

THE ROLE OF INNOVATION CAPABILITIES IN MEDIATING THE IMPACT OF SOCIAL MEDIA MARKETING AND BUSINESS NETWORKING ON MSME PERFORMANCE IN WEST KALIMANTAN

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Abstract

This study examines the role of social media marketing, networking, and innovation capabilities in driving the marketing performance of food and beverage SMEs in West Kalimantan, Indonesia, using the Resource-Based View and Resource Advantage Theory. Data were collected from 100 SMEs and analyzed through structural equation modeling (SEM). The results show that SMM directly improves marketing performance, which is attributed to VRIN (valuable, rare, inimitable, non-substitutable) characteristics. Networking significantly improves innovation capability but fails to improve marketing performance directly due to structural barriers and generic innovations that do not have VRIN criteria. Innovation capability does not mediate the social media marketing, marketing performance relationship or the business network-marketing performance relationship. Resource Advantage Theory explains this by emphasizing the independent value of social media marketing in providing rapid market response, bypassing the need for innovation mediation. This study concludes that SMEs in resource-constrained regions such as West Kalimantan should prioritize optimizing social media marketing as a direct strategic asset and address infrastructure and collaborative gaps to unlock networking potential. The theoretical implications highlight the context-dependent application of RBV and the need for hybrid strategies that integrate digital tools with local cultural assets.

Keywords: SMM, Networking, Innovation Capability, Marketing Performance, SMEs

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Micro, Small and Medium Enterprises (MSMEs) are the backbone of the Indonesian economy, contributing 61% of national GDP and absorbing 97% of the workforce. In West Kalimantan Province, until 2024 the second quarter of MSMEs reached 164,364 units with 91.17% of them being micro businesses. However, this large contribution has not been matched by optimal performance, especially in increasing business scale. Data from the West Kalimantan Provincial Bappeda for 2022-2024 shows that the realization of small businesses “upscaling” is only 0.08% (2022), far below the target, reflecting structural challenges that need to be addressed immediately.

As many as 82.32% of MSMEs in West Kalimantan have not utilized the internet in business transactions, despite the 2024 RKPD setting digitalization as a priority. This lack of technology adoption hinders market expansion and operational efficiency. In fact, global studies (Abubakar et al., 2022) prove that social media marketing and networking can improve marketing performance, especially in developing countries. In West Kalimantan, this stagnation is exacerbated by unequal access to digital infrastructure and low literacy.

The utilization of social media marketing by MSMEs, based on research by Ainin et al. (2015), is proven to reduce marketing costs, expand global market reach, and build real-time interactions through platforms such as Instagram and WhatsApp, but the majority of MSMEs in West Kalimantan have not optimally adopted less than 40% who actively utilize these platforms due to constraints on digital literacy, limited human resources, perceptions of time investment, and uneven internet infrastructure (Dinas Koperasi dan UMKM Kalbar, 2023). In fact, the integration of social media marketing with creative content such as video tutorials, user-generated content, or interactive promotions can increase customer engagement by 70% and accelerate sales conversions (Chatterjee & Kumar Kar, 2020). To address this gap, multi-stakeholder collaboration is needed so that West Kalimantan MSMEs not only improve competitiveness, but also strengthen economic resilience in the face of global markets.

Networking, as the key to accessing new markets, suppliers, and knowledge exchange (Pettersen, 2016), plays a crucial role in the growth of MSMEs, but in West Kalimantan, the majority of businesses are still limited to local networks and lack of collaboration between businesses, hindering product innovation and operational cost efficiency due to duplication of resources. In fact, a study by Ladkin & Buhalis (2016) shows that strong business networks, such as partnerships with large industries for example the integration of plantation commodity supply chains, participation in national exhibitions, or integration into digital ecosystems such as MSMEspecific marketplaces, can increase MSME competitiveness by up to 40% through optimal resource allocation, technology transfer, and access to inclusive financing schemes.

Innovation capability acts as a critical bridge connecting social media marketing, business networking, and marketing performance, where innovation in digital strategies and business models is required to transform the potential of social media marketing and business networking into increased sales and customer loyalty (Saunila, 2020). However, MSMEs in

West Kalimantan still faces structural obstacles, such as limited human resources who master the latest technology, only 12% of MSME players have basic digital training, lack of access to capital for investment in analytical tools, and uneven internet infrastructure in rural areas (BPS Kalbar, 2023). In fact, the study of Ndubisi et al. (2020) proves that sustainable innovations such as adaptation of local e-commerce platforms or upskilling digital training can increase MSME productivity by up to 25% through operational efficiency and expansion of market share.

Previous research on social media marketing and networking has mostly focused on the global context or mid-scale MSMEs in urban areas (Wang et al., 2018). Meanwhile, the dynamics of micro MSMEs in underdeveloped regions with unique socio-economic characteristics, such as West Kalimantan, are still poorly mapped. On the policy side, government programs such as digital training and access to capital have not touched the root of the problem, namely low innovation capacity and fragmented networking ecosystems.

This research fills three main gaps, namely first testing the innovation mediation mechanism in micro MSMEs in disadvantaged areas, second mapping the specific barriers to digitalization of West Kalimantan MSMEs, and third providing data-based recommendations for policy alignment of the 2024-2026 RKPD. These findings not only enrich academic literacy on the relationship between social media marketing, networking, and innovation, but also encourage the transformation of West Kalimantan MSMEs as drivers of an inclusive economy based on local wisdom.

LITERATURE STUDY

This research integrates two main theories, namely Resource-Based View and Resource Advantage Theory to understand the relationship between social media marketing, networking, innovation capabilities, and marketing performance in Micro, Small, and Medium Enterprises. This approach enables an in-depth understanding of how

internal resources and dynamic capabilities play a role in creating and sustaining competitive advantage in an increasingly digital and dynamic marketplace.

Resource-Based View Theory

The Resource-Based View (RBV) theory, originated by Wernerfelt (1984), posits that a company's distinct resources and competencies form the cornerstone of attaining sustained competitive edge and exceptional performance. Barney (1991) further developed this framework by highlighting four critical attributes of strategic resources: value, rarity, inimitability, and non-substitutability. For micro, small, and medium enterprises (MSMEs), such resources encompass both tangible assets and intangible organizational elements, including corporate culture, operational workflows, technological infrastructure, and collaborative knowledge practices (Gannon et al., 2015; Leonidou et al., 2013). RBV centers on the management of internal resources—characterized by heterogeneity and limited transferability across firms—as pivotal to achieving market superiority. Within this paradigm, innovation capability is regarded as a strategic driver that serves as a mediating factor linking marketing initiatives, such as social media engagement, to enhanced organizational outcomes.

Within the marketing domain, social media marketing offers a strategic avenue to optimize the utilization of IT-based resources and enhance organizational connectivity (Trainor et al., 2014). These platforms extend beyond mere communication channels, functioning as dynamic spaces for facilitating knowledge exchange between businesses and their clientele, profoundly shaping consumer purchasing patterns and decision-making processes (Barreda et al., 2015). As a capability rooted in internet resources, social media acts as an integrated technological tool that fosters synergy with other organizational assets, thereby reinforcing the firm's market competitiveness.

The Resource-Based View (RBV) further emphasizes the significance of business networks as a vital relational asset for MSMEs. As highlighted by Wincent and Westerberg (2006), the significance of networks stems from the mutual exchange of resources among collaborators. Zaheer and Zaheer (2001) further note that MSMEs can achieve maximum advantages from these networks by strategically selecting and managing partnerships that grant access to critical resources. However, such resources yield tangible benefits only when leveraged effectively through the execution of strategies that drive positive performance outcomes.

Resource Advantage Theory of Competition

The Resource Advantage Theory of Competition, introduced by Hunt and Morgan (1997), enhances the comprehension of how organizational resources influence market positioning and marketing outcomes. This framework posits that a firm's market standing arises from the interplay between its resource portfolio and operational capabilities, which may lead to competitive superiority, parity, or inferiority. In rapidly evolving business landscapes, innovation capability emerges as a critical factor for sustaining competitive edge. Firms must proactively identify emerging opportunities while adapting their structural frameworks and cultural dynamics to navigate market challenges and capitalize on prospects. Innovation, in this context, serves as an organizational competency that facilitates the efficient creation of novel ideas, methodologies, and offerings.

Within the scope of the Resource Advantage Theory of Competition, innovation capabilities function as intermediary mechanisms that convert strategic resources—such as social media initiatives and collaborative networks—into high-impact outcomes and elevated market advantages. Consequently, marketing performance reflects a firm's proficiency in leveraging its resource portfolio and organizational competencies to fortify its competitive edge.

Although Resource-Based View and Resource Advantage Theory both emphasize organizational resources as determinants of competitive advantage, they have differences in scope and implementation, making them complementary in hypothesis development. RBV focuses on identifying strategic internal resources—such as physical assets, intangible capabilities, and social networks—by emphasizing VRIN characteristics (valuable, rare, difficult to imitate, irreplaceable) as the foundation of long-term market advantage. This perspective is internal in nature, placing innovation capabilities as intermediaries that transform resource investments (e.g. social media marketing or network collaboration) into performance outcomes.

Meanwhile, RAT adopts a dynamic, market-oriented approach, exploring how a firm leverages its resource portfolio to achieve a competitive position (superior, equal, or inferior) amidst changes in the business environment. This theory extends the RBV by incorporating external dynamics, such as the interaction between resource utilization, adaptive capabilities, and market opportunities. RAT argues that innovation capability not only reflects the quality of internal resources, but also becomes a strategic channel to transform them into market advantages, such as increased customer engagement or market share growth.

The combination of these two theories offers a complete framework for understanding MSME competitiveness. RBV provides the foundation by identifying key resources (e.g. social media tools, relational networks), while RAT describes the process of activating these resources to align with market demands. For example, social media marketing (an RBV resource) gains strategic relevance in the RAT perspective when combined with innovation capabilities to customize content, analyze consumer behavior, and optimize digital reach. This integration clarifies how the hypotheses linking resources, innovation and performance are rooted in resource-based logic (RBV) and competitive dynamics (RAT), collectively explaining the transformation of MSMEs' static resources into actual market gains.

Social Media Marketing

Social media marketing (SMM) refers to the strategic approach adopted by businesses to develop and promote digital marketing initiatives via social platforms, delivering enhanced value to stakeholders (Elbanna et al., 2019). In Indonesia, where over 160 million individuals actively use social media with an average daily engagement of approximately 3 hours and 26 minutes (We Are Social, 2020), these platforms serve as a highly effective and cost-efficient tool for MSMEs operating under resource constraints. SMM strengthens brand credibility and customer retention while facilitating consumer access to product-related information (Puspaningrum, 2020). Studies further reveal a significant correlation between social media utilization and improvements in consumer trust, emotional engagement, and long-term loyalty (Khoa, 2020). Additionally, research underscores the role of social media in enabling MSMEs to establish brand identity and expand operations efficiently (Sullivan & Koh, 2019; Fatima & Bilal, 2020; Chatterjee & Kumar Kar, 2020).

Networking

Networking is the process of building mutually beneficial connections between business actors (Utomo & Nugraha, 2017). Business networks are important social capital that greatly influence the continuity and development of MSMEs. Through networking, business actors can expand access to strategic information and business opportunities that can improve business performance. In this study, networking is defined as an association formed by MSMEs in the creative economy sector with various stakeholders aimed at generating mutual benefits. Effective networking makes an important contribution to business development and value-added creation, especially in the context of digital technology utilization and social media-based marketing.

Marketing Performance

Marketing performance serves as an assessment of the success derived from a company's comprehensive marketing efforts. It also functions as a conceptual tool to evaluate how effectively a firm's product has performed within the market. From a managerial lens, Sugiyarti and Ardyan (2017) propose that marketing performance is analyzed through four critical perspectives: efficiency, adaptation, effectiveness, and satisfaction. These scholars further delineate the structure of marketing performance into four core dimensions. The first, psychological customer outcomes, includes factors such as brand recognition, customer relevance, perceived differentiation, quality perception, brand image, customer preference, satisfaction, and loyalty. The second, market-related outcomes, encompasses sales volume, new customer acquisition, sales trends, market share, market dynamics, total customer base, and market penetration. The third dimension, customer behavior outcomes, focuses on loyalty levels, customer turnover rates, complaint frequency, and share of wallet. Lastly, financial performance metrics involve overall profitability, gross profit margins, customer-specific profitability, cash flow, and customer lifetime value (Sugiyarti & Ardyan, 2017).

Innovation Capability

Innovation is defined as the creation, acceptance, and application of new ideas, processes, products, or services that provide added value (Al-Hakimi et al., 2021). Innovation capability is a strategic asset that enables firms to gain and maintain competitive advantage through the development of new products and technologies (Laforet, 2011; Rajapathirana & Hui, 2018). Innovation capability consists of implicit knowledge gained through internal experiential learning (Guan & Ma, 2003). This capability enables firms to quickly launch new products and adopt new process technologies relevant to future market needs. For MSMEs, innovation capability is an essential competitive tool in facing competition with large companies (Lijauco et al., 2020).

RESEARCH METHODOLOGY

This research uses a quantitative approach with number-based data analysis processed through statistical methods. Hypothesis testing was carried out using the Structural Equation Modeling (SEM) technique based on Partial Least Square (PLS) to analyze the structural model and the effect of mediation simultaneously (Hair et al., 2021). The population of this study are all Micro, Small and Medium Enterprises (MSMEs) in West Kalimantan Province engaged in the food and beverage sector. The sample was taken using nonprobability sampling technique with purposive sampling method to ensure the participant criteria were in accordance with the research objectives. Determination of the sample size was carried out through a sample size calculator with a margin of error of 10%, resulting in 96 respondents. The choice of this technique is based on the limitations of time, cost, and access to a geographically dispersed population (Creswell, 2020). Data were collected through a closed questionnaire designed to measure the perceptions of MSME actors on the research variables. The questionnaire instrument used a 1-5 Likert scale with structured questions to minimize interpretation bias.

RESULT AND DISCUSSION

Based on the questionnaire analysis, social media marketing showed high performance (Grand Mean 3.94), with entertainment content as the strongest aspect (score 4.220). The use of videos, images and popular formats such as Reels successfully increased engagement, supported by regular content updates (4.090). However, two-way interaction is still weak (lowest score of 3.590), indicating one-way communication with minimal audience participation. Content personalization and ad quality also need to be improved, despite ads being effective in influencing purchases (4.030). The majority of respondents (88%) are businesses under 5 years old, with dominant use of Facebook and Instagram (38% each), while TikTok is only 4%, showing untapped potential to reach the younger generation.

The networking variable recorded a grand mean of 3.975, with external collaboration as a key driver of innovation (score of 4.200). Partnerships with business partners and openness to external inputs (4.160) expand access to resources and markets. However, the culture of internal information sharing is low (3.770), presumably due to a lack of trust or formal platforms. This imbalance risks hampering long-term synergies, so increased transparency and incentives are needed to strengthen the cohesiveness of internal networks.

Marketing performance excels in customer retention and sales growth (score 4,050), indicating the success of loyalty programs and product quality. However, expansion into new market segments is a challenge (3.670), due to lack of market research or inappropriate digital strategies. Reliance on existing markets risks limiting growth, requiring data-driven promotional innovations and suboptimal utilization of platforms such as TikTok.

Innovation capability is supported by a culture of generating new ideas (4.180) and introduction of innovative products (4.100). However, penetration of new markets is still low (3.760), influenced by lack of research, competition, or limited resources. While external collaboration encourages creativity, enterprises need to improve their marketing strategies and utilize trend data to unlock untapped segments. The synergy between product innovation and market expansion is key to business sustainability.

Test Model R-square

	R-square
CI	0.527
KIN	0.538

Source: Primary data processed by SEM PLS(2025)

The R Square value in this study shows the ability of the independent variables to explain the variance of the dependent variable. Innovation capability has R^2 0.527 and marketing performance 0.538, including the moderate category according to Hair et al. (2021). This means that 52.7% of the variance in innovation capability and 53.8% of the variance in marketing performance can be predicted by the model. This value indicates adequate predictive power, although there is still room to increase explanatory power by adding other variables or improving measurement methods.

Q² Predictive Relevance

	Q2 Predictive	RMSE	MAE
CI	0,509	0,719	0,513
KIN	0,468	0,742	0,602

Source: Primary data processed by SEM PLS(2025)

Table 1.
R-Square

Table 2.
Q² Predictive
Relevance

The Q² Predictive Relevance test shows the predictive ability of the model. Innovation capability had a Q² of 0.509 (good category) with an RMSE of 0.719 and MAE of 0.513, while KIN had a Q² of 0.468 (moderate category) with higher errors (RMSE 0.742; MAE 0.602). This indicates that the model is more stable in predicting innovation capability than marketing performance. Data variability or outliers are thought to be the cause of the instability in predicting marketing performance, so optimization is needed such as adding variables or improving measurement methods to improve accuracy.

Table 3.
F-Square

F Square

	F-square	Description
CI -> KIN	0036	Very small effect or no significant effect
NET -> CI	0334	Medium effect
NET -> KIN	0034	Very small effect or no significant effect
SMM -> CI	0051	Small effect
SMM -> KIN	0197	Medium effect

Source: Primary data processed by SEM PLS(2025)

F Square analysis revealed the magnitude of influence between variables. Networking has a large effect on innovation capability ($f^2=0.334$), while social media marketing has a medium effect on marketing performance ($f^2=0.197$). In contrast, the effects of innovation capability on marketing performance ($f^2=0.036$) and networking on marketing performance ($f^2=0.034$) were very small, indicating limited contributions. Hair et al. (2021) emphasized that small effects remain relevant if supported by statistical significance and theoretical justification, such as the role of social media marketing in increasing business visibility.

GoF Index

Table 4.
Gof Index

Rerata AVE	Rerata R-Square	Gof Index	Description
0721	05325	062	High

Source: Primary data processed by SEM PLS(2025)

The Goodness-of-Fit (GoF) value of 0.62 is high, reflecting the holistic quality of the model. This value is calculated from the average AVE of 0.721 (strong convergent validity) and R² of 0.5325 (moderate predictive power). According to Hair et al. (2021) GoF ≥ 0.36 is already large, so the value of 0.62 indicates optimal integration between measurement reliability and model explanatory power. This confirms the internal consistency and external validity of the model, especially in the context of PLS-SEM which focuses on variance-based prediction.

Hypothesis Testing

Table 5.
Hyphotesis Test

Variables	Original Sample	T Statistics	P Values	Hypothesis	Description
SMM -> KIN	0433	3125	0002	H1	Accepted
NET -> KIN	0202	1257	0209	H2	Rejected
CI -> KIN	0187	1574	0115	H3	Rejected
SMM -> CI	0218	2831	0005	H4	Accepted
NET -> CI	0557	9938	0000	H5	Accepted
SMM -> CI -> KIN	0041	1126	0260	H6	Rejected
NET -> CI -> KIN	0104	1437	0151	H7	Rejected

Source: Primary data processed by SEM PLS(2025)

H1: The effect of Social media marketing on marketing performance

Social media marketing demonstrates a statistically significant direct impact on marketing performance, evidenced by a regression coefficient of $\beta = 0.433$ ($p < 0.01$). The robustness of this relationship is further validated by a T-Statistic value of 3.125, exceeding the critical threshold of 1.96. These results confirm that the hypothesis is empirically supported.

H2: The effect of networking on marketing performance

The statistical evaluation indicates that networking exerts no meaningful influence on marketing performance, supported by a regression coefficient of 0.202 and a p-value of 0.209 (exceeding the $\alpha = 0.05$ threshold). The T-Statistic value of 1.257, falling below the critical threshold of 1.96, further corroborates the lack of statistical significance. Consequently, the hypothesis asserting a connection between networking and marketing performance is rejected based on these criteria.

H3: The effect of innovation capability on marketing performance

The results of the analysis show that innovation capability (CI) has no significant effect on marketing performance with a coefficient of 0.187 and a p-value of 0.115 above $\alpha=0.05$. T-Statistic value $1.574 < 1.96$ also indicates statistical insignificance. Based on the criteria, this hypothesis is rejected, meaning that increasing innovation capability does not directly improve the performance of SMEs in West Kalimantan Province.

H4: The effect of social media marketing on innovation capability

Social media marketing has a significant effect on innovation ability with a coefficient of 0.218 and a p-value of 0.005 ($\alpha=0.05$). The T-Statistic of $2.831 > 1.96$ confirms this significance. The hypothesis is accepted, indicating that digital marketing strategies can trigger innovation through interaction with customers or analysis of market data.

H5: The effect of networking on innovation capability

Networking is proven to have a strong and significant effect on innovation ability with a coefficient of 0.557 and a p-value of 0.000. The T-Statistic of $9.938 > 1.96$ reinforces this finding. This hypothesis is accepted, indicating that business networking plays a crucial role in encouraging SME innovation in West Kalimantan Province.

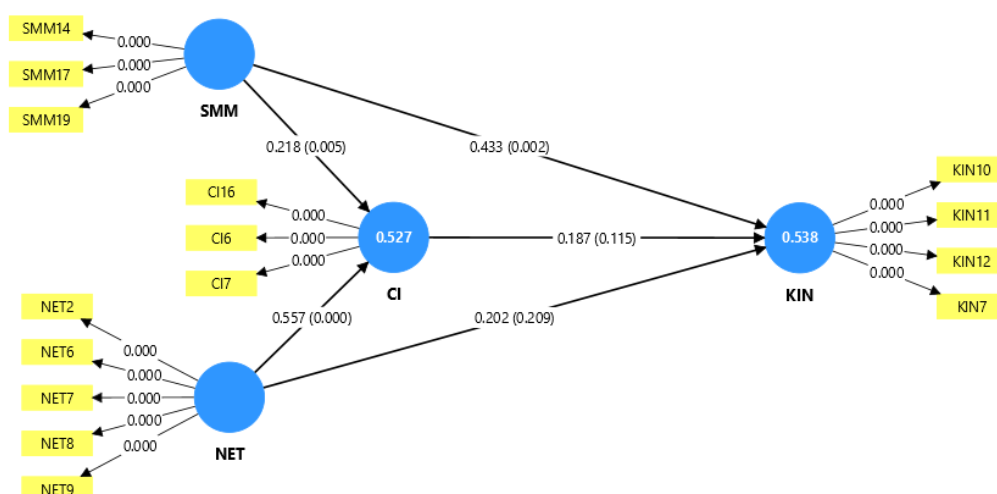
H6: The mediating effect of innovation capability on the relationship of social media marketing to marketing performance

The mediating effect of innovation ability between social media marketing and marketing performance is not significant, with a coefficient of 0.041 and a p-value of 0.260. TStatistic $1.126 < 1.96$ confirms the insignificance. The hypothesis is rejected.

H7: The mediating effect of innovation capability on the relationship between networking and marketing performance

No significant mediating effect of innovation ability on the relationship between networking and marketing performance was found. The indirect coefficient of 0.104 and p-value of 0.151 above $\alpha=0.05$ indicate that innovation capability is not an effective mediator. The hypothesis is rejected.

DISCUSSION



Source: Primary data processed by SEM PLS(2025)

The influence of social media marketing on marketing performance

Social media marketing has proven to have a significant effect in improving the performance of food and beverage SMEs in West Kalimantan, particularly through increased sales, expanded market reach, and customer loyalty. Effective social media marketing strategies involve using platforms such as Instagram, Facebook, and WhatsApp Business to promote products, share customer testimonials, and run time-based discount campaigns, supported by simple analytics (such as number of likes and shares) for real-time evaluation. Creative content based on local culture, such as a video of West Kalimantan's durian dodol production process or the use of the hashtag #KulinerKalimantan Barat, is a key differentiator that is difficult for competitors outside the region to replicate.

Research by Wibawa et al. (2022), Tatik & Setiawan (2025), and Nurfarida et al. (2021) reinforce these findings by showing that social media marketing can reduce promotional costs by 50%, increase the effectiveness of digital advertising, and accelerate transaction interactions through the live chat feature. Based on the Resource-Based View theory, social media marketing meets the VRIN (Valuable, Rare, Inimitable, Non-substitutable) criteria as a strategic resource that creates sustainable competitive advantage, for example through unique brand visibility and global reach that is irreplaceable by conventional methods. The implication is that social media marketing is not just a marketing tool, but a critical asset that integrates digital innovation with local potential, thus becoming an important pillar in strengthening the identity of West Kalimantan SMEs in the industrial era 4.0, with the support of digital literacy and adequate infrastructure.

The influence of Networking on marketing performance

Business networks, which involve relationships with suppliers, customers, business partners and competitors, are expected to improve the marketing performance of SMEs in West Kalimantan through expanded market access and collaboration. The Resource-Based View theory explains that the competitive advantage of SMEs in West Kalimantan depends on the ability to optimize valuable resources such as social media marketing and business networks that meet the VRIN (valuable, rare, inimitable, non-substitutable) criteria. However, the finding that the effect of networks on marketing performance is not significant indicates the unpreparedness of these resources: poor digital infrastructure, low trust among businesses, and limited human resources make networks and SMM not rare or difficult to replicate, thus failing to become strategic assets. This is where innovation capability plays a role as a dynamic capability that transforms basic resources into competitive advantage, for example through the integration of digital trends with local products (as in Kubu Raya Regency) or cross-sector collaboration that creates unique synergies. Inconsistencies with the research of Yoon et al. (2018) or Hendrawan & Wijaya (2020) occurs due to the heterogeneity of complementary resources such as infrastructure and a culture of collaboration in West Kalimantan that is not yet supportive, so innovation is needed to equalize the quality of resources. Therefore, policy interventions must focus on strengthening human resources through digital literacy training, building supporting infrastructure, and mentoring local wisdom-based innovations so that social media marketing and networks can be optimized as VRIN resources, while strengthening the competitiveness of MSMEs in the global ecosystem.

The effect of innovation capability on marketing performance

The results showed that innovation ability does not significantly affect the marketing performance of food and beverage SMEs in West Kalimantan, contrary to the general assumption that innovation is always a driver of competitiveness. This finding is due to generic innovations such as packaging or flavor modifications and easily imitated by competitors, thus not meeting the VRIN (Valuable, Rare, Inimitable, Non-substitutable) criteria in the Resource-Based View theory. Local market dynamics such as low competition, consumer preference for price over quality, and limited managerial and financial capacity of SMEs also hinder the impact of innovation. Research by Purwanto et al. (2021) and Yusof et al. (2023) reinforce these findings, showing that incremental innovations often fail to improve performance without the support of complementary assets such as digital marketing or distribution networks. For example, locally sourced product innovations are ineffective if they are not accompanied by adequate branding strategies or market access. The practical implications are that SMEs need to strengthen basic capabilities (financial management or marketing), the government should provide supporting infrastructure (digital training, financing), and mentoring programs need to be tailored to specific needs, such as local ingredient-based innovations that are aligned with consumer preferences, to maximize potential competitiveness.

The influence of social media marketing on innovation capability

The results revealed that social media marketing has a significant effect on the innovation ability of food and beverage SMEs in West Kalimantan, with an increase of 21.8% in innovation ability for each unit of social media marketing effectiveness. This finding is supported by the research of Le & Chakrabarti (2023), Scuotto et al. (2017), and Dewi et al. (2020) which highlight the role of social media in improving innovation capabilities through customer interaction and knowledge absorption. Based on the Resource-Based View theory, social media marketing meets the VRIN (Valuable, Rare, Inimitable, Non-substitutable) criteria: valuable because it facilitates access to customer data and market trends, rare because few SMEs are able to optimize creative content based on local culture, difficult to imitate due to the uniqueness of authentic content, and irreplaceable as the main channel of digital interaction. Social media marketing also encourages innovation through collaboration with customers. The implication is that social media marketing needs to be viewed as a strategic asset that requires continuous investment in training, collaboration with influencers, and technology integration, supported by the government through digital literacy programs and creative content funding to strengthen innovation-based competitive advantage.

The effect of networking on innovation capability

The results showed that networking has a strong and significant effect on innovation capability, with a 55.7% increase in innovation capability for every one unit increase in the network scale. This finding is in line with the research of Murtini, Syafii & Anom (2024) and Murwatiningsih & Oktarina (2020) who emphasized the role of entrepreneurial networks in driving innovation, as well as Safii & Rahayu (2020) who highlighted networking as critical social capital. Based on the Resource-Based View theory, networking meets the VRIN (Valuable, Rare, Inimitable, Non-substitutable) criteria: valuable because it provides access to knowledge, technology and external market opportunities; rare because strategic partnerships with key industry players are difficult for competitors to replicate; difficult to replicate because of trust-based relationships and organizational culture; and irreplaceable by other resources. The main mechanism lies in the integration of external resources internal processes, creating knowledge spillover and accelerating the innovation cycle. RBV also emphasizes the importance of absorptive capacity to convert networking into real innovation. Thus, networking is not only a strategic asset, but also a transformative catalyst that blends external resources and internal capabilities to build sustainable competitive advantage.

Mediating effect of innovation capability on the relationship between social media marketing and marketing performance

The results showed that innovation capability did not act as a significant mediator in the relationship between social media marketing and marketing performance, with a mediation effect coefficient of 0.041 indicating that increased social media marketing had a direct impact on performance without involving innovation. This finding does not support the results of Kioko & Ouma (2023) and Tonny & David (2022) who found innovation as a mediator in different contexts, such as in the hospitality industry in Kenya. Based on Resource Advantage Theory, social media marketing is seen as a unique resource that directly creates competitive advantage without the need to be mediated by innovation, because it is able to respond to market trends in real-time. This confirms that competitive advantage in the digital age can be achieved by optimizing existing resources, such as content personalization or increased customer engagement, while innovation can be developed in parallel for long-term differentiation purposes. The practical implication is that companies need to prioritize investments in digital marketing technologies and collaboration with influencers for immediate impact, while separating innovation strategies as structured efforts that require a different approach. The findings extend the understanding of Resource Advantage Theory by showing that external resources can have instant impact without relying on internal transformation, as long as they are managed efficiently and adaptive to market dynamics.

Mediating effect of innovation capability on networking relationship to marketing performance

The results of the study showing the insignificant role of innovation capability as a mediator between networking and marketing performance can be explained through Resource Advantage Theory. Although networking enhances innovation capabilities as in startup businesses in Thailand according to Peemanee et al. (2022), its transformation into marketing performance is hampered because the innovations produced do not meet the VRIN criteria (valuable, rare, inimitable, nonsubstitutable). Resource Advantage Theory asserts that competitive advantage requires a combination of unique and strategic resources. If innovation is generic, for example, basic technology adaptation without differentiation or not supported by complementary resources such as funds, marketing expertise, or adaptive organizational culture, its competitive value is not achieved. For example, networking-based innovations that focus

on internal efficiency fail to address market needs for speed of service or sustainability, making them irrelevant to consumer demands. In addition, Resource Advantage Theory highlights that the value of resources depends on the competitive context if competitors have similar network access and equivalent innovation capabilities, the innovation loses its differentiating power. Thus, the networking effect is mediated by other factors such as operational efficiency or access to strategic distribution channels, rather than innovation. This finding is consistent with the Resource Advantage Theory principle that resources only have an impact if they are managed strategically, aligned with market needs, and supported by adequate internal capacity.

Synthesis of Research

This study examines the role of social media marketing, networking, and innovation capabilities in improving the marketing performance of food and beverage SMEs in West Kalimantan by integrating the Resource-Based View (RBV) and Resource Advantage Theory of Competition (RAT). The results show that social media marketing is the most effective strategic resource that meets VRIN criteria, is able to reduce promotion costs by 50% through creative content based on local culture that is difficult for competitors to imitate, and has a direct impact on performance without requiring complex internal transformation. Meanwhile, networking, while encouraging innovation capabilities, failed to improve marketing performance due to limited digital infrastructure, low trust between business actors, and inadequate human resources. Innovation capability itself is insignificant because it is generic, easily copied, and not supported by supporting assets such as digital marketing. These findings reinforce the RAT principle that competitive advantage can be achieved instantly through the utilization of contextual resources without reliance on innovation. As a theoretical contribution, this study proposes a Dynamic VRIN Framework that combines RBV and RAT, emphasizing that strategic resources are dynamic and require integration with supporting ecosystems and adaptive capacity to create sustainable advantages.

CONCLUSION

This study reveals that social media marketing has a direct and significant effect on the marketing performance of food and beverage SMEs in West Kalimantan through VRIN (valuable, rare, inimitable, non-substitutable) characteristics, such as local culture-based content and cost-effective global market reach, while networking enhances innovation capability but fails to have a direct impact on marketing performance due to structural barriers and the absence of significant mediation of innovation capability in the social media marketing-marketing performance and networking-marketing performance relationships. The findings extend the Resource-Based View and Resource Advantage Theory by showing that social media marketing can function as a standalone asset that directly creates competitive advantage without the mediation of innovation, as well as emphasizing the importance of resource contextuality where networking success depends on the availability of infrastructure and human resource capacity. The practical implications are that SMEs need to prioritize the optimization of local wisdom-based SMM, the government should accelerate the development of digital infrastructure, and innovation should be directed at long-term differentiation that is aligned with market demand. Further research is recommended to explore alternative mediators (such as operational efficiency), longitudinal studies of the impact of policy interventions, as well as the integration of advanced technology to improve the competitiveness of SMEs in disadvantaged areas.

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