digital Technology as Moderating Variable

Product innovation is a crucial driver of sustainable competitive advantage in MSMEs because it enables environmentally friendly product development that meets consumer expectations and supports long-term differentiation (Katuuk et al., 2023). The effectiveness of product innovation becomes stronger when supported by appropriate digital technology adoption. Digital tools accelerate innovation processes, improve efficiency, and align product development with dynamic market preferences (Fernandes et al., 2023). Digital technology also enhances market reach and consumer interaction through real-time data analysis, enabling MSMEs to respond quickly to sustainability trends (Gomez-Trujillo & Gonzalez-Perez, 2022). Through digital marketing, sustainability values embedded in innovative products are communicated more effectively, strengthening loyalty and competitive positioning (Hajishirzi et al., 2022). Thus, digital technology acts as a moderating variable that reinforces the influence of product innovation on sustainable competitive advantage.

Asset-Based Community Development highlights the importance of leveraging local assets and community engagement to enhance MSME competitiveness. By integrating community resources into business strategies, value propositions can be aligned with local needs while encouraging sustainability-oriented practices (Wongsowinoto & Susanto, 2022; Longo & Cardillo, 2025). These assets form a strong basis for unique and enduring competitive advantage.

Marketing drivers also play a vital role in strengthening sustainable competitiveness. Effective marketing builds market reach, loyalty, and reinforces sustainability commitments (Syapsan, 2019). The strength of marketing is closely linked to digital technology support, which increases efficiency, scalability, and adaptability to changing consumer behavior (Kamboj & Rahman, 2017; Tarabasz, 2024; Van Hoang et al., 2025). Digital platforms allow broader and transparent communication of sustainability initiatives, enhancing consumer engagement and brand image (Pratono et al., 2021; Dahmiri et al., 2024). Real-time data analytics also facilitate targeted marketing aligned with sustainability-focused consumer expectations, contributing to long-term competitive advantage (Gao et al., 2023). Thus, digital technology moderates the relationship between marketing drivers and sustainable competitive advantage in MSMEs.

H8: Digital technology moderates the influence of product innovation on sustainable competitive advantage.
H9: Digital technology moderates the influence of asset-based community development on sustainable competitive advantage.
H10: Digital technology moderates the influence of marketing driving on sustainable competitive advantage.

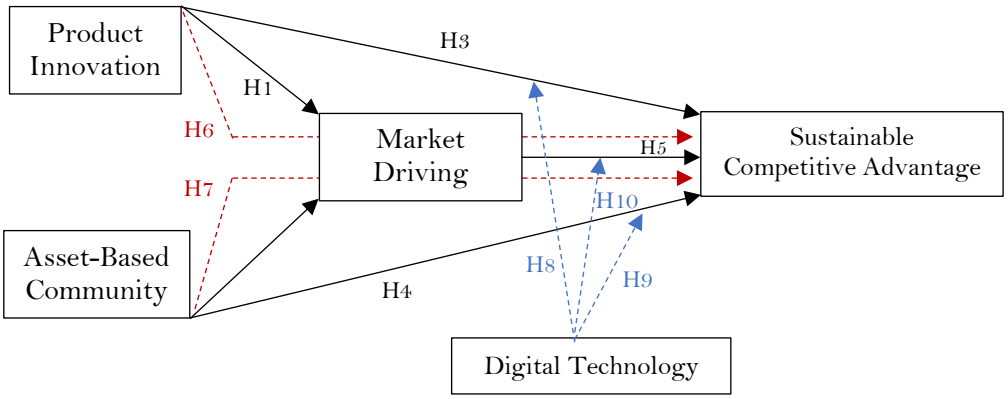

Figure 1. Theoretical model

Figure 1 shows a research context model that illustrates the relationship between five main variables, namely product innovation, asset-based community development, marketing drivers, digital technology, and sustainable competitive advantage. In this model, product innovation and asset-based community development act as independent variables that influence marketing driving and directly impact sustainable competitive advantage. Marketing Drivers function as a mediating variable that bridges the influence of product innovation and asset-based community development on the sustainability competitive advantage. Meanwhile, digital technology is placed as a moderating variable that strengthens the relationship between product innovation, asset-based community development, and marketing drivers on sustainable competitive advantage.

3. Methods

This study utilized a quantitative strategy with an explanatory research design to analyze and determine the causal relationships affecting the sustainable competitive advantage of Micro, Small, and Medium Enterprises (MSMEs). An explanatory design was chosen because it assists a researcher in systematically verifying hypotheses and determining direct, indirect, and moderating relationships among the various constructs. In this case, data were collected via a structured questionnaire survey administered to a total of 214 MSME owners and managers. Purposive sampling was employed in which specific inclusion criteria were established: (1) the business had been operating for a minimum of one year, so business management experience could be obtained; (2) the business had carried out marketing activities, and so the respondent could become acquainted with the marketing process; and (3) the respondent provided their informed consent to participate in the survey. A set of research closed-ended questions was designed using a 5-point Likert scale, which ranged from 1 ("strongly disagree") to 5 ("strongly agree"). The questionnaire was specifically developed to represent and measure five constructs comprising: product innovation (3 items), asset-based community development (3 items), marketing drivers (3 items), sustainable competitive advantage (4 items), and digital technology (5 items). These were developed and adapted from studies of previous scholars to guarantee the research objectives' alignment both conceptually and contextually.

Data was analyzed utilizing Partial Least Squares Structural Equation Modeling (PLS-SEM) because it is suitable for research that is predictive in nature, especially when complex models and small sample sizes are involved. There were two main phases in the analysis: the measurement and the structural model. During the measurement phase, construct validity and reliability were assessed for convergent

validity, internal consistency reliability, and discriminant validity using the Fornell–Larcker criterion and the Heterotrait–Monotrait Ratio (HTMT). For the structural stage, the strength of the model and its predictive capabilities were assessed with the explained variance R-squared (R^2) value and the predictive relevance Q^2 for the accuracy of the model. Lastly, the significance of the relationship paths between variables was tested using bootstrapping analysis, which provided empirical evidence for each hypothesized effect.

4. Results

A total of 214 MSME respondents in Muna Regency, 88 business units (41.1%) are engaged in the food and beverage sector, 75 business units (35.0%) are from the crafts and trade sector, and 51 business units (23.8%) are from the creative services sector and other business sectors. In terms of business age, there are 111 business units (51.9%) that have been operating for more than four years, while the other 103 business units (48.1%) are still relatively new, with an operational age of less than three years. This composition illustrates that the MSME ecosystem in Muna Regency is dominated by culinary and trade businesses based on local potential, but also shows significant growth of new entrepreneurs, thus providing a balanced picture between established businesses and developing businesses.

Table 1. Loading Factor

Constructs	Items	Loading
Product Innovation (PI)	P11	0.883
	P12	0.886
	P13	0.868
Asset-Based Community Development (ABCD)	ABCD1	0.706
	ABCD2	0.693
	ABCD3	0.799
Marketing Driving (MD)	MD1	0.867
	MD2	0.884
	MD3	0.811
Sustainability Competitive Advantage (SCA)	SCA1	0.749
	SCA2	0.863
	SCA3	0.855
	SCA4	0.831
Digital Technology (DT)	DT1	0.869
	DT2	0.865
	DT3	0.874
	DT4	0.681
	DT5	0.665

Table 1 displays the results of the factor loading analysis for each indicator used in the study. The Product Innovation (PI) construct consists of three indicators, namely P11, P12, and P13, with loading factor values of 0.883, 0.886, and 0.868, respectively, indicating a high contribution to the construct. The asset-based community development construct has three indicators, namely ABCD1 (0.706), ABCD2 (0.693), and ABCD3 (0.799), all of which meet the minimum eligibility limit of loading values > 0.60. Furthermore, the Marketing Driving (MD) construct is measured through three indicators with loading factor values of 0.867, 0.884, and 0.811, respectively, indicating strong internal consistency. The sustainability competitive advantage construct consists of four indicators, namely SCA1 (0.749), SCA2 (0.863), SCA3 (0.855), and SCA4 (0.831), all of which show a significant contribution to the SCA construct. Finally, the Digital Technology (DT) construct has five indicators with loading factor values between 0.665 and 0.874, namely DT1 (0.869), DT2 (0.865), DT3 (0.874), DT4 (0.681), and DT5 (0.665). All indicators

have loading factor values above 0.60, so it can be concluded that all items are valid and able to reflect the measured construct.

Table 2. Reliability and construct validity tests

Constructs	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
Product Innovation (PI)	0.853	0.854	0.773
Asset-based community development (ABCD)	0.572	0.574	0.539
Marketing Driving (MD)	0.815	0.822	0.730
Sustainability Competitive Advantage (SCA)	0.846	0.873	0.682
Digital Technology (DT)	0.860	0.921	0.634

Table 2 shows the results of the reliability and construct validity tests in this study. The Cronbach's Alpha and Composite Reliability (CR) values for all constructs are above the minimum limit of 0.70, except for the asset-based community development construct, which has slightly lower values of 0.572 and 0.574, but is still acceptable in an exploratory context. The Product Innovation (PI), Marketing Driving (MD), Sustainability Competitive Advantage (SCA), and Digital Technology (DT) constructs show good reliability with Alpha and CR values above 0.80. In addition, the Average Variance Extracted (AVE) values for all constructs are above 0.50, indicating that convergent validity is met, so that each indicator is able to explain the variance of its construct well.

Table 3. R Square and Q2

Variable	R-square	R-square adjusted	Q^2predict
Marketing Driving	0.498	0.493	0.486
Sustainability Competitive Advantage	0.594	0.580	0.512

The findings of the determination value test on Table 3 show that the Marketing Driving variable has an R-square value of 0.498 (adjusted = 0.493) with a Q^2predict of 0.486, which means that almost 50% of its variance can be explained by the predictor construct, and the model has good predictive power. Meanwhile, the Sustainability Competitive Advantage variable shows a higher R-square value of 0.594 (adjusted = 0.580) with a Q^2 predict of 0.512, indicating that more than half of the variance of this construct can be explained by the variables that influence it and has strong predictive power. Both constructs are in the moderate to strong category, so the research model can be said to be quite good in explaining the relationship between variables.

Table 4. Direct Effect Test Result

Structural Path	Original Sample	P-Values
Product innovation→ Marketing driving	0.549	0.000
Asset-based community development → Marketing driving	0.221	0.000
Product Innovation→ Sustainability competitive advantage	0.096	0.143
Asset-based community development → Sustainability competitive advantage	0.284	0.000

Structural Path	Original Sample	P-Values
Marketing Driving → Sustainability competitive advantage	0.283	0.001
Digital Technology → Sustainability competitive advantage	0.319	0.000

Table 5. Moderating and Mediating Effect

Effect	Structural path	Original Sample	P Values
Mediating	Product Innovation → Marketing driving → Sustainability competitive advantage	0.156	0.002
	Asset-based community development → Marketing driving → Sustainability competitive advantage	0.063	0.010
Moderating	Digital technology x Product innovation → Sustainability competitive advantage	-0.228	0.015
	Digital technology x Asset-based community development -> Sustainability competitive advantage	0.193	0.039
	Digital technology x Marketing driving -> Sustainability competitive advantage	0.133	0.294

Based on the hypothesis testing through path analysis in Tables 4 and 5, several important findings were revealed. In terms of direct influence, asset-based community development was proven to have a significant effect on marketing driving (β = 0.221; p = 0.000) and Sustainability Competitive Advantage (SCA) β = 0.284; p = 0.000). Digital technology also had a significant effect on SCA (β = 0.319; p = 0.000). Similarly, marketing driving had a positive and significant effect on SCA (β = 0.283; p = 0.001). Product Innovation had a strong effect on marketing driving (β = 0.549; p = 0.000), but its direct effect on sustainability competitive advantage was not significant (β = 0.096; p = 0.143).

In the indirect path, asset-based community development influences sustainability competitive advantage through marketing driving (β = 0.063; p = 0.010), and product innovation influences sustainability competitive advantage through marketing driving (β = 0.156; p = 0.002), which indicates an important mediating role of marketing driving. Meanwhile, in moderation, the interaction of digital technology with product innovation actually has a significant negative effect on SCA (β = -0.228; p = 0.015), while the interaction of digital technology with asset-based community development shows a significant positive effect (β = 0.193; p = 0.039). However, the moderation between digital technology and marketing driving is not significant (β = 0.133; p = 0.294. Marketing driving plays a primary mediating role, while digital technology has a diverse moderating function, and in certain cases (with Product Innovation) can even weaken the influence on sustainable competitive advantage.

5. Discussion

The results of the study indicate that Product Innovation has a significant effect on marketing driving, but does not directly impact sustainable competitive advantage. This finding aligns with Octasylva et al. (2022) and Desmiyawati et al. (2023), who emphasized that product innovation is a catalyst in strengthening

proactive marketing strategies, enabling MSMEs to drive the market rather than simply respond. This also reinforces the Resource-Based View (RBV) view that product innovation is a unique and difficult-to-imitate strategic resource (Karnowati et al., 2023). Thus, although product innovation does not directly drive sustainable competitive advantage, its impact is significant through strengthening marketing capacity.

Additionally, this study showed how asset-based community development considerably affects marketing driving and sustainable competitive advantage. This supports the Resource-Based View theory that discusses how the unconventional use of local assets, social capital, and community involvement constitutes a competitive base that is complex for rivals to imitate (Octasylva et al., 2022). Asset-based community development helps MSMEs to capitalize on community strengths, such as MSMEs' traditional knowledge, social ties, and cultural traditions, to achieve market authenticity and differentiation. This not only improves emotional attachment to the business but also meets the local identity and consumer expectations (Santoso et al., 2023). Also, community involvement encourages business transformation and community development goals. Ahmad et al. (2025) state that the asset-based community development approach enhances the MSMEs' internal capabilities, especially sustainable development goals practices, community-cohesive, and engaged community work, social legitimacy, and enterprise social legitimacy. Empowering MSMEs with internal and external social legitimacy, as asset-based community development promotes sustainable transformation, gives MSMEs resilience and long-term competitive advantage. As a result, it promotes the community's social assets to the community for the integration of the culture, social, and economic aspects of the community in the business strategy.

Furthermore, the finding that marketing driving acts as a mediator in the relationship between product innovation and asset-based community development on sustainability competitive advantage further emphasizes the strategic role of marketing. Marketing driving has been proven to bridge product innovation and the utilization of community assets with the creation of a sustainable competitive advantage. This is consistent with Risdwiyanto et al. (2023) and Kaban et al. (2024), who stated that proactive and sustainability-oriented marketing strategies can strengthen consumer loyalty while improving competitive position. Furthermore, integration with digital strategies and green marketing expands the positive impact of marketing, as emphasized by Rachmawati et al. (2023).

Finally, the research results show that digital technology has various moderating effects. The interaction of digital technology with asset-based community development has a positive effect on sustainability competitive advantage, in line with the view of Zainurrafiqi and Gazali (2024) that digital tools strengthen the utilization of community assets through efficiency, market expansion, and communication of sustainable values. However, interestingly, the moderation between digital technology and product innovation has a negative effect on the sustainability competitive advantage. This indicates that utilizing technology without an appropriate strategy can weaken the impact of product innovation, for example, due to a mismatch with market preferences or a lack of resource readiness (Bican & Brem, 2020; Gomez-Trujillo & Gonzalez-Perez, 2022). Meanwhile, the interaction with Marketing Driving is not significant, indicating that the role of digital technology needs to be more thoroughly integrated to strengthen marketing strategies in promoting sustainability.

6. Conclusion

Sustainable competitive advantage in micro, small, and medium enterprises is not solely determined by the ability to create product innovation but is more strongly supported by the utilization of community assets and proactive marketing strategies.

While product innovation is crucial as a foundation for renewed value, its success in driving sustainability can only be achieved when combined with an effective marketing strategy. Meanwhile, community engagement through an asset-based approach has proven to be a strategic resource capable of strengthening competitiveness while creating social legitimacy. The role of digital technology is a complex factor, strengthening the connection between community and sustainability, but also weakening the influence of product innovation if not integrated appropriately.

Need for business actors to develop more comprehensive business strategies, relying not only on product innovation but also on building community networks and optimizing sustainability-oriented marketing. MSME practitioners are advised to utilize digital technology as a means of communicating sustainability values while expanding market reach, but its use must be tailored to internal needs and readiness to avoid counterproductive impacts. This study still has limitations because its scope is limited to a specific context and uses a cross-sectional approach, so the dynamics of long-term relationships between variables are not fully depicted. Therefore, further research is recommended to expand the scope of sectors and regions, include other variables such as green innovation, entrepreneurial orientation, or dynamic capabilities, and use a longitudinal design or mixed-method approach to provide a more comprehensive understanding of MSME strategies in building sustainable competitive advantage.

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