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Investigating entrepreneurial resilience toward sustainable competitive advantage: Does local culture matter?

Putu Dyah Permatha Korry[a*], Armanu[b], Sudjatno[c] and Risna Wijayanti[a]

[a]*Putu Dyah Permatha Korry 1, Faculty of Economic and Business Universitas Brawijaya, Malang, Indonesia*
[b]*Armanu 2, Faculty of Economic and Business Universitas Brawijaya, Malang, Indonesia*
[c]*Sudjatno 3, Faculty of Economic and Business Universitas Brawijaya, Malang, Indonesia*
[d]*Risna Wijayanti 4, Faculty of Economic and Business Universitas Brawijaya, Malang, Indonesia*

A B S T R A C T

Literature indicates it is crucial to understand how SMEs could adapt to changes in their external environment to develop a competitive advantage. However, there is limited discussion on how entrepreneurs' resilience functions as one of the dynamic capabilities required to maintain their company's competitive advantage in the long-term. This study aimed to investigate how entrepreneurial resilience affects SMEs ability to achieve sustainable competitive advantage. It also analyzed the moderating role of local cultural values in reinforcing resilience and sustainable competitive advantage. The population consisted of 400 handicraft SME who were thought of as Bali's sustaining tourism sector. The results demonstrated that financial capital, human capital, and social capital were factors that shaped entrepreneurial resilience, where the ownership of capital and access to capital helped entrepreneurs when encountering changes in the dynamic and challenging industrial environment, where the role of financial capital was one of the sources of resilience that had the most significant influence. Furthermore, entrepreneurial resilience also contributed significantly to the achievement of sustainable competitive advantage. Moreover, the results also indicate that local cultural values strengthen entrepreneurial resilience because entrepreneurs who adjusted to local cultural norms developed in the surrounding community tended to respond positively to their behavior. Positive environmental acceptance could reinforce entrepreneurial resilience, given the psychological support of their behavior.

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1. Introduction

Nowadays, responding to environmental turbulence, sustainable competitive advantage is considered as the key factor in business success. The sustainable competitive advantage is a competitive strategy that is more advanced than its competitors in the long-term (Arsawan, Koval, et al., 2022; Quaye, 2019; Zhang et al., 2023). Resource based views suggest that businesses can gain a competitive advantage by maximizing their internal resources and capabilities (Barney, 1991; Hossain et al., 2021; Yu et al., 2018). Due to its static environment and limited applicability to stable situations involving companies that have large resources and capabilities and a conducive external environment (Nandi et al., 2020). The recent industrial environment is experiencing rapid dynamics and technological developments, causing immediate market interest and a need for changes (AL-Khatib, 2023). Moreover, companies are also dealing with many unforeseen changes in circumstances that could threaten business continuity, such as natural disasters, economic crises, terrorist attacks, and pandemics (Aristana et al., 2021; Khan et al., 2023). Consequently, developing the sustainable competitive advantage concept requires adopting a more dynamic approach (Alsaad et al., 2022; Permatasari et al., 2022). One of the subjects that has received little attention in the SME sector is the idea of sustainable competitive advantage (Arsawan, Koval, et al., 2022). Existing literature suggests that about half of SMEs fail within five years of establishment (Ong et al., 2010). Further, SMEs are more likely to fail because they lack the resources to cope with crises and are not ready to take on external changes (Arsawan et al., 2023). Besides, SMEs' planning and operational systems are short-term and operational systems susceptible to changes and fluctuations in the external

* Corresponding author
E-mail address mithakorry@gmail.com (P. D. P. Korry)

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environment (Santoro et al., 2020). Therefore, it is crucial to understand how SMEs could adapt to changes in their external environment to sustain and develop a competitive advantage (Aisjah et al., 2023). Since SMEs are typically owner-centric, with SME owners fully involved in the operational and managerial activities, the increasing quantity of research on the resilience concept in SME is essential to understanding the crucial significance of entrepreneurs (Aisjah et al., 2023; Ismail, 2014). Resilient entrepreneurs are considered critical factors for business success because they exhibit a high-stress tolerance to ambiguity, prompt adaptability to change, and are equipped to take advantage of challenging situations to learn from mistakes and improve (Ayala & Manzano, 2014). The literature review predominantly discusses how entrepreneurs' resilience is developed when encountering adverse situations (Doern, 2016; Korber & McNaughton, 2018). However, there is limited discussion on how entrepreneurs' resilience functions as one of the dynamic capabilities required to maintain their company's competitive advantage in the long-term (Arsawan, Koval, et al., 2022). The idea of resilience as a dynamic capability highlights the ability of entrepreneurs to identify opportunities that arise during adverse situations when competitors are incapable of seeing these opportunities. SME entrepreneurs are also significantly involved in the ownership of capital and resources used in SMEs (Shaw et al., 2008). Unexpected changes in the situation require the ability of SME entrepreneurs to promptly organize their resources to adjust to the opportunities that have been identified (Sharma & Sharma, 2020; Teixeira & Werther, 2013). Subsequently, the company could promptly adapt to changes than its competitors (Aisjah et al., 2023). Entrepreneurs are the central figure in SMEs and play an essential role in managing resilience capabilities because they are inclined to have a positive mindset and are not prone to stress when encountering unexpected situations (Fazal et al., 2019; Yi et al., 2021). Consequently, it affects their ability to manage their business effectively during the crisis (Aristana et al., 2021; Fatoki, 2018). The existing literature reveals that efforts to develop entrepreneurial resilience are primarily viewed from the internal factors which derived from the individual resilience concept and incorporates the psychological aspects (Ayala & Manzano, 2014; Duchek, 2018; Masten & Obradović, 2006; Southwick et al., 2014). Furthermore, this study also observes establishing entrepreneurial resilience from external factors such as the community business sector, operating areas, individual behavior, and social environment (Ungar, 2008). For this reason, this study considers cultural value to enhance the relationship between entrepreneurial resilience and sustainable competitive advantage with three primary reasons. First, cultural norms that evolve in the community are guidelines for the community in a region to perform something and prevail in a particular group (Aaltonen et al., 2015). Therefore, entrepreneurs with behavior that complies with local culture are likely to feel accepted, which will increase their confidence, which will increase their resilience capabilities (Alsaleh et al., 2019). Second, entrepreneurial resilience influences the achievement of competitive advantage. This is due to the ability to integrate protective and supporting factors to increase its resilience capabilities (Teixeira & Werther, 2013; van Aswegen & Retief, 2020). Third, local culture has values that are in line with organizational achievements due to the adoption of an approach that supports the organization's vision, mission and goals (Acuña-Opazo & González, 2021; Savira & Tasrin, 2018). This increases aspects of understanding and involvement of manpower to improve performance at individual and team levels. Thus, proposing an entrepreneurial resilience model to increase sustainable competitive advantage in the SME sector makes sense.

2. Theoretical Background

2.1 Entrepreneurial Resilience

Theoretically, resilience is anchored in the theory of resilience first articulated in ecology by (Holling, 1973), which posits that resilience is the ability to accommodate environmental changes that prevail. Entrepreneurs' resilience is one of the developments in the resilience concept to measure the degree to which entrepreneurs could withstand changes in their business environment and business challenges (Fazal et al., 2019). This study employs the dynamic capabilities to establish entrepreneurial resilience to adapt promptly when encountering change (Teece et al., 1997). Entrepreneurs who immediately identify opportunities when environmental changes occur, who can manage and adjust company resources and strategies, are more likely to survive and bounce back from adverse situations (Aisjah et al., 2023). Accordingly, entrepreneurial resilience is viewed as one of the dynamic capabilities required when encountering changes in the external environment. The literature indicates that empirical results on entrepreneurial resilience adopt numerous approaches from individual resilience. Individual resilience is related to the psychological state of individuals that emphasizes their capacity to deal with tragedy, trauma, and demanding situations (Richardson, 2002). High resilience enables individuals to cope with pressure and changes in their lives. Also, they could gain positive experiences and emotions despite facing adverse situations (Bonanno, 2004). However, resilience is not an innate trait of the individual but rather is the result of individual interaction with the exposed situation (Tedeschi & Calhoun, 2004). Resilience is not static, but it depends on various factors that individuals possess, such as resources, experiences, and abilities when dealing with adverse situations (Southwick et al., 2014).

This study proposes that entrepreneurial resilience extends beyond psychological aspects alone because resilience is the outcome of interactions between individuals and their environment (Southwick et al., 2014). According to the resource-based view, individual abilities are conditioned by the resources they possess (J. B. Barney, 1996). Therefore, when discussing the factors that determine abilities, the resources owned by the individual are inseparable from the resources that influence the development of their abilities. Besides, the development of individual abilities is also affected by the social environment. Theoretically, social learning theory proposes that individual behavior is conditioned by how the social environment responds to the behavior exhibited by the individual (Bandura, 1992). A social environment that perceives the entrepreneur's behavior as consistent with prevailing cultural values could increase their resilience (Ungar, 2008). Considering the business prevalent

in regions with diverse cultural values, researchers should recognize the significant role of local cultural values in fostering entrepreneurial resilience in SMEs.

2.2 Financial Capital as a Source of Resilience for SME Entrepreneurs

The enhancement of the resilience capabilities of entrepreneurs requires capital, i.e., financial capital. Financial capital is the ownership of financial assets and access to financial resources that support the company's operations (Bourdieu, 1986). It is measured through financial capital from the entrepreneur's internal assets and external sources. The results of empirical studies demonstrate that the resilience capability development process is influenced by the magnitude of the amount of financial capital it has because when dealing with unexpected changes in situations where financial reserves and financial assets owned by entrepreneurs will assist the company to continue operating (Amankwah-Amoah et al., 2021). It is strengthened by the results of an empirical study conducted by (Pal et al., 2013), which mentions that entrepreneurs with access to financial capital to cope with challenging situations are more likely to survive and adapt. Stable financial capital assists in maintaining the sustainability of the supply chain, thus increasing resilience when encountering sudden changes (Iftikhar et al., 2021). The entrepreneurial resilience is further associated with psychological conditions, where abrupt and prolonged situation changes could generate high-stress levels for entrepreneurs (Bhamra et al., 2011). Empirical findings have reported that entrepreneurs with sufficient financial capital reserves increase their stress tolerance and self-confidence, resulting in increased resilience when they experience adverse situations (Shepherd et al., 2020). Consequently, financial capital ownership is perceived as enhancing entrepreneurial resilience. Subsequently, the proposed hypothesis is:

H_1: *Entrepreneurs' financial capital is instrumental in enhancing the entrepreneurial resilience in SMEs.*

2.3 Human Capital as a Source of Resilience for SME Entrepreneurs

The development of entrepreneurial resilience capability is supported by the significance of financial and non-financial capital ownership in establishing entrepreneurial resilience. Resilience is a product of an individual's interactions with their environment, not something that is given from birth. Accordingly, the process of learning from experiences to deal with a variety of situations becomes what develops an entrepreneur's capacity for resilience (Southwick et al., 2014). Entrepreneurial capital elaborates on human capital, which also matters for entrepreneurs. Theoretically, human capital theory states that individuals' learning process is governed by their level of knowledge and experience (Becker, 1992). When meeting challenging situations and volatile changes, the level of knowledge and experience entrepreneurs possess could be an invaluable source of information (Shepherd & Patzelt, 2018). Knowledge and experience are attributes of human capital that allow entrepreneurs to develop resilience to design reactive, proactive, and sustainable plans (Conz & Magnani, 2020). Entrepreneurs with knowledge and experience in handling various situations are more likely to react and identify opportunities to survive adverse situations and more likely to persevere by viewing the changes as a learning process (Lee & Wang, 2017). The ownership of human capital by SME entrepreneurs increases entrepreneurial resilience. Consequently, this is the formulated hypothesis:

H_2: *Entrepreneurs' human capital is instrumental in enhancing the entrepreneurial resilience in SMEs.*

2.4 Social Capital as a Source of Resilience for SME Entrepreneurs

The conceptualization of resilience is defined by personal characteristics and external factors (Southwick et al., 2014). It is supported by a study conducted by Ungar, 2008, which stipulates that resilience is the outcome of interactions between entrepreneurs and their social environment. Theoretically, entrepreneurial capital elaborates on social capital, interpreted as ownership of social networks and access to social networks belonging to entrepreneurs (Bourdieu, 1986). Entrepreneurs' social capital is quantified according to the diversity of social network content, activity, and the frequency with which entrepreneurs interact with their social networks. The results of the empirical study confirm that entrepreneurs with good relationships with their social networks are more likely to receive assistance in the form of resources, information, and knowledge necessary to navigate the changing situations that challenge their businesses (Leonelli et al., 2019). The finding favors empirical results suggesting that close social network ties tend to support entrepreneurs through psychological and financial support when they encounter adverse situations, thus increasing the entrepreneurial resilience (Corner et al., 2017). Entrepreneurs who receive psychological and financial support tend to have higher stress tolerance and will more readily increase their confidence that they overcome these adverse situations (Folke et al., 2010), which implies that the ownership of social capital strengthens the entrepreneurial resilience in SMEs. Further, this is the proposed hypothesis:

H_3: *Entrepreneurs' social capital is instrumental in enhancing the entrepreneurial resilience in SMEs.*

2.5 The Effect of the Entrepreneurial Resilience on Sustainable Competitive Advantage in SMEs

Theoretically, pursuing sustainable competitive advantage involves a dynamic approach to ensure that the company's competitive advantage is not vulnerable to loss and is irreplaceable or inimitable by competitors. The dynamic capabilities

concept prioritizes identifying opportunities in various situations and managing and adjusting the resources provided to adapt to the changes that occur promptly (Teece et al., 1997). A resilience concept is a form of ability to cope with adverse situations through adaptation and learning, where resilience will be assistive in identifying changes that occur and acting promptly in the appropriate way to encounter unforeseen events. The entrepreneurial resilience influences SMEs because they are owner-centric business sectors, where resilient entrepreneurs persevere when encountering adverse situations and constantly strive to direct their business to get through the situation (Ayala & Manzano, 2014). Theoretically, entrepreneurial resilience is attributed to psychological conditions, where under the theory of positive emotions, entrepreneurs with positive emotions encourage individuals to perceive an event as a positive learning process and strive to be adaptive to the occurring changes (Fredrickson, 2001). Entrepreneurs are individuals who encounter the most uncertain situations and highly dynamic environmental changes. Consequently, entrepreneurs who can manage their emotional conditions affect the development of their resilience. The results of empirical studies demonstrate that entrepreneurs who possess resilience capabilities tend to have a positive mindset. For resilient entrepreneurs, these changes are not necessarily a failure but a positive learning process to identify opportunities that arise despite adverse situations where competitors are incapable of recognizing them (Branicki et al., 2018). Entrepreneurs who are keen to recognize opportunities and capable of directing their resources to seize these opportunities to adapt to change (Fisher et al., 2016). Entrepreneurs who survive and direct their business to continue adapting to change accordingly create a sustainable competitive advantage. Therefore, this is the formulated hypothesis:

H_4: *The entrepreneurial resilience is an ability SMEs require to achieve sustainable competitive advantage.*

2.6 Moderating Role of Local Culture

SMEs are a sector that operates in various regions. Accordingly, the role of external factors, such as local culture, also influences the shaping of the abilities of entrepreneurs. Theoretically, the formation of individual abilities is affected by their behavior, where behavior in response to the environment and certain situations affects their learning process, ultimately establishing a particular ability (Bandura, 1992). Social learning theory states that individual behavior patterns are developed due to their interactions with their environment. The social learning process is grounded in observations by individuals regarding how behavior is valued or resisted by their social environment, depending on the culture that develops in that environment. By performing certain behavior, individuals accumulate experiences that affect the development of their abilities. Entrepreneurs with behavior that conform to local cultural norms are more adaptable to their social environment (Rahyuda et al., 2018). Cultural norms that evolve in the community are guidelines for the community in a region to perform something and prevail in a particular group. Therefore, entrepreneurs with behavior that complies with local culture are likely to feel accepted, which will increase their confidence, which will increase their resilience capabilities. It strengthens the empirical findings proposed by (Ungar, 2008), which states that the entrepreneurial resilience affects the achievement of the company's competitive advantage when protective and supporting factors are present to enhance its resilience capabilities. Accordingly, this is the proposed hypotheses:

H_5: *Local culture is a moderating factor in the relationship between the entrepreneurial resilience and sustainable competitive advantage in SMEs.*

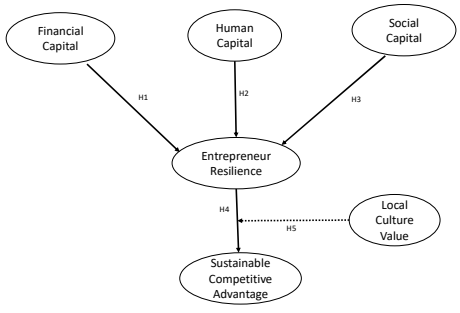

Fig. 1. Theoretical Framework

3. Methodology

3.1 Population and Sample

This study was conducted in the SME sector in Bali Province. Bali Province was the location of the study, with the consideration that the province relied heavily on its regional income from the tourism sector. The growth of other sectors follows the development of the tourism sector in Bali as a supporting sector to cater to the needs of the tourism sector. One was the handicraft sector, predominantly small and medium-sized enterprises. The high reliance of handicraft SMEs on the

tourism sector raised a phenomenon of its own because it was one of the most vulnerable sectors to changes regarding its external environment, such as rapid technological developments that affected market demand and consumer behavior. Moreover, sudden changes such as natural disasters, economic crises, terrorist threats, political issues, and changes in government policy would significantly impact tourist visits to Bali. A decline in the number of tourist visits would significantly influence the sustainability of handicraft SMEs that support the tourism sector.

The study model examined handicraft SMEs in Bali, where the target population was handicraft SME entrepreneurs (Parwita et al., 2021). The survey was conducted randomly at handicraft industry centers dispersed throughout the regencies in Bali to obtain empirical research data. A sample of 400 companies was drawn with a 95.5% confidence level with a maximum error of 5% in the case of dichotomous questions. We randomly sampled 20 companies in each cluster, and the remaining samples were randomly selected proportionally to the size structure and number of organizations. SMEs were provided with a copy of the survey and project with a brief explanation of how to complete the questionnaire. The interviewers retrieved the survey two weeks later. The interviewers facilitated the entrepreneurs to cover the survey if required. The response rate was 90%, resulting in 333 valid responses used to conduct the study. Then, it was determined that the final structure of the sample was compatible with the study population through the Homogeneity test (Newbold, Carlson, & Thorne, 2002). The results of respondent data collection revealed that of the 333 respondents, the study was dominated by female SME entrepreneurs, totalling 65%. It was interpreted that the SME handicraft industry sector was associated with a production process that required creativity and was also associated with the fashion industry. The data also illustrated that most SME entrepreneurs were 40-49 years old and considered mature. In terms of education, SME entrepreneurs in the handicraft industry sector were predominantly those with a low level of education, with more than 50% not having attained university. However, most had adequate experience running their previous businesses and working in other companies. However, when examined based on the age of the business, SMEs in the craft industry operated for a long time, with 78% of respondents being in business for more than five years (Table 1).

Table 1
Demographic Profile

Demographic variable	Categories	%
Gender	Male	35
	Female	65
Age	18-29	10
	30-39	23
	40-49	38
	>50	29
Education level	Elementary school	4
	Junior high school	5
	Senior high school	48
	Diploma III/Diploma IV	9
	Bachelor's degree	32
	Master's degree	2
Experience	Experience working for other companies	48
	Experience running personal companies	33
	No experience	19
Business lifespan	<1 year	5
	1-5 years	17
	>5 years	78

3.2 Measurement and Liability

This study centered on entrepreneurial resilience by investigating the factors that determine and influence the entrepreneurial resilience in SMEs in realizing sustainable competitive advantage. The consideration that motivated entrepreneurs as the primary object of the study is the notion (Moore & Penrose, 1960) that entrepreneurs were vital to the company's performance. This notion was strengthened by the results of empirical studies suggesting that when SMEs were considered as the unit of analysis, thus entrepreneurs performed a key role as decision-makers and in spreading the culture of their companies, and hence, the entrepreneurial resilience would have an impact on the competitiveness and resilience of their organizations (Branicki et al., 2018; Iyengar et al., 2021). The questionnaire utilized for data collection was closed-ended. Questionnaires allowed information collection about opinions, attitudes, behaviors, facts, and other information. Researchers utilized the 5-point rating scale to rank items from 1 (very low) to 5 (very high).

3.3 Data Analysis

This study applied multivariate statistical methods to examine a series of influences between variables that were estimated simultaneously with the aim of prediction, exploration, or structural model development studies (Hair et al., 2016). SEM-PLS was selected as a testing method because the study aimed to investigate variables that simultaneously explained sustainable competitive advantage in SMEs, where SEM-PLS was an analysis tool that worked best for prediction purposes (Arsawan et al., 2023). Moreover, this study utilized measurement scales that were under development, where the measurement scales were adopted from various fields of study (business studies and psychology (Reinartz et al., 2009; Suhartanto et al., 2022) This study included measurements for hypothesis testing, i.e., direct and indirect effects, including mediation and moderation

relationships. SEM-PLS allowed more complex models to be used simultaneously (Sarstedt et al., 2019). Data analysis testing was conducted in several steps: measurement model testing, structural model testing, and model fit and goodness testing (Hair et al., 2021).

4. Result

4.1 Outer Model Measurement

The measurement model testing was performed to determine and describe the relationship between latent variables and the indicators that measure them (Hair et al, 2021). In assessing and evaluating this study model, researchers considered internal consistency reliability, convergent validity, and discriminant validity. Internal consistency reliability was examined through composite reliability (CR), which demonstrated whether the items used in the study were reliable (Hair et al., 2016), where the CR value of 0.70-0.90 was considered satisfactory. To test the reliability and validity of the instrument, it was indicated by Cronbach's alpha value, where the recommended Cronbach's alpha value exceeded 0.7 (Hair et al., 2021). The Cronbach's alpha value represented that the measurement item was sufficient to measure the variables and was consistent when a similar test was repeated. This technique employed average variance extracted (AVE) and Cronbach alpha (CA) as criteria for validating the model. AVE quantified the variance captured by latent constructs. Typically, this number should exceed 0.5; however, it exceeded 0.3. The model measurement testing was performed through several criteria, as detailed in Table 2.

Table 2
Outer Loading, Composite Reliability, and Average Variance Extracted

Variable	Outer Loading	Cronbach's Alpha	Composite Reliability	AVE
Financial Capital (FC)				
1.1 Financial capital from personal funds	0.859	0.866	0.87	0.713
1.2 Financial capital from privately owned assets	0.829			
2.1 Financial capital from family assistance	0.891			
2.2 Financial capital from financial institutions' assistance	0.796			
Human Capital (HC)				
1.1 Formal education level	0.794	0.864	0.871	0.713
1.2 Competency certification	0.764			
2.1 Experience working in previous business	0.915			
2.2 Experience working in other businesses	0.895			
Social Capital (SC)				
1.1 Social network from family	0.872	0.935	0.937	0.754
1.2 Social network from business partners	0.856			
2.1 Discussion to find business information and knowledge	0.875			
2.2 Discussions to gain access to resources	0.893			
3.1 Duration of knowing social network members	0.894			
3.2 Frequency of interaction with social network members	0.816			
Entrepreneur Resilience (ER)				
1.1 Believe in the ability to control oneself when encountering adverse situations	0.823	0.933	0.937	0.754
1.2 Believe in the ability to recover from failure	0.779			
2.1 Having a positive mindset	0.807			
2.2 High tolerance for change	0.82			
2.3 Not stressed easily	0.876			
3.1 Consistent in achieving goals	0.815			
3.2 Consistently attempt to give the best results	0.817			
3.3 Adaptable to change	0.869			
Local Culture Value (LCV)				
1.1 Commit to relies doctrine	0.64	0.856	0.882	0,538
1.2 Consistently perform prayers before starting activities	0.799			
2.1 Implementing energy-saving strategies in the current business	0.725			
2.2 Using environmentally friendly raw materials	0.725			
2.3 Manage business waste	0.704			
3.1 Applying the principle of mutual respect to others	0.747			
3.2 Applying the principle of compassion to others	0.784			
Sustainable Competitive Advantage (SCA)				
1.1 Competitive advantage	0.78	0.918	0.918	0,575
1.2 The company is adaptable to change	0.763			
2.1 Information about the company's resources and capabilities are inaccessible to competitors	0.726			
2.2 Company information is complex	0.734			
2.3 Competitive strategy requires special coordination of the company's combined resources	0.78			
3.1 The company's resources and capabilities are complex for competitors to obtain	0.787			
3.2 Possess specialized resources	0.737			
3.3 Possess specialized capabilities	0.764			
4.1 The company's resources and capabilities are inimitable	0.772			
4.2 The company's resources and capabilities are irreplaceable by competitors	0.737			

Table 2 displays the results of the outer model measurement. By examining each measurement item's outer loading value, demonstrating that all the measurement items met the recommended requirements (Hair et al., 2014). The recommended outer loading value was exceeded by each measurement item by 0,7. Following the acquisition of test results, it was determined that all measurement items had met the recommended requirements, indicating that each variable's measurement items had a high correlation value with the study's variables. Moreover, the reliability level of the model is reflected in the value of Cronbach's alpha, composite reliability, and convergent validity. The recommended Cronbach's alpha value exceeded 0.7. The test results implied that all study constructs met the recommended requirement of 0.70. Consequently, these results revealed that all measurement items were reliable or consistent in measuring variables. The convergent validity also positively correlated with alternative measures of the same construct (Hair et al., 2016). It was viewed by considering the average variance extracted (AVE) value, where the recommended AVE value exceeded 0.5. The results indicated that all the study constructs had an AVE score exceeding 0.5. Further, this study also reported the results of discriminant validity by the Heterotrait-Monotrait (HTMT) criteria to ensure that each construct of each variable was different from other variables both theoretically and statistically tested. The HTMT value was viewed by examining the average correlation between measurement items on a variable and the correlation with different variables, where the recommended value was below 0.90 (Hair et al, 2021). HTMT testing on the constructs of this study revealed that all constructs met the HTMT criteria.

Table 3
Heterotrait-Monotrait Criterion

Variable	ER	FC	HC	LCV	SC	SCA	LCV × ER
ER							
FC	0.876						
HC	0.759	0.746					
LCV	0.233	0.166	0.148				
SC	0.336	0.313	0.337	0.090			
SCA	0.789	0.754	0.642	0.116	0.559		
LCV × ER	0.087	0.216	0.093	0.106	0.193	0.288	

Table 3 presents that all measurement items had HTMT values below 0.90, which complied with the recommended requirements. Accordingly, the constructs of each research variable in this study were declared to be different from one variable to another, theoretically and statistically tested.

4.2 Inner Model Measurement

After testing the outer model measurement, we check the inner model measurement with three stages. First, by the R-square value of 67.8%, which implied that exogenous variables in the study could explain the entrepreneurial resilience with a high level of influence. The entrepreneurial resilience variable could also explain sustainable competitive advantage at a high level of 58,4%. Second, we used Q-square testing to determine how exogenous variables could have predictive relevance for endogenous variables. The results suggested that the exogenous variables in this study had a predictive relevance of 67% to the entrepreneurial resilience variable, which was at a high level. The entrepreneurial resilience variable had a predictive relevance to the sustainable competitive advantage variable of 58.4%, which was at a moderate level. Finally, we are testing the suitability and goodness of the model in this study using Standardize Root Mean Square Residual (Hair et al., 2019). The summary of the result display in Table 4.

Table 4
Standardize Root Mean Square Residual (SRMR)

Testing	Saturated model	Estimated model
SRMR	0.054	0.073
d_ULS	2.271	4.115
d_G	0.874	0.923
Chi-square	1637.345	1710.834
NFI	0.830	0.822

SRMR testing was utilized to determine the model's fit by observing the difference between the data correlation matrix and the estimated model correlation matrix (Hair Jr et al., 2017) stipulated that the SRMR value below 0.08 indicated that the model was fit or had a match. According to the test results, the model in this study was declared fit or fit model because it had an SRMR value of 0.058 below the established standard of 0.08, which implied that empirical data explained the influence between variables in the model.

4.3 Hypotheses Testing

Hypothesis testing was conducted using a one-sided bootstrapping routine at a 5% significance level with 5000 subsamples (Hair et al., 2019). The path coefficient significance test recommended a t-statistic value above 1.96 or a p-value below 0.05, which indicates a significant effect between variables (Hair Jr et al., 2017). Table 5 presents the results of the hypothesis testing.

Table 5
Hypothesis Testing

Hypothesis Hypothesis Statement	Path Coefficient	P-Value	t-statistic	f square	Remarks
H1: FC → ER	0.584	0.000	9.885	0.597	Significant
H2: HC → ER	0.283	0.000	5.041	0.139	Significant
H3: SC → ER	0.070	0.025	2.238	0.013	Significant
H4: ER → SCA	0.722	0.000	18.028	1.170	Significant
H5: LCV x ER →SCA	0.191	0.000	3.514	0.106	Significant

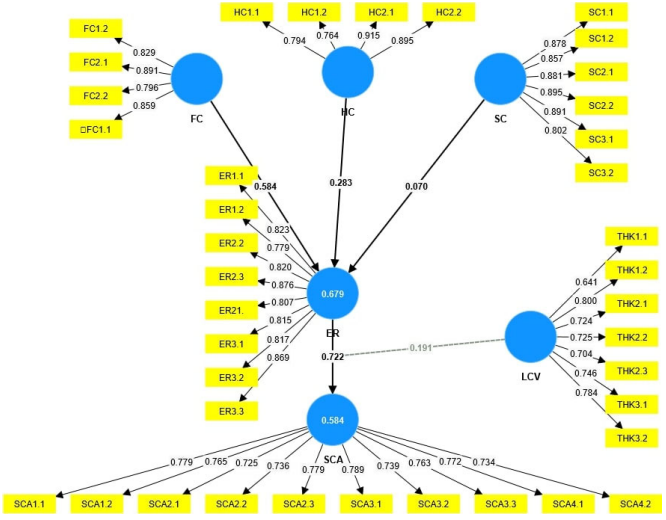

Fig. 2. The results of testing the hypothesis

Table 5 reveals that all hypotheses were statistically significant. Although all direct effects between latent variables were significant and practically relevant in the proposed model, the test results revealed that (a) the effect of financial capital on the entrepreneurial resilience had the most significant effect (path coefficient = 0.584) with a high level of effect (f2 = 0.597); (b) while the effect of social capital on the entrepreneurial resilience was the least significant (path coefficient = 0.070); (c) the entrepreneurial resilience also had a significant influence on sustainable competitive advantage with the effect (path coefficient = 0.722); (d) local cultural values contributed to strengthening the relationship between resilience and sustainable competitive advantage with the magnitude of the influence at a moderate level (f2 = 0.106).

4.5 Discussion

This study examined drivers of entrepreneurial resilience which stipulated that the ability to obtain the resources required by the company capital was determined by the resources owned (Barney, 1991). SMEs were owner-centric business sectors, where ownership of capital and access to capital depended on the SME entrepreneurs. Output analysis revealed a substantial relationship between the growth of entrepreneurial resilience and capital owned by entrepreneurs. The first hypothesis (H1) was tested, and the findings showed that financial capital had a major impact on entrepreneurial resilience. The result indicated that entrepreneur's financial capital could be a source of entrepreneurial resilience when faced with environmental changes that could endanger firm continuity (Chowdhury et al., 2018). Dynamic environmental changes often prevented entrepreneurs from predicting, while entrepreneurs had to maintain the continuity of the company's operations and innovate to adapt to the occurring changes (Aisjah et al., 2023). The ownership of financial capital allowed entrepreneurs to maintain the sustainability of the company's supply chain and assisted the company's innovation activities (Yadegaridehkordi et al., 2023). This result confirmed the previous study (Huang, 2016), which found that the availability of financial capital supported companies to continue operating their business and seize opportunities when competitors failed under challenging circumstances (Martinez et al., 2017). Previous studies found that entrepreneurs with high levels of resilience were determined by their stress tolerance and confidence in their ability to deal with adverse situations (Bullough et al., 2014). Further, output analysis for the second hypothesis (H2), which implied that entrepreneurs' human capital could establish their resilience, was supported. The level of education and experience possessed by entrepreneurs were perceived as enabling entrepreneurs to discover and generate business opportunities when other individuals did not perceive it as an opportunity (Marvel et al., 2016). In conducting their business, human capital provided the ability to support entrepreneurs in developing and operating their businesses through knowledge accumulation (Organ et al., 2006), especially when the company was exposed to rapid environmental changes and disruptions that could threaten the sustainability of their business. Entrepreneurs will be more proficient to respond to circumstances and make better decisions if they have prior experience running a company or working in other organizations (Gorondutse et al., 2020; Nassani & Aldakhil, 2021). Prior experience can be beneficial in developing of an entrepreneurial

behavior, enabling people to see that changes are part of the learning process and help them rise over difficult circumstances (Shepherd & Patzelt, 2018). Entrepreneurs with prior experience can also be more capable to identify opportunities in challenging circumstances (Arsawan, De Hariyanti, et al., 2022). Dynamic business environments adjusted entrepreneurs to seeing constantly shifting business conditions, leading them to be more resilient by making them fewer inclined to give up easily when faced with of challenges and to act proactively, viewing difficulties as opportunities rather than threats (Khan, Majid, Yasir, et al., 2020).

The third hypothesis (H3) also proved that social capital was also one of the sources of entrepreneurial resilience. These results confirmed the previous study's (Bhatti et al., 2020; Khan, Majid, & Yasir, 2020), indicating that resilience referred to a positive pattern of adaptation to significant risks or difficulties. Thus, personal characteristics and external factors determined the conceptualization of resilience. The empirical study (Ungar, 2008) also endorsed it because resilience was the outcome of interactions between humans and the surrounding environment. The social environment of entrepreneurs was influenced by their social networks and the interactions created between entrepreneurs and their social ecology, confirming that the ownership of social capital possessed by entrepreneurs affected entrepreneurial resilience. Social capital allowed entrepreneurs to access various resources needed, ranging from information to knowledge, finance, ideas, insights, and advice, which could be the key to business survival and facilitate the formation of resilience in the face of adverse situations (Ceci et al., 2020; Ganguly et al., 2019). Entrepreneurs were likely to be associated with strong social network ties such us personal networks with family to gain mutual respect, trust and commitment among its members (Ahmad et al., 2022).

The results indicated that the fourth hypothesis (H4) was supported, which implied that entrepreneur resilience was an ability required by entrepreneurs to achieve sustainable competitive advantage in SMEs. This result supported a study conducted by (Bullough et al., 2014), which suggested that entrepreneurs' belief in their abilities helped them take the right actions and decisions when their businesses were exposed to adverse situations and continue to develop them and achieve sustainable competitive advantage (Haseeb et al., 2019; Huang et al., 2015). This ability allowed entrepreneurs to constantly be flexible and resourceful in dealing with existing problems by attempting to adjust their resources to adapt to changes (Miroshnychenko et al., 2021; Yang et al., 2015). It is consistent with the dynamic capabilities needed by the company, i.e., the ability to adjust the company's resources to adapt to the changes and situations it encountered. These results confirmed the results of the study conducted by (Miles & Petridou, 2015; Wildavsky, 2017), which demonstrated that through resilience capabilities, companies become more flexible in adjusting their resources and capabilities to adapt when companies experience changes and challenging situations (Ferreira et al., 2020; Kazmi & Ahmed, 2021).

Further, testing of hypothesis 5 revealed that the role of local cultural values reinforced the relationship of the entrepreneurial resilience to sustainable competitive advantage. The Balinese society possessed a guideline of life derived from a local culture called the Tri Hita Karana principle that underscored harmonization. Tri Hita Karana's values comprised the harmonious relationship between individuals and their spirituality, individual relationships with others, and individual relationships with the environment (Sukawati, 2017). This study perceived local cultural values to be considered in developing the entrepreneurial resilience concept because SMEs were community businesses that operated in regions where local cultural values significantly influenced the behavior of the surrounding community. The process of learning individual behavior was determined by how the social environment responded to the behavior displayed (Bandura, 1992). Acceptable or rejected behavior by the social environment affected the development of abilities in individuals. Therefore, this study proposed the value of local culture as a moderating variable in the relationship between entrepreneur resilience and sustainable competitive advantage.

5. Implications and further recommendations

5.1 Theoretical implications

First, this study implicates developing the entrepreneurial resilience concepts, especially in the SME sector. From the study, it is evident that the development of the entrepreneurial resilience concept requires more than a psychological approach because resilience is the capacity of individuals as a consequence of their interaction with the environment. This study develops the entrepreneurial resilience by examining the factors that determine resilience using the resource-based approach. This view is grounded in the notion that developing capabilities requires resources, where resources in SMEs come from entrepreneurs' capital. The results of this study also confirm that the entrepreneurial resilience is one of the dynamic capabilities necessary for entrepreneurs to accomplish a sustainable competitive advantage strategy (Kraus et al., 2021; Yi et al., 2021).

Second, financial capital is the most important driver for building entrepreneurial resilience. This encourages SMEs to continue to increase their capacity to strengthen financial capital. Financial capital is the main source of resilience when facing environmental changes that can endanger the company's continuity (Chowdhury et al., 2018; Karuppiah et al., 2020). Financial capital ownership allows entrepreneurs to maintain sustainability and assist the company's innovation activities (Yadegaridehkordi et al., 2023). Thus, the availability of financial capital supports companies to continue running their business and seize opportunities when competitors fail in challenging circumstances (Martinez et al., 2017; Popa et al., 2017)

Third, this study enhances the model of sustainable competitive advantage with moderation mechanism using local culture values. Local cultural values need to be adopted to develop the concept of resilience because they influence an individual's ability to develop and prepare strategic plans but are still guided by the noble values of local wisdom (Rahyuda et al., 2018). Fourth, this study integrating resource-based view (Barney, 1991) and theory of resilience (Holling, 1973), which posits that resilience is the ability to accommodate environmental changes that prevail. To build resilience, organizations must be able to allocate resources effectively. On the other hand, organizations prepare strategic flexibility to build agility and resilience. Thus, combining these two theories provides an understanding that resilience is built based on mapping and allocating resources effectively and efficiently.

5.2 Managerial implications

Although providing theoretical contributions, this study also offers the following managerial implications. First, SME managers must view the important role of capital in building their resilience capabilities. Ownership of financial, human, and industrial capital helps entrepreneurs when facing dynamic changes in the business environment. Thus, it is very important for the allocation of organizational potential and resources to be translated into a flexible strategy for sustainability. Second, access to capital allows them to manage their business when they face bad situations. Entrepreneurs who understand the critical role of entrepreneurial capital will increase their resilience because it helps them identify opportunities and direct their resources to adapt to change quickly. As a result, they are more likely to gain competitive advantage more quickly than competitors. Third, local wisdom values need to be implemented in the routine activities of employees and organizations because they have noble values that can influence employee motivation and involvement in the social environment, co-workers and organizational culture.

5.3 Limitation and further studies

Even though it has important theoretical and managerial contributions, this research has several limitations as follows. First, this study was conducted on one population and the sample area is limited so the findings cannot be generalized. For this reason, future research can test this resilience model in different industrial contexts and involving larger samples. In addition, conducting comparative tests of two or three types of industry can produce better findings in the literature. Second, local cultural values may not be implemented in other country contexts, for this reason, future research could explore local cultural values associated with established knowledge. Local culture needs to be introduced on a massive scale to be known and implemented in different communities. Finally, Sustainable competitive advantage is a multidimensional construct that is influenced by internal and external drivers. For this reason, future research needs to consider adding the constructs of environmental dynamism and technology adoption to address the changing business environment. These two constructs are expected to provide a new perspective that external forces provide important stimulation for organizations in preparing their strategic plans.

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