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Dynamic marketing capability as mediator between resources and SMEs performance

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Abstract: This research investigates the effect of entrepreneruial orientation (EO) and knowledge management (KM) on business performance, directly and mediated by dynamic marketing capability (DMC). This study involved 235 SME entrepreneurs in the fashion sector in Bali Province. The respondents were given a questionnaire consisting of 47 statement items. Model and hypothesis testing was carried out using PLS-SEM. The research results show that the direct relationship between EO, KM, DMC, and BP is positive and significant. Further, it was found that DMC consisting of proactive market orientation and value innovation mediate the influence of entrepreneruial orientation and knowledge management on business performance. The mediation test results show that value innovation consistently plays a more significant role in mediating than proactive market orientation.. Theoretically, this research contributes to the theoretical framework by introducing DMC as a mediating variable under the dynamic capability view. Apart from that, this research contributes theoretically by proving that RBV is still relevant today and is needed to launch company capabilities. This research provides a practical contribution to SMEs, namely the importance of acting dynamically by reconfiguring resources to face changes in the business environment.

Keywords: *Business Performance, Dynamic Marketing Capability, Entrepreneruial Orientation, Knowledge management.*
JEL Classification: *L26; L25; M10.*

1. Introduction

Every organization undoubtedly shares a primary objective: enhancing its business performance [1]. Business performance (BP) is described by Cho and Lee [2] as the extent to which a company meets its set objectives and adapts to changing environmental factors. According to the Resource-Based View (RBV), BP is influenced by managing and utilizing resources, including tangible and intangible assets, such as entrepreneurial orientation (EO). BP is crucial as it reflects the achievement of stakeholders' objectives and is vital in forecasting the success or failure of business strategies and decisions [3]. Studies by Prima Lita, et al. [4]; Fatima and Bilal [5]; Vaitoonkiat and Charoensukmongkol [6]; Galbreath, et al. [7] and Tajeddini, et al. [8] confirm that EO enhances business performance. However, research by Shah and Ahmad [9] and Shu, et al. [10] presents contrasting findings, indicating that EO's direct impact on business performance is not statistically significant when measured through financial performance. In addition to EO, knowledge management (KM) is another vital strategic resource, which includes acquiring, sharing, and applying knowledge. Studies by Alegre, et al. [11]; Obeso, et al. [12]; Shahzad, et al. [13]; Koohang, et al. [14] and Al-Sa'di, et al. [15] highlighted the significant role of KM in enhancing business performance. However, Ferraresi, et al. [16] and Turulja and Bajgoric [17] presented differing findings. According to the knowledge-based view (KBV), KM improves performance [18]. KBV emphasizes the critical value of knowledge as a resource within organizations, connecting it to capabilities and competitive advantages,

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which are critical drivers for achieving exceptional performance [19]. The divergence in research findings underscores a significant research gap stemming from a limitation in the RBV. The RBV, which underscores using resources to achieve superior performance in stable business environments, must catch up in the face of significant changes [20]. Achieving competitive advantage and performance based on RBV is not enough to rely on resources alone; it also requires capabilities [21]. Capability is a company's ability to harness resources, typically along with organizational procedures, to impact desired results [21] and dynamic capability view (DCV) comes into play, emphasizing the need for companies to manage their resources when facing changes in the business environment [22]. Dynamic marketing capabilities (DMC) are specialized types of dynamic capabilities that explicitly concentrate on a company's marketing function abilities for integrating and rearranging resources to generate and provide value to customers in reaction to market fluctuations [23]. DMC comprises of two main components: proactive market orientation (PMO) and value innovation/VI [24]. PMO focuses on understanding and discovering latent customer needs in the future by identifying new opportunities obtained, one of which is market knowledge [25]. VI is closely related to dynamic capability because it is the ability to realize value or systematically produce innovation initiatives [26]. This dynamic capability is essential for SMEs because it can help them learn the business environment, understand the market, and create and capture existing opportunities [27].

From a theoretical perspective, this research offers a novel approach by mediating the influence of EO and KM on BP with DMC variables. These variables act as the ability to reconfigure marketing resources when business actors are faced with changes in the business environment. Importantly, this study focuses on fashion SMEs in Bali Province, providing practical insights that can be directly applied in this specific context.

2. Literature Review

2.1. Entrepreneurial Orientation

The concept of EO was pioneered by Miller [28] and Hernandez-Perlines [29]. EO is a character or orientation that is more dominant, referring to aggressive actions related to markets and products/competitive aggressiveness, daring to be involved in risky activities/risk-taking, and prioritizing innovation to be able to lead in competition/innovativeness [30]. Risk-taking involves using substantial resources to exploit opportunities in uncertain market conditions [31]. According to the prompt's definition, innovativeness is a company's inclination to explore new ideas and creative methods for improving existing products, developing new products, and advancing technology [32]. Competitive aggressiveness is a pivotal element in business, not just for survival but also for thriving in the market. It entails fortifying and preserving a company's foothold in the industry, demanding bold and forward-thinking strategies [32].

2.2. Knowledge Management

Knowledge, which encompasses an individual's understanding of a particular domain, including the relationship, causal phenomen, and underlying rules, is fundamental to human cognition. It helps us navigate and make sense of the world around us [33]. The KBV offers a compelling framework for understanding the importance of knowledge management as a multidimensional construct in modern organizations. It starts with from acquiring, transferring, and applying knowledge to improve business performance [34]. Knowledge acquisition is a crucial process that enables companies to gain valuable insights and create innovative products or ideas that are dynamic and interactive [35]. Knowledge sharing is an activity where people within the organization exchange existing knowledge, or there is an information sharing activity [36]. Knowledge application, a crucial part of successful knowledge management, is about using knowledge practically within a company to foster decision-making, actions, and problem-solving [37].

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2.3. Dynamic Marketing Capability

DMC are part of dynamic capability, which emphasizes customer value [24]. DMC is the fusion of human and social capital and managerial knowledge used to generate, utilize, and merge market information and marketing assets to adjust and innovate market and technological advancements [38]. According to Kachouie, et al. [24] DMC can be defined by two elements: proactive market orientation (PMO) and value innovation (VI). Overall, PMO represents natural DMC as it influences the configuration of resources and capabilities and helps companies absorb and disseminate market knowledge [24]. VI is not related to technological innovation. However, it can be created with or without the help of technology [39] and refers to creating value for customers rather than creating new technology [40].

2.4. Business Performance

Business performance (BP) refers to a group of activities that are an integral part of achieving marketing activity objectives so that the success or failure of marketing activities can be measured using key performance measurement indicators [41]. The well-recognized BP measurement scale, the balanced scorecard, consists of four perspectives: financial, customer, internal business process, and learning and growth [42]. The financial perspective is a performance measurement scale derived from traditional measurements, which can only measure performance from the past. In contrast, the other three perspectives can predict the future [43]. Customer perspective is related to initiatives to establish customer relationships and create customer satisfaction [44]. The Internal business processes focus on every action to increase customer satisfaction by focusing on employee competency [45]. The learning and growth perspective involves how companies facilitate ongoing change and enhancement to achieve their mission and vision [44].

2.5. Hypothesis

2.5.1. Entrepreneurial Orientation and Business Performance

A company's internal resources are believed to be one of the essential factors for a company to achieve superior performance according to the RBV point of view [46] and EO is a resource that can motivate a company to attain excellent performance [46]. Previous studies show that EO can positively and significantly improve BP [4-8, 31].

H_1: EO positively and significantly affect BP

2.5.2. Knowledge Management and Business Performance

Knowledge-based view or KBV is a view that focuses on knowledge as an essential strategic resource in companies [47] and KBV focuses on the role of knowledge in helping companies achieve superior performance [48]. KM allows companies to learn by developing valuable knowledge and then disseminating it to all members of the organization, improving performance and becoming superior [48]. The role of KM in improving BP is proven by Shahzad, et al. [13]; Koohang, et al. [14] and Al-Sa'di, et al. [15].

H_2: KM positively and significantly affect BP

2.5.3. Entrepreneurial Orientation and Dynamic Marketing Capability

DMCs are crucial in driving the marketing function as they represent an active element of adaptability and innovation. They demonstrate the company's marketing prowess and ability to adapt to changing market conditions [23]. DMC comprises of two main elements: PMO and VI [24]. EO encourages SMEs to find new market opportunities and offer new products that customers do not need [49]. SMEs with an EO can dominate the market by behaving proactively and being market-oriented [49]. EO, a construct widely accepted and studied by academics as a strategic resource, has been empirically proven to increase PMO [50-53].

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The potential value of information will be easily recognized and exploited by a firm with a higher EO [54]. Utilizing value creation as an essential element can achieve customer value and superior business performance [26]. EO is essential in producing various innovations, including developing new products or replacing existing ones to finding new methods to reduce costs and increase value Prima Lita, et al. [4]. Seo [55] proves that innovation, which is characterized by the ability to reduce prices and increase value, is the output of entrepreneurial behavior.

H_3: EO positively and significantly affect PMO.

H_4: EO positively and significantly affect VI

2.5.4 Knowledge Management and Dynamic Marketing Capability

One natural form of dynamic capability, according to DCV, is the ability to act proactively against market volatility [14]. KM allows companies to respond to changing trends without waiting for market demand [56]. The knowledge obtained, disseminated, and applied allows each company to be aware of any market changes and makes it possible to act before market demand arises [57]. The relationship between KM and market orientation is positive and significant, providing valuable insights [58]. KM is a company's knowledge assets that are managed to create value [56]. Well-managed knowledge increases the company's adaptive capabilities in changing situations, increasing DMC [59]. A company's ability to create innovation depends on intangible resources, including knowledge-based resources [60]. KM has significantly increased innovation [61]. Other research by Abbas, et al. [62] and Ode and Ayavoo [63] report similar findings, namely that KM can increase innovation.

H_5: KM positively and significantly affect PMO.

H_6: KM positively and significantly affect VI

2.5.5. Dynamic Marketing Capability and Business Performance

The DCV provides a modern perspective on acquiring and sustaining competitive advantage in ever-changing markets [22]. PMO allows business actors to know the needs and desires of the market in the future, thus encouraging companies to act dynamically and encouraging increased BP [64]. PMO denotes different actions aimed at comprehending and fulfilling customers' hidden requirements [65]. Empirical evidence shows that PMOs have resulted in significant company performance increases. It is proven that a PMO is an essential factor in improving BP [66, 67].

Innovative companies will persist in exploring fresh concepts, new approaches to conducting business, and exhibiting innovation in their business practices, leading to more excellent business performance [68]. DCV states that innovation is active behavior when dealing with changes in the business environment and seizing new opportunities [17]. Over the last 20 years, VI has been linked to creating superior BP [68]. Studies conducted by Ferreira, et al. [69]; Cuevas-Vargas, et al. [70] and Harif, et al. [71] demonstrate that VI positively impacts company performance.

H_7: PMO positively and significantly affect BP.

H_8: VI positively and significantly affect BP.

2.5.6. Role of Dynamic Marketing Capabilty in Mediating Entrepreneurial Orientation and Business Performance

The viewpoint of dynamic capabilities deals with specific issues of the RBV by suggesting capabilities that facilitate the incorporation and utilization of resources for the organization's advantage; these capabilities serve as intermediaries between resources and BP [72]. EO enables companies to utilize information about product markets, leading to enhanced performance and a competitive edge in securing new revenue sources [7]. Dynamic capabilities can directly influence BP, but can also be built through dynamic capabilities Farzaneh, et al. [73]. Amin, et al. [74] demonstrate that market orientation mediates the connection between EO and BP.

EO enables the innovation carried out by the company to become better by competing aggressively, daring to take risks, and behaving innovatively, which ultimately improves the company's performance

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[55]. In their study, Prima Lita, et al. [4] discovered that organizational innovation mediates the relationship between EO and organizational performance. Additionally, Prima Lita, et al. [4] propose conducting tests to examine how other, more specialized forms of innovation impact the relationship between EO and business performance.

H_9: PMO mediates the influence of EO on BP

H_{10}: VI mediates the influence of EO on BP.

2.5.7. Role of Dynamic Marketing Capabilty in Mediating Knowledge Management and Business Performance

Knowledge-based view or KBV is a view that focuses on knowledge as an essential strategic resource in companies [47] and KBV focuses on the role of knowledge in helping companies achieve superior performance [48]. Companies that manage tacit and explicit knowledge can determine the emergence of proactive behavior that impacts company performance [75]. Research by Dash [58] proves that market orientation mediates the influence of KM on BP. KM is vital in increasing a company's innovation capability, ultimately impacting company performance [76].

Companies that demonstrate a high KM capacity will likely increase their innovation ability, ultimately improving company performance Bashir and Farooq [77]. Shahzad, et al. [13] empirically demonstrated that green innovation serves as a mediating factor, showing how it mediates the impact of KM on sustainable performance. Rehman and Iqbal [78] show that innovation mediates knowledge-oriented leadership and organizational performance. Per Zhang, et al. [79] the speed of innovation influences the connection between knowledge management and company performance.

H_{11}: PMO mediates the influence of KM on BP

H_{12}: VI mediates the influence of KM on BP.

3. Methods

3.1. Questionnaire Development

A Likert scale was used to gauge participants' views on the research variables. The range of answer choices is strongly disagreed with a score of one to strongly agree with a score of five. The questionnaire is divided into three sections: The initial part includes screening questions to select participants based on specific criteria., the second part is the respondent profile, filled in only by respondents who match the criteria, and the third part is statement items that the respondent must answer. The questionnaire consists of a total of 47 statements.

The questionnaire in this research was adapted from previous research and has been empirically tested. However, because there is no research related to the same variables in the fashion industry, especially SMEs, measurements were carried out using a combination of references deemed appropriate to the conditions of the research subjects. Entrepreneurial orientation is measured using a three-dimensional approach, namely risk-taking, innovativeness, and competitive aggressiveness [30] with a total of 12 statement items. Knowledge management uses a process knowledge management approach measured by three components: knowledge acquisition, knowledge sharing, and knowledge application, adopted from Honarpour, et al. [80] and Supermane and Mohd Tahir [81] with 12 statement items.

Next is dynamic marketing capability, measured by PMO and VI adapted from Kachouie, et al. [24]. DMC is measured with eight statement items with details of four statement items each to measure PMO and value innovation. According to Kaplan and Norton [82] balanced scorecard, BP's assessment is based on four perspectives: financial, customer, internal business process, and learning and growth. BP is assessed using a set of 15 statement items taken from Jami Pour and Asarian [42] research. Before conducting research, the research instrument is first tested for validity and reliability. The instrument test was carried out with a pilot project on 30 respondents who were fashion SMEs using the convenience sampling method. The instrument validity criteria set is a correlation coefficient value of at least 0.30, and the reliability criteria set is Cronbach's alpha of at least 0.60 [83]. Figure 1 shows the conceptual framework of this research based on the hypothesis that has been proposed.

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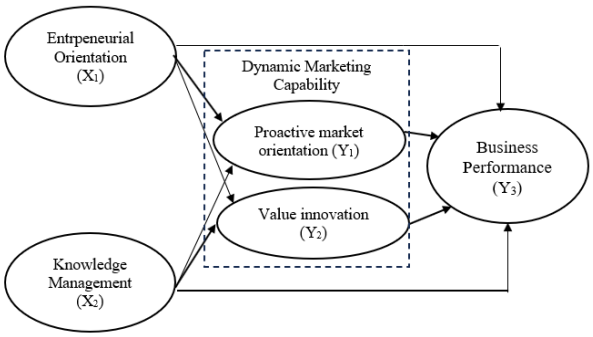

Figure 1.
Framework of BP with DMC as Mediator.

3.2. Sampling and Data Collection

This research focuses on fashion SMEs in Bali Province. Sample determination was carried out by considering 5 – 10 times the number of parameters [84]. The number of parameters in this research was 47, so the sample size was determined to be 235 fashion SMEs. This method was chosen because there is no accurate data regarding the number of fashion SMEs, such as no filter regarding SMEs that produce finished products and resellers; apart from that, the Covid-19 pandemic has caused many fashion SMEs to no longer operate and have moved business locations. The sampling method uses non-probability sampling techniques, more specifically, judgmental sampling. The criteria set are (1) producing fashion either to be made into ready-to-wear products or sold to other business actors, (2) selling fashion products made by yourself, either from raw materials produced by yourself or from suppliers, and (3) having employees 5-19 people for small businesses and 20-99 people for medium businesses. The respondents involved were business owners or business managers. The questionnaire will be given to the business owner if the business owner directly manages the business, but for companies that already have management; the questionnaire will be given to the manager. Questionnaires were distributed in three stages to obtain the specified number of respondents. The stages of distributing the questionnaire can be seen in Table 1. The questionnaire was distributed in three stages to obtain the required responses. All collected data will be further analyzed using two software, SPSS for instrument testing and SEM-PLS for model measurement and hypothesis testing.

Table 1.
Questionnaire distribution stages.

Activity	Stage 1	Stage 2	Sateg 3	Total
Distributed questionnaire (Specimen)	250	100	20	370
Returned questionnaire ((Specimen)	195	62	15	272
Fully answered questionnaire (Specimen)	171	49	15	235
Respond rate (%)	78	62	75	63.5

4. Findings

4.1. Measurement Model

Measurements of the model were conducted using convergent validity techniques (outer loading and average variance extracted/AVE), discriminant validity assessments (Fornell-larcker Criterion and Hetrotrait-Monotrait Ratio), and reliability evaluations involving composite reliability and Cronbach's alpha. Table 2 shows the results of model measurement tests using the convergent validity and composite reliability approaches. The factor loading column reveals that the external loading value is above 0.7, indicating that each indicator can effectively represent the variable [84]. The subsequent AVE test confirms that each variable's AVE value is above 0.5, indicating that the construct can account for over half of the item variance [85].

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Table 2.
Convergent validity and composite reliability.

Item	Factor loading	Composite reliability	Cronbach's alpha	AVE
Entrepreneurial orientation		0.961	0.956	
Risk taking				
RT1	0.921			
RT2	0.802	0.892	0.892	
RT3	0.806			
RT4	0.855			
Innovativeness				
Inn1	0.851			
Inn2	0.786	0.9	0.852	0.674
Inn3	0.796			
Inn4	0.819			
Competitive agresiveness				
CA1	0.801			
CA2	0.745	0.893	0.839	
CA3	0.798			
CA4	0.858			
Knowledge management		0.976	0.973	
Knowledge acquistion				
KAc1	0.857			
KA2	0.883	0.924	0.924	
KA3	0.898			
KA4	0.892			
Knowledge sharing				
KS1	0.847			
KS2	0.854	0.949	0.929	0.769
KS3	0.835			
KS4	0.863			
Knowledge application				
KAp1	0.901			
KAp2	0.9	0.955	0.936	
KAp3	0.886			
KAp4	0.905			
Proactive market orientation				
PMO1	0.704			
PMO2	0.858			
PMO3	0.759			
PMO4	0.846	0.813	0.702	0.526
Value innovation				
VI1	0.813			
VI2	0.827	0.838	0.751	0.565
VI3	0.709			
VI4	0.781			
Business performance				
Financial perspective				
FP1	0.863			
FP2	0.87	0.879	0.927	
FP3	0.85			
Customer perspective				0.579
CP1	0.829			
CP2	0.884	0.904	0.937	
CP3	0.815			
CP4	0.887			
Internal business process perspective				
IBP1	0.805	0.752	0.836	

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IBP2	0.793			
IBP3	0.843			
IBP4	0.834			
Learning and growth perspective				
LGP1	0.888	0.79	0.864	
LGP2	0.836			
LGP3	0.973			
LGP4	0.84			

The discriminant validity test can also be verified to meet the criteria through the Fornell-Larcker Criterion and Hetrotrait-Monotrait Ratio tests. In Table 3, the square root of the AVE value is higher than the correlation coefficient between constructs, indicating that the correlation coefficient between constructs is lower than the square root value of AVE, thus fulfilling the requirements for discriminant validity.

Table 3.
Discriminant validity - Fornell-Larcker criterion.

Variable	EO	KM	PMO	VI	BP
Entrepreneurial orientation	0.821				
Knowledge management	0.722	0.877			
Proactive market orientation	0.456	0.387	0.725		
Value innovation	0.4	0.531	0.713	0.752	
Business Performance	0.437	0.538	0.525	0.602	0.761

Table 4 displays the test for discriminant validity using the Heterotrait-Monotrait Ratio. The correlation between constructs must be below 0.9 for the Heterotrait-Monotrait Ratio to demonstrate discriminant validity for reflective constructs [86]. Therefore, the criteria for discriminant validity have been met.

Table 4.
Discriminant validity - Heterotrait-Monotrait ratio.

Variable	EO	KM	PMO	VI	BP
Entrepreneurial orientation					
Knowledge management	0.611				
Proactive market orientation	0.559	0.626			
Value innovation	0.452	0.444	0.656		
Business performance	0.471	0.575	0.214	0.555	

4.2. Structural Model and Hypothesis Testing

Smart PLS Version 3.0 was employed to conduct the testing, which aimed to evaluate both direct and indirect influence. Bootstrapping resampling is used for hypothesis testing, where a p-value less than 0.05 shows a significant effect, and the original sample value indicates the direction of the effect, positive or negative.

4.3. Analysis of Direct Effect

Based on the results in Table 5, it is known that EO positively and significantly influences BP (O = 0.059, p --values < 0.05), PMO (O = 0.498, p-values < 0.05), and innovation value (O = 0.456, p-values < 0.05) so that H1, H3, and H4 are accepted. KM is known to have a significant positive impact on BP (O=0.104, p-values < 0.05), PMO (O = 0.436; p-values < 0.05), and VI (O = 0.575, p-values 0.05) so that H2, H5, and H6 are accepted. Each PMO (O = 0.347, p-values < 0.05) and VI(O = 0.575, p-values < 0.05) influence BP positively and significantly so that H_7 and H_8 are accepted.

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Table 5.
Result of direct effect hypothesis test.

Path	Original sample (O)	Standard deviation (STDEV)	t statistic (O/STDEV)	P values
Direct effect				
EO --> BP (H1)	0.059	0.025	2.368	0.018
KM --> BP (H2)	0.104	0.03	3.448	0.001
EO --> PMO (H3)	0.498	0.052	9.591	0.000
EO --> VI (H4)	0.456	0.047	9.596	0.000
KM --> PMO (H5)	0.436	0.077	5.661	0.000
KM --> VI (H6)	0.575	0.041	14.024	0.000
PMO --> BP (H7)	0.347	0.031	11.054	0.000
VI --> BP (H8)	0.575	0.04	14.535	0.000

4.4. Analysis of Indirect Effect

The results of hypothesis testing for the indirect influence or role of PMO and VI as mediators are shown in Table 6. Each PMO (O = 0.173, p-values < 0.05) and VI (O = 0.262, p- p-values < 0.05) mediates the influence of EO on BP so that these results support H_9 and H_{10}. Next, each PMO (O = 0.151, p-values < 0.05) and VI (O = 0.272, p-values < 0.05) mediates the influence of KM on BP so that these results support H_{11} and H_{12}.

Table 6.
Result of mediation effect hypothesis test

Path	Original sample (O)	Standard deviation (STDEV)	T statistic (O/STDEV)	P values	Result
Indirect effect					
EO --> PMO --> BP (H9)	0.173	0.025	6.857	0	Supported
EO --> VI --> BP (H10)	0.262	0.034	7.665	0	Supported
KM --> PMO --> BP (H11)	0.151	0.033	4.614	0	Supported
MP --> VI --> KB (H12)	0.272	0.035	7.765	0	Supported

5. Discussion

This research focuses on the role of DMC consisting of PMO and VI in mediating the influence of EO and KM on BP in fashion SMEs. This research is rooted in a resource-based view to link company resources, namely EO and KM, to BP. Apart from that, this study is also supported by KBV that justifies KM as a strategic asset for a company. DCV is also used to emphasize the position of DMC as a mediating variable, which is novel in this research. This study offers fresh perspectives on the significance of DMC as a confirmed mediating factor linking EO, KM, and BP. The research results show that EO as a strategic resource owned by fashion SMEs can improve BP. EO encourages business actors to dare to take risks, be innovative, and compete aggressively [30]. EO allows small firms or new firms, defined as newly established firms or less than ten years old, to perform better than competitors and improve firm performance [87]. Furthermore, KM as a strategic resource has also been proven to improve the BP of fashion SMEs. Our findings underscore the pivotal role of KM in bolstering SME BP. This knowledge can empower organizations to cultivate unique and valuable insights through education and disseminate this knowledge internally to enhance performance [48]. Knowledge is controlled by a process that begins with obtaining knowledge (acquisition), distributing knowledge (sharing), and utilizing that knowledge (application). This study primarily focuses on the significance of DMC (PMO and VI) as mediating factors in the connection between EO, KM, and BP. This mediating variable was placed to overcome research gaps that needed to be more consistent in previous research on the influence of EO on BP. According to Cantaleano, et al. [50] PMO helps companies regenerate resources and redefine business in a dynamic market. For fashion SMEs, PMO is crucial because rapidly changing consumer tastes certainly require business actors to seize these opportunities as much as

possible. This proactive behavior encourages shows the character of market orientation by finding latent demand, and in the fashion industry, this is one of the factors that cause changes in market tastes because business actors stimulate the market with new products, especially designs that break through existing standards. Furthermore, VI also plays a significant role as a mediator. According to Turulja and Bajgoric [17] innovation, whatever its form, is a tangible manifestation of dynamic capabilities because it refers to new ideas different from existing industry standards. VI is essential for SMEs because it is not always related to technology, but it is more important to innovation by increasing value and reducing costs. VI can manifest in different forms of innovation, such as product and process innovation, at both the incremental and radical levels [88]. VI allows small fashion businesses to make gradual and significant changes to their products and operations. The main point of these findings is that employing VI under DCV allows fashion SMEs to adapt to changes in the business environment.

6. Implications

6.1. Theoritical Implication

The results obtained from this research mean that RBV is a foundation for formulating business strategies by empowering strategic resources with valuable, rare, irreplaceable, and manageable characteristics, including tangible and intangible resources [89]. This research proves that the RBV is still relevant in explaining the relationship between resources and BP, while the DCV shows relevance when facing changes in the business environment. This research proved that PMO and VI are mediating variables with partial mediation properties on the influence of EO and KM on BP.

6.2. Practical Implication

This research provides valuable insight into improving SME BP, especially in the fashion sector. The research results show that the management and utilization of strategic resources to be implemented into competitive strategies to produce superior BP should be integrated with PMO and VI. Changes in external conditions require fashion SMEs to adapt to meet market needs and desires. In the fashion industry, changes in the external environment are not only about consumer tastes in the form of fashion trends but also changes in purchasing power that have occurred, one of which is due to the impact of the Covid-19 pandemic, which has caused a decline in people's purchasing power. The effect of the Covid-19 pandemic is still being felt today in Asia. Changes made to follow trends or market tastes are created by creating products with the latest designs and expanding the market by targeting adult consumers and teenagers. Now, we can start to find fashion products that can be used by consumers from various circles. Changes are also made to keep up with people's purchasing power, such as producing products with multiple price ranges and reducing production costs, such as outsourcing production to other companies that can deliver at low costs or allowing consumers to bring their raw materials so that they do appear to be producing products at low prices. This research demonstrates the essential importance of EO for small fashion businesses, particularly in enhancing business performance. RBV stresses that EO is valuable in developing exceptional business performance [90]. EO is a character or orientation that is more dominant, referring to aggressive actions related to markets and products/competitive aggressiveness, daring to be involved in risky activities/risk-taking, and prioritizing innovation to be able to lead in competition/innovativeness [30]. Encouraging risk-taking boosts fashion SMEs to use their resources, fostering innovativeness supports the generation of new ideas and the advancement of internal and external solutions, and competitive aggressiveness displays bravery in striving to surpass competitors. KM is a strategic asset that also plays a vital role in improving the BP of fashion SMEs. KM is centered on the belief that every individual in the company has knowledge that can be used to achieve superior BP [91]. From a KM perspective, the implication is that fashion SMEs should start to see the importance of enriching their knowledge regarding changes in tastes or competitors. KM can start by collecting knowledge from various sources and end with identifying new business opportunities in the fashion sector, such as expanding the product distribution network. Knowledge acquisition is the first step in the KM process, which involves utilizing various external sources to gain knowledge. Next

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is knowledge sharing, where the knowledge gained should be shared with everyone in the company. The knowledge obtained and shared can then be applied as output for business development, whether a product or a competitive strategy. Facing changes in the market environment, fashion SMEs should behave dynamically. This dynamic behavior is a strategy and a necessity in the fast-paced fashion industry. Based on the DCV, companies are required to be able to manage their resources when facing changes in the business environment. Business actors should increase PMO behavior because it makes it possible to fulfill consumer desires that consumers do not even know what they want. Fashion SME actors should be more involved with customers. If this is needs to be done correctly, it is better to ask employees to share customer feedback regarding products so they can find out customer tastes. VI is also essential in facing environmental changes because it offers new ideas that are not limited to products and processes but can be carried out at incremental and radical levels. In conclusion, this research proves valuable, rare, difficult to imitate, and manageable resources are essential in achieving superior BP. More than quality resources are needed to improve BP; these resources must be managed dynamically as the business environment changes. Fashion SMEs in Asia can use this study as a reference to act proactively by being market-oriented and innovating for value in products and processes.

7. Limitation

In addition to the findings, there are various constraints to consider in this study. First, this study includes business participants from various product sectors, such as clothing, jewelry, shoes, and accessories. The different business entities could lead to variations in the utilization of resources by business entities. Further studies should concentrate on a specific fashion sector to achieve more precise comprehension. Furthermore, the participants in this study consist of individuals who serve as both owners and managers, potentially resulting in different behaviors regarding the research variable. Future studies need to identify respondents more precisely to target decision-makers effectively. Additionally, this research was carried out within the small and medium-sized fashion companies in Bali Province, experiencing differing reactions from entrepreneurs towards market changes. Not all locations in Bali that contribute to this situation are popular with tourists, leading to varying levels of competition. Further studies should be conducted in areas with analogous circumstances, such as both being tourist attractions.

Transparency:

The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

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