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ARTICLE

Micro Foundations of Dynamic Capabilities in Agri-Food MSMEs: Hierarchy of Management and Marketing Tactics for Competitive and Performance

Suryani Dewi [1*] ***, Arnita Irianti*** [2] ***, Arifhan Ady DJ*** [3]

[1] *Faculty of Agriculture and Forestry, Universitas Sulawesi Barat, Majene 91411, Indonesia*
[2] *Faculty of Engineering, Universitas Sulawesi Barat, Majene 91411, Indonesia*
[3] *Faculty of Economics, Universitas Sulawesi Barat, Majene 91411, Indonesia*

ABSTRACT

The agility to respond to market dynamics determines the resilience and sustainable performance of agri-food micro, small, and medium enterprises (MSMEs), especially in developing countries. The lack of capabilities of professional and skilled human resources is an obstacle to MSMEs taking agile steps to grow. The purpose of this study is to investigate the micro foundations of the dynamic capability framework, namely, management and marketing tactics for improving the competitive advantage and business performance of MSMEs. Amid the development of digital marketing research, this study explores marketing tactics in their entirety and examines their integration with fundamental management aspects within organizations. The research approach uses a quantitative method design with Partial Least Squares Equation Modelling (PLS-SEM) to process survey data collected from 95 coconut product-based MSMEs in Indonesia. The analysis shows that the model has predictive power of 87.3% of the variance in business performance. The micro foundation variable has a strong influence on competitive advantage and business performance. The study's key findings show that management is the most critical factor in driving performance improvement. This research advances the dynamic capabilities framework (DCF) literature by empir-

*CORRESPONDING AUTHOR:
Suryani Dewi, Faculty of Agriculture and Forestry, Universitas Sulawesi Barat, Majene 91411, Indonesia;
Email: suryanidewi@unsulbar.ac.id

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ically demonstrating that managerial competence represents the dominant capability for seizing and reconfiguring resources in resource-constrained emerging economies. It provides robust quantitative evidence from a vital yet understudied sector. The findings urge policymakers and development organisations to prioritise managerial capacity building over purely digital marketing interventions to foster competitiveness and long-term sustainability in similar emerging agri-food markets.

Keywords: Business Performance; Coconut Industry; Competitive Advantage; Dynamic Capabilities; Management; Marketing Tactics; Micro-Foundation; MSMEs Agribusiness

1. Introduction

Micro, small, and medium enterprises (MSMEs) are recognised as key drivers of economic growth, employment generation, and poverty alleviation, particularly within the agricultural and food sector of developing and emerging economies (DEEs)[1, 2]. These firms play a crucial role in strengthening the agricultural value chain and promoting rural development[3, 4]. However, MSMEs in this context face extraordinary volatility, encompassing fluctuating commodity prices, unstable supply chains, and increasing demand for digital transformation and sustainability[5]. To ensure sustained business performance (BP) and resilience, MSMEs in DEEs must possess superior internal mechanisms, specifically dynamic capabilities, to adapt and compete effectively.

Among the strategic commodities, coconuts and their derivatives are gaining global momentum, with demand projected to rise significantly by 500% in value and volume over the last decade[6]. Indonesia, as a leading producer, benefits from a comparative advantage; however, MSMEs are responsible for much of the processing and rural livelihoods in the market system[7]. Policymakers require effective strategies to enhance competitiveness and efficiency[8]. These challenges require MSMEs to develop effective marketing strategies to capitalise on external opportunities and implement robust managerial practices to optimise internal resources, ultimately responding to the VUCA (volatile, uncertain, complex, and ambiguous) environment[9, 10].

Prior scholarly research confirms the importance of both capabilities. Marketing tactics, such as product differentiation[11], Multi-channel offline and online distribution[12], and the marketing mix[13], have a significantly positive impact on a company's performance, leading to increased sales and market share. Similarly, managerial practices (including planning, organising, executing, and controlling) have been recognised as intangible resources that enhance efficiency, productivity, and profitability[14, 15]. The latest research highlights the transformative impact of integrated hybrid (online-offline) marketing strategies and effective corporate governance on opportunities in the agri-food sector[16, 17]. The need to integrate these practices is paramount to ensure that external market opportunities align with internal organisational capabilities[18, 19].

To explain how firms thrive in dynamic markets, scholars often employ the Dynamic Capabilities Framework (DCF), which focuses on the ability to sense, seize, and reconfigure resources[20]. However, the ultimate effectiveness of DCF is rooted in its micro-foundations, the distinct organizational routines and managerial practices that constitute the firm's capacities[21]. Empirical evidence is scarce concerning the strategic integration of marketing and management capabilities as key micro-foundations[22, 23]. This approach aligns with the call for greater terminological rigor in assessing international dynamic marketing capabilities[20, 24]. Research tends to explore marketing capabilities or management skills separately, overlooking the synergistic relationship required for firm adaptability[25]. Furthermore, there is a lack of understanding regarding which capability acts as the dominant micro-foundation in resource-constrained environments where digital infrastructure is still weak[10]. This gap hinders the formulation of effective policy interventions tailored to the specific challenges of rural MSMEs.

Addressing these theoretical and empirical gaps, this study investigates the integrated role of marketing tactics and management practices in driving competitive ad-

vantage (CA) and business performance (BP), focusing on coconut-based MSMEs in rural Indonesia. Drawing on the DCF, the study contributes to the scholarly literature and managerial practice in three ways. Firstly, theoretically, it operationalizes the relationship between marketing and management capabilities as an integrated micro foundation of DCF, offering a refined model that better predicts the performance of MSMEs in dynamic settings. Second, empirically, it provides robust quantitative evidence that demonstrates the dominance of specific micro-foundation as the key driver of competitive advantage and performance in this context, and offers a unique insight into the hierarchy of capabilities in resource-constrained markets. Third, practically, the findings provide critical evidence for policymakers, highlighting the need to prioritise investment in managerial capacity building alongside digital infrastructure support to secure MSME competitiveness in the global value chain.

2. Theory Dan Hypothesis

2.1. Marketing Tactics and Management Practices in Driving Business Performance

Marketing tactics are short-term, action-oriented initiatives that translate a strategic marketing plan into long-term sales and influence consumer behaviour. Carrying out marketing tactics requires tactical aspects, such as the marketing mix, product differentiation, and marketing channels (both offline and online). These well-executed strategies can directly increase sales growth and market penetration [26, 27]. Marketing tactics are carried out through the entrepreneur's managerial role. Fayol's management principles for organizing internal resources, with five elements (planning, organizing, coordinating, directing, and controlling) [28], have been transformed during the digital disruption and COVID-19 into four elements: planning, organizing, leading, and supervising [29]. Simultaneously, strong managerial capabilities can improve operational efficiency, financial stability, and adaptability in uncertain conditions [14, 15]. This direct impact on cost efficiency and immediate sales growth is highly relevant for MSMEs with a short distribution chain. So the hypothesis in the study suggests that:

H1. *Marketing tactics positively affect business performance.*

H2. *Management positively affects business performance.*

2.2. The Practical Implementation of Marketing Tactics and Management Practices to Foster a Competitive Advantage

The DCF posits that companies must continuously integrate, reconfigure, and update their resources to maintain competitiveness in a volatile, uncertain, complex, and ambiguous (VUCA) environment [30]. At the MSME level, this involves aligning tactical marketing with managerial processes to identify market opportunities, effectively capture opportunities and reconfigure resources for sustainable profits.

At the MSME level, dynamic capability involves aligning tactical marketing with managerial processes to identify market opportunities, effectively capture opportunities, and reconfigure for sustainable profits. Marketing tactics serve as the sensing capability, enabling MSMEs to identify market trends and customer needs [31]. Marketing tactics, such as the marketing mix with a digital marketing approach, have successfully maintained competitiveness in the food and beverage industry during the COVID-19 pandemic [9]. Similarly, management practices provide the organisational backbone, representing the internal reconfiguring capability that enables the company to coordinate resources and innovate, ultimately influencing the business's success [32, 33]. By instilling managerial skills through adaptive marketing, MSMEs can leverage unique resources into competitive advantages [34]. So the following hypothesis:

H3. *Marketing tactics positively affect competitive advantage.*

H4. *Management practices positively affect competitive advantage.*

2.3. Competitive Advantage and Business Performance in the Dynamic Capabilities Framework

Competitive advantage represents the extent to which a company can create superior value compared to

its competitors. Competitive advantage in the context of MSMEs has several dimensions, including cost, product, and service advantages [35–37]. Kaleka and Morgan [36] explain that the basic advantages for companies are in the cost-product-service of export companies and manufacturing industries. Cost advantages include business activities related to cost efficiency and competitive pricing; product advantages explain product quality; and service advantages consist of activities and business processes for consumers. Although not all companies can excel in all three dimensions, those represent the consumer value proposition.

In this study, competitive advantage is conceptualized as a mediating construct that connects management and marketing tactics variables to business performance. The existence of a direct relationship between competitive advantage and business performance has been proven through previous research [38–40]. Within the framework of DCF, the capabilities of management factors and marketing tactics must be translated into a unique and superior market position that affects the company's business performance. The resource-based view (RBV) is the theoretical foundation of competitive advantage, which posits that a company must create distinctive value which difficult to replicate [41, 42]. The RBV's limitations in explaining the influence of a dynamic environment have been criticised as being less relevant in the digital era. Therefore, the DCF framework is particularly appropriate for agri-food MSMEs in developing economies, where firms constantly face rapid market changes; a static view of resources is often insufficient.

Business performance measurement is the process of evaluating business actions to assess the efficiency and effectiveness of actions taken within an organization. Business performance reflects not only the outputs but also the processes and actions that enable survival and growth under the control of power [43, 44]. Business performance indicators consist of financial perspective, internal business, innovation and learning, and customer perspectives [44, 45]. The study uses two perspectives: the financial and internal business perspectives. These two aspects can be measured through the data available to the business owner. Innovation and learning, and customer perspectives are excluded because the study explores the business owner's perspective, not the consumer's. Using the respondent's simple financial records, profit and sales growth can be used to measure the financial aspect. At the same time, the internal business can be evaluated based on labor productivity and the company's operational performance [46]. Thus, the hypothesis built through this study is

H5. *Competitive advantage has a positive impact on business performance.*

H6a. *Competitive advantage acts as a mediator between marketing tactics and business performance.*

H6b. *Competitive advantage acts as a mediator between management and business performance.*

3. Materials and Methods

3.1. Research Design

This study adopted a quantitative research design. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM), implemented via SmartPLS 4.0 software. PLS SEM is suitable for this study for three reasons. First, PLS SEM is highly suitable for this study's complex model, which involves multiple constructs and mediation effects, due to its effectiveness in prediction-oriented analysis. Second, PLS SEM is preferable as it can accommodate smaller sample sizes compared to covariance-based SEM, a critical consideration given the limited number of MSMEs available in the research area [47]. Third, PLS SEM does not require multivariate normality, so it is strong to analyse data collected from heterogeneous respondents [48].

3.2. Population and Sample

The research area includes the province of West Sulawesi, Indonesia, which comprises three districts: Polewali Mandar, Majene, and Mamuju. 337 MSMEs are producing coconut-based products in rural and semi-urban areas. This MSME processes coconut oil, charcoal, charcoal briquettes, VCO, nata de coco, and snacks. The research sample was determined using the purposive sam-

pling method, with the criterion that respondents be business owners with at least 3 years of experience and have carried out digital marketing promotions. Kock and Hadaya [49] recommend the inverse square root method for determining the sample size, with a minimum sample size of 113 at a 10% confidence level, assuming an expected minimum path coefficient between 0.11 and 0.20. A total of 95 valid responses were collected between August and November 2024, with accessibility constraints and participants' willingness to serve as respondents in rural areas (**Table 1**). The number of responses was slightly below the initial target, but the PLS-SEM analysis provided sufficient statistical power to detect the observed path coefficient, making the sample count statistically acceptable [47].

3.3. Data Collection and Measurement Model

Primary data collection was conducted through structured interviews with MSME owners. The direct collection of data is intended to reduce respondents' misinterpretations of questionnaire statements. The 5-point Likert scale measures the degree of disagreement and agreement with statements. The questionnaire was previously tested on 10 MSME owners to ensure the clarity and relevance of the question indicators. This study uses four constructs: marketing tactics (MT), management practices (M), competitive advantage (CA), and business performance (BP) (**Table 2**). The indicators and dimensions of all latent variables indicate a reflective model, meaning the indicators influence each other [47].

Table 1. Characteristics of Respondents.

Variable	Item	Frequence	Percent
Gender	Male	38	40.00
	Female	57	60.00
Age	20–27	5	5.26
	28–43	36	37.90
	44–59	50	52.63
	60–80	4	4.21
Business experience	0–5	19	20.00
	6–10	54	56.84
	11–15	10	10.53
	>15	12	12.63
Education	Elementary and Junior	47	49.47
	Senior High School	38	40.00
	Bachelor's Degree	10	10.53

Source: author's primary data analysis, 2024.

Table 2. Variables Measured in the Study.

Variable	Indicator	Item	Source
Marketing Tactics (MT)	Offline Marketing	4	Jones et al. [12] Mandler et al. [13] Andersén [50]
	Online Marketing	5	
	Differentiation	5	
	Marketing Mix	7	
Business Performance (BP)	Sales performance	5	Dobrovic et al., Kaplan, and Velimirović et al [44–46]
	Profit	5	
	Operational	5	
	Labour	5	
Competitive Advantages (CA)	Cost	5	de Andrés-Sánchez et al., Kaleka, and Morgan [35, 36]
	Product	4	
	Service	4	
Management (M)	Planning	5	Nosková and Januska [29]
	Organising	5	
	Leading	5	
	Controlling	5	

Source: Theoretical analysis, 2025.

In this study, there were three endogenous variables (BP, CA, and M) and one exogenous variable (MT). An equation model that illustrates the relationship between latent variables and the following equations:

$$M = \gamma_1 MT + \zeta_1 \quad (1)$$

$$CA = \gamma_2 MT + \beta_1 M + \zeta_2 \quad (2)$$

$$BP = \gamma_3 MT + \beta_2 M + \beta_3 CA + \zeta_3 \quad (3)$$

Where:

MT is Marketing Tactic.

M is Management.

CA is Competitive Advantage.

BP is Business performance.

γ represents the coefficient of the path from exogenous to endogenous variables.

β represents Pathway coefficients between endogenous variables.

ζ is the error term.

3.4. Ethical Consideration

The study was conducted in accordance with ethical standards to ensure the protection of human subjects and data integrity. Formal approval was obtained through the Institute for Research and Community, Sulawesi Barat University, Indonesia (No. 390.a/UN55.C/PG/2025), which included evaluation of the research protocol and assurance of privacy protection mechanisms during the survey. Written informed consent was obtained from all participants prior to data collection. Respondents were fully informed of the purpose of the study and voluntarily consented to the publication of the findings. A binding agreement was signed to maintain the confidentiality of individual identities and sensitive company information.

4. Results

4.1. Evaluation of Measurement Model

This study uses a high-order construct consisting of 2 layers of structure that allows the simultaneous review of general and specific concepts of latent variables. The first order stage (**Figure 1**) describes the influence of indicators on the first order variable. The subdimensions of Marketing Tactics (MT) include offline marketing, online marketing, the marketing mix, and differentiation. The offline marketing coefficient and marketing mix pathways showed strong relationships with the path coefficient of 0.849 and 0.855, respectively, for marketing tactics. The indicator variable of the first order of management, competitive advantage, and business performance have outer loadings of 0.7–0.9, indicating that each indicator has a strong and reliable influence on explaining the construct.

As shown in **Table 3**, all external loadings exceed the recommended threshold of 0.70, indicating satisfactory reliability of the indicator. Cronbach's Alpha values range from 0.83 to 0.92, and Composite Reliability (CR) values range from 0.84 to 0.92, confirming internal reliability and consistency. The Average Variance Extracted (AVE) value ranges from 0.62 to 0.76, exceeding the threshold of 0.50 and supporting convergent validity.

All indicators demonstrate acceptable levels of collinearity. While the majority of indicators show VIF values below 3, four indicators for the management construct recorded VIF values between 3 and 5, which are still considered non-critical collinearity for PLS-SEM [47]. The discriminant validity (**Table 4**) was assessed using the Fornell-Larcker criteria and the HTMT ratio (<0.85), ensuring the construct was conceptually distinct. In **Table 4**, a strong empirical correlation (above 0.90) is observed between management (M) and business performance (BP) constructs. While this suggests a tight link in practice, all discriminant validity criteria were successfully met (<0.85), confirming the conceptual distinctiveness required for the model [47]**.** Therefore, hypothetical relationships between constructions can be meaningfully tested in structural models.

4.2. Evaluation of the Structural Model

Hypotheses were tested through the evaluation of path coefficients (β) and their significance (p < 0.01), along with the model's predictive accuracy, determined by coefficient determination and predictive relevance [51]. This research supports all the hypotheses (H1–H6) presented. As shown in **Table 5** and **Figure 2**, management practices (β = 0.453, p < 0.01) exert the

most substantial direct effect on business performance. This strong effect immediately highlights the centrality of managerial capabilities for the survival of rural MSMEs. Marketing tactics (β = 0.19, $p < 0.01$) also significantly affect business performance, although with a comparatively smaller path coefficient. Good marketing tactics (β = 0.315, $p < 0.01$) and management (β = 0.544, $p < 0.01$) significantly influenced competitive advantage. Lastly, a competitive advantage has a significant impact on business performance (β = 0.348, $p < 0.01$).

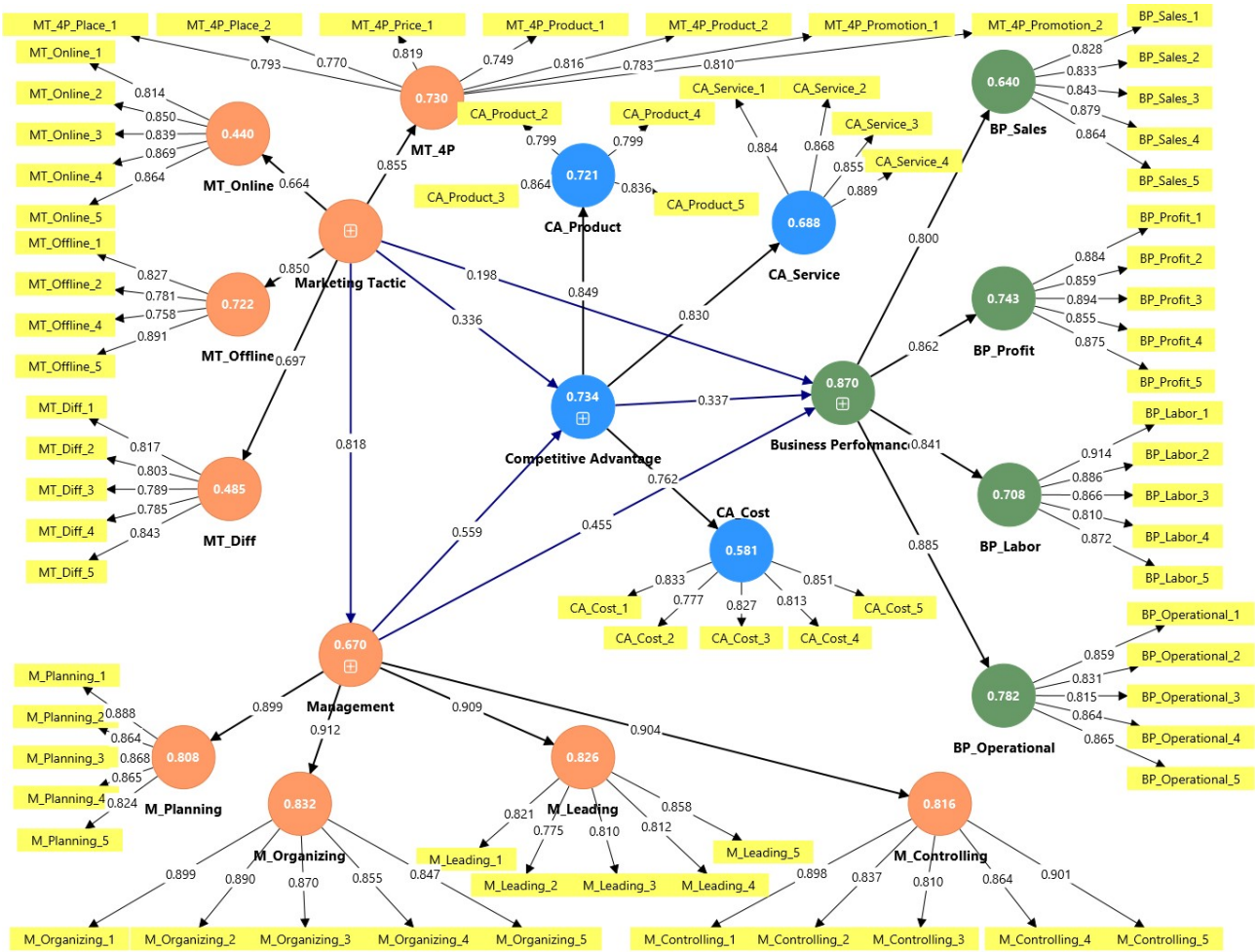


Figure 1. Structural Model First Order Result.

Source: author's data analysis, 2025.

Table 3. Reliability and validity assessment of measurement constructs.

Variabel	Indikator (2nd Order)	Factor Loading	Cronbach's Alpha	CR (rho_a)	CR (rho_c)	(AVE)	VIF
BP	BP_Labor	0.849	0.920	0.923	0.940	0.758	2.294
	BP_Op	0.889	0.902	0.903	0.927	0.718	2.734
	BP_Profit	0.857	0.922	0.924	0.942	0.763	2.251
	BP_Sales	0.792	0.904	0.905	0.928	0.722	1.933
CA	CA_Cost	0.743	0.879	0.890	0.912	0.674	1.369
	CA_Product	0.859	0.844	0.853	0.895	0.681	1.643
	CA_Service	0.842	0.897	0.898	0.928	0.764	1.595

Table 3. *Cont.*

Variabel	Indikator (2nd Order)	Factor Loading	Cronbach's Alpha	CR (rho_a)	CR (rho_c)	(AVE)	VIF
MT	MT_4P	0.820	0.901	0.902	0.922	0.627	1.929
	MT_Diff	0.729	0.867	0.873	0.904	0.653	1.365
	MT_Offline	0.876	0.831	0.844	0.888	0.666	2.223
	MT_Online	0.643	0.902	0.904	0.927	0.718	1.290
M	M_Control	0.902	0.914	0.919	0.936	0.744	3.197
	M_Lead	0.914	0.874	0.878	0.909	0.665	3.476
	M_Organize	0.909	0.922	0.923	0.941	0.761	3.316
	M_Plan	0.898	0.913	0.914	0.935	0.743	3.040

Note: *p*-value < 0.001.
Source: author's data analysis, 2025.

Table 4. Discriminant Validity Measures.

	BP	CA	M	MT
BP	0.847			
CA	0.878	0.816		
M	0.900	0.834	0.906	
MT	0.843	0.801	0.827	0.772

Source: author's data analysis, 2025.

Table 5. Path Coefficient Estimates, Significance, And Confidence Intervals.

	β	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	*p*-Values	Result
H1. *MT -> BP*	0.190***	0.189	0.060	3.152	0.002	Supported
H2. *M-> BP*	0.453***	0.452	0.073	6.245	0.000	Supported
H3. *MT -> CA*	0.351***	0.352	0.100	3.499	0.000	Supported
H4. *M -> CA*	0.544***	0.545	0.096	5.653	0.000	Supported
H5. *CA -> BP*	0.348***	0.350	0.077	4.526	0.000	Supported
H6a. *MT -> CA -> BP*	0.122***	0.123	0.044	2.802	0.005	Supported
H6b. *M -> CA -> BP*	0.189***	0.191	0.056	3.357	0.001	Supported
Other result						
MT -> M -> BP	0.374***	0.375	0.064	5.896	0.000	Supported
MT -> M -> CA	0.450***	0.451	0.080	5.595	0.000	Supported

Note: CA—Competitive Advantage, BP—Business Performance, M—Management, MT—Marketing Tactic. Significance level if α < 0.01***, α < 0.05**, α < 0.1*.
Source: author's data analysis, 2025.

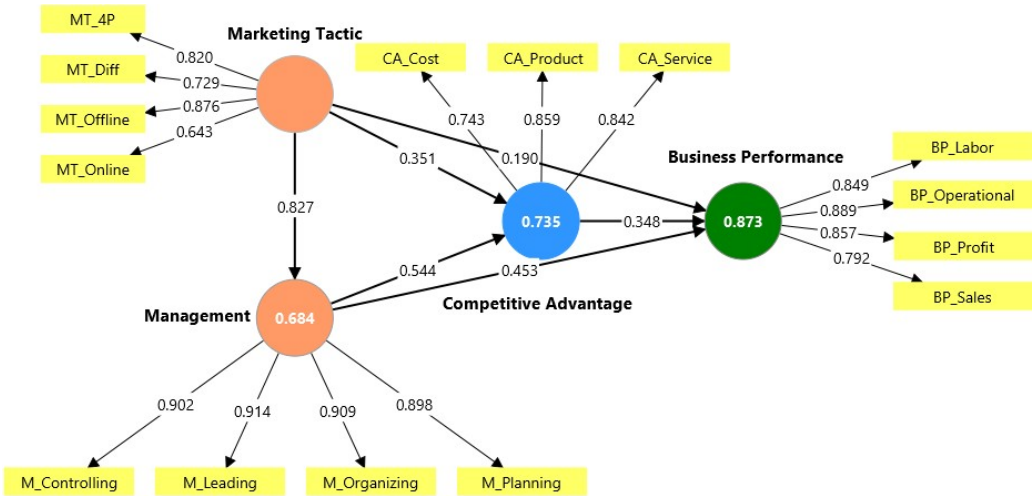


Figure 2. Structural Model Second Order Result.

Source: author's data analysis, 2025.

In indirect relationships, marketing and management tactics indirectly impact business performance by enhancing competitive advantage. These results demonstrate that the tactical actions of marketing and management can improve performance only if they are translated into a stronger competitive position. The direct and indirect effects demonstrate significant impacts, establishing partial mediation for both relationships. These results also mean that while marketing and management tactics work directly to generate performance, their full potential is realised when both also strengthen a competitive advantage.

Table 6 has shown that the structural model explains 73.5% (R^2 = 0.735) of the variance in competitive advantage, indicating that internal resources substantially determine the competitiveness of MSMEs. Furthermore, the model demonstrates substantial predictive power, explaining 87.3% (R^2 = 0.873) of the variance in business performance. In the social discipline, an R^2 value above 0.5 is moderate, while a value above 0.75 is substantial [47].

Table 6. R-squared and adjusted R-squared.

	R-Square	Adjusted R-Square	Interpretation
BP	0.873	0.869	Substantial
CA	0.735	0.729	Substantial
M	0.684	0.681	Moderate

Source: author's data analysis, 2025.

5. Discussion

These findings provide crucial empirical support for DCF as a superior explanatory model for MSME resilience in a dynamic agri-food market. The results advance the DCF literature by framing marketing and management practices as the foundation of an integrated micro. The study's findings align with previous research, showing the significant influence of marketing and management tactics on competitive advantage and direct business performance. This study underscores the need for MSMEs to continue reconfiguring resources and adapting to technological innovations [30]. The dynamic capabilities framework is more suitable to explain the survival and growth of MSMEs in the agribusiness sector in the face of rapid and dynamic changes.

In particular, this study conceptualises competitive advantage as a mediator of micro-foundation relationships on business performance and shows that CA has a substantial direct influence on BP [52–54]. The management factor can also be a mediator between marketing tactics and competitive advantage. The conceptualisation of the construction of marketing tactics involves a mix of marketing, including online and offline channels, as a series of activities that can build a strong relationship with customers and ultimately increase BP [12, 13, 50] and CA [9]. It is expected that the Company can improve subdimensions with lower-coefficient paths, such as online marketing and differentiation. Word-of-mouth networking is the most reliable way for entrepreneurs to generate direct sales [55].

MSMEs have adopted social media, but they have not been consistent or dominant in online marketing. The problem is caused by several digital barriers, such as low competence and capability in using digital platforms. These findings are in line with previous research, which indicates that the adoption of digital marketing has been hampered by a lack of competence in marketing resources and perceptions, as well as by entrepreneurs' slow responses to changing business environments [18, 56]. The difference in consumer behaviour between offline and online channels is a challenge for entrepreneurs, as it makes it difficult to understand consumers and develop products that meet their needs [57]. Meanwhile, it is necessary to pay attention to the differentiation indicator (outer loading of 0.6) by increasing the product's added value or benefits, packaging, local value, and authenticity [58].

Management practices (M) (β = 0.544) exert the most decisive influence on CAs and BPs [59]. These results show that management practices across the planning, organising, leadership, and oversight processes are critical to improving CAs and BPs. In DCF's micro-foundation hierarchy for emerging markets, profes-

sional management practices are prioritised within the Company's business strategy. These findings differ from the current condition, which shows that some Indonesian government programs for MSMEs focus only on digital marketing training [60] before improving management practices. Finally, many entrepreneurs still have difficulty in implementing marketing on online channels [61]. The majority of MSMEs use family business management practices that are less professional in resource management, accounting, bookkeeping, and production supervision. Unprofessional management can have a disproportionate effect on the performance of MSMEs, resulting in inconsistent product and occupational safety standards [62].

Meanwhile, by investigating competitive advantage, we found that product quality indicators are highly influential. Product uniqueness and innovation are needed to meet customer expectations [63]. MSME differentiation can also come from cost and service offerings. It has been found that entrepreneurs often ignore after-sales service, which can lead to customer loss and reduced profits for the Company [64].

In the cost subdimension, it was found that entrepreneurs do not understand economic-scale production [65], so production quantities are not determined through careful calculations, and prices are set based on competitors' market prices. Based on studies in the agroindustry, continuous addition of inputs at a certain point can increase costs and decrease profits [65–68]. Therefore, improvements in production management should be achieved by analysing the relationship between production scale and cost to maximize profit. External constraints also contribute to high production costs, including inadequate infrastructure and logistics, as well as inefficient supply chains [25, 69]. A network and information on the source of raw materials directly to farmers are essential for reducing production costs. This problem may be solved by developing a crop-tracking application that provides price information and price predictions for agricultural products, and by connecting the agroindustry and farmers [70, 71]. Thus, effective production and marketing management has proven to be an important factor for entrepreneurs in managing their businesses. Furthermore, competitive advantage drives higher business performance improvements in terms of resource efficiency, operational effectiveness, sales levels, and company profits.

6. Conclusion

These findings show that the micro foundation of the dynamic capability framework, consisting of marketing and management tactics, is a variable that significantly influences the increase in competitive advantage and business performance of coconut product-based MSMEs. The management variable exerted a more substantial influence on competitive advantage ($\beta = 0.544$) and business performance ($\beta = 0.453$) than marketing tactics. Marketing tactics that mediate the role of management mediators on competitive advantage ($\beta = 0.45$) and business performance ($\beta = 0.374$) exert a stronger influence than direct relationships. Competitive advantage encourages direct improvements in business performance and serves as a mediator for micro foundations. Thus, management practices are essential for reconfiguring the Company's resources to achieve greater business excellence and performance amid dynamic market changes.

This conceptual model suggests that maintaining the long-term competitiveness and sustainability of agri-food MSMEs in emerging markets, such as the coconut-based agribusiness, requires prioritising managerial capacity development alongside the gradual adoption of digital-oriented marketing strategies. Managerial professionalism in the areas of production, marketing, and supply chain management efficiency is confirmed as an essential indicator that supports competitive advantage and business performance.

From a theoretical perspective, this study contributes to the literature by demonstrating that dynamic capabilities offer a more relevant explanatory framework than the resource-based view in agribusiness markets. By operationalising competitive advantage along the dimensions of cost, product, and service advantage, this study adjusts relevant competitiveness measures for MSMEs and the agroindustry and offers empirical evidence from underexplored contexts.

These findings have limitations in rural areas of de-

veloping countries and in cross-sectional surveys conducted at a single point in time. Therefore, it is not possible to generalise the study's results to areas with more advanced geographical and cultural conditions. For researchers, this study can be explored more broadly by further testing the capabilities of entrepreneurship, creativity, innovation, and leadership in managing the Company's resources to enhance competitiveness, as well as by comparing marketing strategies across various omni channels for MSMEs in urban and rural areas.

For practitioners responsible for developing MSMEs in the agri-food industry, these findings reinforce the need to strengthen the foundation of professional management practice competencies, especially in production and marketing management. MSMEs must adapt and commit to combining intangible and tangible resources in their capabilities. Furthermore, MSMEs need to stay informed about market trends, consumer behaviour, and competitors to remain relevant in dynamic market changes.

The findings provide recommendations to policymakers, research institutions, and empowerment organisations to develop capacity-building programs and managerial capabilities, as well as to improve digital literacy among MSMEs. Support for the provision of digital infrastructure and adequate access to capital. The need to collaborate with research and empowerment institutions to improve the quality, cost efficiency, and innovation of business services.

Author Contributions

S.D. plays a role in compiling the concept, conducting data collection, and managing the flow of articles. A.I. contributes to data analysis, investigation, reviewing, and editing. A.A.D. plays a role in compiling research background, performs a review, and conducts research. All authors have read and agreed to the published version of the manuscript.

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Institutional Review Board Statement

This study has been approved by the Institute for Research and Community Service, Universitas Sulawesi Barat, Indonesia (No. 390.a/UN55.C/PG/2025, dated July 15, 2024), and has received approval for the protection of privacy during the survey.

Informed Consent Statement

The research and publication of research papers have received written permission from the respondents, with an agreement to maintain the confidentiality of personal and company data.

Data Availability Statement

The data set produced during the study and the findings for the analysis are not made public because they include the respondents' answers; however, the data are accessible from the author of the elementary school upon reasonable request.

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Conflicts of Interest

The authors declare no conflict of interest. The authors affirm that none of their relationships could have influenced their decision to miswrite this article.

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