

# Create a Competitive Advantage for Karawo Small and Medium Enterprises

Ali Mohammad<sup>1\*</sup>, Eka Zahra Solikahan<sup>2</sup> 

<sup>1,2</sup> Universitas Ichsan Gorontalo, Gorontalo, Indonesia

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## ABSTRAK

UKM berkontribusi sebagai penopang perekonomian nasional, sehingga UKM perlu didorong untuk meningkatkan daya saingnya dengan menciptakan keunggulan kompetitif yang unggul agar berdampak tidak hanya pada pasar domestik tetapi juga pada pasar global. Penelitian ini bertujuan untuk menganalisis pengaruh strategi pemasaran, inovasi, pengetahuan keuangan, dan demografi terhadap keunggulan kompetitif, selain itu demografi terhadap inovasi UKM Karawo di Kota Gorontalo. Penelitian ini menggunakan teknik sampling yaitu purposive sampling dengan kriteria tertentu sehingga sampel penelitian adalah 78 UKM Karawo yang memenuhi kriteria. Metode pengumpulan data menggunakan kuesioner online. Metode analisis data adalah analisis jalur menggunakan SPSS versi 20. Hasil penelitian menunjukkan bahwa strategi pemasaran mempengaruhi keunggulan kompetitif, inovasi tidak mempengaruhi keunggulan kompetitif, pengetahuan finansial tidak mempengaruhi keunggulan kompetitif, dan demografi mempengaruhi keunggulan kompetitif. Demografi mempengaruhi inovasi. Berdasarkan hasil penelitian ini, UKM Karawo di Kota Gorontalo harus mampu berinovasi dan meningkatkan pengetahuannya agar tercipta keunggulan kompetitif. Oleh karena itu, dimungkinkan untuk mengembangkan model yang terkait dengan faktor-faktor yang mendorong inovasi berdasarkan teori keunggulan sumber daya untuk penelitian lebih lanjut dan pengaruh literasi keuangan terhadap keunggulan kompetitif.

## ABSTRACT

SMEs contribute as support for the national economy, so SMEs need to be encouraged to increase their competitiveness by creating superior competitive advantages to have an impact not only on the domestic market but also on the global market. This study aims to analyze the effect of marketing strategy, innovation, financial knowledge, and demography on competitive advantage, besides that demography on innovation in Karawo SMEs in Gorontalo City. This study uses a sampling technique, namely purposive sampling with specific criteria so that the research sample is 78 Karawo SMEs that meet the criteria. The data collection method uses an online questionnaire. The method of data analysis is path analysis using SPSS version 20. The research results show that marketing strategy affects competitive advantage, innovation does not affect competitive advantage, financial knowledge does not affect competitive advantage, and demography affects competitive advantage. Demography affects innovation. Based on the results of this research, Karawo SMEs in Gorontalo City need to be able to innovate and increase their financial knowledge in order to create a competitive advantage. Therefore, it is possible to develop a model related to the factors that drive innovation based on the resource advantage theory for further research and the influence of financial literacy on competitive advantage.

## 1. INTRODUCTION

Small and Medium Enterprises (SMEs) are one of the business sectors that support the national economy and contribute 60% to the national GDP (Jia et al., 2020; Kadeni, 2020). Therefore, encouraging SMEs to excel through more creative and innovative business models and being able to compete by increasing the competitive advantage of SMEs is essential. Competitive advantage has an essential role in increasing the competitiveness of SMEs in order to survive in the domestic and global markets. Maintaining or increasing competitive advantage is the primary key to success in responding to change proactively. This condition can be realized by creating and delivering good customer value so that it can

\*Corresponding author.

E-mail: [ekazahra.solikahan@gmail.com](mailto:ekazahra.solikahan@gmail.com) (Ali Mohammad)

increase customer satisfaction and have an impact on increasing the competitive advantage of SMEs. Competitive advantage can be created by implementing a marketing strategy to deliver good value to customers. The delivery of good customer value can be successful if SMEs can integrate their resources and formulate them through a marketing strategy. Therefore, SMEs need to realize the need to implement innovative strategies to remain competitive (Irawan, 2020; Tyoso & Haryanti, 2020). Applying the right marketing strategy can provide advantages for SMEs compared to their competitors and guarantee the existence of SMEs because they can take advantage of market opportunities and build competitive advantages for SMEs by meeting market and consumer needs. Several empirical studies of marketing strategies found that implementing marketing strategies can affect increasing competitive advantage to generate more significant market opportunities (Al Badi, 2018; Ichsan et al., 2022; Prasetyo & Pertiwi, 2021). Previous research stated that, business owners must execute the right marketing strategy to achieve a competitive advantage and enable them to survive in the tough competition over their competitors (Dereli, 2015; Papadas et al., 2019).

In addition to marketing strategies, innovation and financial knowledge are several factors that can increase the competitive advantage of SMEs (Anwar, 2018; Farida & Setiawan, 2022). SMEs can increase their competitive advantage by developing unique products (having distinctive characteristics) and having flexibility in adopting new technologies. SMEs can realize this condition by directly innovating in the market. Similar research states that innovative organizations can achieve the best results in a competitive market (Donbesuur et al., 2020; Turnipseed & Turnipseed, 2013). Furthermore, other research states that a company can minimize negative potential by implementing sustainable innovation practices (Kneipp et al., 2019, 2021). So the application of innovation can affect the development and increase competitive advantage (Goksoy et al., 2013; Ratnawati et al., 2018). These results are by several studies stating that organizations and SMEs that can apply innovation well can create competitive advantages in the market (Alqershi et al., 2020; Kamboj & Rahman, 2017; Paulus & Wardhani, 2018). Based on previous research, the problem of SMEs facing obstacles to innovation is a lack of knowledge, especially financial knowledge (Dada & Fogg, 2016; Rachidi & El Mohajir, 2021). Financial knowledge is understanding basic financial concepts about business performance and business conditions in supporting the decision-making process (Ahmad & Shah, 2022; Ningtyas & Andarsari, 2021).

SMEs need the knowledge to create a competitive advantage because SMEs use knowledge in the decision-making process and solve problems so that competitors cannot imitate or get/buy in the market (Eniola & Entebang, 2017; Giampaoli et al., 2017; Wijaya et al., 2019). Business actors who lack financial knowledge will produce inappropriate, inadequate, and ineffective decisions and increase financial barriers, such as the inability to access various sources of funds from financial providers/financial institutions, and contribute significantly to business failure (Ningtyas & Andarsari, 2021; Wartika, 2015). Therefore, business people are financially competent if they have the financial knowledge and can apply it because it is crucial for sustainability in creating a competitive advantage for SMEs in the future. Meanwhile, in forming competitive advantage, financial knowledge and demography play an essential role in creating a competitive advantage. Moreover, the role of demography contributes to seeing the mindset of business people to what extent decision-making by SMEs focuses on forming a competitive advantage, so this study needs to be conducted to see the role of demography in forming a competitive advantage. Demographics are inherent in individuals, such as education level, length of business, and age, which are fundamental factors influencing individual behavior and the mindset of business people in making decisions oriented towards increasing competitive advantage. Demographics are an essential factor in forming and increasing competitive advantage because demographics such as educational level or educated business people will be more effective in adjusting to rapid market changes so that impact increasing the competitive advantage of SMEs (Abdul-Jalal et al., 2013; Leonidou et al., 2013). The role of Demography is not only contributing to competitive advantage, but demography is also able to contribute to developing or encouraging SME innovation, demographic factors, namely age, educational background and experience in doing business can directly influence innovation. Demographics are necessary for supporting innovation because, based on the experience and knowledge possessed by business people, it will make business people more adaptive in dealing with market changes by generating more innovative ideas and decisions, which will contribute more effectively to developing future SME innovations. Marketing is the activity of a group of institutions, and the process of creating, communicating, delivering, and exchanging offerings that value customers, clients, partners, and society at large. Understanding marketing needs in the more concrete implementation of consumers and its success in the market requires a marketing strategy. Marketing strategy is defined as a pattern of integrated organizational decisions in determining the choice of products, markets, marketing activities, and marketing resources for the creation, communication, and delivery of products that offer customer value through exchanges with the organization, thus enabling the organization to achieve specific goals (Payne et al., 2017;

Varadarajan, 2010). Marketing strategy is an activity carried out by marketers in a competitive situation in an ever-changing environment. They are designing marketing strategies to generate tactics and other measures that can meet consumer demands in specific markets and achieve company goals. The role of marketing strategy, including efforts to achieve compatibility between the company and its environment, is a significant consideration in its completion. In addition, the strategy selection must consider the company's position among its competitors, so a mechanism is needed to coordinate marketing programs to align and integrate with the company's vision. This mechanism is called a marketing strategy. Marketing strategy has an impact on increasing competitive advantage. The main objective is to fulfill the needs and wants of the target market. So, it impacts increasing demand by fulfilling the needs and desires of current and potential customers. In addition, positive perceptions from customers through the delivery of products and services can create customer value and provide satisfaction, giving the organization an essential advantage over its competitors. Marketing Strategy positively affects competitive advantage. Companies that implement a marketing strategy have an advantage in understanding how to market their products to markets or potential customers so that companies can make assets to win the competition in domestic and international markets. Therefore, concludes that marketing management influences competitive advantage. Innovation is turning opportunities into marketable ideas. SMEs can profit more if they can develop, communicate, and are innovation-oriented (Abd Aziz & Samad, 2016; Ismail & Tarofder, 2015). Innovation among SMEs is essential between business practices and performance. Several findings show that innovation, non-predictability, and flexibility are positively correlated with Competitive Advantage, while under more competitive conditions, the effect is more negligible. Some researchers argue that SMEs can benefit more if they develop, communicate, embrace and explore innovation orientations (Efrat et al., 2018; Saunila, 2014).

Innovation is a mental process that leads to new phenomena, such as new materials, services, or techniques. Innovation is an essential factor in various aspects of business competition today. Innovation enables businesses to present new or superior products to the market before their competitors, thereby increasing their market share. Several organizations have been successful and developed due to innovation, creating competitive advantages for them (Goksoy et al., 2013; Martín-de Castro et al., 2013). Organizations are essential for developing and sustaining innovation to create competitive advantage. Therefore, SMEs must be involved in innovation to gain a competitive advantage in the market (Abd Aziz & Samad, 2016; Bayarçelik et al., 2014). Furthermore, several studies have found a positive relationship between innovation and competitive advantage (Djodjobo & Tawas, 2014; Kamboj & Rahman, 2017). Therefore, concluded that innovation affects competitive advantage. Financial knowledge refers to what individuals know about personal financial issues as measured by their level of knowledge about various personal finance concepts. Previous research describe financial knowledge as the ability to make individual decisions using skills and resources and contextual knowledge to manage information and make decisions (Al Kholilah & Iramani, 2013; Riitsalu & Murakas, 2019). Knowledge and skills in finance are factors that influence entrepreneurial success. Knowledge is the key to organizational success in achieving increased and sustainable competitive advantage. SMEs involved in various decision-making need financial knowledge to run their business more efficiently and effectively. Therefore, this study needs to be carried out because competitive advantage plays an essential role in the development of SMEs in facing competition, especially in the fashion industry, namely Karawo. SMEs that are oriented toward increasing competitive advantage, SMEs need to pay attention to several factors, such as implementing effective marketing strategies, innovation, and good knowledge related to financial knowledge. In addition, demographics also have an essential role in creating a competitive advantage, giving SMEs a good positioning in the domestic and global markets. This study aims to identify the competitive advantages of UKM Karawo Gorontalo City as a form of marketing strategy, innovation, financial knowledge, and demography and to identify demography as a factor forming innovation. This study will likely help encourage SMEs to increase their competitiveness in the domestic and global markets.

## 2. METHODS

This study uses a quantitative method to test the developed model. Model testing was carried out to examine the effect of exogenous variables such as marketing strategy, innovation, and financial knowledge on endogenous variables, namely competitive advantage, and intervening variables, namely demography. The population in this study is Karawo SMEs located in Gorontalo City. This study used a purposive sampling method because this study required a sample that had information related to Karawo SMEs by the established criteria. In contrast, the criteria were Karawo SMEs having two or more employees, Karawo SMEs having been operating for at least three years, and located in the city of Gorontalo. Based on the Karawo SMEs data sourced from the Department of Manpower, Cooperatives, and

SMEs Kota Gorontalo, there were 459 businesses. However, Karawo SMEs that met the requirements according to the Characteristics were only 78 businesses. Therefore, the sample used in this study amounted to 78 businesses. The data collection used the primary data method; the primary data used was a closed questionnaire as an instrument to obtain information from respondents. The data collection method used an online questionnaire with a Likert scale of 1-5. It used Google Forms to distribute the questionnaire; the respondents were owners or managers of Karawo SMEs. The data analysis technique uses path analysis with the help of SPSS Software version 20. Several steps are carried out, such as validity and reliability testing, normality testing, and hypothesis testing. Table 1 shows the research instruments used.

**Table 1. Research Instrument**

Construct	Indicator	Source
<b>Marketing Strategy</b>	MS1 Standard channels of distribution SMEs in markets.	(H. S. Lee & Griffith, 2019)
	MS2 Standard prices for SME products and services in markets.	
	MS3 Standard Advertising and promotion used for SMEs products and services in markets.	
<b>Innovation</b>	MS4 Standard product characteristics SMEs in markets.	(Mabenge et al., 2020)
	MS5 Standard service delivery SMEs in markets.	
	IN1 Create a new product.	
	IN2 Introduce new products for the karawo industry.	
	IN3 Develop products that have entirely different characteristics from existing products.	
	IN4 Change to existing products/services.	
	IN5 Change to the equipment or machines used.	
	IN6 Changes to the technology used.	
	IN7 Find and remove non-value-adding activities in their processes related to delivery.	
	IN8 Find and remove activities that do not add value to their production processes.	
	IN9 Change to attractive product designs.	
	IN10 Create new packaging for products.	
	IN11 Introduce new media for product promotion.	
	IN12 Introduce new techniques for product promotion.	
	IN13 Introduce new methods for product placement.	
	IN14 Introduce new methods to distribute their products.	
	IN15 Adapt their organizational structure to encourage teamwork.	
	IN16 Change their procedures, processes, and routines to carry out activities in innovative ways.	
	IN17 Essential changes in organizational structure facilitate inter-departmental coordination, such as production and marketing.	
IN18 Make essential changes in production and management systems.		
IN19 Adjusted their Supply Chain Management Systems.		
<b>Financial Knowledge</b>	FK1 Financing knowledge	(Rachapaettayakom et al., 2020)
	FK2 Knowledge of record-keeping and accounting	
	FK3 Cash management knowledge	
	FK4 Cost calculation knowledge	
	FK5 Business planning knowledge	
	FK6 Knowledge of feasibility studies	
<b>Competitive Advantage</b>	CA1 Competitive prices.	(Ferreira & Coelho, 2020)
	CA2 Low price or lower price than competitors	
	CA3 Compete based on quality.	
	CA4 High-quality products to customers.	
	CA5 Very reliable products.	
	CA6 Very durable products.	
	CA7 Deliver customer orders on time.	
	CA8 Provide reliable delivery.	

### 3. RESULTS AND DISCUSSIONS

#### Results

##### Characteristics of Respondents

The respondents' characteristics are classified from demographic variables, namely gender, age, last education level, length of business, and business turnover.

**Table 2.** Characteristics of Respondents

Characteristics of Respondents	Items	Frequency	Percentage
<b>Gender</b>	Man	3	3.85 %
	Woman	75	96.15 %
	<b>Total</b>	<b>78</b>	<b>100 %</b>
<b>Age</b>	< 25	12	15.38 %
	25 -30	5	6.41 %
	31-40	12	15.38 %
	> 40	49	62.82 %
<b>Total</b>	<b>78</b>	<b>100 %</b>	
<b>Education level</b>	Elementary School	5	6.41 %
	Junior High School	16	20.51 %
	Senior High School	46	58.97 %
	Bachelor	11	14.10 %
	<b>Total</b>	<b>78</b>	<b>100 %</b>
<b>Length of Business</b>	≤ 1 Tahun	9	11.54 %
	2 - 5 Tahun	9	11.54 %
	6 - 10 Tahun	43	55.13 %
	> 10 Tahun	17	21.79 %
<b>Total</b>	<b>78</b>	<b>100 %</b>	
<b>Business Turnover (Every month)</b>	< Rp 5.000.000	70	89.74 %
	Rp 5.000.000 - Rp 15.000.000	4	5.13 %
	Rp 16.000.000 - Rp 25.000.000	2	2.56 %
	> Rp 30.000.000	2	2.56 %
	<b>Total</b>	<b>78</b>	<b>100 %</b>

Table 2 presents data related to demographic variables; in the demographic variable for the gender category, there are more women by 75 people or 96.15 percent; for the demographic variable age, most are aged > 40 years, 62.82 percent. Furthermore, the last education level of the respondents was at the high school level, with 46 respondents or 58.97 percent. The length of time the Karawo SMEs business was established was 6-10 years, with as many as 43 respondents or 55.13%; Karawo SME's business turnover every month is < Rp. 5,000,000, with a total of 70 respondents or around 89.74 percent. Then tested, the feasibility level of the questionnaire was distributed to 78 respondents using validity and reliability tests.

#### Research Instrument Testing

##### Validity and Reliability Test

Measure validity by comparing each indicator's Corrected Item-Total Correlation value with the table correlation value (r table); the r table value of this study is 0.2227, the value of  $\alpha = 0.05$ , and the number of samples (n) = 78 people. Based on the validity test presented in Table 3, 56 indicators have a positive Corrected Item-Total Correlation value greater than the r table. The probability is less than  $\alpha = 5\%$ , so 56 indicators are declared valid, and one indicator is invalid out of 57 indicators. Reliability was tested by calculating Cronbach's alpha. The recommended Cronbach alpha value is between 0.6–0.7 (Hair et al., 2014). The reliability test results presented in Table 3 showed that the Cronbach alpha value for each research instrument was greater than 0.6, so all research instruments were reliable.

**Table 3.** Validity and Reliability Test Results

Constructs	Items	Corrected Item-Total Correlation	Cronbach's Alpha
Marketing strategy	MS1	0,375	0,667
	MS2	0,468	

Constructs	Items	Corrected Item-Total Correlation	Cronbach's Alpha
Innovation	MS3	0,517	0,844
	MS4	0,302	
	MS5	0,431	
	MS6	0,325	
	IN1	0,461	
	IN2	0,461	
	IN3	0,244	
	IN4	0,499	
	IN6	0,490	
	IN7	0,540	
	IN8	0,556	
	IN9	0,385	
	IN10	0,445	
	IN11	0,450	
	IN12	0,435	
	IN13	0,604	
	IN14	0,395	
	IN15	0,277	
	IN16	0,433	
IN17	0,554		
IN18	0,568		
IN19	0,230		
Financial Knowledge	FK1	0,476	0,866
	FK2	0,235	
	FK3	0,429	
	FK4	0,491	
	FK5	0,532	
	FK6	0,416	
	FK7	0,507	
	FK8	0,403	
	FK9	0,403	
	FK10	0,494	
	FK11	0,497	
	FK12	0,574	
	FK13	0,608	
	FK14	0,484	
	FK15	0,623	
	FK16	0,501	
	FK17	0,497	
	FK18	0,418	
Competitive Advantage	CA1	0,545	0,781
	CA2	0,225	
	CA3	0,612	
	CA4	0,492	
	CA5	0,562	
	CA6	0,498	
	CA7	0,567	
	CA8	0,545	

#### Normality test

The normality test uses the Kolmogorov-Smirnov test, and the normality test uses the path equation with SPSS version 20 software. The normality test results can be seen in the following [Table 4](#):

**Table 4.** Output One-Sample Kolmogorov-Smirnov Test

X <sub>1</sub> , X <sub>2</sub> , X <sub>3</sub> , X <sub>4</sub> → Y	Unstandardized Residual	
	Kolmogorov-Smirnov Z	Asymp. Sig. (2-tailed)
	0,664	0,771

Based on the test results of Table 4 shows that the residual value of Asymp. Sig. (2-tailed) is greater than the  $\alpha$  value of 0.05 or the Asymp value. Sig. greater than 5% so that it can be stated that the residual values are normally distributed, or the data is normally distributed.

### Hypothesis Testing (Path Analysis)

Based on Path Analysis, the magnitude of the influence of exogenous variables, namely marketing strategy, innovation, financial knowledge, and demography, on the endogenous variable, namely competitive advantage, and demographic variables on the endogenous variable of innovation. The test results using the SPSS program can be seen in the following Table 5:

**Table 5. Hypothesis Testing Results**

Hypothesis	Variable Relationship	Standardized Coefficients Beta	t	Sig.	Information	Hypothesis results
H1	Marketing strategy → Competitive advantage	0,294	2,121	0,037	Significant	Received
H2	Innovation → Competitive advantage	-0,057	-0,320	0,750	Not significant	Rejected
H3	Financial knowledge → Competitive advantage	0,028	0,204	0,839	Not significant	Rejected
H4	Demographics → Competitive advantage	0,325	2,891	0,005	Significant	Received
H5	Demographics → Innovation	0,358	3,344	0,001	Significant	Received

The formulation based on the calculation of the path coefficient is as follows:

$$Y = p1X1 + p2X2 + p3X3 + p4X4 + \varepsilon_1 \quad (1) = 0,294X1 + (-0,057) X2 + 0,028X3 + 0,325X4 + 0,881 \varepsilon_1$$

The marketing strategy path coefficient of 0.294 indicates the magnitude of the influence on competitive advantage but is based on the results of the analysis of hypothesis testing by comparing the probability value with the sig probability value. The results of the testing hypothesis I, the probability value (0.05) is greater than the sig probability value (0.037) so that it can be interpreted that the marketing strategy has a positive effect on the competitive advantage of Karawo craft SMEs in Gorontalo City with the conclusion that the hypothesis is accepted. The meaning of the path coefficient with a positive sign indicates that the marketing strategy has a direct effect on competitive advantage, which means that when UKM focuses on applying a good marketing strategy, it will lead to an increase in the competitive advantage of SMEs Karawo. The innovation path coefficient -0.057 indicates the magnitude of the influence on competitive advantage based on the results of hypothesis testing by comparing the probability value with the sig probability value. The results of testing the second hypothesis obtained a probability value (0.05) smaller than the probability value sig. (0.750), which means that innovation has a positive effect on the competitive advantage of Karawo craft SMEs in Gorontalo City, so the conclusion is that the hypothesis is rejected.

The financial knowledge path coefficient of 0.028 indicates the magnitude of the influence on competitive advantage based on the results of hypothesis testing by comparing the probability value and the sig probability value. The probability value (0.05) is smaller than the sig probability value of 0.839. So that the conclusion of hypothesis III is that financial knowledge has a positive effect on the competitive advantage of Karawo craft UKM in Gorontalo City; the hypothesis is rejected. Then the demographic path coefficient of 0.325 indicates the magnitude of the influence on competitive advantage based on the results of hypothesis testing by comparing the probability value and the sig probability value. Obtain a probability value (0.05) greater than the sig probability value. Of 0.005, hypothesis IV concludes that demography positively affects the competitive advantage of Karawo crafts SMEs in Gorontalo City; the hypothesis is accepted.

Testing the fifth hypothesis obtained a significant demographic relationship to innovation. It can be seen in Table 5 that the fifth hypothesis is accepted by comparing the probability value and sig probability value. Obtain a probability value (0.05) greater than the sig probability value. Of 0.001 with a path coefficient value of 0.358. Based on the results of the path analysis test shown in the figure, the Rsquare determinant coefficient value is 0.223, indicating that the variables of marketing strategy, innovation, financial knowledge, and demographics can explain a competitive advantage of 22.30%; variables outside the model influence the rest.

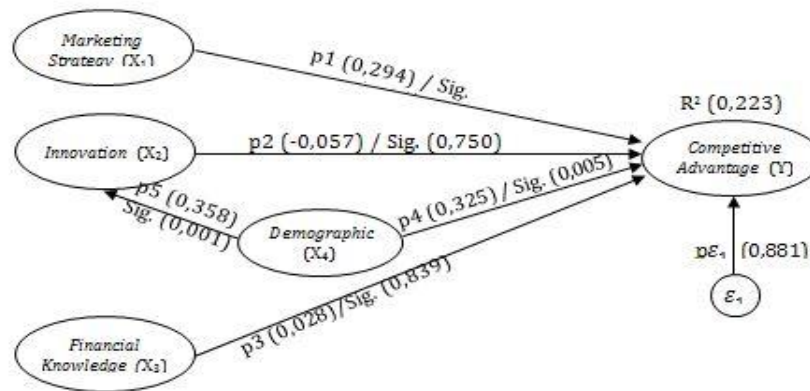


Figure 1. Results of path analysis

## Discussion

The study's results found that marketing strategy affects the competitive advantage of Karawo SMEs in the city of Gorontalo. These results prove that marketing strategy is one of the essential factors in forming the competitive advantage of SMEs, especially Karawo SMEs. In addition, Karawo SMEs implements a marketing strategy by utilizing local resources in the form of traditional Gorontalo fabrics, which are made from hand embroidery and then processed into differentiated fashion products or products that have specific characteristics so that the product can gain a position in the market to create a competitive advantage. Previous research stated that to gain a sustainable competitive advantage, SMEs must be able to use their resources well (Dereli, 2015; Gonçalves et al., 2019). Porter's Generic Strategies theory suggests that implementing a differentiation strategy by producing products or services that are considered relatively unique can create a competitive advantage because it focuses on one segment (Greckhamer & Gur, 2021; Tansey et al., 2014). In addition, previous research also explains that SMEs carrying out the right marketing strategy can positively impact competitive advantage and help SMEs in ensuring a position in the market to gain a high competitive advantage (Abd Aziz & Samad, 2016; V. H. Lee et al., 2016). The results of this study are in line with previous research which states that implementing marketing strategies that are right on target and well received will affect the increasing competitive advantage of SMEs (Al Badi, 2018; Ichsan et al., 2022; Prasetyo & Pertiwi, 2021). Creating and maintaining a competitive advantage for SMEs can be done by strengthening the SME business organization through the right marketing strategy by developing the correct competition theory (Dereli, 2015; Gonçalves et al., 2019).

Innovation did not affect competitive advantage, meaning that the innovations carried out by Karawo SMEs in the city of Gorontalo could not create competitive advantages. In these conditions, SMEs are still trying to make breakthroughs in the form of new product and service innovations. However, SMEs face constraints on the amount of capital and a lack of financial management, which results in SMEs being unable to create competitive advantages. While the previous research results suggest that it is necessary to plan innovation properly because it can help companies optimize efficiency and competitive strength and improve performance (Caridade et al., 2017; Goksoy et al., 2013). Karawo SMEs, which need better financial management and a lack of capital, shows the weakness of internal SME resources in innovating to create competitive advantages. In contrast, capital in the innovation process is the primary key in the technological innovation process to produce quality products and create competitive advantages. Resource advantage theory explains that the long-term success of business innovation is based on internal resources to develop competitive advantages, one of which is financial resources (cash and access to financial markets) (Hertina & Hidayat, 2019; Holdford, 2018). In addition, financial capital is needed to start, operate, and grow a business and is a requirement for making a technological innovation (Bayarçelik et al., 2014; Xie et al., 2013). However, the results of this study are supported by similar research, who found that only some SMEs in India are unable to innovate and create competitive advantages because they focus on marketing strategies rather than creating innovative products (Arsawan et al., 2022; Gunjati & Adake, 2020). Financial knowledge does not affect competitive advantage indicating that Karawo SMEs in the city of Gorontalo need more financial knowledge, resulting in ineffective decision-making regarding the use of financial resources and risk management in controlling income and expenditure. The research conducted explains that companies, to achieve a competitive advantage, should implement risk management to gain a competitive position in the market. Meanwhile, SMEs need to acquire, maintain and



increase competitiveness through internal and external financial resources (Cong & Thu, 2021; Eniola & Ektebang, 2014). Another reason financial knowledge does not affect competitive advantage is that most Karawo SMEs think that financial knowledge is optional as long as the product being offered sells well in the market. In addition, education and gender also influence. In Karawo, most SMEs in the city of Gorontalo has a low educational background and are managed by women. The higher the educational level of the SME owner, the higher the financial knowledge, and in running a business, women perform more poorly than men (Chaidir et al., 2020; Nitani et al., 2020). This is supported by previous research results showing that men perform better than women in terms of financial knowledge (Bucher - Koenen et al., 2017; Kadoya & Khan, 2020).

Overall, there is no effect of financial knowledge on competitive advantage, indicating low financial knowledge, which is the basis for determining competency measures in financial management to apply competitive advantage, as well as an overview of the financial literacy of Karawo SMEs. In addition, financial knowledge does not affect competitive advantage because Karawo SMEs need to utilize their financial resources properly and carry out risk management in financial management. Meanwhile, the Resource advantage theory explains gaining a competitive advantage based on internal resources, including financial aspects (cash, access to financial markets) and human (experience and knowledge) (Hertina & Hidayat, 2019; Holdford, 2018). In addition, risk management theory explains that risk management practices can reduce costs related to business operations to facilitate competitive advantage (Elahi, 2013; Yang et al., 2018). Finally, the research results are supported by previous research who states that financial knowledge, as reflected in financial literacy, does not affect competitive advantage (Agyei, 2018; Idawati & Pratama, 2020). Demographics influence competitive advantage because SME owners have sufficient knowledge to understand the market. After all, the average Karawo SME has been operating for more than six years. Therefore, SME owners who run their business longer know to increase the effectiveness of their activities in promotions, acquire new customers, retain existing customers, partners, and allies and defend against competitors to create a competitive advantage (Adamik & Nowicki, 2018; Raza & Komala, 2020). In addition, knowledge plays an essential role in creating a competitive advantage (Abdul-Jalal et al., 2013).

In addition, the demographics reflected in the length of time the Karawo SMEs business has been in existence show that Karawo SMEs understand the external environment well and the right strategies to use to create competitive advantages. Market-based view (MBV) theories explain that companies centered on external environmental relations and corporate strategy can exploit market imperfections to create competitive advantages (Leonidou et al., 2013; Ruff & Woschank, 2022). Demographics influence innovation because most Karawo SMEs owners in Gorontalo City are under 40 years old and are at a productive age, so it is effortless to adopt various innovations. On the other hand, ages 40 to 50 years tend to resist change and be indifferent to innovation because they are considered to add new jobs. In addition, the influence of demographics on innovation is because SMEs Karawo has been established for more than six years. Hence, SME owners have business experience and can innovate. Furthermore, radical innovation theory explains that the age of a company can adopt radical innovations such as differences in products, processes, technology, and organizational structure (Forés & Camisón, 2016; Kaya et al., 2017). In addition, business experience can make SMEs withstand external environmental pressures and access essential resources (Venn & Berg, 2013; Ying et al., 2019). The results of this study are supported by (Cumming & Leung, 2021; Shah et al., 2021). The limitation of this research is the scope of the study, which is limited to one type of Karawo SMEs, so the research results can only be generalized to some SMEs. Nevertheless, future research is expected to examine the factors influencing innovation in creating competitive advantage based on the resource advantage theory. In addition, research related to financial knowledge in a broader concept, such as financial literacy, creates a competitive advantage. Gender and education level can be further investigated in influencing financial literacy.

#### 4. CONCLUSION

Based on the study's results, it was found that marketing strategy had an effect on competitive advantage, innovation and financial knowledge had no effect on competitive advantage, demography had affected competitive advantage, and demography had an effect on innovation. This condition shows that in creating a competitive advantage for Karawo SMEs in Gorontalo City, it is more focused on a marketing strategy emphasizing market attractiveness and product uniqueness because Karawo products are traditional Gorontalo fabrics that are embroidered by hand. However, Karawo SME owners need to remember that to create superior SMEs, they must continue to innovate. Furthermore, to carry out innovations, they must be supported by financial knowledge to obtain and make the most of their financial resources.

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