

# NETWORK TIES, ENTREPRENEURIAL CREATIVITY AND COMPETITIVE ADVANTAGE: THE MODERATING ROLE OF KNOWLEDGE INTEGRATION CAPABILITY

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**Abstract.** This study aims to examine the moderating effect of knowledge integration capability on the relationship between business ties, political ties, and entrepreneurial creativity on competitive advantage. We present the first model that links the ability to integrate knowledge, network ties, and entrepreneurial creativity with the background of MSMEs in Indonesia. This study's data collection method is a questionnaire survey given to Indonesian MSME entrepreneurs. Meanwhile, 358 questionnaires have been qualified for further processing as part of the random sampling approach used in this study's sample collection. Additionally, the survey data were acquired through the use of SmartPLS, and the study's findings indicate that business ties, political ties, and entrepreneurial creativity all favorably impact competitive advantage. Knowledge integration capability reinforces the influence of business ties and entrepreneurial creativity on competitive advantage. But knowledge integration capability is unable to counteract the impact of political ties on competitive advantage. The results complement the literature related to the use of knowledge resources in achieving competitive advantage. Considering the important role of knowledge integration capability in the escalation of competitive advantage in corporations, MSME entrepreneurs are strongly advised to consider the available resource of knowledge. To preserve the competitive advantage, knowledge should be continuously expanded.

**Keywords:** business ties, political ties, entrepreneurial creativity, competitive advantage, knowledge integration capability.

**JEL Classification:** D22, L21, L26, M21.

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## 1. Introduction

Competitive advantage is crucial for corporations when they are operating in a challenging market environment. Competitive advantage is defined as the strategic advantage of a business entity in a competitive industry where it is likely possible to excel the competitors (Hunitie, 2018; Novitasari & Agustia, 2023; Porter, 1985; Wu & Chen, 2012). With the emergence of competitive advantage, corporations are able to indicate development compared to their competitors (Singh & Dhir, 2021). Therefore, it is crucial for corporations to have relevant, updated, and inimitable sources of competitive advantage. The corporations that can develop valuable, rare, unchangeable, and irreplaceable skills will be able to achieve a competitive advantage compared to their competitors (Dixit et al., 2021). This result in achieving competitive advantage does not appear from industrial dynamism; it appears from the

accumulation process and utilization of resources in corporations (Roos et al., 2001).

In the open innovation context, sustainable competitive advantage depends more on external knowledge (Asimakopoulos et al., 2020; Kianto et al., 2019; Yang et al., 2021). Some of the external knowledge can be obtained from network ties that cover business ties and political ties. Network ties are the ability of corporations to establish good relations with external parties. The entrepreneurs need to have network ties with their external environment since it could assist the corporations in obtaining the resources and accommodating the information exchange through personal interaction, and the network will positively contribute to the development of the corporations (Sheng et al., 2011; Wu & Chen, 2012). The research by Zhao and Timothy (2015) has discovered that network ties indicate transformational effects in Taiwan and China, and this effect is effectively crucial to enabling success or

failure in the competitive environment. Meanwhile, Sheng et al. (2011) state that business ties have stronger positive effects on corporation performance than political ties, and this effect depends on the institutional environment and market. However, previous research tends not to look at the differences in the influence of business ties and political ties or to see these ties with one dimension, namely network ties (Gu et al., 2008; Li et al., 2008). As a result, there has been no clarity regarding which ties play a greater role in developing countries.

Another unique resource and ability every entrepreneur needs to have in order to achieve competitive advantage is entrepreneurial creativity (Alfian et al., 2021; Kathiravan et al., 2019; Safari et al., 2020). Entrepreneurial creativity is a process to create new ideas and discover the answers to achieve a competitive advantage for the business (Bonn, 2005; Dixit et al., 2021). Woodman et al. (1993) define creativity as the creation of valuable and useful products, services, ideas, procedures, or new processes initiated by the individuals who work together in a complex social system. The results of the research by Dixit et al. (2021) find that creativity is influencing competitive advantage. The different result has been indicated by Ali et al. (2020) that intangible skills such as creativity and entrepreneurial and intellectual capital experiences do not directly influence competitive advantage. Tripathi and Ghosh (2020) also state that creativity reflects the mental models and challenges the required core beliefs and assumptions to implement action plans in corporations.

Previous research examined the correlation between network ties and competitive advantage, correlating entrepreneurial orientation and intellectual capital (Liu, 2020), corporation performance (Sheng et al., 2011), and market orientation (Boso et al., 2013). Different results from the research examined the correlation between creativity and the competitive advantage that is associated with strategic thinking (Bonn, 2005; Dixit et al., 2021), marketing strategy (Ali et al., 2020), and innovation ability (Correia et al., 2020). The novelty of this study is the use of knowledge integration capability as a moderation in the influence of business ties, political ties, and entrepreneurial creativity on competitive advantage implemented in MSMEs in Indonesia. This study aims to examine the moderating effect of knowledge integration capability on the relationship between business ties, political ties, and entrepreneurial creativity on competitive advantage of MSMEs in Indonesia. MSMEs contribute to economic growth and equitable development (Pusung et al., 2023). The number of MSMEs in Indonesia is rapidly growing. According to the data from the Ministry of Cooperatives and SMEs of the Republic of Indonesia as of 2019, the number of MSMEs in Indonesia reached 65,47 million units, and it contributed to national GDP at 60.5%. In more detail, it also contributed to non-oil exports at 15.6%, involving 119.56 million laborers (Kemenkopukm, 2019). As Indonesian MSMEs are rapidly growing, this condition has caused competition among the MSMEs, and in the end, they are required to achieve a competitive advantage.

The correlation between variables in this research is established based on knowledge-based theory. Knowledge-based theory states that corporation performance depends on the specific abilities of the corporation to create the knowledge combined with the management relationship to share the external knowledge (Grant, 1997). Knowledge is considered the most strategic advantage of corporations (Low & Ho, 2016), which supports business and strategy to achieve competitive advantage (Behl et al., 2022; Teece, 2000). Therefore, corporations are required to have the ability to manage their resources to improve their competitive advantage. Corporations that have a high level of knowledge integration capability can effectively assimilate new knowledge and create inimitable knowledge routines (Enkel et al., 2018). Therefore, by utilizing knowledge integration capability as a moderating role, it is expected that the influence of network ties and entrepreneurial creativity on competitive advantage will be greater. This research will solve the problem: 1) Do business ties, political ties, and entrepreneurial creativity have a positive effect on competitive advantage, and 2) Can knowledge integration capability moderate the influence of business ties, political ties, and entrepreneurial creativity on competitive advantage?

This study introduces knowledge integration capability as a moderator of the influence of network ties and entrepreneurial creativity on competitive advantage. In general, this research contributes to the literature that knowledge integration capability is moderating the network ties effect and entrepreneurial creativity to competitive advantage. This research also contributes to the development of MSMEs by showing that MSME actors need to broaden their network ties and increase their creativity in running their businesses. In addition, MSMEs also need to increase their knowledge integration capability to achieve a competitive advantage. Moreover, this research consists of several sections, where Section 2 provides a literature review and hypotheses about the research. Section 3 explains the data and methodological approach of the research. Section 4 presents the empirical results of the research, and Section 5 consists of the results and discussion. Last but not least, Section 6 consists of the conclusions, limitations and suggestions for future research.

## 2. Literature review and hypotheses development

### 2.1. Network ties

Network ties are relationships between corporations and external parties. Network ties assist the business to detect environmental change, obtain required market resources, and produce and maintain a competitive advantage over their competitors (Guan & Liu, 2016; Lee & Kim, 2017; Liu, 2020, 2018). Network ties consist of business ties and political ties, where business ties are relationships developed by corporations with the business actors in the market, such as suppliers, customers, and competitors (Boso et al., 2013;

Liu et al., 2023). Meanwhile, political ties are informal social relations of the corporations with the officials in the government from various administrative levels; they also include the central and regional governments and officials in regulatory bodies such as the tax administration bureau or stock market (Lee & Lin, 2023; Li et al., 2009; Sheng et al., 2011). The results of the research by Liu (2020) find that corporations that have more networks tend to strengthen the capital effect of the organization for competitive advantage.

## 2.2. Entrepreneurial creativity

Creativity is an intellectual activity carried out to create new ideas and innovation abilities to change creativity into certain actions or results (Fadaee, 2014; Ferreira & Coelho, 2020) that are able to achieve competitive advantage for the business (Bonn, 2005; Woodman et al., 1993). Amabile (1997) defines entrepreneurial creativity as the development tool and implementation of unique, authentic, and accurate ideas to launch new businesses. Amabile (1997) further explains that entrepreneurial creativity is crucial in a business, both in a developed and newly launched business. Individuals who are able to demonstrate entrepreneurial creativity can increase their innovation level and creation ability in a business since they are able to view the existing opportunities and prospects for new ideas and ensure the approach to solving problems as well as the implementation of innovative ideas (Ahlin et al., 2014; Shahab et al., 2019).

## 2.3. Knowledge integration capability

Knowledge integration capability is a corporation's capacity to intentionally create new knowledge from a combination of knowledge resources, extend that knowledge to value creation activities, and modify that knowledge to cope with changing market conditions (Kogut & Zander, 1992) and for its sustainability (Jyoti & Dev, 2015; Lee, 2019; Tripathi & Ghosh, 2020). Knowledge integration capability is all about acquiring various types of knowledge and then reorganizing and even innovating them through the understanding and absorption of organizational members to ensure the core competitiveness of the organization (Li et al., 2023). Knowledge integration capability does not only facilitate knowledge transfer but also helps corporations design the appropriate knowledge strategy.

## 2.4. Hypothesis development

The resource-based view (RBV) emphasizes that corporations with inimitable, substitutable, and scarce resources are more likely to have a competitive advantage compared to companies without resources (Bananuka et al., 2022; Barney, 1991; Kaawaase et al., 2020). Business ties are an important market resource for firms (Alghababsheh, 2023; Sheng et al., 2011). They offer important market information that may not be available on the open market, such as product information, related events or changes in the market, and information about trustworthy and non-trustworthy partners (Li et al., 2008). Close social interaction and

communication encourage learning and mutual adjustments between business partners and facilitate knowledge transfer and technology acquisition. Extensive business ties enable organizations to detect market opportunities and leverage valuable network resources embedded in broad connections, thereby increasing the organization's ability to reach or acquire scarce resources, information, and news (Lee, 2019). Therefore, the research hypothesizes that the first hypothesis is:

*Hypothesis 1. Business ties positively influence competitive advantage.*

Political ties act as an important attribute in a company that can increase sustainability (Chen et al., 2018; Xu et al., 2023). Political ties serve as an effective means of enforcement by increasing political legitimacy and status mechanisms to reduce environmental uncertainty and enhance the reputation of organizational networks (Sheng et al., 2011). With strong government relations, corporations can avoid engaging in unlawful behavior (Zhang et al., 2015) and access valuable market information when the business environment is not effective. In addition, political ties allow corporations to obtain financial and regulatory resources from the government, where this condition helps corporations more effectively absorb and exploit the resources of other external networks (Li et al., 2018; Ozer & Zhang, 2014; Zhang et al., 2020). In accordance with the RBV, which assumes internal resources are an important component of competitive advantage, Therefore, entrepreneurs need to maintain and develop their company's political ties in order to achieve a competitive advantage. The results of the research by Liu (2020) found that political ties are very important for companies to achieve competitive advantage. Therefore, the research hypothesizes that the second hypothesis is:

*Hypothesis 2. Political ties positively influence competitive advantage.*

RBV assumes that the corporation's internal resources are a determinant of the corporation's competitiveness. Safari et al. (2020) state that creativity, as an internal resource of corporations, is one of the main sources of competitive advantage for organizations because it allows them to develop capabilities and support long-term business performance. In creating original creativity that includes a new business is beneficial to maintain the sustainability of a corporation (Alfian et al., 2021). Furthermore, corporations that have been demonstrating a creative culture have more competitive advantages than competitors who do not have a creative culture (Woodman et al., 1993). Madžar and Milohnić (2019) investigated the management creativity in several corporations and the impacts on corporations' competitiveness. The results reveal organizations that implement management creativity systems have a higher level of excellence. Other empirical studies show that entrepreneurial creativity has a positive and significant effect on a corporation's competitive advantage (Kathiravan et al., 2019). Corporations that have entrepreneurial

creativity are able to encounter competition well, and they are even able to win the competition. Therefore, the third hypothesis of the research is proposed as follows:

*Hypothesis 3. Entrepreneurial creativity positively influence competitive advantage.*

The cooperation of corporations is defined as a strategic process initiated through the exchange of shared resources between the corporation and its partners to obtain various valuable resources (Hoang & Antoncic, 2003; Wincent et al., 2010). By building business ties, corporations will have more channels and information to better understand the condition of the external environment. In knowledge-based theory, it is stated that knowledge resources are very important to ensure sustainable competitive advantage since these resources are difficult to imitate and are the basis for sustainable differentiation (Wiklund & Shepherd, 2003). Knowledge integration capability is the ability to integrate new knowledge and existing knowledge in order to pursue business opportunities. The research results of Huang and Li (2017) found that knowledge integration capability can increase the efficiency of acquiring and utilizing external knowledge. By integrating relevant knowledge and resources more quickly and flexibly and coordinating the organization's internal and external knowledge allocation, the effective conversion of new knowledge can be successful in a competitive environment (Dong et al., 2023). Corporations that demonstrate high knowledge integration capability are able to process information obtained from business ties to achieve competitive advantage. The effects of business ties on competitive advantage will be stronger when entrepreneurs also have knowledge-based resources, namely high knowledge integration capability. Therefore, the research proposes the following hypothesis:

*Hypothesis 4. Knowledge integration capability is able to moderate the influence of business ties to competitive advantage.*

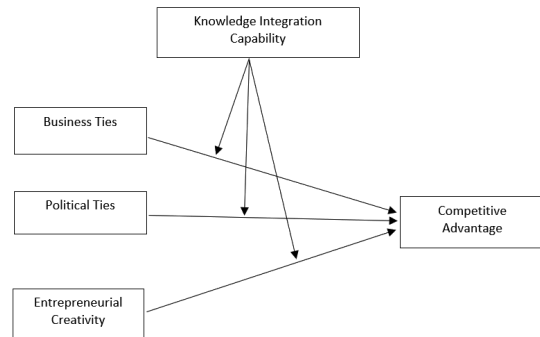
Political ties can increase the corporation's resources and knowledge exchange and help create a competitive advantage (Guan & Liu, 2016). Strong political ties can bring corporations to the latest creation of policies and regulations related to industrial planning (Guo et al., 2020). The aforementioned statement is in accordance with the knowledge-based theory, which assumes knowledge is the most important strategic resource (Curado, 2006). Therefore, the corporation's knowledge or ability is required to take advantage of existing political ties. Knowledge integration capability is a company's ability to create new knowledge from its existing resources. Corporations that demonstrate high knowledge integration capability can effectively assimilate new knowledge and create inimitable knowledge routines (Enkel et al., 2018; Koch, 2011). The higher the knowledge integration capability, the greater the influence of political ties on competitive advantage. Therefore, the research is proposing the following hypothesis:

*Hypothesis 5. Knowledge integration capability is able to moderate the influence of political ties to competitive advantage.*

Creativity within corporations leads to original creations that generate competitive advantage for the corporations. In knowledge-based theory, it is stated that the generation and application of knowledge are the main activities underlining the corporation's ability to achieve excellent performance (Leiponen, 2006; Nonaka, 1994). Therefore, knowledge integration capability is needed to implement entrepreneurial creativity to achieve competitive advantage. Supported by high knowledge integration capability, it will influence the correlation between entrepreneurial creativity and competitive advantage. Therefore, the research is proposing the following hypothesis:

*Hypothesis 6. Knowledge integration capability is able to moderate the influence of entrepreneurial creativity to competitive advantage.*

This section explains the literature review and hypotheses. This study explores the moderation of knowledge integration capability on network ties, entrepreneurial creativity, and competitive advantage. This research aims to test knowledge integration capability, which moderates between network ties and competitive advantage, and knowledge integration capability, which moderates between entrepreneurial creativity and competitive advantage. Figure 1 explains this relationship.



**Figure 1.** Research framework

## 3. Methodology

### 3.1. Research design

This type of research is quantitative and focuses on the variables of knowledge integration capability, business ties, political ties, entrepreneurial creativity, and competitive advantage. There were two tests in this study. First, test the direct influence of business ties on competitive advantage, the direct influence of political ties on competitive advantage, and the direct influence of entrepreneurial creativity on competitive advantage. Second, test the indirect relationship between the influence of business ties, political ties, and entrepreneurial creativity on competitive advantage, which is moderated by knowledge integration capability. Variable testing in this study used SmartPLS (Partial Least Square) software.

### 3.2. Sample and data collection

Respondents in this study are SMEs in Indonesia. The type of data used in this research is qualitative data in the form of the respondent's perception of the tested variable. Based on the source, the data used in this research is primary data obtained from the opinions of the research's subjects collected by using a questionnaire survey. The random sampling technique is used in this research, and all individuals in the population are given the same opportunity to be selected as members of the sample. The selection method of the sample is carried out by taking sample members from the population randomly without addressing certain levels in the population. The lower limit for our target sample is 100 respondents. Veitch and Roscoe (1974) state that a sample size of 30–500 is considered suitable for all types of studies.

Before the questionnaires were distributed to the research respondents, a pre-test was carried out on 30 respondents as a pilot project to confirm the validity and reliability of the contents of the questionnaire. Then, the questionnaire was distributed to respondents by using the Google form and manual sharing. From the 500 questionnaires that had been distributed, 358 could be used for analysis purposes. The characteristics of the respondents are shown in Table 1.

**Table 1.** Characteristics of the respondents

Information	Respondents	
	Total	Percentage
Gender		
Male	142	39.66
Female	216	60.34
Total	358	100
Level of Education		
Elementary School	7	1.96
Junior High School	25	6.98
Senior High School	129	36.03
Diplome degree	48	13.41
Bachelor degree	149	41.62
Total	358	100
Duration of Business		
1–5 years	187	52.23
6–10 years	79	22.07
11–15 years	45	12.57
> 15 years	47	13.13
Total	358	100
Business Sector		
Trade	263	73.46
Service	57	15.92
Manufacture	38	10.62
Total	358	100

### 3.3. Variable measurement

All variables involved in the research have been measured using developed instruments based on the results of the previous studies. In order to measure the questionnaire items, a five-point Likert scale was used to rate them from strongly disagree (1) to strongly agree (5). Business ties are measured by four-item questionnaire statements modified from research by Sami et al. (2019). Political ties are measured by four-item questionnaire statements modified from research by Sami et al. (2019). Entrepreneurial creativity is measured by a 7-item questionnaire modified from the research by Mokhtarzadedeh et al. (2022). Knowledge integration capability is measured by a 4-item questionnaire statement, which was modified from research by Yang et al. (2021), and competitive advantage is measured by four modified questionnaire statements from research (Safari et al., 2020).

### 3.4. Data analysis

The hypothesis in this research was tested using SmartPLS software. SmartPLS can process data that does not have to be normally distributed, can handle several dependent and independent variables simultaneously, and can calculate data in the form of questionnaires. Analysis using SmartPLS is divided into two models, namely the measurement model (outer model) and the structural model (inner model). The first stage is testing the outer model. The validity of the external model was tested with convergent validity (factor loading and average variance extract (AVE)) and discriminant validity. Meanwhile, the reliability of the instrument was tested using composite reliability and Cronbach's alpha. The next stage is testing the inner model. Inner models are tests carried out to test hypotheses.

## 4. Results

### 4.1. Descriptive statistics

The results of descriptive statistics on the research variables are presented in the following Table 2 below:

**Table 2.** Descriptive statistics

Constructs	Mean	Category
Business Ties	4.049	Agree
Political Ties	4.172	Agree
Entrepreneurial Creativity	4.162	Agree
Knowledge integration capability	3.786	Agree
Competitive Advantage	4.297	Strongly Agree

Note(s):

1) interval = (highest score–lowest score / number of scores) interval = (5–1)/5 = 0.8.

2) criteria of the average respondents' answers:

1.00 <  $\alpha$  < 1.79: Strongly Disagree; 1.80 <  $\alpha$  < 2.59: Disagree;

2.60 <  $\alpha$  < 3.39; Neutral: 3.40 <  $\alpha$  < 4.19: Agree;

4.20 <  $\alpha$  < 5.00: Strongly Agree.

The results of the descriptive statistics in Table 2 show empirical findings, namely: Firstly, the average business ties value is 4,049, which indicates that respondents agree with the business ties questionnaire question items. Moreover, this result shows that respondents have the perception that their business ties are in good condition. Secondly, the average value of political ties is reaching 4,172, and this result indicates that respondents agree with the political ties questionnaire question items. This shows that respondents have the perception that their political ties are in good condition. Third, the average value of entrepreneurial creativity is 4,162, indicating that, on average, the respondents agree with the items in the entrepreneurial creativity questionnaire. These results indicate that respondents have the perception that their entrepreneurial creativity is in good condition. Fourth, the average value of knowledge integration capability is 3,786, indicating that, on average, the respondents agree with the question items on the knowledge integration capability questionnaire. These results indicate that respondents have the perception that their knowledge integration capability is in good condition. Fifth, the average competitive advantage value of 4,297 indicates that, on average, respondents agree with the competitive advantage questionnaire question items. These results indicate that respondents have the perception that their company's competitive advantage is in very good condition.

#### 4.2. Measurement model analysis

Outer model analysis is carried out to ensure that the measurement used in the research is feasible, valid, and reliable. This analysis was processed by SmartPLS software, and the results are available in Tables 3 and 4. The convergent validity test with the reflective measurement model is shown in Table 3, and it obtains a loading factor value of the indicator greater than 0.700. As a result, the indicator of the variable has met convergent validity (Ghozali, 2021). The construct test validity is assessed by using the Average Variance Extracted (AVE) value; the value of the test results meets the test criteria of more than 0.500. Therefore, each variable meets the construct validity requirement. The reliability test in the research is carried out by using the composite reliability value and the Cronbach's alpha value. As illustrated in Table 3, it can be seen that the test results meet the test criteria of more than 0.700. As a result, each variable meets construct reliability (Hair et al., 2019).

**Table 4.** Discriminant validity

	Business Ties	Competitive Advantage	Entrepreneurial Creativity	Knowledge Integration Capability	Political Ties
Business Ties	0.878				
Competitive Advantage	0.445	0.832			
Entrepreneurial Creativity	0.507	0.486	0.805		
Knowledge Integration Capability	-0.335	-0.385	-0.416	0.796	
Political Ties	0.636	0.436	0.541	-0.366	0.822

Discriminant validity can be evaluated by assessing cross-loading between constructs using the Fornel-Larcker criteria. Based on the criteria, when the square root of the AVE of a construct is greater than the correlation between the construct and other constructs, the result is valid. According to Table 4, all constructs tested in this study comply with predetermined criteria. As a result, it can be concluded that these constructs have passed the discriminant validity test.

**Table 3.** Results of reliability and convergent validity

Variables	Indicators	Loading Factor	AVE	Cronbach's Alpha	Composite Reliability
Business Ties	BT1	0.919	0.772	0.902	0.931
	BT2	0.839			
	BT3	0.890			
	BT4	0.864			
Political Ties	PT1	0.809	0.675	0.841	0.892
	PT2	0.796			
	PT3	0.898			
	PT4	0.779			
Entrepreneurial Creativity	EC1	0.839	0.648	0.909	0.928
	EC2	0.810			
	EC3	0.806			
	EC4	0.813			
	EC5	0.778			
	EC6	0.747			
	EC7	0.839			
Knowledge Integration Capability	KIC1	0.772	0.634	0.807	0.874
	KIC2	0.762			
	KIC3	0.822			
	KIC4	0.827			
Competitive Advantage	CA1	0.903	0.693	0.854	0.900
	CA2	0.878			
	CA3	0.792			
	CA4	0.746			

#### 4.3. Structural model analysis

Structural model analysis is used to test the research hypothesis. Testing the hypothesis in this study involving SmartPLS software. The first hypothesis states that business ties have a positive effect on competitive advantage. Based on Table 5, it can be seen that the probability value obtained is 0.001 ( $p < 0.005$ ) and a positive regression co-

efficient value of 0.206, so H1 is accepted. This means that business ties have a positive effect on competitive advantage. The second hypothesis states that political ties have a positive effect on competitive advantage. Based on Table 5, it can be seen that the probability value obtained is 0.014 ( $p < 0.005$ ) and a positive regression coefficient value of 0.129, so H2 is accepted. This means that political ties have a positive effect on competitive advantage. The third hypothesis states that entrepreneurial creativity has a positive effect on competitive advantage. Based on Table 5, it can be seen that the probability value obtained is 0.001 ( $p < 0.005$ ) and a positive regression coefficient value of 0.246, which means H3 is accepted. The findings indicate that entrepreneurial creativity has a positive effect on competitive advantage.

The fourth hypothesis states that knowledge integration capability moderates the effect of business ties on competitive advantage. Based on Table 5, it can be seen that the probability value obtained is 0.030 ( $p < 0.005$ ) and a positive regression coefficient value of 0.137. The result indicates that H4 is accepted. Furthermore, this means that knowledge integration capability is able to strengthen the influence of business ties on competitive advantage. The fifth hypothesis states that knowledge integration capability moderates the effect of political ties on competitive advantage. Based on Table 5, it can be seen that the probability value obtained is 0.053 ( $p < 0.005$ ) and a positive regression coefficient value of 0.132; H5 is rejected. This result means that knowledge integration capability is not able to moderate the effect of political ties on competitive advantage. Finally, the sixth hypothesis states that knowledge integration capability moderates the influence of entrepreneurial creativity on competitive advantage. Based on Table 5, it can be seen that the probability value obtained is 0.045 ( $p < 0.005$ ) and a positive regression coefficient value of 0.115, where H6 is accepted. Furthermore, this means that knowledge integration capability is able to strengthen the influence of entrepreneurial creativity on competitive advantage.

**Table 5.** Moderation analysis results

Type of impact	Relationship	Coefficient	p-Value	Decision
Direct	BT → CA	0.206	0.001	Significant
	PT → CA	0.129	0.014	Significant
	EC → CA	0.246	0.001	Significant
Indirect	BT → KIC → CA	0.137	0.030	Significant
	PT → KIC → CA	0.132	0.053	Not Significant
	EC → KIC → CA	0.115	0.045	Significant

## 5. Discussion

The research to examine the behavior of entrepreneurs, especially MSME entrepreneurs, in their attempts to achieve competitive advantage is interesting to study. The rapid development of MSMEs requires them to have unique, rare, and inimitable strategies for running their businesses

in order to stay ahead of the competition. Previous studies have provided evidence that existing resources within a company are a source of a corporation's competitive advantage (Dixit et al., 2021; Roos et al., 2001; Singh & Dhir, 2021). Empirically, this study found that business ties, political ties, and entrepreneurial creativity have a positive effect on competitive advantage. This finding shows that it is very important for MSME entrepreneurs to establish good relations with external parties and develop their creative ideas. By maintaining business and political ties, a corporation will be able to achieve superiority over its competitors. Such a result has also been found in the research conducted by Liu (2020), which states that network ties are very important for companies to achieve competitive advantage. Moreover, Lee (2019) also stated that broad business ties and political ties allow organizations to detect market opportunities and increase the organization's ability to obtain important resources and information for its business. The results of this study are also supported by research conducted by Safari et al. (2020) and Kathiravan et al. (2019), who argue that creativity is one of the main sources of competitive advantage for organizations because it allows them to develop capabilities and support their long-term business performance. Corporations with high entrepreneurial creativity have more advantages than their competitors.

This research develops a theoretical model by examining the influence of business ties, political ties, and entrepreneurial creativity on competitive advantage, moderated by knowledge integration capability. Knowledge integration capability is able to strengthen the influence of business ties on competitive advantage. The results of this research are supported by knowledge-based theory, which considers knowledge as the most strategic corporate advantage to support business. With knowledge integration capability, it enables entrepreneurs to identify valuable knowledge and opportunities that arise from external companies so that they are able to manage this information better in order to achieve competitive advantage. Knowledge integration capability is also able to strengthen the influence of entrepreneurial creativity on competitive advantage. Xi et al. (2020) stated that knowledge integration capability can not only facilitate knowledge transfer but also help corporations design the appropriate knowledge strategy. Therefore, with knowledge integration capability, entrepreneurs are able to design new, more creative ideas that can help increase their competitive advantage.

However, knowledge integration capability is not able to moderate the effect of political ties on competitive advantage. As shown in Table 1, most respondents have run their businesses for less than 5 years (52.23%). Most respondents are newcomers in the business sector, and as a result, they do not have extensive experience in developing their businesses. Relevant experience allows entrepreneurs to gather relevant external resources for the progress of their business (Ali et al., 2020; Zhang & Xu, 2018). Ying et al. (2019) proved that business experience has a significant effect on a corporation's competitive performance. Experienced entrepreneurs will be able to easily

obtain useful and rare resources that are very beneficial for the progress of the company. The same thing was also shown in the education level of the respondents; 44.97% of them attended elementary school, junior high, and high school. With a low level of education, they have not been able to demonstrate business management knowledge properly. As a result, they have also not been able to utilize knowledge resources properly, especially knowledge integration capability, to increase the influence of political ties on competitive advantage.

## 6. Conclusions

This research aims to examine the moderating role of knowledge integration capabilities on the influence of business ties, political ties, and entrepreneurial creativity on competitive advantage. This research proves that business ties, political ties, and entrepreneurial creativity have a positive effect on competitive advantage. Establishing good relationships with suppliers, customers, competitors, and political ties will indirectly provide useful information that can be used by entrepreneurs in spreading their business. MSMEs must also have creative ideas so that their businesses can develop and be able to achieve a competitive advantage. This research also proves that knowledge integration capabilities can strengthen the influence of business ties and entrepreneurial creativity on competitive advantage. By integrating relevant knowledge and resources more quickly and flexibly, as well as coordinating the allocation of internal and external knowledge, MSMEs can develop more quickly and outperform the competition.

This research can have practical implications for MSMEs. The results of this research provide additional knowledge, especially for MSME entrepreneurs, that achieving competitive advantage does not always involve utilizing the company's physical resources. However, knowledge resources also play an important role in achieving this competitive advantage. MSME entrepreneurs need to expand network ties and increase creativity in running their businesses. MSMEs also need to improve their knowledge integration capabilities to achieve a competitive advantage. Theoretically, the results of this research can be used to complement the literature related to sources of company competitive advantage.

## Limitations and future research

This research has several limitations. Firstly, the limited number of research respondents. The respondents involved in the study were Indonesian MSME entrepreneurs. As a result, this research was unable to support the fifth hypothesis proposed. The future research on this topic should expand the research by using respondents from various countries in order to generalize the research results. Lastly, this research only focuses on the moderating role of knowledge integration capability on the effect of network ties and entrepreneurial creativity on competitive advantage. Future research can consider other variables,

such as management abilities or other dynamic capabilities, that might affect competitive advantage.

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