

Network Advantage as a Mediator between Relational Capabilities, Marketing Capabilities, and Marketing Performance: Evidence from Batik SMEs in Java and Bali

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Abstract

The purpose of this study is to examine how network advantage mediates the relationship between marketing capabilities and relational capabilities in influencing the marketing performance of Batik Small and Medium-sized Enterprises (SMEs). Grounded in the Resource-Based View (RBV), this research highlights the strategic importance of intangible resources such as trust, communication, and market responsiveness in enhancing competitiveness within the creative industry sector. A quantitative approach was employed using a survey method, with purposive sampling applied to select 250 Batik SMEs respondents from Java and Bali—two regions recognized as cultural centers of Indonesia's Batik industry. Data were collected through a structured questionnaire and analyzed using Structural Equation Modeling (SEM) with SmartPLS software. The findings reveal that both relational and marketing capabilities exert a positive and significant influence on network advantage. Moreover, relational capabilities, marketing capabilities, and network advantage each have a significant effect on marketing performance. Importantly, the results demonstrate that network advantage plays a mediating role in strengthening the effect of relational and marketing capabilities on marketing performance. This indicates that the benefits of these capabilities are optimized when SMEs are able to leverage strategic business networks. The study contributes theoretically by extending RBV into the context of creative industries and empirically by providing evidence from Batik SMEs in Indonesia. Practically, it emphasizes the need for Batik SMEs to continuously build strong relational ties and enhance marketing competencies while actively engaging in collaborative networks to sustain competitiveness in increasingly dynamic markets.

Keywords: Marketing Capabilities, Marketing Performance, Network Advantage, Relational Capabilities.

Introduction

Small and medium-sized enterprises (SMEs) constitute a critical component of national economic advancement, as they facilitate job creation, promote a more equitable distribution of income, and substantially enhance macroeconomic performance (1). Global market integration presents considerable prospects for SMEs to pursue strategic growth, diversification, and organizational resilience. Participation in international markets not only expands the consumer base but also exposes SMEs to heterogeneous business environments, thereby stimulating innovation through cross-border collaboration and knowledge exchange (2). One of the sectors profoundly impacted by global market dynamics is the fashion industry, where international competition is fierce. About 17% of the value of Indonesia's creative economy comes from the fashion sector, making it a significant contribution. Furthermore, Indonesia ranks third

globally in the development of Muslim fashion, after the United Arab Emirates and Turkey (3). Among fashion-related SMEs, the batik industry stands out for its strong cultural heritage and high economic potential. Batik represents more than a traditional textile; it embodies a significant component of Indonesia's intangible cultural heritage. However, amid accelerating technological developments and evolving consumer preferences, batik-focused SMEs are confronted with mounting challenges in preserving their competitive advantage and optimizing marketing performance (4). In order to remain competitive and sustain their relevance in the evolving market landscape, Indonesian batik SMEs are required to implement strategic initiatives, notably by leveraging e-commerce technologies and social media platforms to extend their market penetration and consumer engagement (5). Batik SMEs have the opportunity

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to promote and distribute their products via national e-commerce platforms, or through global marketplaces, thereby expanding their market access and enhancing brand visibility across broader consumer segments (6). Furthermore, strategic partnerships with local and international designers in creating exclusive batik collections can substantially elevate product differentiation and market attractiveness. Equally important is sustained government intervention through comprehensive SMEs development initiatives, including capacity-building programs, financial facilitation, and targeted support for export-oriented marketing activities (7).

A critical challenge confronting SMEs is their responsiveness in identifying and leveraging market opportunities in a timely and effective manner. This strategic competence is intrinsically linked to the notion of relational capabilities, defined as the firm's ability to initiate, nurture, and manage collaborative relationships that generate competitive advantage (8). Strong relational capabilities enable firms to cultivate robust business partnerships and facilitate accelerated access to strategic resources, thereby enhancing their marketing performance (9). Inter-organizational relationships serve as critical enablers of collaborative innovation, fostering the co-creation of novel solutions, enhancing organizational learning, and thereby promoting superior firm performance and the attainment of sustained competitive advantage (10). SMEs that possess well-developed relational strategies demonstrate a greater capacity to understand evolving customer needs, thereby enabling the provision of tailored products and services that enhance customer satisfaction and strengthen competitive positioning (11). Relational capabilities also facilitate effective collaboration with suppliers, distributors, and other strategic partners, thereby contributing to enhanced supply chain efficiency, increased product innovation, and the implementation of co-marketing strategies (12).

Marketing capability represents another key determinant of marketing performance, referring to a firm's competence in formulating and executing the elements of the marketing mix, namely product development, pricing, distribution, and promotional activities in a manner that aligns with market demands and

competitive dynamics (13). These capabilities generate customer value and enhance firm performance by enabling adaptation to dynamic market demands (14). Marketing capability also plays a critical role in shaping product features and optimizing resource utilization to effectively meet customer needs, thereby enhancing the firm's competitiveness (15). However, empirical studies indicate that SMEs in countries such as the United Arab Emirates (UAE) continue to face challenges in developing adequate marketing capabilities, particularly in establishing mutually beneficial relationships with key stakeholders (16).

Network advantage is another critical construct that may influence marketing performance. It refers to the strategic benefits firms derive from their involvement in social and inter-organizational networks (17). These benefits encompass access to valuable resources, advanced technologies, market intelligence, and strategic partnerships that would otherwise be difficult for firms to obtain independently (18). Firms that effectively leverage network relationships are better positioned to strengthen their marketing strategies, respond more rapidly to emerging market opportunities, and ultimately enhance overall performance (19). Networks play a pivotal role in fostering innovation, minimizing operational inefficiencies, and expanding distribution reach, dimensions that are essential for SMEs striving to achieve sustainable growth in highly competitive environments.

Furthermore, network advantage is conceptualized as a mediating construct that explicates the pathways through which relational and marketing capabilities exert their impact on marketing performance (9). As a mediating construct, network advantage clarifies the indirect pathways through which relational and marketing capabilities contribute to performance outcomes. Understanding this mediating role offers deeper insights into how firms can effectively integrate relationship-building and marketing competencies to enhance overall performance (20).

This study centers on the apparel industry, specifically the batik sector in Indonesia, to explore how network advantage mediates the relationship between relational capabilities and marketing capabilities in shaping marketing performance. By doing so, the research aims to provide a nuanced understanding of the mechanisms through which

SMEs can leverage strategic competencies to enhance competitive outcomes (21). This study contributes not only to the theoretical advancement in the fields of SME marketing and strategic management but also provides practical insights for batik entrepreneurs striving to develop sustainable and competitive businesses. By positioning network advantage as a strategic link between organizational capabilities and marketing performance, the study encourages batik SMEs to adopt more adaptive and relationship-oriented marketing strategies. Such an approach is expected to facilitate sustainable growth and reinforce the cultural and economic relevance of batik in contemporary global markets. Many studies have shown that SMEs in this region face resource constraints, limited market access, and a high dependence on social networks and business relationships (22). In the context of creative industries such as batik, these limitations encourage business actors to rely on relational and marketing capabilities as sources of competitive advantage. However, previous research has often focused on financial or operational aspects, while the dimensions of relational and marketing capabilities remain relatively underexplored. Therefore, this study seeks to fill this gap by providing new empirical evidence from the context of batik SMEs in Java and Bali.

Resource Advantage Theory (RAT)

Grounded in the Resource Advantage Theory (RAT), originally proposed by Hunt and Morgan in the late 1990s, this study adopts a dynamic perspective on competition, offering an alternative to conventional models of competitive positioning by emphasizing the role of heterogeneous resources and relational competencies in driving superior firm performance (23). According to the RAT, competitive advantage arises from a firm's ability to strategically utilize heterogeneous and imperfectly mobile resources and capabilities, thereby enabling superior marketplace performance relative to competitors (13). The theory emphasizes the concept of positional advantage, which refers to the relative value of a firm's marketing strategies as perceived by target markets in comparison to those of its competitors (24). Within the framework of RAT, a firm's resource endowments shape its relative market position, manifesting as competitive advantage, disadvantage, or parity, thereby exerting a direct

impact on its marketing and financial performance (23). According to the RAT, a firm's competitive performance is contingent upon its market position, which reflects the comparative superiority of the firm's resources and capabilities in delivering value to target markets (24). In the context of RAT, resources can be categorized as either operand tangible elements, such as machinery, or operant intangible elements, such as knowledge, skills, and relational networks. Both forms of resources are instrumental in enabling firms to deliver value effectively and achieve sustained competitive performance (13, 16). RAT offers a strategic lens to understand how firms leverage resources to sustain competitive advantage in dynamic markets (25).

Relational Capabilities

Relational capabilities are defined as superior skills in managing a firm's shared resources (26). These capabilities embody the firm's capacity to cultivate an organizational culture and market orientation that prioritizes customer retention and relational continuity. In line with the RAT, such capabilities function as operant resources that facilitate the co-creation of value, foster customer loyalty, and drive sustained superior performance (27). Relational capabilities are defined as the firm's ability to initiate and maintain enduring relationships with various external stakeholders, including customers, suppliers, and strategic partners. These capabilities are underpinned by dimensions such as trust, mutual commitment, and shared understanding, which collectively promote information sharing, joint problem-solving, and collaborative value creation (26). Furthermore, relational capabilities also reflect an organization's ability to identify and exploit market opportunities, develop relevant knowledge and competencies, and build sustainable competitive advantage through the effective management of its business relationships (21).

Marketing Capabilities

Marketing capability is defined as the pattern through which a firm utilizes its resources, forming organizational routines and practices over time to effectively implement marketing strategies (28). It refers to a firm's ability to create, promote, and distribute products more effectively than its competitors, an essential capability for achieving and sustaining competitive advantage (29). Marketing capabilities enable firms to sense and

respond to market dynamics, including competitor actions and technological advancements. These capabilities facilitate the effective leveraging of resources and strategic partnerships to create customer value and identify emerging needs (28). These capabilities enable firms to achieve optimal performance through continuous internal enhancements and external adaptations. The development of products and services is no longer solely internally driven but must be responsive to competitive market dynamics and evolving consumer demands (30).

Network Advantage

Network advantage refers to the strategic benefits that organizations derive from their participation in social networks and inter-organizational relationships (31). These benefits include superior access to information, resources, technologies, and markets compared to competitors lacking robust network ties. Through these networks, firms gain access to external resources that are otherwise unattainable independently, thereby enhancing their overall competitiveness (32). Network advantage reflects a firm's ability to leverage relationships with external partners such as suppliers, distributors, and other organizations to enhance performance and foster innovation (33). This advantage enables firms to navigate market fluctuations more effectively, anticipate emerging trends, and gain deeper strategic insights. Broad network access also increases the likelihood of securing collaborative opportunities that are not readily available to less-connected competitors (33).

Marketing Performance

Marketing performance reflects the extent to which a company effectively achieves its marketing objectives, including improvements in sales revenue, market share, customer satisfaction, and loyalty (34). For batik SMEs, marketing performance refers to the evaluation of overall sales outcomes through a performance-oriented marketing approach, involving systematic measurement and continuous improvement strategies aimed at increasing sales, expanding the customer base, and enhancing profitability (35). Marketing performance serves as a critical indicator of the effectiveness of marketing strategies implemented by SMEs, including those in the batik industry. Internal factors such as innovation capability, market orientation, and

product development capabilities, alongside mediating variables such as value lifetime orientation, may exert both direct and indirect influences on a firm's marketing performance (36).

The Influence of Relational Capabilities on Network Advantage

Relational capabilities are defined as a firm's capacity to build, sustain, and manage enduring relationships with a wide array of stakeholders including suppliers, customers, strategic partners, and, in certain contexts, competitors. Such capabilities amplify the strategic value gained from network diversity, facilitating access to critical resources, information flows, and collaborative opportunities (19). The development of network advantage is contingent upon a firm's relational capabilities, as these enable the establishment and management of strategic, trust-based relationships with external stakeholders (37). Relational capabilities have been empirically shown to exert a significant and positive influence on the development of network advantage (38, 39). Well-established and sustained relationships, along with a firm's ability to engage effectively with external stakeholders, have a significant influence on the development of network advantage (25). Strong relational capabilities enable firms to build broader and deeper networks, thereby facilitating access to superior market information, fostering innovation, and enhancing operational efficiency (40). Relational capabilities strengthen a firm's capacity to extract strategic value from external networks, contributing to sustained competitive advantage. Organizations that demonstrate proficiency in managing alliances and inter-organizational relationships are better positioned to achieve network advantage, reflected in enhanced innovation outcomes and expanded market presence (21).

Drawing upon established theoretical frameworks and prior empirical findings, relational capabilities are recognized as critical enablers for firms to access distinctive external resources such as specialized market intelligence, advanced technologies, and collaborative innovation through strategic inter-organizational networks (40). Strong relationships with strategic partners provide network advantage by granting firms access to exclusive information that is not readily available to competitors, thereby reinforcing their

competitive advantage (39). Through strong relational capabilities, firms can effectively leverage their networks to foster collaboration in innovation and enhance responsiveness to market dynamics. The network advantages gained from external relationships enable firms to develop new products and services that align more closely with market trends and evolving customer needs, thereby offering network advantage through accelerated and more relevant innovation (10). Therefore, the following hypothesis can be formulated:

H1: Relational capabilities positively influence network advantage.

The Influence of Marketing Capabilities on Network Advantage

Marketing capabilities enable firms to rapidly establish strategic partnerships and leverage their networks to respond effectively to dynamic market conditions, thereby generating network advantage through more flexible and adaptive collaborative strategies (41). Through its network relationships, a firm gains access to social capital comprising trust, shared norms, and reciprocal ties that facilitate knowledge exchange, foster innovation, and enable the discovery and exploitation of strategic business opportunities (42). Well-developed marketing capabilities motivate firms to cultivate expansive and strategically significant networks, fostering network advantage through mechanisms of trust-building, collective learning, and inter-organizational collaboration (19).

Empirical and theoretical evidence consistently demonstrate that marketing capabilities exert a positive and significant influence on the attainment and sustainability of competitive advantage, by enabling firms to better understand customer needs, differentiate offerings, and respond to market dynamics (43-45). Companies with strong marketing capabilities are more likely to achieve market dominance and gain access to new market opportunities (45). Marketing capabilities play a critical role in fostering network advantage by reinforcing a firm's capacity to initiate strategic alliances, broaden inter-organizational networks, and cultivate a favorable reputation among business stakeholders, thereby facilitating greater access to external resources and collaborative opportunities (46). Based on theoretical foundations and prior empirical research, it can be concluded that marketing

capabilities facilitate the formation and utilization of more effective networks. Firms with well-developed marketing capabilities are more likely to establish relationships with new business partners and expand their network reach. In line with the above explanation, the following hypothesis is proposed:

H2: Marketing capabilities positively influence network advantage.

The Influence of Relational Capabilities on Marketing Performance

Relational capabilities are fundamentally grounded in the dimensions of trust, communication, and coordination across organizational boundaries. Firms with strong relational capabilities are better positioned to cultivate collaborative relationships characterized by high levels of commitment and mutual trust, ultimately contributing to improved marketing performance (38). Marketing performance is positively and significantly impacted by relational capabilities (38, 47, 48). Strong linkages between suppliers and customers enable businesses to better adapt to shifting consumer preferences, launch new goods, and increase the success of marketing initiatives, all of which improve marketing skills. Robust connections with both suppliers and customers enhance a firm's ability to respond to evolving consumer demands, facilitate the timely introduction of new products, and improve the execution of marketing strategies. These relational linkages play a critical role in strengthening the firm's overall marketing capabilities (26). Relational capabilities play a pivotal role in enhancing marketing performance. Firms that maintain strong relationships with suppliers and customers are better equipped to develop products aligned with market needs, perform more precise market segmentation, and formulate more competitive pricing strategies (25).

Based on theoretical frameworks and prior empirical studies, it can be concluded that relational capabilities enable firms to access valuable external resources such as market intelligence, technological advancements, and product innovations which, in turn, enhance their marketing capabilities (38). Well-established partnerships with external actors, particularly suppliers and distributors, serve as critical conduits for accessing nuanced market intelligence

and understanding shifting customer preferences, thus enhancing a firm's capacity to adapt and compete effectively (48). With strong relationship building capabilities, firms are able to manage customer relationships and distribution channels more effectively, thereby facilitating the design of more personalized marketing strategies and improving the efficiency of distribution networks (47). Based on the above explanation, the following hypothesis can be derived:

H3: Relational Capabilities positively influence Marketing Performance.

The Influence of Marketing Capabilities on Marketing Performance

The capacity of a firm to develop, integrate, and manage distinctive and inimitable resources, particularly marketing capabilities, constitutes a fundamental basis for achieving and sustaining competitive advantage in dynamic market environments (49). Marketing capabilities are regarded as strategic assets that enable firms to achieve superior marketing performance (50). Organizations with well-developed marketing capabilities are better positioned to formulate effective marketing strategies, respond to dynamic market conditions, and enhance overall marketing outcomes (51).

Marketing performance is directly influenced by marketing capabilities (39, 48, 49). Key marketing competencies, such as product innovation, effective management of distribution channels, and strategic marketing communication, serve as fundamental drivers of superior marketing performance by enabling firms to deliver greater value, strengthen customer engagement, and respond more effectively to market demands (52). Marketing capabilities are fundamental to achieving superior marketing performance, as they equip firms with the strategic agility to modify and realign their marketing approaches in accordance with shifting market environments and consumer demands (53). Businesses with adaptable and flexible marketing capabilities are more likely to achieve their marketing objectives and respond effectively to dynamic and rapidly changing market environments (51). Based on theoretical perspectives and prior empirical research, it can be inferred that marketing capabilities enable firms to identify customer needs and develop products and services that effectively meet those demands. Successful

product innovation, driven by these capabilities, contributes to enhanced marketing performance by attracting new customers, increasing market share, and fostering customer loyalty (51). The effective cultivation and management of marketing capabilities enhance a firm's ability to perform competitively in the marketplace, which in turn fosters sustained competitive advantage and contributes to long-term business success (53). The following theory can be inferred from the explanation above:

H4: Marketing capabilities positively influence marketing performance.

The Influence of Network Advantage on Marketing Performance

Network advantage encompasses the strategic benefits obtained through extensive and heterogeneous relational networks, which serve to strengthen an organization's capacity for superior marketing performance by facilitating access to resources, market intelligence, and collaborative opportunities (54). By fostering the accumulation of social capital, network advantage provides firms with strategic access to knowledge, trust-based exchanges, and collaborative opportunities, all of which contribute to improved marketing performance through enhanced innovation capacity, expanded market reach, and more accurate insights into customer preferences (55). Network advantage positively influences Marketing Performance (37, 55, 56). Companies with an extensive network of relationships are better positioned to develop robust marketing strategies, respond more effectively to emerging market opportunities, and ultimately enhance their marketing performance (54). Effective management of inter-organizational network relationships enables firms to drive superior marketing performance by facilitating faster product innovation cycles, achieving operational cost reductions, and broadening distribution reach (19). Network advantage enables firms to identify market trends, gain deeper insights into customer preferences, and formulate more targeted marketing strategies, thereby enhancing overall marketing performance (55).

Drawing from established theoretical perspectives and empirical studies, network advantage is recognized as a strategic mechanism through which firms can acquire critical external resources, including specialized market intelligence,

advanced technologies, and expanded distribution channels that are otherwise inaccessible through internal means (57). Such access enables firms to develop more innovative products and formulate more effective marketing strategies, thereby directly contributing to the enhancement of marketing performance (57). A strong network of relationships with external partners allows firms to more quickly adopt innovations in marketing, whether through new product development, improved distribution methods, or more effective promotional strategies, ultimately increasing the company's competitiveness in the market (56). Based on the above explanation, the following hypothesis can be derived:

H5: Network advantage positively influences marketing performance.

The Influence of Relational Capabilities on Marketing Performance through Network Advantage

Relational capabilities refer to a firm's ability to establish, manage, and sustain strong, mutually beneficial relationships with customers, suppliers, and other partners within its business ecosystem (10). Robust relational ties with customers significantly strengthen a firm's customer retention capacity. Emotionally engaged customers, who perceive value and connection with a brand, are more inclined toward brand loyalty and repeat transactions, which contributes positively to marketing performance, particularly in terms of revenue generation from existing customer segments (21).

Empirical findings indicate that network competency significantly contributes to both network advantage and business performance. Likewise, relational capabilities demonstrate a strong and positive influence on these outcomes. In addition, network advantage serves as a critical determinant of improved business performance, highlighting its mediating role in translating capabilities into competitive outcomes (26).

Marketing performance is significantly and favorably impacted by relational capabilities (10, 21, 35, 36, 58). Network advantage also contributes to the improvement of marketing performance (37, 55, 56). Existing theoretical and empirical evidence suggests that the relationship between relational capabilities and marketing performance may be mediated by network advantage. Strong and mutually beneficial

interorganizational relationships can generate network advantage, which in turn enhances a firm's ability to design and implement more effective marketing strategies, thereby improving overall marketing performance (55). In order to accomplish marketing objectives, Network Advantage offers access to vital resources, data, teamwork possibilities, and assistance (56). Therefore, careful consideration must be given to the complex interplay between relational capabilities, network advantage, and marketing performance. Contextual factors such as industry characteristics, market dynamics, and organizational strategy may influence the nature and strength of these relationships (59). The explanation given above allows for the formulation of the following hypothesis:

H6: Network advantage mediates the influence of relational capabilities on marketing performance.

The Influence of Marketing Capabilities on Marketing Performance through Network Advantage

Marketing capabilities enable firms to rapidly establish strategic partnerships and effectively leverage their networks in response to dynamic market conditions, thereby generating network advantage through more flexible and adaptive collaborative strategies (41). A company's network relationships provide access to social capital that can support innovation activities and business opportunities (42). By fostering broader and more strategically significant networks, marketing capabilities contribute to the development of network advantage, which is realized through mechanisms such as trust-building, knowledge exchange, and inter-organizational collaboration (19). Marketing capabilities have a positive and significant impact on marketing performance (46, 60). Conversely, marketing performance is also positively influenced by network advantage, indicating the complementary role of inter-organizational networks in enhancing firms' strategic marketing outcomes (37, 55, 56). The observed direct correlations among the constructs indicate that network advantage may function as an indirect pathway linking marketing capabilities to marketing performance. Furthermore, this study highlights the pivotal mediating role of marketing capabilities in translating CRM activities into enhanced business performance, reinforcing the

integrative value of internal competencies and external relational networks (61). In light of the foregoing arguments, the interplay between marketing capabilities, network advantage, and marketing performance should be viewed as context-dependent, influenced by factors such as industry dynamics, organizational scale, and environmental volatility. These contextual conditions may moderate or shape the strength and direction of the relationships among these constructs (62). In light of the foregoing arguments, the interplay between marketing

capabilities, network advantage, and marketing performance should be viewed as context-dependent, influenced by factors such as industry dynamics, organizational scale, and environmental volatility. These contextual conditions may moderate or shape the strength and direction of the relationships among these constructs. Based on the above explanation, the following hypothesis can be derived:

H7: Network Advantage mediates the influence of Entrepreneurial Orientation on Marketing Performance.

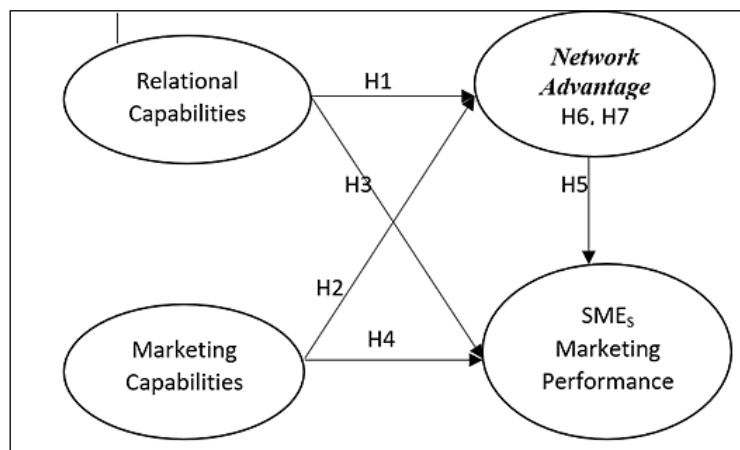


Figure 1: Research Model

This research model Figure 1 illustrates that relational capabilities play an important role in building network advantage and strengthening marketing capabilities, which ultimately lead to the improvement of SMEs' marketing performance. In addition to the direct effects, network advantage also functions as a mediating variable that bridges the relationship between relational capabilities and marketing performance, thereby reinforcing the role of relational and marketing strategies in enhancing the competitiveness of SMEs.

Methodology

This study adopts a quantitative research design and employs a causal approach to examine cause and affect relationships among variables. The data collection was conducted through a survey method utilizing primary data obtained directly from respondents via structured questionnaires. The population of the study comprises all Batik SMEs operating in Java and Bali, while the sample includes a subset of these SMEs selected through purposive sampling. The sampling technique was

based on specific inclusion criteria; Batik SMEs located in Java or Bali, established for more than three years, employing between 10 and 99 workers, and generating an annual turnover between IDR 2 billion and IDR 50 billion.

Measurement

Relational capabilities are intangible assets derived from a firm's efforts to develop, maintain, preserve, and enhance the quality of its relationships (26). The seven-point Likert scale, which goes from 1 to 7, is used to measure these talents. Relationship quality with buyers, product quality information, lifetime value orientation, and reciprocal relationships are the elements of relational capacities that are examined in this study. The term "marketing capabilities" describes an integrative method intended to combine the collective resources, expertise, and experience of Batik entrepreneurs to meet business needs connected to the market. These skills allow business owners to enhance their products and services, adjust to changing market conditions, seize opportunities, and counteract risks from rivals (63). Measurement is conducted using a

seven-point Likert scale, ranging from 1 to 7. The dimensions of marketing capabilities in this study include product capability, promotion capability, pricing capability, and distribution capability. Network advantage refers to a business network established by a company that is characterized by integration in operational activities. It is measured through indicators such as an integrated network, mutually beneficial relationships, commitment, and interdependent networks (64). A seven-point Likert scale, ranging from 1 to 7, is used to assess this construct. The dimensions of network advantage in this study include integrated network, mutual benefit, commitment, and interdependent networks. Marketing performance is defined as the overall evaluation of sales outcomes among Batik SMEs, utilizing a marketing approach aimed at measuring and enhancing performance through the implementation of marketing strategies and methods. This includes efforts to improve sales, customer acquisition, and profit growth (53). A seven-point Likert scale, with

1 being the lowest number, is used to measure marketing performance. This study evaluates three dimensions: profit growth, client growth, and sales growth.

Data Analysis

Data analysis is conducted using Structural Equation Modeling (SEM), a statistical modeling technique that is linear, general, and cross-sectional, including factor analysis, path analysis, and regression.

Results

Characteristics of the Respondents

Respondent characteristics provide an overview of the demographic and business profiles of Batik SMEs actors in Java and Bali, which are relevant for interpreting the study results. Key aspects such as gender, age, education, income, enterprise scale, and turnover help explain their managerial capacity and market adaptability. The detailed distribution is presented in Table 1.

Table 1: Presentation of Respondents' Demographic Characteristics

	Frequency	Percentage (%)
Gender		
Male	148	59.65
Female	102	42.35
Total	250	100
Age:		
21 years to 30 years	53	21.20
31 years to 40 years	95	38.00
41 years to 50 years	53	21.20
51 years to 60 years	28	11.20
> 60 years	21	28.40
Total	250	100
Education		
Elementary	19	7.60
Junior High	16	6.40
High School	107	42.80
Diploma	24	9.60
Bachelor	68	27.20
Postgraduate	16	6.40
Total	250	100
Revenue		
< Rp 5,000,000	18	7.20
Rp 5,000,000 to 10,000,000	105	42.00
> Rp 10,000,000 to Rp 15,000,000	49	19.60
> Rp 15,000,000, - to 20,000,000,	32	12.80
> Rp 20,000,000,- to 25,000,000,-	25	10.00
> Rp 25,000,000,-	21	8.40
Total	250	100

Number of Employees		
10 - 20 People	109	43.60
21 - 31 People	71	28.40
32 - 42 People	49	19.60
43 - 53 People	21	8.40
Total	250	100
Turnover per Year		
2 – 15 Billion	148	59.20
15 – 50 Billion	102	40.80
Total	250	100

The respondent profile indicates that Batik SME actors in Java and Bali are predominantly male (59.20%) and largely within the productive age group of 31–40 years (38.00%), suggesting strong managerial capacity to sustain business activities. Most respondents had completed high school (42.80%), reflecting a reliance on practical, experience-based knowledge in business operations. Financially, the majority reported monthly incomes of IDR 5,000,000–10,000,000 (42.00%), placing them in the middle-income segment. From a business perspective, most SMEs employed 10–20 workers (43.60%) and achieved annual turnovers of IDR 2–15 billion (59.20%), underscoring their role not only as cultural preservers but also as significant contributors to regional economic development.

Data Screening

Data collection was carried out using structured questionnaires administered in two formats: digital (via Google Forms) and printed copies. The Google Form was distributed through WhatsApp groups associated with regional Batik SMEs

communities, such as the IMKM Batik DIY Group. In other regions, group access was obtained through existing networks and professional affiliations. For the printed questionnaires, the researcher conducted direct visits to Batik business units to personally distribute and explain the questionnaire to the respondents. A total of 170 responses were collected through the Google Form, while 80 valid responses were obtained through direct distribution. Thus, the final sample size used for analysis in this study was 250 respondents.

This study employed data analysis techniques based on Partial Least Squares (PLS) and Structural Equation Modeling (SEM). The analysis was conducted in two main stages. The first stage focused on assessing the measurement model (model fit) by evaluating convergent validity, discriminant validity, and composite reliability using SmartPLS. The second stage involved hypothesis testing, which was conducted through regression analysis and path analysis, both estimated using the PLS software.

Table 2: Measurement Scale Items

Reflective scale items (measured on a 1-7 interval scale indicate the extent to which respondents agree with the following statements:	Standardized Factor Loading
Relational Capabilities (Cronbach's α =0.910)	
• Our Batik SMEs strive to establish close business relationships with other business actors.	0.809
• Our Batik SMEs always try to create relational attachment value with consumers.	0.817
• Our Batik SMEs have adequate access to information on the quality of the products produced.	0.813
• Our Batik SMEs have information about the technical specifications of the products produced.	0.785
• Our Batik SMEs strive to build long-term oriented relationships with businesses.	0.811
• Our Batik SMEs always build good relationships with customers who are long-term oriented.	0.851
• Our Batik SMEs strive to build relationships based on mutual benefit.	0.751
Marketing Capabilities (Cronbach's α = 0.906)	
• Our Batik SMEs have the ability to develop new products	0.641

• Our Batik SMEs have the ability to market new products/services that are accepted by consumers	0.808
• Our Batik SMEs are able to market their products through promotion on Instagram	0.837
• Our Batik SMEs are able to communicate their products through quality images on social media	0.828
• Our Batik SMEs have the ability to set prices that can respond to market changes quickly	0.814
• Our Batik SMEs have knowledge of competitors' pricing strategies	0.791
• Our Batik SMEs have strong relationships with distributors	0.769
• Our Batik SMEs provide optimal service support to distributors	0.714
Network advantage (Cronbach's $\alpha = 0.811$)	
• Our Batik SMEs have a website or online shop to expand their sales reach	0.827
• Our Batik SMEs strive to create good and sustainable relationships with customers, suppliers and business partners	0.874
• Our Batik SMEs are committed to complying with the rules and regulations related to batik production and business	0.751
• Our Batik SMEs have plans to form wider partnerships in the batik industry.	0.734
Marketing Performance (Cronbach's $\alpha = 0.906$)	
• The sales growth of our Batik SMEs is good	0.790
• The percentage of sales growth of our Batik SMEs every year continues to increase.	0.837
• Customer growth of our Batik SMEs is good.	0.850
• During the last three years, the number of customers of our Batik SMEs has continued to increase.	0.854
• The profit level of our Batik SMEs is good every year	0.829
• The percentage of profit of our Batik SMEs every year continues to increase	0.791

Evaluating the Outer Model or Measurement Model

Table 2 shows that all research constructs demonstrate good reliability with Cronbach's alpha values above 0.80. Relational capabilities are measured through seven items related to building long-term relationships and relational value, marketing capabilities through eight items

covering product innovation, promotion, pricing, and distribution, network advantage through four items on the utilization of business networks, and marketing performance through six items related to sales growth, customer growth, and profitability. All indicators exhibit adequate factor loadings (>0.64), indicating that the constructs are reliable and valid

Table 3: Discriminant Validity Value (Cross Loading)

	Marketing Capabilities	Marketing Performance	Network Advantage	Relational Capabilities	Keterangan
MC1	0.641	0.392	0.338	0.429	Baik
MC2	0.808	0.611	0.515	0.573	Baik
MC3	0.837	0.564	0.560	0.590	Baik
MC4	0.828	0.492	0.464	0.562	Baik
MC5	0.814	0.571	0.496	0.586	Baik
MC6	0.791	0.514	0.424	0.567	Baik
MC7	0.769	0.530	0.530	0.668	Baik
MC8	0.714	0.571	0.533	0.525	Baik
MP1	0.517	0.790	0.510	0.504	Baik
MP2	0.569	0.837	0.498	0.543	Baik
MP3	0.571	0.850	0.492	0.524	Baik
MP4	0.575	0.854	0.494	0.519	Baik
MP5	0.587	0.829	0.432	0.540	Baik

MP6	0.594	0.791	0.455	0.545	Baik
NA1	0.464	0.398	0.827	0.461	Baik
NA2	0.539	0.455	0.874	0.525	Baik
NA3	0.402	0.357	0.751	0.395	Baik
NA4	0.559	0.588	0.734	0.558	Baik
RC1	0.531	0.473	0.527	0.809	Baik
RC2	0.502	0.418	0.383	0.817	Baik
RC3	0.589	0.477	0.511	0.813	Baik
RC4	0.590	0.473	0.485	0.785	Baik
RC5	0.619	0.572	0.500	0.811	Baik
RC6	0.635	0.614	0.544	0.851	Baik
RC7	0.611	0.546	0.520	0.751	Baik

Discriminant Validity

Table 3 presents the results of the discriminant validity test using cross-loading analysis. The findings indicate that each indicator has a higher loading value on its respective construct compared to other constructs. For example, indicators MC1–MC8 load highest on Marketing Capabilities, MP1–MP6 on Marketing Performance, NA1–NA4 on Network Advantage, and RC1–RC7 on Relational Capabilities. This confirms that each item appropriately measures its latent variable and that there is no issue of overlap among constructs.

Therefore, the criteria for discriminant validity are met, and the research instrument can be considered valid.

Reliability Evaluation

According to established reliability criteria, a Composite Reliability (CR) score greater than 0.70 indicates satisfactory internal consistency. Table 4 presents the CR values for all latent constructs in this study, all of which exceed the recommended threshold, thereby confirming the reliability of the measurement model.

Table 4: Composite Reliability

	Composite Reliability	Keterangan
RC	0.924	Reliable
MC	0.928	Reliable
NA	0.875	Reliable
MP	0.928	Reliable

Based on the results presented in Table 4, it can be concluded that all constructs in the measurement model have met the reliability criteria. This is evidenced by the Composite Reliability values, all of which exceed the recommended minimum threshold of 0.70, thereby indicating that the constructs possess adequate internal consistency for reliable measurement.

Structural Model Testing (Inner Model)

To assess the relationships between constructs, as well as the significance levels and predictive power of the research model, the inner model or structural model is evaluated. This evaluation involves examining the t-statistics, the significance levels of the path coefficients, and the R-square (R^2) values of the endogenous (dependent)

constructs to determine the strength and explanatory capability of the model.

Figure 2 show that Relational Capabilities and Marketing Capabilities have a positive effect on both Network Advantage and Marketing Performance, while Network Advantage also contributes to the improvement of Marketing Performance. The R^2 value of 0.452 for Network Advantage and 0.535 for Marketing Performance indicates that the model is able to moderately explain the relationships among variables and supports the partial mediating role of Network Advantage. The R^2 values serve as indicators of the model's predictive accuracy. The R-square results obtained through SmartPLS estimation are summarized in Table 5.

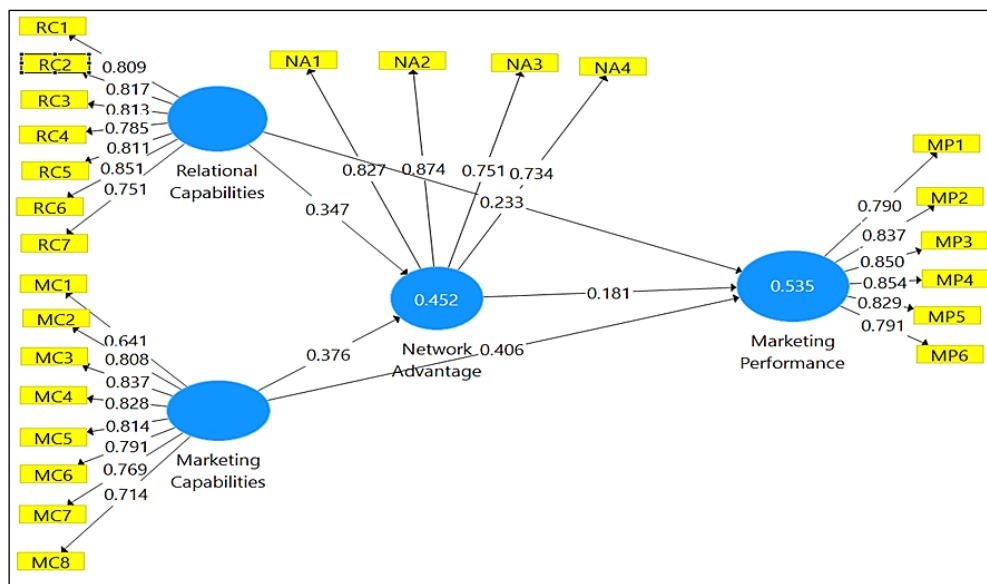


Figure 2: Structural Model

Table 5: R-Square Value

Variable	R-Square
NA	0.452
MP	0.535

Table 5 presents the R-square (R^2) values for each dependent variable in the structural model. The R^2 value for the Network Advantage (NA) construct is 0.452, indicating that 45.2% of the variance in Network Advantage is explained by its associated exogenous variables. This suggests a moderate level of explanatory power, in accordance with the guidelines proposed by Hair et al. (2019), where an R^2 value between 0.33 and 0.67 is considered moderate by Relational Capabilities (RC) and Marketing Capabilities (MC). Meanwhile, the R-square value for Marketing Performance (MP) is 0.535, suggesting that 53.5% of the variance in

Marketing Performance is accounted for by Relational Capabilities (RC), Marketing Capabilities (MC), and Network Advantage (NA).

Hypothesis Testing

The significance of the estimated parameters provides valuable insights into the relationships among the research variables. Hypotheses were tested based on the values obtained from the *inner weight* output in the SmartPLS results. Table 6 presents the estimation output used for testing the structural model.

Table 6: Result for Inner Weight

	Estimate	T-Statistics	P-Value
Marketing Capabilities -> Marketing Performance	0.406	6.209	0.000
Marketing Capabilities -> Network Advantage	0.376	5.589	0.000
Network Advantage -> Marketing Performance	0.181	2.651	0.008
Relational Capabilities -> Marketing Performance	0.233	3.067	0.002
Relational Capabilities -> Network Advantage	0.347	5.353	0.000

Overall, these results confirm the central role of Relational Capabilities and Marketing Capabilities as the foundation for creating Network Advantage, which then contributes to increase Marketing Performance. This also confirms the existence of a partial mediation mechanism for Network Advantage in the relationship between variables,

so that business networks can be understood as a strategic link between SMEs' internal capabilities and optimal marketing outcomes. The discussion of each hypothesis is as follows:

Hypothesis Testing Results

Hypothesis 1 proposed that relational capabilities have a positive effect on network advantage. The

analysis shows a t-statistic of 6.209 and a p-value of 0.000, both of which meet the critical thresholds ($t > 1.96$, $p < 0.05$). These results indicate a significant and positive relationship between relational capabilities and network advantage. Thus, Hypothesis 1 is supported.

Hypothesis 2 proposed that marketing capabilities positively influence network advantage. The empirical results show a t-statistic of 5.589 and a p-value of 0.000, confirming a statistically significant and positive association. Therefore, Hypothesis 2 is supported.

Hypothesis 3 suggested that relational capabilities have a positive effect on marketing performance. The test yielded a t-statistic of 2.651 with a p-value of 0.008, exceeding the significance thresholds. These results provide evidence of a

favourable and significant impact. Hence, Hypothesis 3 is supported.

Hypothesis 4 asserted that marketing capabilities improve marketing performance. The results show a t-statistic of 3.067 and a p-value of 0.002, indicating a statistically significant relationship. Accordingly, Hypothesis 4 is supported.

Hypothesis 5 assumed that network advantage enhances marketing performance. The analysis yields a t-statistic of 5.353 and a p-value of 0.000, demonstrating a strong and significant positive effect. Therefore, Hypothesis 5 is supported.

Mediation Test

The indirect effect table shows the significance of the indirect influence between variables, which is the basis for testing mediation. The Smart PLS output can be seen as follows:

Table 7: Indirect Effect Output

	Estimate	T-Statistics	P-Value
Marketing Capabilities -> Network Advantage -> Marketing Performance	0.068	2.314	0.021
Relational Capabilities -> Network Advantage -> Marketing Performance	0.063	2.225	0.027

Table 7 shows that *Network Advantage* significantly mediates the influence of *Marketing Capabilities* (estimate = 0.068; $p = 0.021$) and *Relational Capabilities* (estimate = 0.063; $p = 0.027$) on *Marketing Performance*. This finding highlights that network advantage amplifies the contribution of Batik SMEs' internal capabilities in enhancing marketing performance.

Mediation Analysis

Hypothesis 6 posits that Network Advantage mediates the relationship between Relational Capabilities and Marketing Performance. The results reveal a t-statistic of 2.314 and a p-value of 0.021, both exceeding the minimum significance thresholds ($t > 1.96$, $p < 0.05$). These findings indicate that Network Advantage significantly mediates the influence of Relational Capabilities on Marketing Performance. Therefore, Hypothesis 6 is supported.

Hypothesis 7 suggests that Network Advantage mediates the relationship between Marketing Capabilities and Marketing Performance. The mediation test produces a t-statistic of 2.225 and a p-value of 0.027, which also satisfy the required significance levels. This demonstrates that Network Advantage serves as a significant intervening variable in the relationship between

Marketing Capabilities and Marketing Performance. Thus, Hypothesis 7 is supported.

Discussion

The findings of this study indicate that Relational Capabilities have a positive and statistically significant effect on the Network Advantage of Batik SMEs in Java and Bali. This result aligns with and reinforces existing literature emphasizing the critical role of relational capabilities in developing network-based competitive advantages, particularly within the creative industry and SMEs sectors. The study highlights that the ability of SMEs to establish, maintain, and manage mutually beneficial relationships with various business stakeholders significantly contributes to the formation of strategic network advantages. These findings provide valuable strategic implications for Batik SME stakeholders, suggesting the need to prioritize the cultivation of strong and sustainable external relationships as a key resource for enhancing competitiveness in dynamic markets. Relational capabilities encompassing trust, commitment, effective communication, and a long-term cooperation orientation have been proven to be valuable assets in strengthening SMEs' positions within business networks. Through well-

developed relational capabilities, SMEs can enhance their Network Advantage, gaining broader access to market information, innovation, strategic resources, and collaboration opportunities. These findings are consistent with previous studies that emphasize the pivotal role of relational capabilities in fostering inter-organizational linkages and enhancing firm competitiveness within dynamic market environments (11, 38, 39), which found that Relational Capabilities have a significant and positive influence on Network Advantage. Continuous relationship-building efforts enhance a firm's ability to achieve network-based benefits (25). Robust relational capabilities enable SMEs to expand and deepen their networks, which in turn helps them access better market information, boost innovation, and improve operational efficiency (40). Furthermore, relational capabilities enhance a firm's ability to derive competitive advantages from external networks. Firms that are proficient in managing strategic alliances are more likely to experience improved innovation performance and achieve sustainable market growth. This underscores the strategic importance of developing inter-organizational relationship competencies as a key driver of competitiveness in dynamic and networked business environments (38).

The finding that Marketing Capabilities have a positive and significant impact on Network Advantage among Batik SMEs in Java and Bali holds substantial implications for enhancing competitiveness in the creative industry sector. This result substantiates the view that marketing capabilities function not only as direct drivers of market performance but also as strategic enablers for building and expanding inter-organizational networks. Well-developed marketing capabilities empower SMEs to cultivate stronger relationships with customers, distribution partners, and other critical stakeholders, thereby improving access to valuable resources, strategic knowledge, and collaborative opportunities. These findings underscore the necessity for Batik SMEs to continuously strengthen core marketing competencies, including market sensing, brand positioning, promotional strategy, and agility in responding to evolving consumer demands. Firms that exhibit higher levels of marketing capability are more likely to be trusted and integrated within

broader business networks, thereby reinforcing their strategic positioning and long-term viability in increasingly competitive and interconnected markets. These findings are consistent with those of past studies (65, 66), who emphasized the role of marketing capabilities in shaping firm reputation, relationship quality, and strategic network participation (43, 44, 54), who found that Marketing Capabilities exert a significant influence on Network Advantage. These capabilities play a crucial role in facilitating the development and strategic utilization of inter-organizational networks by enabling firms to more effectively understand market needs, articulate compelling value propositions, and coordinate activities with various stakeholders. Firms endowed with strong marketing capabilities are better equipped to initiate and sustain business partnerships, engage in collaborative initiatives, and strategically expand their network boundaries. As a result, they gain improved access to critical external resources, demonstrate greater agility in responding to market fluctuations, and are better positioned to achieve and maintain competitive advantages within dynamic and highly competitive business environments.

The positive and significant relationship between Relational Capabilities and Marketing Performance among Batik SMEs in Java and Bali offers meaningful strategic implications. This finding reinforces the view that the ability to establish, manage, and sustain effective relationships with customers, business partners, and other stakeholders constitutes a critical determinant of marketing success, particularly for SMEs operating under resource constraints. Practically, the results suggest that Batik SMEs owners and managers should actively foster both social and business networks rooted in trust, mutual commitment, and open communication. Well-developed relational capabilities enable firms to better understand customer expectations, align product and service offerings with market demands, and obtain feedback that is vital for innovation and strategic marketing decisions. These relational dynamics contribute directly to enhanced promotional effectiveness, stronger customer loyalty, and improved sales performance (30). These findings are in line with the research of past studies (38, 47, 48), who also confirmed the positive and significant impact of Relational

Capabilities on Marketing Performance. Firms that possess strong relationships with both suppliers and customers are better positioned to co create value, develop products that fit market needs, conduct more precise market segmentation, and implement more competitive pricing strategies. These capabilities not only foster greater responsiveness to consumer preferences but also enhance overall marketing effectiveness by improving the coordination of supply chain activities and facilitating more targeted promotional efforts (25).

The finding that Marketing Capabilities have a positive and significant influence on Marketing Performance among Batik SMEs in Java and Bali reinforces existing literature that positions marketing capabilities as a critical determinant of superior marketing outcomes. The ability of SMEs to accurately interpret market needs, manage brand equity, formulate and execute effective promotional strategies, and adapt to dynamic environmental changes significantly contributes to enhanced competitiveness and improved marketing results. These capabilities enable firms to deliver greater customer value, differentiate themselves in saturated markets, and achieve sustained performance in terms of customer acquisition, retention, and revenue growth (63). The main implication of this finding is the strategic need to prioritize the development of marketing capabilities in the management of Batik SMEs. SMEs practitioners are encouraged to strengthen their competencies in key areas such as market analysis, customer segmentation, product and brand management, as well as the effective utilization of digital media platforms to broaden marketing reach and improve customer engagement. Investing in these capabilities will enable Batik SMEs to respond more proactively to market demands, enhance value delivery, and sustain competitiveness in increasingly dynamic and digitally driven markets (50). With strong capabilities in these areas, SMEs are more likely to create relevant customer value and maintain long-term customer loyalty. These findings are consistent with one past study, which emphasized that well-developed marketing capabilities such as market sensing, segmentation, positioning, and promotion significantly contribute to superior firm performance. Firms with advanced marketing capabilities are better equipped to adapt to

changing market conditions, sustain competitive advantage, and foster stronger customer relationships (39, 48, 49), who confirmed the significant positive impact of Marketing Capabilities on Marketing Performance. Core marketing capabilities, including product development, distribution channel management, and marketing communication, contribute significantly to marketing performance (52).

Finally, the finding that Network Advantage significantly affects Marketing Performance among Batik SMEs in Java and Bali highlights the critical role of being embedded in strong and strategic business networks. The results support the view that access to market information, resources, and collaboration opportunities through business networks strengthens SME market positions and enhances the effectiveness of their marketing strategies. The implication is that Batik SMEs should actively build and maintain high-quality business networks. Relationships with suppliers, distributors, customers, industry associations, and support institutions can provide access to market trends, product innovation, and joint promotional opportunities. A strong network also enables SMEs to enhance their credibility with consumers and business partners, directly influencing market trust and sales. These results are consistent with the findings of past researchers (37, 55, 56), who reported that Network Advantage positively and significantly affects Marketing Performance. Firms that effectively manage their relationship networks are better able to enhance marketing performance through faster product innovation, cost reduction, and expanded distribution (19). Network Advantage enables firms to identify market trends, understand customer preferences, and develop more targeted marketing strategies. By leveraging external relationships, companies can reduce risk and increase marketing effectiveness, ultimately improving Marketing Performance (55).

The finding that Network Advantage significantly mediates the influence of Relational Capabilities on Marketing Performance among Batik SMEs in Java and Bali supports the theoretical framework that relational capabilities namely, the ability to build, maintain, and manage mutually beneficial relationships with various stakeholders do not directly enhance marketing performance, but rather do so through the strengthening of the

firm's business network position. In practical terms, this implies that relational capabilities form a critical foundation for creating network advantage, which subsequently contributes to improved marketing performance.

Batik SMEs actors should recognize that building trust, maintaining open communication, and demonstrating commitment to customers, business partners, and local business communities represent strategic investments for expanding and solidifying their networks. These networks then function as channels for sharing market information, accessing collaboration opportunities, and enhancing brand visibility, all of which ultimately strengthen marketing performance. This finding aligns with past researchers (10), who asserted that Network Advantage has a positive and significant impact on Marketing Performance. Firms that effectively manage their relationship networks are better able to boost marketing performance through accelerated product innovation, cost reduction, and expanded distribution (19). Network Advantage assists firms in identifying market trends, understanding customer preferences, and developing more targeted marketing strategies. By leveraging external relationships, firms can reduce risks and enhance marketing effectiveness, ultimately leading to superior marketing performance (55).

Moreover, this study supports the findings of past studies (26, 55, 56), which demonstrated that Network Advantage mediates the influence of Marketing Capabilities on Marketing Performance. SMEs development programs should not focus solely on enhancing technical or marketing competencies but must also integrate relational and networking approaches. Support institutions and government bodies are encouraged to play an active role in facilitating collaborative platforms, business forums, and training on relationship management and strategic networking to foster productive synergies among SMEs actors. This approach will promote the development of more sustainable and competitive marketing performance.

This study further reveals that Network Advantage significantly mediates the relationship between Marketing Capabilities and Marketing Performance among Batik SMEs in Java and Bali. The implication of this finding is that strong

marketing capabilities do not always directly translate into improved marketing performance; rather, their effectiveness is highly influenced by the SMEs' ability to build and leverage business networks. In other words, Network Advantage acts as a strategic conduit that optimizes the contribution of marketing capabilities to performance outcomes.

This finding emphasizes that to achieve superior marketing performance; Batik SMEs must not only possess the ability to understand markets, manage brands, and execute promotional strategies, but also develop broad and productive network relationships. A strong network enables SMEs to enhance access to new markets, information resources, collaboration opportunities, and support from strategic partners thereby amplifying the impact of their marketing capabilities. These findings are in line with the conclusions of past researchers (26, 55, 56), who stated that Network Advantage mediates the influence of Marketing Capabilities on Marketing Performance.

Hence, SMEs development strategies should integrate two primary focuses: strengthening marketing capabilities and building active business networks. Policymakers and support agencies are expected not only to provide technical marketing training but also to facilitate the formation of a networking ecosystem that fosters collaboration among business actors, industry associations, and other external stakeholders. Through such synergy, the marketing performance of Batik SMEs can be improved sustainably.

This study's findings gain further depth when viewed through the lens of cultural heritage and artisanal production in Batik SMEs. Batik is not only an economic commodity but also a cultural artifact that carries symbolic meaning, historical continuity, and identity, with its production process relying on tacit skills passed down across generations. Such heritage strengthens relational capabilities, as authenticity and shared cultural values foster trust with customers and stakeholders. At the same time, the integration of tradition into contemporary marketing through digital promotion, storytelling, and brand positioning enables SMEs to leverage cultural authenticity as a unique market proposition. By embedding heritage into marketing practices, Batik SMEs enhance their network advantage, co-

create value with consumers, and secure stronger competitiveness. Thus, relational and marketing capabilities in this context reflect both managerial skills and the strategic utilization of cultural heritage within the creative economy.

Conclusion

Relational Capabilities have a favourable and significant impact on Network Advantage and Marketing Performance. This research suggests that Batik SMEs' capacity to create strong and enduring relationships with partners, consumers, and other stakeholders can boost their network position, which has a direct impact on marketing performance. Likewise, Marketing Capabilities also show a positive and significant influence on Network Advantage and Marketing Performance. This implies that the ability to understand markets, manage marketing strategies, and respond to dynamic business environments is essential in shaping both network advantage and marketing outcomes for Batik SMEs. Network Advantage itself demonstrates a positive and significant influence on Marketing Performance. This highlights that a strong network position provides greater access to information, resources, and market opportunities, thereby enhancing marketing effectiveness. Furthermore, Network Advantage is proven to significantly mediate the influence of both Relational Capabilities and Marketing Capabilities on Marketing Performance. This indicates that the impact of these two capabilities on marketing performance is not entirely direct but is amplified through the development of network advantage. From the study's findings, several recommendations can be suggested as follows:

For Batik SMEs: It is crucial to improve both relational and marketing capabilities through effective communication, product innovation, and the adoption of digital technologies.

Strengthening Network Advantage: SMEs are encouraged to actively build business networks through associations, forums, and collaborative initiatives to broaden their access to markets and information.

For Government and Supporting Institutions: Training programs and facilitated networking platforms should be provided to empower SMEs to compete sustainably in increasingly competitive markets.

For Future Researchers: It is recommended to expand the scope of the study and incorporate additional variables, such as digitalization or customer orientation, for a more comprehensive analysis.

This study has several limitations. First, its scope is restricted to Batik SMEs in Java and Bali; thus, the findings may not be generalizable to other regions. Second, the variables examined were limited to relational capabilities, marketing capabilities, and network advantage, whereas other potentially influential factors on marketing performance were not included. Third, the quantitative approach used does not fully capture the nuanced social and cultural dynamics inherent in SMEs. Lastly, the cross-sectional research design limits the understanding of capability and performance changes over time. This study shows that Batik SMEs' competitiveness lies in combining cultural heritage with modern marketing practices. Traditional craftsmanship and symbolic values strengthen relational capabilities by fostering trust and authenticity, while digital storytelling, product innovation, and branding transform heritage into strategic marketing advantages. Together, these elements enhance network advantage and marketing performance, positioning Batik SMEs to sustain competitiveness by leveraging both tradition and contemporary strategies.

Abbreviations

SEM: Structural Equation Modelling, SMEs: Small and Medium-sized Enterprises, PLS: Partial Least Squares, RAT: Resource Advantage Theory.

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Author Contributions

Wijo: conceptualization, design the study, data collection, analysis, manuscript preparation, Indah Fatmawati: provide critical guidance, review the methodology, revision of the manuscript, M Suyanto: provide feedback on the manuscript drafts, ensure alignment with the academic standards of publication.

Conflict of Interest

The authors declare no potential conflicts of interest, whether real or perceived, related to this work.

Declaration of Artificial Intelligence (AI) Assistance

Generative AI tools (ChatGPT, OpenAI) were used in a limited capacity for language refinement and sentence structuring, and all outputs were curated by the authors to ensure accuracy and consistency with the scientific content.

Ethics Approval

This study did not require ethical approval based on its design and scope. It adhered to all ethical research principles, including voluntary participation, anonymity, and confidentiality of participants' responses. For future studies involving a broader scope, ethical approval will be sought from the appropriate ethics committee.

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