



EXPLORING CUSTOMER VALUE IN NON APPAREL TEXTILE SMES: THE ROLE OF BUSINESS STRATEGY

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Abstract

This study explores the relationship between business strategy, business performance, innovation, and competitive advantage and their impact on customer value for non-apparel textile SMEs in Indonesia. Using Structure Equational Modeling (SEM), it aims to understand how business strategy affects business performance and innovation and how business performance and innovation mediate the relationship between business strategy and competitive advantage. In addition, it investigates the role of competitive advantage as a mediator in increasing customer value. The results show that business strategy has a significant impact on business performance, innovation, and competitive advantage. Competitive advantage proved to be an important mediator in improving customer value. However, business performance and innovation are not always effective in mediating the relationship between business strategy and competitive advantage or customer value. The findings indicate that while business performance and innovation are important, they should be viewed as part of a more holistic approach to business strategy. This research concludes that companies should focus on strategies that integrate competitive advantage through various elements, such as innovation, product quality, and marketing. Good strategic planning and effective implementation are key to achieving and maintaining competitive advantage and increasing customer value. The findings provide important insights into the need for a holistic strategic approach to achieve long-term success in an increasingly competitive market.

Keywords : Textile, SMEs, SEM, Business, Strategic

Abstrak

Penelitian ini mengkaji hubungan antara strategi bisnis, kinerja bisnis, inovasi, dan keunggulan bersaing serta dampaknya terhadap nilai pelanggan pada UMKM tekstil non-apparel di Indonesia. Dengan menggunakan Structural Equation Modeling (SEM), penelitian ini bertujuan untuk memahami bagaimana strategi bisnis memengaruhi kinerja bisnis dan inovasi, serta bagaimana kedua variabel tersebut memediasi hubungan antara strategi bisnis dan keunggulan bersaing. Selain itu, penelitian ini juga menyelidiki peran keunggulan bersaing sebagai mediator dalam meningkatkan nilai pelanggan. Hasil penelitian menunjukkan bahwa strategi bisnis memiliki pengaruh signifikan terhadap kinerja bisnis, inovasi, dan keunggulan bersaing. Keunggulan bersaing terbukti menjadi



mediator penting dalam meningkatkan nilai pelanggan. Namun, kinerja bisnis dan inovasi tidak selalu efektif dalam memediasi hubungan antara strategi bisnis dengan keunggulan bersaing maupun nilai pelanggan. Temuan ini mengindikasikan bahwa meskipun kinerja bisnis dan inovasi memiliki peranan penting, keduanya perlu dipandang sebagai bagian dari pendekatan strategi yang lebih holistik. Penelitian ini menyimpulkan bahwa perusahaan perlu memfokuskan strategi yang memperkuat keunggulan bersaing melalui berbagai elemen, seperti inovasi, kualitas produk, dan efektivitas pemasaran. Perencanaan strategis yang baik dan implementasi yang efektif merupakan kunci untuk mencapai dan mempertahankan keunggulan bersaing serta meningkatkan nilai pelanggan. Temuan ini memberikan wawasan penting mengenai perlunya pendekatan strategis yang holistik guna mencapai keberhasilan jangka panjang di pasar yang semakin kompetitif.

Kata Kunci : Textile,SMEs,SEM,Business,Strategic

1. INTRODUCTION

Small and Medium Enterprises (SMEs) play an important role in restoring the economy and promoting growth, as well as enhancing a country's competitiveness (Prabowo, 2022; Sawangchai et al., 2018). The sector serves as a key foundation in industrial activity by facilitating technological innovation and creativity, which supports the process of sustainable industrialization. In Indonesia, non-wear textile SMEs are facing major challenges, especially regarding the decline in sales prospects in recent years (Sarasi et al., 2023). The increase in imports of goods has caused losses for non-wear textile SMEs, which has a significant impact on the local economy. These challenges are related to their ineffective business strategies in competing with imported products that attract domestic consumers (Nurkomariyah & Tyasti, 2022; Widodo & Ferdiansyah, 2010). Competitiveness is a key element in assessing the sustainability of SMEs in Indonesia's textile sector (Taçoğlu et al., 2019).

The dynamic business environment affects all SMEs, including changes in technology and product variety that are important in business development (Prasanna et al., 2019; Putri et al., 2024). Innovation, viewed through the lens of Dynamic Capabilities, plays a crucial role in improving a company's competitiveness (Farida & Setiawan, 2022b). Non-apparel textile SMEs that successfully adopt innovation can create a sustainable competitive advantage and effectively compete with imported products flooding the domestic market (Prasetyani et al., 2020). Innovations can be radical breakthroughs that alter industry paradigms or incremental adjustments that enhance existing processes and products. The ability to continuously innovate not only improves operational performance but also enables SMEs to be more responsive to market dynamics and compete globally (Abdullah, Aprilia, et al., 2025; Abdullah et al., 2023; Abdullah, Iskandar, et al., 2025; Awais et al., 2023).

In addition, the Resource-Based View (RBV) emphasizes the importance of leveraging internal resources and capabilities to gain a competitive edge (Agus Zainul Arifin, 2020; Muchlis et al., 2021; Sugiarno & Novita, 2022). For non-wear textile SMEs, this involves utilizing unique resources, such as specialized knowledge, advanced technology, and skilled personnel, to create value that differentiates them from competitors. Moreover, the Value-Based View (VBV) highlights the significance of creating customer value as a core aspect of competitive advantage (Daneshvar Kakhki & Nemati, 2022). An important competitive advantage for non-wear textile SMEs in global competition is measured through customer value, including satisfaction, price, loyalty, and product or service benefits (Awais et al.,



2023). Focusing on these aspects is critical in developing business strategies that are responsive to market changes and maintaining competitiveness in an increasingly fierce global market (Sudirjo, 2023).

Therefore, an analysis is needed to understand how non-apparel textile SME businesses are affected by competitive advantage, innovation, business strategy, and business performance that influence customer value. This study aims to understand the relationship between these variables and how they affect the sustainability of textile SMEs in the domestic market. By integrating perspectives from Dynamic Capabilities, RBV, and VBV, the research seeks to provide a comprehensive framework for understanding how internal and external factors interact to enhance competitive advantage and customer value.

This research also makes a novel contribution by linking internal and external factors in SME business analysis, specifically related to competitive advantage and consumer value. The relationship between these variables, informed by Dynamic Capabilities, RBV, and VBV, is an under-researched area. This study aims to offer a deeper understanding of how innovation and business strategy interact with competitive advantage and consumer response. The results are expected to guide non-woven textile SMEs in developing more effective strategies to maintain and improve their position in a dynamic and competitive domestic market

2. Hypothesis Development

a. Business Strategy → Business Performance

Effective business strategies are essential for non-apparel textile SMEs in Indonesia to maintain competitiveness in a competitive market. These strategies include product innovation, operational efficiency, appropriate marketing, and technology utilization (Latifah et al., 2021; Susanto et al., 2017). By developing unique products, lowering production costs, focusing on consumer needs, and utilizing digital technology, SMEs can increase productivity, customer satisfaction, and profitability. Therefore, the second hypothesis (H2) states that business strategy has a significant influence on the business performance of non-apparel textile SMEs in Indonesia.

H1 : Business Strategy has a significant impact on Business Performance

b. Business Strategy → Business Innovation

The strategy chosen by an organization can play an important role in driving the innovation process. By setting the right strategy, such as allocating appropriate resources, focusing on new product development, or collaborating with external parties, companies can create a favorable environment for innovation growth (Agius, 2022; Jasim et al., 2020). This hypothesis assumes that a good business strategy will facilitate the innovation process by opening up space for experimentation and the development of new ideas that can lead to better and more attractive products or services for the market.

H2: Business Strategy has a significant impact on business innovation of Non-Apparel textiles SMEs.

1. Business Strategy → Competitive Advantage

A. Dircet Relationship

a. Business Strategy → Competitive Advantage

The strategy chosen by an organization can significantly affect its competitive advantage in the market. By designing and executing appropriate strategies, such as product differentiation, effective market



penetration, or the application of advanced technologies, a firm can differentiate itself from competitors (Farida & Setiawan, 2022a; Rahim & Zainuddin, 2019). This hypothesis assumes that an effective business strategy will enable firms to optimize their resources, improve operational efficiency, and better respond to market dynamics, which in turn enhances the firm's ability to achieve and maintain a strong competitive advantage.

H3 : Business strategy has a significant impact on the competitive advantage of non-apparel textile SMEs.

B. Mediating Relationship

a. Business Strategy → Competitive Advantage Mediating by Business Performance

The relationship between business strategy and competitive advantage is mediated by business performance, which in turn influences perceived customer value. Specifically, a firm's business strategy enhances its business performance through improved productivity, high product quality, superior customer service, and competitive pricing which subsequently increases the value perceived by (Hadi & Indradewa, 2019; Razak & Nirwanto, 2016). In other words, effective business performance mediates the impact of business strategy on competitive advantage by enhancing customer perceptions of value. This research will explore the extent to which business performance influences perceived customer value and how these factors interact within the relevant context. This hypothesis is grounded in the Resource-Based View (RBV) and the Value-Based View (VBV) of business performance (Agus Zainul Arifin, 2020; Sugiarno & Novita, 2022). According to RBV, a firm's resources and capabilities, such as operational efficiency and product quality, contribute to achieving a competitive advantage. VBV further asserts that the value perceived by customers is directly related to the firm's performance metrics (Agus Zainul Arifin, 2020). By positioning business performance as a mediator, this hypothesis emphasizes the role of operational excellence in translating strategic efforts into enhanced customer value and competitive advantage. It highlights the theoretical importance of understanding how improvements in business performance can bridge the gap between business strategy and perceived customer value.

H4 : Business Strategy has a significant impact on the competitive advantage Mediating by Business Performance of Non-Apparel textile SMEs.

b. Business Strategy → Competitive Advantage Mediating by Innovation

The relationship between business strategy and competitive advantage is mediated by innovation. Specifically, a firm's business strategy influences its innovation level, subsequently enhancing its competitive advantage. Innovation, encompassing new product development, improved operational processes, and superior services, creates significant customer value and strengthens market competitiveness (Khair et al., 2023; Reguia, 2014). This hypothesis is grounded in the Resource-Based View (RBV) and Dynamic Capabilities Theory (Agus Zainul Arifin, 2020). According to RBV, a firm's resources and capabilities, including its capacity for innovation, are critical for achieving a sustained competitive advantage. Innovation represents a dynamic capability that allows firms to adapt to changing market conditions and differentiate themselves from competitors. By embedding innovation into their business strategy, firms can leverage unique resources and processes to enhance their competitive positioning (Khair et al., 2023). This theoretical framework emphasizes the importance of innovation as a mediator that transforms strategic initiatives into tangible competitive benefits. It also



underscores how a strategic focus on innovation can help firms maintain a competitive edge in rapidly evolving markets.

H5 : Business Strategy has a significant impact on the competitive advantage Mediating by Innovation of Non-Apparel textile SMEs.

2. Business Startegy → Costumer Value

A. Mediating Rekationship

a. Business Strategy → Customer Value Mediating by Business Performance

The relationship between business strategy and customer value is mediated by business performance. Specifically, a firm's business strategy influences its performance in key areas such as productivity, quality, and customer service, affecting the perceived value of its customer offerings. Enhanced business performance improved operational efficiency, high product quality, and superior customer service leads to higher customer satisfaction and perceived value (Hadi & Indradewa, 2019; Razak & Nirwanto, 2016). This hypothesis posits that business performance is a critical mediator in translating the benefits of business strategy into increased customer value. This hypothesis is grounded in the Resource-Based View (RBV) and the Value-Based View (VBV). RBV posits that a firm's internal capabilities, such as its performance metrics, are crucial for achieving a competitive edge (Sugiarno & Novita, 2022). According to VBV, customer value is derived from the firm's ability to deliver superior performance outcomes. By positioning business performance as a mediator, this hypothesis emphasizes how strategic initiatives that improve business performance can enhance customer value. It underscores the importance of operational excellence and its role in bridging the gap between business strategy and customer perceptions of value.

H6 : Business Strategy has a significant impact on Customer Value Mediating by Business Performance of Non-Apparel textile SMEs.

b. Business Strategy → Customer Value Mediating by Innovation

The impact of business strategy on customer value is mediated by innovation. Specifically, the level of innovation within a company encompassing new product development, enhancements to existing products, and improvements in service processes affects how consumers perceive the value of the company's offerings. By implementing relevant and beneficial innovations, companies can enhance customer satisfaction, loyalty, and perceived value (Sajid et al., 2015; Sepulveda et al., 2019). This hypothesis posits that innovation serves as a key mediator in translating the benefits of a business strategy into increased customer value. This hypothesis is grounded in the Dynamic Capabilities Theory and the Value-Based View (VBV). Dynamic Capabilities Theory suggests that a firm's innovation ability is crucial for adapting to market changes and maintaining a competitive edge (Samsudin & Ismail, 2019). Innovation enables firms to offer enhanced or new products and services that meet evolving customer needs, thereby increasing perceived customer value. VBV further supports this by emphasizing that customer value is derived from the firm's ability to deliver superior and relevant innovations (Daneshvar Kakhki & Nemati, 2022). By positioning innovation as a mediator, this hypothesis highlights its critical role in bridging the gap between strategic initiatives and enhanced customer value. It demonstrates how a strategic focus on innovation can improve customer satisfaction and loyalty.

H7 : Business Strategy has a significant impact on Customer Value Mediating by Innovation of Non-Apparel textile SMEs.



c. Business Strategy → Customer Value Mediating by Competitive Advantage

The relationship between business strategy and customer value is mediated by competitive advantage. Specifically, a firm's competitive advantages—such as product differentiation, operational efficiency, and superior customer service positively impact the perceived value of its offerings. By leveraging these competitive advantages, companies can enhance customer attraction, loyalty, and overall (Farida & Setiawan, 2022a).. This hypothesis posits that competitive advantage acts as a crucial mediator in translating the benefits of a business strategy into increased customer value. This hypothesis is grounded in the Resource-Based View (RBV) and the Competitive Advantage Theory. According to RBV, a firm's unique resources and capabilities, which contribute to competitive advantage, are critical for achieving superior market performance (Muchlis et al., 2021) . Competitive Advantage Theory further suggests that firms with distinct competitive edges such as differentiated products or efficient operations are better positioned to create higher value for customers. By positioning competitive advantage as a mediator, this hypothesis highlights how strategic efforts that enhance competitive positioning can translate into greater customer perceived value, demonstrating the importance of competitive advantage in bridging the gap between business strategy and customer satisfaction.

H8 : Business Strategy has a significant impact on Customer Value Mediating by Competitive Advantage of Non-Apparel textile SMEs.

Based on the explanation of the hypothesis that has been discussed, the following is a framework of the research model used, as shown in Fig 1.

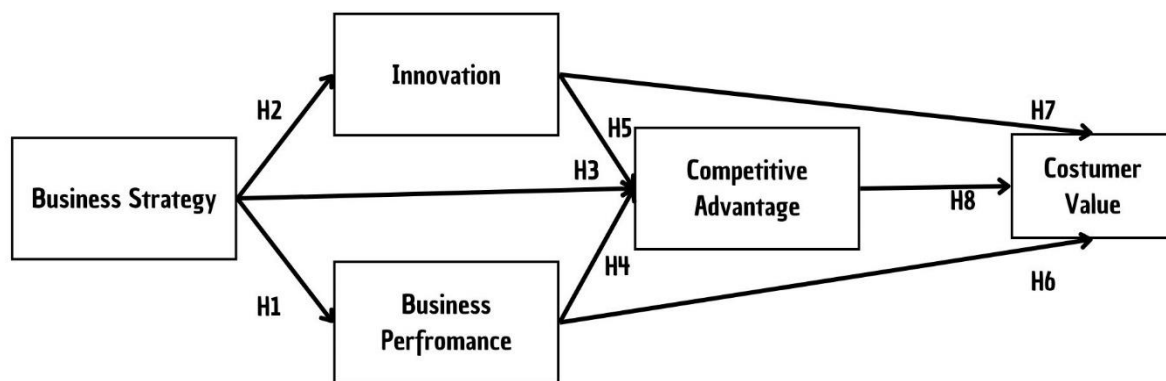


Fig 1. Model Framework

2. RESEARCH METHOD

The methodology for this research utilizes quantitative data, employing data collection techniques through surveys and a review of relevant literature. The research targets non-apparel textile SMEs in Bandung, West Java, listed on the Tokopedia marketplace, with the criterion of having sales reaching 7,500 units over the past six months. The final sample comprises 150 SMEs, selected during May-June 2025, with an estimated data tabulation and a month trial period. The survey was conducted using a Google Form questionnaire distributed via email or Instagram DM. A four-point Likert scale was used for each variable, ranging from strongly agree to disagree strongly. Table 1 outlines the variables in this study.

**Table 1.** Information Variable

Research Variable	Definition	Variable Indicator	Variable Measurement	Referention
Business Strategy	The way an organization will carry out its business mission to achieve its vision.	<ul style="list-style-type: none"> • Employee Skills • Product Market Startegy • Competitive Product • Good Service Quality 	Likert Scale	(Farida & Setiawan, 2022a; Latifah et al., 2021)
Business Performance	The result of an individual's work, completed through their duties within the company during a specific period, and related to the company's values or standards.	<ul style="list-style-type: none"> • Profitability • Sales Growth • Liquidity Resources • Investment Capacity 	Likert Scale	(Farida & Setiawan, 2022a; Latifah et al., 2021)
Innovation	Innovation is an overarching process linked to business strategy for enterprise utilization.	<ul style="list-style-type: none"> • Organizational Leadership • Collaboration and Partnership • Business and Technology • Knowledge Management 	Likert Scale	(Farida & Setiawan, 2022)
Competitive Advantage	Difficult for competitors to replicate is to create products with a sustainable regional uniqueness value, so that competitors' products are unable to attract consumer attention.	<ul style="list-style-type: none"> • Innovation • Quality • Delivery Dependability • Time to Market 	Likert Scale	(Farida & Setiawan, 2022)
Costumer Value	Customer value is the customer's perception of the benefits and satisfaction they get from a product or service compared to the costs they incur.	<ul style="list-style-type: none"> • Costumer Loyalty • Benefits • Price • Costumer Satisfaction 	Likert Scale	(Hiray & Anjum, 2022; Indajang et al., 2023; Masfiah & Artanti, 2023)

3. RESULTS AND DISCUSSION



a. Research Respondents

This study involved 150 respondents who are non-woven textile SME business owners in Bandung, West Java. The respondents selected were those who had registered on the Tokopedia marketplace, which allowed the researcher to access relevant and reliable data. One of the main criteria in the selection of respondents is the number of employees of at least 50 people, which ensures that the SMEs studied have a large enough operational scale to obtain representative data. Data collection was conducted from May to June 2025, using a questionnaire distributed via Google Form and distributed to all respondents via email or Instagram Direct Message (DM). This method was chosen to maximise participation and facilitate efficient data collection. The respondents provided valuable information on business strategy, innovation, business performance, competitive advantage, and consumer judgment, which formed the basis of the analyses in this study.

b. Respondent Characteristics

The explanation of the characteristics of the respondents aims to provide an overview to readers about the profile of the respondents used as samples in this study. Respondent profiles include gender, educational background, and length of business. Respondents consist of non-wear textile SMEs based in Bandung, West Java. Based on Fig 2, the majority of respondents are male and have the highest education at the Bachelor's level. This may be due to the high interest and encouragement among textile entrepreneurs to pursue education up to the Bachelor's level. The respondents' length of business varied from one year to more than 15 years. However, the data shows that the majority of respondents have been in business for 5-10 years, indicating significant experience in the industry.

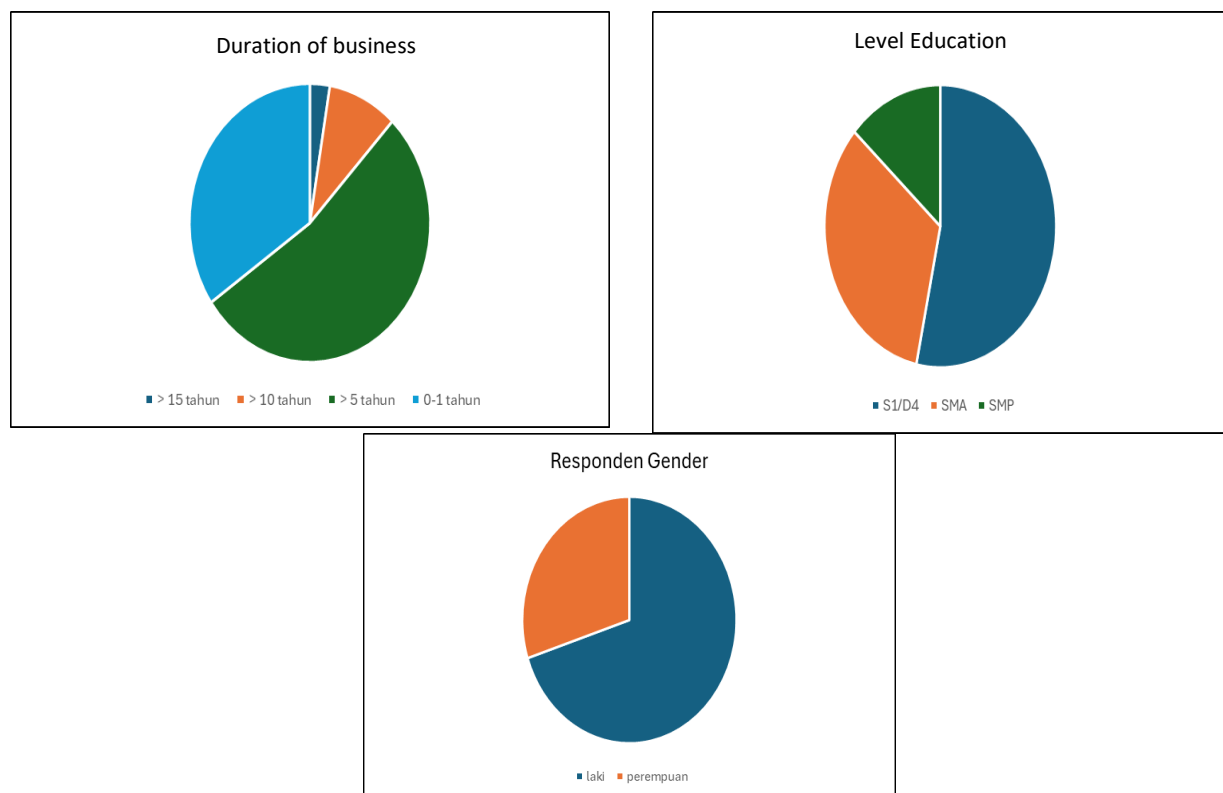


Fig 2. Information Respondent



c. Validity and Reliability Test

The survey data utilized in this study were initially assessed for validity and reliability to ensure the accuracy of the tabulated results. The outcomes of this assessment are detailed in Tables 2 and 3. Table 2 shows that all question items related to business strategy, business performance, innovation, competitive advantage, and customer value meet the established criteria, with the calculated r value exceeding the r table value. Given a sample size of 150 questionnaires and using the degrees of freedom equation ($DF = N-2$) or $DF = 150-2 = 148$, the r table value obtained is 0.161. A lower alpha value indicates higher reliability, with a reliability standard of $\alpha > 0.70$ being used. The results confirm that all statement items for each variable are valid and reliable, making them suitable for use in this study.

Table 2. Result Validation Instrument

Variable	Items	Correlation (r)	
		R	Status
Business Strategy	BS1	0.952	Valid
	BS2	0.820	Valid
	BS3	0.819	Valid
	BS4	0.755	Valid
Business Performance	BP1	0.848	Valid
	BP2	0.930	Valid
	BP3	0.841	Valid
	BP4	0.812	Valid



Innovation	IN1	0.892	Valid
	IN2	0.835	Valid
	IN3	0.787	Valid
	IN4	0.736	Valid
Competitive Advantage	CA1	0.878	Valid
	CA2	0.839	Valid
	CA3	0.736	Valid
	CA4	0.685	Valid
Customer Value	CV1	0.685	Valid
	CV2	0.766	Valid
	CV3	0.812	Valid
	CV4	0.593	Tidak Valid Valid

yellow-colored question items are declared not meeting the validity standards because they are less than < 0.6. So, to conduct reliability testing, the items were then deleted to generate again and check the reliability conditions of the statement items shown in Table 3.

Table 3. Result Reliable Test

Variable	Coefficient
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	Alpha	Status
Business Strategy	0.858	Reliable
Business Performance	0.881	Reliable
Innovation	0.829	Reliable
Competitive Advantage	0.802	Reliable
Customer Value	0.781	Reliable

The outer model test is performed using composite reliability data to evaluate a construct. A variable is deemed reliable if the composite reliability (pc) value exceeds 0.7. The findings of this test are illustrated in Table 4 and Figure 3. Figure 3 shows the output results from the model testing conducted using Partial Least Squares (PLS).

Table 4. Composite Reliability

Construct	Composite Reliability	R-Square
Business Strategy	0.905	-
Business Performance	0.918	0.747
Innovation	0.887	0.726
Competitive Advantage	0.872	0.892
Customer Value	0.808	0.864

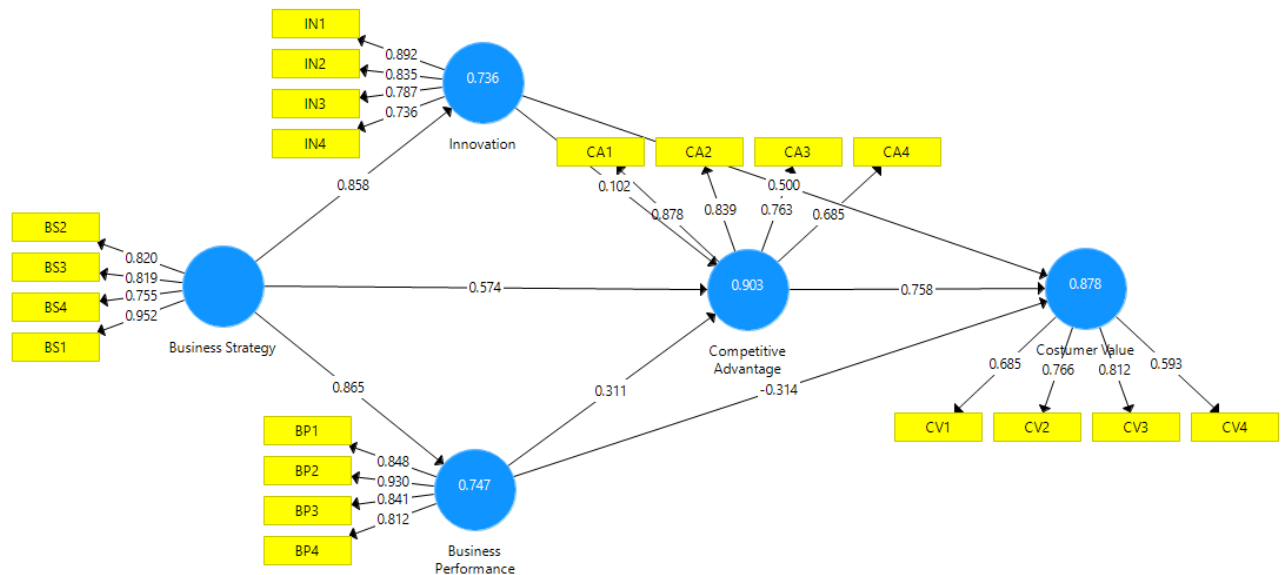


Fig 3. Results of Model Testing Conducted Using PLS

The inner model is assessed using the R-square value for the dependent construct. The R-square values calculated for customer value are 0.747 (74.7%), 0.736 (73.6%), 0.903 (90.3%), and 0.878 (87.8%). These results demonstrate that the influence of business strategy variables on competitive advantage, both directly and through business performance and innovation, is substantial. This implies that a more effective business strategy enhances the competitive advantage of non-apparel textile SMEs by improving business performance. Additionally, the correlation value of 0.878 for customer value indicates that business strategies, when implemented through innovation, business performance, and competitive advantage, significantly impact the customer value achieved by non-woven textile SMEs. In other words, a business focused on positive growth will likely see an increase in the positive customer value obtained by the company.

d. Hypothesis Test

The hypothesis testing stage is carried out by comparing the calculated t value with the t table. In this case, with a degree of freedom of 148, the t table value used is 1.975. To accept or reject the hypothesis, the calculated t value must be greater than the t table value. If $t_{\text{count}} > 1.975$, then the null hypothesis (H_0) is rejected and the alternative hypothesis (H_1) is accepted, indicating a statistically significant relationship between the variables tested. Table 5 shows the results of hypothesis testing of the variables in the model and Fig. 4 shows the results of data hypothesis testing conducted with the help of smart PLS.

Table 5. Result Hypothesis

Hipotesis	t.Count	Coef.Path	Information
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Business Strategy → Business Performance	30.386	0.000	Sig
Business Strategy → Innovation	22.936	0.000	Sig
Business Strategy → Competitive Advantage	2.207	0.0028	Sig
Business Strategy → Business Performance → Competitive Advantage	0.850	0.396	No sig
Business Strategy → Innovation → Competitive Advantage	0.500	0.618	No sig
Business Strategy → Business Performance → Customer Value	0.389	0.698	No sig
Business Strategy → innovation → Customer Value	0.531	0.596	No sig
Business Strategy → Competitive Advantage → Customer Value	8.902	0.000	Sig

significant at 5% level, t table value at 5% level = 1.975.

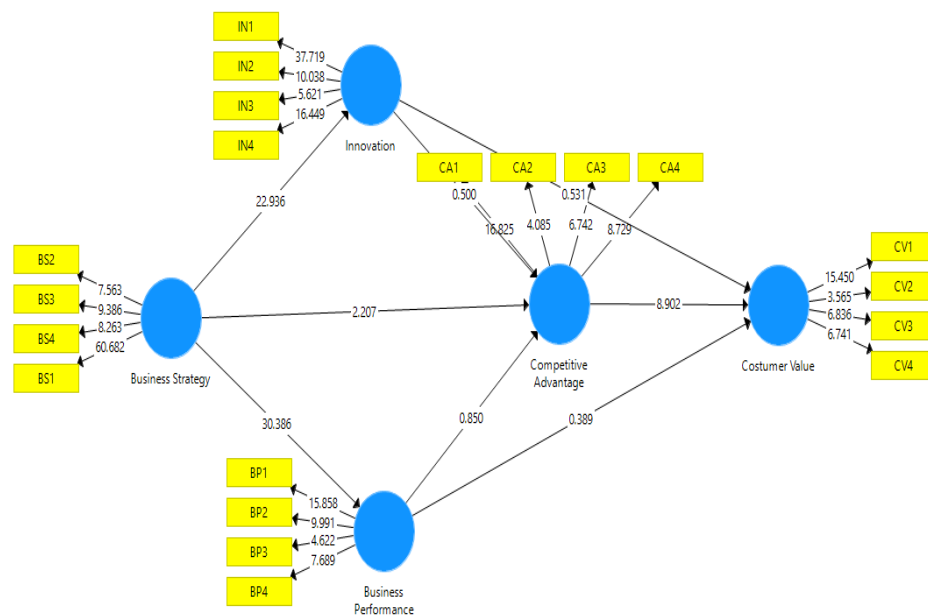


Fig 4. Results of Data Hypothesis Testing



e. Hypothesis Discussion

The test results shown in Table 5 are then presented and discussed with the previous literature, with the following explanation:

1. Discussion of Hypothesis 1

Business strategy has a substantial and significant influence on business performance, as shown by the t value exceeding the t table value ($30.386 > 1.975$) and a path coefficient of 0.000. This result indicates a strong positive correlation between business strategy and performance. The effectiveness of the business strategy directly enhances the company's performance. This result aligns with prior studies (Farida & Setiawan, 2022; Hendarsjah, 2023; Xie et al., 2019). Consequently, it is essential for businesses to quickly and effectively adapt to changes to ensure they maintain peak performance. **H1 is accepted.**

2. Discussion of Hypothesis 2

Business strategy significantly and positively affects innovation, as indicated by the t value surpassing the t table value ($22.936 > 1.975$) and a path coefficient of 0.000. This demonstrates a strong positive association between business strategy and innovation. Companies that are adaptable and responsive to evolving industry conditions through innovation are better equipped to compete effectively. Thus, innovation becomes a vital element of a business strategy for achieving long-term competitiveness and industry sustainability industry (Farida & Setiawan, 2022a; Krüger & Meyer, 2021). A well-crafted business strategy enables a company to deliver products or services that stand out and are more valued than those of competitors. Furthermore, a successful business strategy should be based on precise information about the company's context and conditions. These insights align with earlier research (Farida & Setiawan, 2022a; Tavassoli & Karlsson, 2016). Thus, **H2 is accepted.**

3. Discussion of Hypothesis 3

Business strategy has a significant and positive impact on competitive advantage, as evidenced by the t value exceeding the t table value ($2.207 > 1.975$) and a path coefficient of 0.0028. This result highlights a strong positive link between business strategy and competitive advantage. Companies that implement effective business strategies are better positioned to compete successfully and secure long-term survival. This conclusion is consistent with previous research (Dupire & M'Zali, 2018; Farida & Setiawan, 2022b; Gomera et al., 2018). An in-depth understanding of various strategic areas such as marketing, production, distribution, organizational, and financial strategies is essential for the successful execution of business strategies. **Thus, H3 is accepted.**

4. Discussion of Hypothesis 4

The results indicate that business strategy does not significantly influence competitive advantage through business performance. This conclusion is supported by the t -value of 0.850, below the critical t -table value of 1.975, and a path coefficient of 0.0396. As such, the hypothesis is rejected. This finding challenges the notion that improved business performance, as a direct outcome of business strategy, enhances competitive advantage. The Resource-Based View (RBV) suggests that while business performance is a crucial internal capability, competitive advantage often hinges on a more comprehensive set of factors. These include unique resources, strategic positioning, and innovation. The low path coefficient and non-



significant t-value indicate that business performance alone may not be a sufficient mediator for translating business strategy into competitive advantage. This result implies that other factors beyond business performance, such as product innovation, service quality, and effective marketing strategies, likely influence competitive advantage. It suggests that firms must integrate multiple strategic elements to achieve and sustain a competitive edge. Business performance, while important, may not be the sole driver of competitive advantage. Instead, a more holistic approach that combines various operational and strategic factors is necessary.

Given that **H4 is rejected**, it is clear that business performance alone does not significantly mediate the relationship between business strategy and competitive advantage. Companies should focus on a comprehensive strategy encompassing innovation, quality, and marketing alongside business performance to build and maintain a competitive advantage. This critique highlights the need for a multifaceted approach to competitive advantage that goes beyond mere performance metrics.

5. Discussion of Hypothesis 5

The results indicate that business strategy does not positively and significantly affect competitive advantage when mediated by innovation. This is supported by the t-value of 0.500, below the critical t-table value of 1.975, and a path coefficient of 0.618. Therefore, Hypothesis H5 is rejected.

This finding questions the assumption that innovation, as a mediator, significantly channels the impact of business strategy on competitive advantage. According to the Dynamic Capabilities Theory, while innovation is crucial for adapting to market changes and gaining a competitive edge, the results suggest that it might not always mediate the relationship between business strategy and competitive advantage as expected. Although moderate, the path coefficient of 0.618 and the low t-value indicate that innovation might not fully capture the complex dynamics required to achieve competitive advantage through business strategy.

The rejection of H5 implies that innovation alone may not sufficiently bridge the gap between business strategy and competitive advantage. This result suggests that broader factors influence competitive advantage or require a different approach to innovation. Firms may need to explore other mediators or integrate various strategic elements to leverage business strategy for competitive advantage effectively.

The results indicate that while innovation is an important factor, it does not significantly mediate the effect of business strategy on competitive advantage in this study. Companies should consider a more comprehensive approach involving additional mediators or a combination of strategic elements to enhance the impact of business strategy on competitive advantage. This critique highlights the need for further research into the specific conditions under which innovation can effectively mediate the relationship between business strategy and competitive advantage.

6. Discussion of Hypothesis 6

The results reveal that business strategy has a weak relationship with customer value when mediated by business performance. This is indicated by the t-value of 0.389, which is below the critical t-table value of 1.975, and a path coefficient of 0.698.

This finding suggests that business performance does not strongly mediate the relationship between business strategy and customer value. According to the Resource-Based View (RBV), while business performance is an important internal capability, its role as a mediator may not



fully capture the nuances of how business strategy translates into customer value. The low t-value and moderate path coefficient suggest that business performance alone may not be a sufficient intermediary in this context.

The weak relationship implies that while business performance is important, it may not be the only or most effective mediator between business strategy and customer value. Other factors or mediators, such as customer experience, product innovation, or market positioning, could be playing a more significant role. Companies should consider these additional factors to understand better and enhance how business strategy impacts customer value.

The results suggest that business performance, as a mediator, has a weak effect on the relationship between business strategy and customer value. Companies may need to adopt a more comprehensive approach, incorporating various strategic and operational elements, to link business strategy with enhanced customer value effectively. Further research may be needed to explore other potential mediators or factors that could strengthen this relationship. **The H6**

Rejected

7. Discussion of Hypothesis 7

The results indicate that business strategy has a limited relationship with customer value when mediated by innovation. This conclusion is supported by the t-value of 0.531, which is below the critical t-table value of 1.975, and a path coefficient of 0.596. Therefore, Hypothesis H7 is rejected.

This finding suggests that innovation does not significantly mediate the relationship between business strategy and customer value in this study. According to Dynamic Capabilities Theory, while innovation is essential for adapting to market changes and enhancing competitive positioning, it may not always serve as an effective mediator in translating business strategy into customer value. The t-value and path coefficient indicate that innovation, in this context, does not fully bridge the gap between business strategy and the perceived value by customers. The rejection of H7 implies that innovation alone may not be sufficient to mediate the impact of business strategy on customer value. Other factors or mechanisms might be more effective in capturing how business strategy influences customer perceptions of value. Companies may need to integrate additional strategies or consider different mediators to understand better and enhance the relationship between business strategy and customer value.

The results suggest that innovation, as a mediator, has a limited effect on the relationship between business strategy and customer value. This indicates that while innovation is a key factor, it may not adequately mediate this relationship in the studied context. Firms should explore other potential mediators or strategic elements that could strengthen the connection between business strategy and customer value. Further research could provide insights into which factors more effectively bridge this gap.

8. Discussion of Hypothesis 8

The results show that business strategy has a significant relationship with customer value when mediated by competitive advantage. This is supported by a t-value of 8.902, which exceeds the critical t-table value of 1.975, and a path coefficient of 0.000. This finding indicates that an increase in competitive advantage directly contributes to an increase in customer value. Therefore, Hypothesis **H8 is accepted**.

The significant t-value and path coefficient underscore the crucial role of competitive advantage as a mediator between business strategy and customer value. According to Competitive



Advantage Theory and the Resource-Based View (RBV), competitive advantage stemming from factors such as product innovation, operational efficiency, superior service quality, and effective marketing plays a critical role in enhancing customer perceptions of value. The results confirm that a strong competitive advantage enables firms to offer higher value to their customers, thereby validating the theoretical framework that links competitive advantage to customer value.

Companies should prioritize strategies that enhance their competitive advantage to maximize customer value. This may involve investing in innovative processes, improving product and service quality, and developing effective marketing strategies. By strengthening their competitive position, companies can better meet customer expectations and increase satisfaction.

The acceptance of H8 confirms that competitive advantage significantly mediates the relationship between business strategy and customer value. Firms should focus on enhancing their competitive advantages to deliver higher value to customers. This could involve a multifaceted approach, integrating innovation, quality improvements, and strategic marketing to maintain and enhance competitive positioning in the market (Rahim & Zainuddin, 2019; Meranti & Affandi, 2023).

4. CONCLUSION

This research reveals that business strategy has a significant impact on business performance, innovation, and competitive advantage. The results show that competitive advantage plays a key role as a mediator in increasing customer value. These findings confirm the importance of a business strategy that not only focuses on improving internal performance and innovation but also on creating a strong competitive advantage. Although business performance and innovation are important factors in corporate strategy, the results of this study show that they are not always effective in mediating the relationship between business strategy and competitive advantage or between business strategy and customer value. This suggests that business performance and innovation should be seen as part of a more holistic approach. Therefore, to achieve and sustain competitive advantage and increase customer value, companies need to develop strategies that integrate various key elements. A focus on improving competitive advantage innovation, product quality, and effective marketing strategies is an important step. Investments in process innovation, quality improvement, and targeted marketing strategy development can strengthen a company's competitive position in the market. Careful strategic planning and effective implementation are key to achieving a company's long-term goals in an increasingly competitive market. Companies that can adapt and integrate various aspects of their business strategy well will have a sustainable competitive advantage and be able to increase customer value significantly. This research underscores the need for a comprehensive, value-creation-oriented strategic approach to ensure long-term growth and success in the global marketplace.

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