

# Leveraging Human Capital and Organizational Culture for Superior MSME Performance: Insights from the Tourism Sector

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## Abstract

### Research Objectives:

This study investigates the effects of human capital and organizational culture on the performance of tourism-oriented micro, small, and medium enterprises (MSMEs), with sustainable competitive advantage acting as a mediating variable within the Resource-Based View (RBV) framework.

### Design/Methodology/Approach:

A quantitative explanatory approach was employed using Partial Least Squares Structural Equation Modeling (PLS-SEM). Data were collected through structured questionnaires from 133 owners and managers of tourism MSMEs in Kampar Regency, Indonesia, selected via purposive sampling. The measurement and structural models were evaluated through validity, reliability,  $R^2$ , SRMR, and NFI, while hypotheses were tested using bootstrapping at a 5% significance level.

### Research Findings:

Human capital and organizational culture significantly enhance MSME performance and sustainable competitive advantage. Sustainable competitive advantage also positively influences performance and mediates the relationships between internal resources and organizational outcomes, underscoring the strategic role of intangible assets in achieving long-term competitiveness.

### Theoretical Contribution/Originality:

This study advances RBV literature by empirically confirming the mediating role of sustainable competitive advantage and provides novel evidence from tourism MSMEs in Kampar Regency, an underexplored context.

### Practical/Policy Implications:

MSME managers should prioritize workforce development and foster adaptive organizational cultures, while policymakers should support capacity-building initiatives and improved market access to strengthen sector sustainability.

### Research Limitations and Future Implications:

The focus on a single region limits generalizability. Future studies should broaden geographic coverage and incorporate variables such as digital transformation and entrepreneurial orientation

**Keywords:** Human Capital; Organizational Culture; Sustainable Competitive Advantage; MSME Performance; Tourism MSMEs; Resource-Based View

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## Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in the global economy, particularly in developing countries such as Indonesia. Beyond contributing to economic growth, this sector is instrumental in poverty alleviation, income distribution, and job creation. In the Indonesian context, the significance of MSMEs is emphasized in Article 33(4) of the 1945 Constitution, which recognizes them as an integral component of the national economy founded on principles of independence and societal welfare. Empirically, Indonesia hosts approximately 65.5 million MSMEs, contributing 61.97% to the national Gross Domestic Product (GDP), equivalent to around IDR 8,573.89 trillion. Moreover, the sector absorbs nearly 97% of the workforce and attracts 60.4% of total national investment. These figures underscore the importance of sustaining and enhancing MSME performance as a key priority in national economic development.

In addition to their macroeconomic contribution, MSMEs act as catalysts for regional economic development by promoting local creative products and increasing community per capita income (World Bank, 2025; Wikansari et al., 2024; Lestari et al., 2023; Afrinaldi et al., 2022; Prasetyo et al., 2023). Their role becomes even more significant within the tourism sector, which serves as a major source of foreign exchange and a driver of regional economic growth. Tourism enhances productivity, generates employment opportunities, and stimulates various supporting industries, including MSMEs (Handewi et al., 2025; Putri et al., 2024). Data from the Ministry of Tourism and Creative Economy indicate that the tourism sector contributed 3.83% to Indonesia's GDP as of September 2023, while also generating substantial foreign exchange earnings and employment opportunities. Furthermore, MSMEs operating in tourism destinations help promote local culture, traditions, cuisine, and regional identity to the global market, thereby increasing local government revenue and supporting sustainable economic development (Handewi et al., 2025)

Despite their considerable potential, tourism-based MSMEs face numerous challenges in maintaining business performance and sustainability (John, 2023). This phenomenon is evident in Riau Province, where the number of tourist attractions declined significantly from 529 in 2022 to 363 in 2023. Kampar Regency, one of the regions with the greatest tourism potential in the province, experienced a similar trend, with the number of attractions decreasing from 75 in 2022 to 51 in 2023 (Handewi et al., 2025). Additionally, fluctuations in visitor numbers at the Sungai Gelombang tourist destination in Sipungguk Village between 2019 and 2023 further highlight the challenges associated with destination management and the performance of related MSMEs.

These conditions indicate that the performance challenges of tourism MSMEs are not merely driven by external factors such as declining tourist numbers, but are also closely related to internal organizational capabilities. In particular, the ability of MSMEs to manage strategic resources effectively becomes a crucial determinant in sustaining performance under dynamic environmental conditions.

MSME performance represents a primary indicator of organizational success in achieving business objectives. Performance is not solely assessed through financial outcomes but also encompasses non-financial dimensions such as innovation, customer satisfaction,

and organizational reputation (Omran et al., 2021)(Maletič et al., 2021). Consequently, organizations must effectively manage internal factors that serve as key drivers of performance (Asif & Rathore, 2021). From the perspective of the Resource-Based View (RBV)(J. Barney, 1991), sustainable competitive advantage is derived from the organization's ability to manage valuable, rare, inimitable, and non-substitutable resources.

One of these strategic resources is human capital, which reflects the knowledge, skills, experience, and competencies possessed by individuals within an organization. Investment in human capital enables MSMEs to enhance productivity, foster innovation, and strengthen business competitiveness (Dinku et al., 2024). Several empirical studies have demonstrated a positive relationship between human capital and MSME performance (Prasetio et al., 2023;Rokhman et al., 2023). However, other studies have reported non-significant effects (Khalique et al., 2015;Sardo & Serrasqueiro, 2018), indicating that the effectiveness of human capital may depend on how it is transformed into strategic capabilities rather than merely its availability.

In addition to human capital, organizational culture constitutes another critical determinant of MSME performance. Organizational culture embodies the shared values, beliefs, and norms that guide members' behavior in conducting business activities (Schein, 2010). A strong and adaptive culture can stimulate innovation, enhance collaboration, and strengthen an organization's capacity to respond to environmental changes (Van de Wetering et al., 2017). Previous research has generally found a positive influence of organizational culture on business performance(Arabeche et al., 2022; Basri, Br Pinem, et al., 2021; Gorondutse & Hilman, 2019; Nurhazizal et al., 2019), although some studies have reported insignificant relationships (Prasetyo & Farida, 2022). These inconsistencies suggest that organizational culture alone may not directly translate into performance outcomes without being supported by mechanisms that convert cultural values into competitive capabilities.

In an increasingly dynamic business environment, MSMEs must develop a sustainable competitive advantage (SCA) to maintain long-term superiority over competitors. Sustainable competitive advantage refers to an organization's ability to create unique value that is difficult for competitors to replicate (Barney, 2001; Mardatillah et al., 2020). Such an advantage has been shown to significantly enhance organizational performance (Azeem et al., 2021; Trieu et al., 2023; Zhang et al., 2025). Moreover, human capital and organizational culture have been identified as antecedent factors contributing to the formation of sustainable competitive advantage (Andleeb et al., 2026; Azeem et al., 2021).

Although the literature on human capital, organizational culture, and MSME performance has expanded considerably, several research gaps remain. First, an empirical gap exists due to inconsistent findings regarding the influence of human capital and organizational culture on MSME performance. Second, a theoretical gap is evident, as many studies focus solely on the direct effects of these variables without considering mediating mechanisms that explain how internal organizational resources translate into sustained performance. Third, a contextual gap persists, given the limited number of studies examining these relationships within tourism MSMEs in developing regions, particularly Kampar Regency. These gaps indicate that existing studies have not fully explained the mechanism through

which internal resources are converted into sustained performance outcomes. In particular, the absence of mediating variables limits the understanding of how human capital and organizational culture contribute to long-term competitiveness.

To address these gaps, the present study integrates sustainable competitive advantage as a mediating variable within the Resource-Based View framework, offering a more comprehensive understanding of the determinants of MSME performance.

This study therefore positions sustainable competitive advantage not merely as an outcome, but as a strategic mechanism that links internal resources to organizational performance, thereby providing a more nuanced explanation of performance dynamics in tourism MSMEs.

This research offers several novel contributions. Conceptually, it integrates human capital and organizational culture as strategic resources within the RBV framework while positioning sustainable competitive advantage as a mediating mechanism explaining MSME performance. Empirically, it provides new evidence from tourism MSMEs in Kampar Regency, Indonesia—an underexplored context in international literature. Integratively, the study extends the work of Slavkovic (2020) by replacing entrepreneurial leadership with sustainable competitive advantage as the mediating variable, thereby offering a fresh perspective on the mechanisms underlying organizational performance. Methodologically, the use of the SEM-PLS approach enables a comprehensive examination of simultaneous relationships among latent variables.

Based on the foregoing discussion, this study aims to analyze the effects of human capital and organizational culture on MSME performance, with sustainable competitive advantage serving as a mediating variable among tourism MSMEs in Kampar Regency. The findings are expected to contribute theoretically to the advancement of Resource-Based View literature and to provide practical implications for local governments and MSME practitioners in enhancing business competitiveness and sustainability.

## **Literature Review and Hypothesis Development**

### **Resource-Based View (RBV)**

The Resource-Based View (RBV) is a prominent theoretical framework for explaining how organizations achieve competitive advantage. Initially introduced by (Wernerfelt, 1984) and further developed by (Barney, 1991), RBV posits that sustainable competitive advantage arises from the effective utilization of resources that are valuable, rare, inimitable, and non-substitutable (VRIN). From this perspective, organizations are regarded as bundles of both tangible and intangible resources that shape their competitive capabilities and long-term performance.

Intangible resources, particularly human capital and organizational culture, are considered strategic assets capable of generating sustainable competitive advantage (SCA). When managed effectively, these resources create unique value that is difficult for competitors to replicate, thereby enhancing organizational performance (Bagna et al., 2024)(Kusumawijaya & Astuti, 2024).

However, RBV does not explicitly explain how internal resources are transformed into performance outcomes, particularly in small-scale organizations such as MSMEs. This limitation indicates the need to incorporate mediating mechanisms that can clarify the process through which strategic resources generate sustainable performance

Consequently, RBV provides an appropriate theoretical foundation for examining the relationships among human capital, organizational culture, sustainable competitive advantage, and MSME performance.

## **Hypothesis Development**

### ***Human Capital and MSME Performance***

Human capital encompasses the knowledge, skills, experience, and competencies possessed by individuals that contribute to organizational value creation. Schultz (1961) and Becker et al. (1964) emphasized that investment in human resources represents a form of capital capable of generating economic returns. Within the MSME context, human capital plays a crucial role in enhancing productivity, fostering innovation, and strengthening business competitiveness (Daat & Sanggenafa, 2022; Murtadlo, 2021).

According to RBV, human capital is a strategic intangible asset that can improve organizational performance when effectively managed. Empirical studies have consistently demonstrated a positive relationship between human capital and MSME performance (Prasetio et al., 2023; Rokhman et al., 2023). Similarly, (Basri, Yasni, et al., 2021) reported that the quality of human resources significantly contributes to organizational performance. However, contrasting findings have been reported by (Wibawa & Maya Yusnita, 2022), who found no significant effect of human capital on business performance. These inconsistencies highlight the need for further investigation, particularly within the tourism sector.

***H<sub>1</sub>***: Human capital has a positive effect on MSME performance.

### ***Organizational Culture and MSME Performance***

Organizational culture refers to the shared values, norms, and beliefs that guide the behavior of organizational members in achieving common objectives (Robbins & Judge, 2017). A strong organizational culture can enhance commitment, collaboration, and innovation, thereby improving organizational performance (Sutrisno, 2019).

From the RBV perspective, organizational culture represents an intangible resource that is difficult for competitors to imitate, enabling the creation of competitive advantage. Empirical evidence indicates that organizational culture positively influences business performance (Arabeche et al., 2022; Nguyen et al., 2023). Brahm & Poblete (2024) also found that organizational culture contributes to improved organizational outcomes. Nevertheless, some studies, such as (Herminingsih, 2021), reported non-significant results, suggesting the presence of an empirical gap that warrants further examination.

***H<sub>2</sub>***: Organizational culture has a positive effect on MSME performance.

### ***Human Capital and Sustainable Competitive Advantage***

Sustainable competitive advantage (SCA) refers to an organization's ability to maintain a superior market position over time through the utilization of unique and difficult-to-imitate resources (Barney, 1991) . Within the RBV framework, human capital is recognized as a strategic resource capable of generating such enduring advantages (Ployhart, 2021).

High-quality human capital enables organizations to foster innovation, enhance operational efficiency, and create distinctive value that competitors cannot easily replicate. Empirical studies by Putri (2025) and Wicaksono and Handayani (2025) support the positive influence of human capital on competitive advantage. However, Korry & Wijayanti (2024) suggest that human capital does not always lead to sustainable competitive advantage, indicating the need for further empirical validation in tourism MSMEs.

***H3:*** Human capital has a positive effect on sustainable competitive advantage.

### ***Organizational Culture and Sustainable Competitive Advantage***

A strong organizational culture can serve as a source of competitive advantage by fostering a unique organizational identity that is difficult for competitors to imitate (Azeem et al., 2021). Within the RBV framework, organizational culture functions as an intangible asset that supports innovation, collaboration, and organizational learning, thereby strengthening a firm's competitive position.

Empirical studies have demonstrated that organizational culture positively influences competitive advantage (Azeem et al., 2021; Zhang et al., 2025). However, Jayanagara and (Sastryawanto et al., 2024) found that organizational culture does not always have a significant impact on sustainable competitive advantage, indicating the existence of an empirical gap in the literature.

***H4:*** Organizational culture has a positive effect on sustainable competitive advantage.

### ***Sustainable Competitive Advantage and MSME Performance***

Sustainable competitive advantage is a key determinant of organizational performance. It enables firms to create superior value compared to competitors through innovation, product differentiation, and operational efficiency (Barney, 1991). In the highly competitive tourism industry, the ability to sustain such an advantage is essential for MSME success.

Empirical evidence supports this relationship. Nguyen et al (2021) found a positive association between competitive advantage and MSME financial performance, while Prihandono et al. (2021) demonstrated that competitive advantage significantly enhances MSME performance. These findings confirm that sustainable competitive

advantage acts as a crucial mechanism linking internal resources to organizational outcomes.

**H<sub>5</sub>:** Sustainable competitive advantage has a positive effect on MSME performance.

***The Mediating Role of Sustainable Competitive Advantage in the Relationship between Human Capital and MSME Performance***

According to RBV theory, internal resources such as human capital do not directly translate into organizational performance; instead, they first contribute to the development of competitive advantage, which subsequently enhances performance (Barney, 1991). High-quality human capital enables organizations to build unique capabilities that are difficult to imitate, thereby generating sustainable competitive advantage and improving performance.

Empirical studies by Putri (2025) and Wicaksono & Handayani (2025) demonstrate that human capital can influence performance. Ghlichlee et al. (2024) and Agustian et al., (2023) further emphasizes that the effective utilization of human capital contributes significantly to the creation of sustainable competitive advantage.

**H<sub>6</sub>:** Sustainable competitive advantage mediates the relationship between human capital and MSME performance.

***The Mediating Role of Sustainable Competitive Advantage in the Relationship between Organizational Culture and MSME Performance***

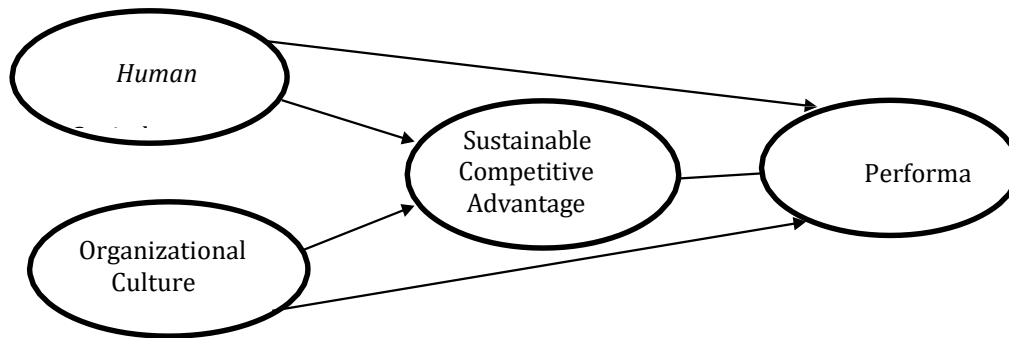
A strong organizational culture not only directly influences performance but also creates an environment that fosters innovation and differentiation, leading to sustainable competitive advantage. Within the RBV framework, organizational culture acts as a strategic mechanism that strengthens the linkage between internal resources and organizational performance.

(Zhang et al., 2025) found that organizational culture positively affects competitive advantage. (Farida & Setiawan, 2022) demonstrated that competitive advantage affect firm performance. These findings highlight the importance of sustainable competitive advantage as a mediating mechanism in enhancing MSME performance.

**H<sub>7</sub>:** Sustainable competitive advantage mediates the relationship between organizational culture and MSME performance.

**Conceptual Research Model**

Based on the literature review and hypothesis development, the conceptual model of this study illustrates the relationships among human capital and organizational culture as independent variables, sustainable competitive advantage as the mediating variable, and MSME performance as the dependent variable. This framework in figure 1 reflects the integration of the Resource-Based View in explaining how strategic internal resources are transformed into enhanced organizational performance.



**Figure 1. Research Model**

## Research Method

### Research Design

This study adopts a quantitative approach with an explanatory research design aimed at examining the causal relationships between human capital and organizational culture and MSME performance, with sustainable competitive advantage serving as a mediating variable. A quantitative approach enables the systematic investigation of cause-and-effect relationships among variables through statistical analysis (Sugiyono, 2019). The explanatory design is particularly suitable for providing a deeper understanding of the mechanisms linking these variables within the Resource-Based View (RBV) framework, which emphasizes the strategic utilization of internal organizational resources in generating competitive advantage and enhancing performance.

### Population and Sample

The population of this study comprises all tourism-based MSMEs in Kampar Regency, totaling 75 business units. A population is defined as a generalization area consisting of objects or subjects with specific characteristics determined by the researcher for drawing conclusions (Sugiyono, 2019).

The sampling technique employed is non-probability sampling using a purposive sampling approach. Respondents were selected based on specific criteria: (1) MSMEs that are actively operating, (2) businesses managed by local community members, and (3) respondents who are the owners or managers of the enterprises.

The minimum sample size was determined using G\*Power 3.1.9.4 with a significance level of 0.05, a statistical power of 0.80, and an effect size of 0.30, resulting in a minimum requirement of 36 business units (Sofyani, 2023).

**Data Collection Technique**

Data were collected through structured closed-ended questionnaires distributed directly to the owners and managers of tourism MSMEs in Kampar Regency. The research instrument employed a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), to measure respondents' perceptions of each research indicator. The Likert scale facilitates the quantitative assessment of social phenomena and enhances the consistency and reliability of respondents' answers (Sugiyono, 2019).

**Operational Definitions and Measurement of Variables**

The study incorporates four main variables: human capital and organizational culture as independent variables, sustainable competitive advantage as the mediating variable, and MSME performance as the dependent variable.

All variables were measured using indicators adapted from prior studies and operationalized through a five-point Likert scale. Measurement of variable see in Table 1.

**Table 1. Operational Definitions of Variables**

Variable	Definition	Indicators	Scale
<b>Human Capital (X1)</b>	Human capital refers to the combination of knowledge, skills, innovativeness, and individual capabilities that enable individuals to perform their tasks effectively and create value for achieving organizational goals and expected performance.	1. Knowledge 2. Skill 3. Ability Source: (Basri, Pinem, et al., 2021)	Ordinal
<b>Organizational Culture (X2)</b>	Organizational culture is defined as a system of shared values, norms, and beliefs within an organization that guides how employees behave and perform their activities to achieve organizational objectives	1. Norms 2. Dominant values 3. Rules 4. Team orientation 5. Aggressiveness and stability 6. Quantity of work outcomes (Robbins & Judge, 2017)	Ordinal
<b>Sustainable Competitive Advantage (Z)</b>	Sustainable competitive advantage refers to a firm's ability to achieve and maintain superior performance compared to competitors within the same industry or market by leveraging unique characteristics and strategic resources that are difficult to imitate (Porter, 1985; Barney, 1996).	1. Price of products and services 2. Quality of products and services 3. Uniqueness of products and services Source: (Handewi et al., 2025)	Ordinal
<b>MSME Performance (Y)</b>	MSME performance represents the level of achievement of business objectives within a specific period, encompassing both financial and non-financial dimensions in accordance with predetermined standards	<b>Financial Performance:</b> 1. Increase in sales volume 2. Growth in business transactions 3. Increase in profit <b>Non-Financial Performance:</b> 1. Growth in the number of tourists 2. Customer/tourist satisfaction 3. Customer/tourist loyalty 4. Positive image and reputation (Behboodi et al., 2024)	Ordinal

## Data Analysis Techniques

Data analysis was conducted using Structural Equation Modeling based on Partial Least Squares (SEM-PLS) with the assistance of SmartPLS software. This method was selected due to its ability to handle complex research models, its minimal requirements regarding data normality, and its suitability for studies with relatively small sample sizes (Sarstedt et al., 2020).

The evaluation of the measurement model (outer model) involved several assessments. Convergent validity was examined using factor loadings with a threshold of  $\geq 0.70$  and the Average Variance Extracted (AVE) with a minimum value of  $\geq 0.50$ . Discriminant validity was assessed through the Fornell–Larcker criterion and cross-loading analysis. In addition, construct reliability was evaluated using Composite Reliability and Cronbach's Alpha, both of which were required to exceed 0.70 (J. F. Hair et al., 2019).

Subsequently, the structural model (inner model) was assessed by examining the coefficient of determination ( $R^2$ ) to determine the model's explanatory power. Model fit was evaluated using the Standardized Root Mean Square Residual (SRMR) with a recommended value of less than 0.10 and the Normed Fit Index (NFI), which ranges between 0 and 1 (Sarstedt et al., 2020).

Hypothesis testing was performed using the bootstrapping technique to obtain t-statistics and p-values, with a significance level set at 5% ( $p < 0.05$ ). The mediation effect was also examined to determine whether sustainable competitive advantage functioned as a partial or full mediator in the relationships between the independent variables and MSME performance.

## Results

### Respondent Profile

Data collection was carried out through the distribution of structured questionnaires to owners and managers of tourism-based MSMEs in Kampar Regency. The instrument employed a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). A total of 179 questionnaires were distributed to respondents who met the study criteria. Of these, 133 questionnaires were successfully returned, yielding a response rate of 74%, while 46 questionnaires (26%) were not returned. All returned questionnaires were complete and deemed suitable for further analysis.

Respondents were classified based on gender, age, educational attainment, length of work experience in tourism MSMEs, and organizational position, which included owner, manager/leader, secretary, and treasurer. The respondent profile reflects the characteristics of tourism MSME owners and managers in Kampar Regency. Of the 133 respondents, the majority were male (83 individuals, 62%), while female respondents accounted for **50** individuals (38%).



In terms of age distribution, most respondents were within the productive age group of 31–40 years (30.8%), followed by those aged 21–30 years (27%), 41–50 years (23.3%), and over 50 years (18.8%).

Regarding educational background, the largest proportion held a bachelor’s degree (S1) with 66 respondents (49.6%), followed by senior high school graduates (42.1%), diploma (D3) holders (6%), master’s degree (S2) holders (1.5%), and junior high school graduates (0.75%).

From the perspective of work experience, most respondents had been involved in tourism MSMEs for more than five years (42.8%), while 27.8% had 1–3 years of experience, 26.3% had 3–5 years, and 3% had less than one year.

Based on organizational roles, the respondents consisted of treasurers (47 individuals, 35.4%), secretaries (45 individuals, 33.8%), and owners or leaders (41 individuals, 30.8%). Overall, these characteristics indicate that the respondents possess adequate experience and educational backgrounds, enabling them to provide reliable and relevant information for the study.

**Descriptive Statistics**

Descriptive statistics were employed to provide an overview of the research data by presenting the mean, standard deviation, as well as the minimum and maximum values for each variable, namely human capital, organizational culture, sustainable competitive advantage, and MSME performance. This analysis offers preliminary insights into respondents’ perceptions prior to conducting further model testing. The complete results of the descriptive statistical analysis are presented in Table 2.

**Table 2. Descriptive Statistics.**

	<i>N</i>	<i>Maximum</i>	<i>Minimum</i>	<i>Mean</i>	<i>Standard Deviation</i>
<i>HC</i>	133	30	9	24.3082	4.0173
<i>BO</i>	133	35	9	28.1578	4.9172
<i>SCA</i>	133	25	8	20.9172	3.2544
<i>KU</i>	133	50	14	39.4887	7.7592
Valid N ( <i>listwise</i> )	133				

The Descriptive statistical analysis of the 133 respondents, as presented in Table 1, indicates that all research variables exhibit relatively high mean values, reflecting respondents’ positive perceptions of the condition of tourism-based MSMEs in Kampar Regency.

Specifically, the human capital variable recorded a mean score of 24.31 (SD = 4.02), followed by organizational culture with a mean of 28.16 (SD = 4.92). The sustainable competitive advantage variable showed a mean value of 20.92 (SD = 3.25), while MSME performance demonstrated the highest mean score of 39.49 (SD = 7.76). The minimum and maximum values observed for each variable indicate a reasonable spread of

responses, suggesting adequate variability within the data. This distribution confirms that the dataset is suitable for subsequent statistical analyses.

**Measurement Model Evaluation (Outer Model)**

To ensure the adequacy of the measurement model, an evaluation of the outer model was performed, encompassing convergent validity, discriminant validity, and construct reliability assessed through composite reliability and Cronbach’s alpha. The findings of these assessments are reported in Table 3.

**Table 3. Outer Model Evaluation**

Indicators	Loading	AVE	Cronbach alpha	Composite Reliability
B01	0.797	0.571	0.875	0.903
B02	0.733			
B03	0.749			
B04	0.706			
B05	0.761			
B06	0.750			
B07	0.791			
HC1	0.774	0.592	0.863	0.897
HC2	0.804			
HC3	0.707			
HC4	0.788			
HC5	0.787			
HC6	0.753			
KU1	0.833	0.638	0.937	0.946
KU2	0.788			
KU3	0.784			
KU4	0.750			
KU5	0.781			
KU6	0.768			
KU7	0.780			
KU8	0.841			
KU9	0.826			
KU10	0.828			
SCA1	0.764	0.629	0.853	0.894
SCA2	0.722			
SCA3	0.842			
SCA4	0.812			
SCA5	0.820			

The results of the measurement model evaluation indicate that all indicators associated with organizational culture (BO), human capital (HC), MSME performance (KU), and sustainable competitive advantage (SCA) exhibit factor loadings exceeding 0.70, thereby satisfying the criteria for convergent validity and confirming their adequacy in reflecting the respective constructs (Hair et al., 2021). Furthermore, the Average Variance Extracted (AVE) values for each construct are above the recommended threshold of 0.50, with BO = 0.571, HC = 0.592, KU = 0.638, and SCA = 0.629, providing additional evidence of convergent validity (Sarstedt et al., 2020).

Following the confirmation of convergent validity, discriminant validity was assessed using the Fornell–Larcker criterion, and the results are presented in Table 4.

**Table 4. Fornel-Larcker Criteria**

	BO	HC	KU	SCA
BO	<b>0.756</b>			
HC	0.323	<b>0.769</b>		
KU	0.501	0.377	<b>0.799</b>	
SCA	0.572	0.373	0.519	<b>0.793</b>

Discriminant validity was also successfully established. The cross-loading analysis revealed that each indicator exhibited a higher correlation with its respective construct than with other constructs, confirming that the variables are empirically distinct (J. F. Hair et al., 2021). This finding is further supported by the Fornell–Larcker criterion, where the square root of the Average Variance Extracted (AVE) for each construct exceeded the inter-construct correlations. Specifically, the square root of AVE values were 0.756 for organizational culture (BO), 0.769 for human capital (HC), 0.799 for MSME performance (KU), and 0.793 for sustainable competitive advantage (SCA). These results indicate satisfactory discriminant validity and demonstrate that each construct possesses adequate uniqueness (Fornell & Larcker, 1981).

Furthermore, the reliability assessment, as presented in Table 2, indicates that all constructs exhibit excellent internal consistency. The values of Cronbach’s alpha and composite reliability for each variable exceed the recommended threshold of 0.70. Specifically, organizational culture shows values of 0.875 and 0.903, human capital 0.863 and 0.897, MSME performance 0.937 and 0.946, and sustainable competitive advantage 0.853 and 0.894, respectively. These findings confirm that the research instruments are highly reliable and consistently measure the intended constructs (Hair et al., 2021).

Overall, all criteria for evaluating the outer model have been satisfactorily met. Therefore, the measurement model in this study can be considered valid and reliable, and it is appropriate for subsequent analysis of the structural model (inner model).

**Structural Model Evaluation (Inner Model)**

After the measurement model (outer model) satisfied the required criteria for validity and reliability, the next step involved the evaluation of the structural model (inner model). This assessment aimed to examine the model’s capability to explain the variance

of endogenous constructs and to evaluate its overall goodness of fit with the empirical data. The evaluation was conducted using the R-Square ( $R^2$ ), Adjusted R-Square, and model fit indices, including the Standardized Root Mean Square Residual (SRMR) and the Normed Fit Index (NFI).

The R-Square ( $R^2$ ) value represents the proportion of variance in endogenous constructs explained by the exogenous constructs in the model. According to the criteria proposed by (Chin et al., 2003),  $R^2$  values of 0.67, 0.33, and 0.19 are categorized as substantial, moderate, and weak, respectively. The analysis results indicate that the  $R^2$  value for Sustainable Competitive Advantage (Z) is 0.367, suggesting that 36.7% of its variance is explained by Human Capital and Organizational Culture, while the remaining 63.3% is influenced by other factors not included in the model. Furthermore, the  $R^2$  value for MSME Performance (Y) is 0.358, indicating that Human Capital, Organizational Culture, and Sustainable Competitive Advantage jointly explain 35.8% of the variance in MSME performance. Both values fall within the moderate explanatory power category.

To obtain a more precise estimate that accounts for the number of predictors in the model, the Adjusted R-Square values were also examined. The results show that the Adjusted  $R^2$  for Sustainable Competitive Advantage is 0.357, while that for MSME Performance is 0.343. These findings confirm that the model possesses moderate predictive capability, indicating that the exogenous constructs provide a meaningful contribution to explaining the endogenous variables.

In addition, the model fit was evaluated using the SRMR and NFI indices. The SRMR value of 0.068, which is below the recommended threshold of 0.10, indicates an acceptable level of discrepancy between the observed and model-implied correlation matrices (Sarstedt et al., 2020). Meanwhile, the NFI value of 0.765, falling within the range of 0 to 1, suggests an adequate level of model fit (Lohmöller & Lohmöller, 1989).

Overall, the results of the inner model evaluation demonstrate that the structural model exhibits moderate explanatory power and adequate goodness of fit, rendering it suitable for subsequent hypothesis testing.

### **Hypothesis Testing**

Hypothesis testing was conducted to analyze the direction and significance of the relationships among the variables in the proposed research model. The analysis employed the PLS-SEM approach with the bootstrapping technique to obtain path coefficients, t-statistics, and p-values. Decisions regarding the acceptance or rejection of hypotheses were based on the p-value at a 5% significance level ( $\alpha = 0.05$ ), corresponding to a 95% confidence level. A hypothesis was considered supported when the p-value was less than 0.05 (Hair & Alamer, 2022).

The results of the hypothesis testing are illustrated in Figure 2 and summarized in Table 5, which present the estimated path coefficients along with their respective t-statistics and p-values.

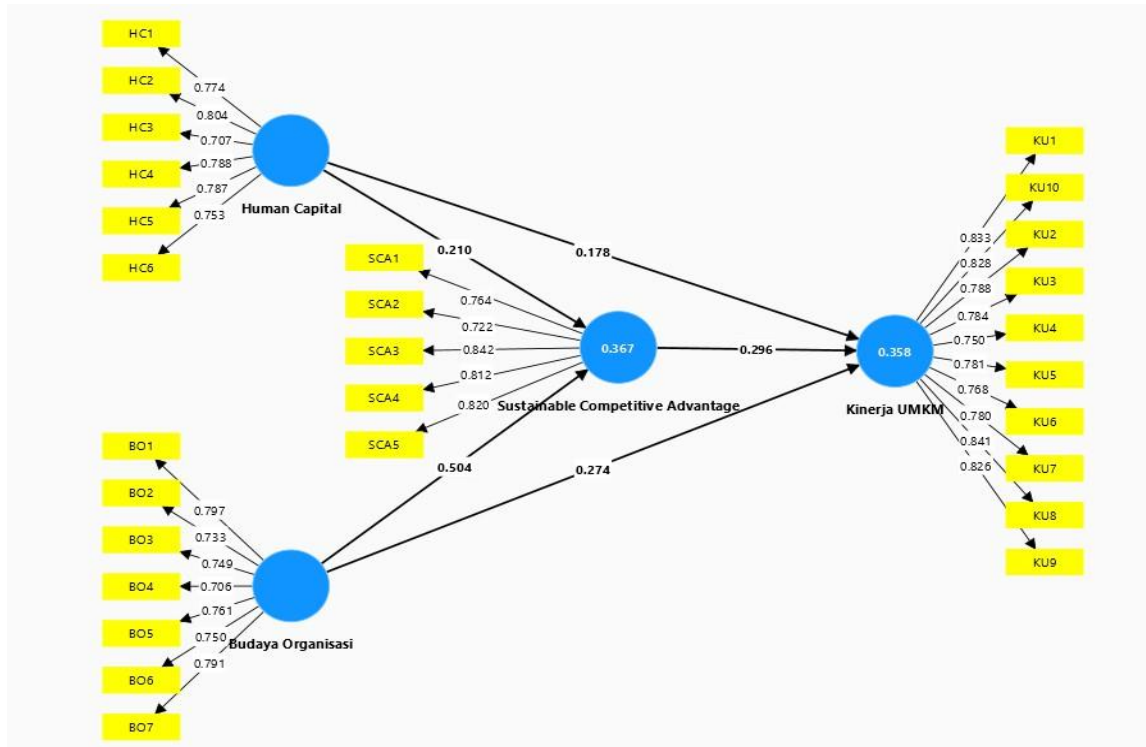


Figure 2. Full Structural SEM PLS Model

Table 5. Hypothesis Testing Results

Hypothesis	Relationship	Original Sample (O)	T Statistik ( O/STDEV )	P Values	Results
H1	HC->KU	0.178	2.456	0.014	Accepted
H2	BO->KU	0.274	2.910	0.004	Accepted
H3	HC->SCA	0.210	2.608	0.009	Accepted
H4	BO->SCA	0.504	6.564	0.000	Accepted
H5	SCA->KU	0.296	3.767	0.000	Accepted
H6	HC->SCA->KU	0.062	2.138	0.033	Accepted
H7	BO->SCA->KU	0.149	2.875	0.004	Accepted

The results of hypothesis testing using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach indicate that all proposed hypotheses are supported at the 5% significance level ( $\alpha = 0.05$ ). Human Capital demonstrates a positive and significant effect on MSME Performance ( $p = 0.014$ ;  $t = 2.456$ ), thereby supporting H1. Similarly,

Organizational Culture has a positive and significant influence on MSME Performance ( $p = 0.004$ ;  $t = 2.910$ ), confirming H2.

Furthermore, Human Capital significantly affects Sustainable Competitive Advantage ( $p = 0.009$ ;  $t = 2.608$ ), leading to the acceptance of H3. Organizational Culture also shows a strong positive and significant effect on Sustainable Competitive Advantage ( $p < 0.001$ ;  $t = 6.564$ ), supporting H4. Additionally, Sustainable Competitive Advantage significantly enhances MSME Performance ( $p < 0.001$ ;  $t = 3.767$ ), thereby confirming H5.

The mediation analysis further reveals that Sustainable Competitive Advantage significantly mediates the relationship between Human Capital and MSME Performance ( $p = 0.033$ ;  $t = 2.138$ ), supporting H6. Likewise, it mediates the relationship between Organizational Culture and MSME Performance ( $p = 0.004$ ;  $t = 2.875$ ), confirming H7. Collectively, these findings emphasize that improvements in human resources and the strengthening of organizational culture enhance MSME performance both directly and indirectly through the creation of sustainable competitive advantage.

## Discussion

The findings indicate that Human Capital has a positive and significant impact on MSME performance. This result underscores the importance of knowledge, skills, experience, and educational background of MSME managers in enhancing productivity and operational effectiveness. As a component of intellectual capital, human capital contributes to organizational value creation by strengthening managerial and innovative capabilities. From the perspective of the Resource-Based View (RBV), human resources represent valuable, rare, inimitable, and non-substitutable intangible assets that can generate competitive advantage and improve organizational performance (Wernerfelt, 1984). These findings are consistent with previous studies demonstrating the positive influence of human capital on MSME and village-owned enterprise performance (Prasetio et al., 2023; Basri, Yasni, et al., 2021).

However, these findings should not be interpreted as indicating a purely direct relationship. The results suggest that human capital contributes to performance through a transformation process, where knowledge and skills are converted into value-creating activities such as innovation, service improvement, and operational efficiency. This indicates that human capital alone is insufficient unless it is effectively utilized within organizational processes, thereby explaining the inconsistent findings reported in prior studies.

The study also reveals that Organizational Culture significantly enhances MSME performance. A strong culture characterized by discipline, collaboration, and commitment to shared goals fosters employee motivation and internal coordination, ultimately leading to improved organizational outcomes. Within the RBV framework, organizational culture is viewed as a strategic intangible resource that is difficult for competitors to replicate and capable of generating long-term value (Wernerfelt, 1984). This finding aligns with prior research highlighting the significant role of organizational culture in improving MSME performance (Ralahallo et al., 2023; Syarifah & Nabhan, 2022).

Nevertheless, the effectiveness of organizational culture is contingent upon its alignment with strategic and market-oriented objectives. A strong culture that is not oriented toward innovation and adaptability may not significantly enhance performance, suggesting that cultural values must be translated into actionable organizational behaviors to generate measurable outcomes.

The results further demonstrate that Human Capital positively and significantly influences Sustainable Competitive Advantage. High-quality human resources enable MSMEs to innovate, enhance service quality, and adapt to dynamic market conditions. In line with RBV theory, human capital serves as a strategic asset essential for creating enduring competitive advantage (Wernerfelt, 1984). This finding is supported by (Danvila del Valle & Sastre Castillo, 2009), who reported that intellectual capital, particularly human capital, significantly contributes to competitive advantage.

More importantly, this relationship highlights the mechanism through which human capital generates competitive strength. Skills and knowledge do not directly create advantage but must be embedded in organizational processes, resulting in differentiation, innovation, and unique value propositions that are difficult for competitors to replicate.

Similarly, Organizational Culture is found to have a positive and significant effect on Sustainable Competitive Advantage. A strong organizational culture fosters an environment conducive to innovation and collaboration, thereby enhancing the organization's ability to maintain long-term competitiveness. This result is consistent with studies by Azeem et al. (2021) and Zhang et al. (2025) which emphasize the critical role of organizational culture in shaping competitive advantage.

This finding indicates that organizational culture contributes to competitive advantage by creating consistency in behavior, strengthening organizational identity, and supporting continuous learning. These elements collectively enable MSMEs to sustain their competitive position in dynamic markets.

The study also confirms that Sustainable Competitive Advantage significantly improves MSME performance. By offering unique, high-quality, and competitively priced products or services, MSMEs can strengthen customer loyalty and increase revenue growth. These findings reinforce the RBV argument that effective management of organizational resources and capabilities leads to superior performance (Barney, 1991). The results are also consistent with previous research by Nguyen et al. (2021).

In the context of tourism MSMEs, sustainable competitive advantage is reflected in the ability to provide distinctive local experiences, unique products, and superior service quality. These capabilities allow MSMEs to differentiate themselves and maintain long-term competitiveness in increasingly dynamic markets.

The mediation analysis indicates that Sustainable Competitive Advantage significantly mediates the relationship between Human Capital and MSME performance. This suggests that investments in human resources are more effective when translated into unique capabilities that generate competitive advantage. This finding aligns with RBV theory and

prior studies (Agustian et al., 2023; Ghlichlee et al., 2024; Putri, 2025; Wernerfelt, 1984; Wicaksono & Handayani, 2025).

This result confirms that the relationship between human capital and performance is not direct but operates through sustainable competitive advantage as a strategic intermediary mechanism. In other words, human capital contributes to performance only when it is transformed into organizational capabilities that create value and differentiation.

Moreover, Sustainable Competitive Advantage also mediates the relationship between Organizational Culture and MSME performance. A strong organizational culture not only directly enhances performance but also strengthens the organization's ability to develop enduring competitive advantages. This result is supported by Zhang et al. (2025) and Farida & Setiawan (2022).

This finding highlights that organizational culture enhances performance more effectively when it is translated into competitive advantage, reinforcing its indirect role in shaping organizational outcomes.

Overall, the findings provide a significant theoretical contribution by reinforcing the relevance of the Resource-Based View (RBV) in explaining the mechanisms through which MSME performance can be enhanced via the management of intangible resources—namely, human capital and organizational culture—with sustainable competitive advantage serving as a mediating mechanism. Practically, the results highlight the importance of investing in human resource development and fostering a strong organizational culture as key strategies for enhancing MSME competitiveness and sustainability.

More importantly, this study extends RBV by demonstrating that internal resources do not directly generate performance but must first be transformed into strategic capabilities. This provides a more nuanced understanding of how MSMEs achieve sustainable performance.

## **Conclusion**

This study examined the effects of human capital and organizational culture on MSME performance, with sustainable competitive advantage serving as a mediating variable within the Resource-Based View (RBV) framework. The findings reveal that both human capital and organizational culture have positive and significant direct effects on MSME performance, highlighting the strategic importance of intangible resources in enhancing organizational outcomes. Furthermore, these variables significantly contribute to the development of sustainable competitive advantage, which in turn positively influences MSME performance. The mediation analysis indicates that sustainable competitive advantage partially mediates the relationships between human capital and MSME performance as well as between organizational culture and MSME performance.

These findings indicate that MSME performance is not solely determined by the availability of internal resources, but by the ability to transform these resources into sustainable competitive advantage. This emphasizes the importance of capability development as a key driver of organizational success.

Overall, the study reinforces the relevance of the RBV in explaining how internal organizational resources are transformed into superior and sustainable performance, particularly within tourism-based MSMEs in Kampar Regency.

Despite its valuable contributions, this study has several limitations. First, the research is geographically confined to tourism-based MSMEs in Kampar Regency, which may limit the generalizability of the findings to other regions or industry sectors. Second, the study employs a quantitative survey-based approach that relies on respondents' perceptions, potentially introducing common method bias and limiting the ability to capture deeper contextual insights. Third, the research model focuses primarily on internal organizational factors, leaving the potential influence of external variables—such as government support, digital transformation, market dynamics, and environmental uncertainty—unexplored. These limitations provide opportunities for further investigation to enhance the robustness and applicability of the findings.

Building on these limitations, several recommendations for future research are proposed. Future studies are encouraged to expand the geographical scope to provincial or national levels to improve the generalizability of the results. Researchers may also incorporate additional variables, such as entrepreneurial orientation, innovation capability, digitalization, and institutional or government support, to provide a more comprehensive understanding of MSME performance. Methodologically, the use of mixed-methods or longitudinal research designs is recommended to capture the dynamic relationships among variables and strengthen causal inferences. Additionally, advanced analytical techniques within the PLS-SEM framework, such as Multi-Group Analysis (MGA) and Importance-Performance Map Analysis (IPMA), could be employed to enrich the interpretation of findings.

This study contributes to the theoretical development of the Resource-Based View (RBV) by demonstrating that human capital and organizational culture, as strategic intangible resources, play a crucial role in creating sustainable competitive advantage, which subsequently enhances MSME performance. By positioning sustainable competitive advantage as a mediating mechanism, the research provides a more comprehensive understanding of how internal organizational resources are translated into superior performance, thereby enriching the existing RBV literature, particularly within the context of tourism MSMEs in developing economies.

From a managerial perspective, the findings offer actionable insights for MSME owners and managers. Investing in human capital development through continuous training, education, and skill enhancement is essential for fostering innovation and operational efficiency. Additionally, cultivating a strong organizational culture characterized by collaboration, discipline, and quality orientation can serve as a foundation for achieving sustainable competitive advantage. MSMEs are also encouraged to implement competitive strategies focused on product and service differentiation, service excellence,

and competitive pricing to strengthen their market position and ensure long-term business sustainability.

Importantly, managers should focus not only on resource accumulation but also on the effective transformation of these resources into strategic capabilities.

For policymakers and stakeholders, the study underscores the importance of designing and implementing policies that support the capacity building and institutional strengthening of MSMEs. Initiatives such as entrepreneurship training programs, managerial mentoring, facilitation of innovation, digital transformation support, and improved access to finance and markets are essential to enhance the competitiveness and sustainability of tourism-based MSMEs. Such policy interventions can contribute significantly to regional economic development and community welfare.

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