

The Effect of Service Quality, Product Innovation, External Factors on Sustainable Growth with Competitive Advantage as a Mediator

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Abstract

This study aims to offer a model that shows the influence of direct and indirect relationships of sustainable growth and factors that influence it such as Service Quality, Product Innovation, External Factors and *Competitive Advantage* as mediation. This research model was analyzed by *Structural equation modeling by Partial Least Square*. The data was collected by distributing surveys to 230 MSME business actors in Tangerang and Banten. The data collection technique uses *simple random sampling*. Of the ten hypotheses proposed, it is proven that there are five hypotheses proven to have a significant relationship directly between variables, and one hypothesis does not have a significant relationship. Two variables prove an indirect relationship between service quality variables, and external factors for sustainable growth with competitive advantage as mediation. One variable was not shown to have a direct relationship with competitive advantage as mediation. The research model tested only shows the influence of variables that support sustainable growth, with three variables consisting of service quality, Product Innovation, and external factors, with competitive advantage variables as mediating variables. Further research is expected to develop this model with other variables such as *Digital Marketing* and *Organizational performance* in MSMEs in Tangerang and Banten regions. This research proves that SMEs can use the results of this research to identify opportunities and threats that may arise from external factors such as regulatory changes, shifts in market trends, and technological developments. This includes developing appropriate adaptation strategies, developing partnerships or networks with external stakeholders, and monitoring environmental changes that may affect SME operations and sustainability. This research model offers external variable factors as one of the factors that are rarely discussed in sustainable growth in the field of MSMEs, especially with competitive advantage being a mediating variable.

Keywords

Service Quality, Product Innovation, External Factors, Competitive Advantage, Sustainable Growth, MSMEs.

1. Introduction

MSMEs in Indonesia continue to grow, despite global economic uncertainty and a more challenging market. Among MSMEs surveyed, revenue grew 9.3 percent in 2018 to an average revenue of IDR 55.1 billion, while profit grew IDR 23.5 percent to an average profit of IDR 7.1 billion on the back of strong domestic consumption. This is particularly impressive considering the 5.17 percent GDP growth for the entire country in 2018 (Ibcsd, 2019). The contribution of MSMEs to Indonesia's GDP continues to increase to around 60% in the pre-pandemic period. The absorption of labor by MSMEs is also very high and continues to grow, reaching 96.99 – 97.22% with the number of MSMEs reaching 62 million or around 98% of national business actors (Ibcsd, 2021). The important role of MSMEs in the national economy reflects the important role of MSMEs in achieving *Sustainable Development Goals* (SDGs) in Indonesia. MSMEs can be at the forefront of achieving the economic pillars of SDGs by creating jobs, creating decent working conditions, business innovation, adapting and reducing negative economic, social and environmental impacts on business operations for inclusive and sustainable economic growth. The changing business environment creates additional demands and puts greater pressure on businesses to reinvent their marketing practices; Small and medium-sized businesses need to be more innovative in terms of marketing practices and aware of possible market changes ahead of time (Miles et al., 2016). New demands present challenging conditions, and will affect competitive advantage in the market (Bati et al., 2021).

Competitive advantage means superior performance relative to other competitors in the same industry or superior performance relative to the industry average (Jurevicius, 2021). The rise of the MSME sector in Indonesia is marked by an increasing number of companies providing the same products and services or similar substitutes. This has created aggressive competition leading to the need for differentiation in terms of such products or services (AL-Amri & Sharma, 2020). This differentiation can be achieved through a number of features introduced to gain customer satisfaction. At the same time, developments in the communication process have allowed customers to recognize the features of products and services offered in the local market through traditional and electronic communication methods (social media) (González-Martín et al., 2000).

All these factors have forced the MSME sector in Indonesia to strive to create a competitive advantage in an effort to attract new customers through innovation and creativity, to address new customer needs and changing consumption patterns on the part of the Indonesian people. The quick response of MSMEs to these changes in a timely manner will lead to the success of attracting new customers and retaining existing ones. This process falls under the necessity of maintaining the quality of products and services and leads to low-cost strategies that will affect the price of products and services (Stevenson & Hojati, 2007).

Although MSMEs influence most national and global economic opinions, their involvement in supporting sustainability growth or industry growth is sustainability is hardly satisfactory, as only a small number of MSME actors adopt and integrate Sustainability principles in their business strategies and day-to-day operations. According to GRI's Sustainability Disclosure Database, sustainable business reporting by MSMEs in 2017 was only 10.22% and in 2018 15% (with not many reports submitted) of the total number of sustainability reports (Jussani et al., 2018)

Caught throughout the year, and this figure has remained about the same for the past seven years. So, there is a question why Sustainability growth is not measurable in MSMEs (Ministry of Cooperatives and SMEs, 2022). Detected reasons include a lack of awareness among employees about the importance of sustainability in MSME businesses, lack of awareness of business owners about the benefits of Sustainability practices in MSME businesses, unavailability of access to affordable financial resources, inadequate management skills in terms of marketing and operations, lack of information on how to apply Sustainability to MSME businesses, and confuse MSME businesses with other businesses at the same time. MSMEs in the Tangerang and Banten regions grow rapidly every year, and on average they are in the culinary sector (Syapsan, 2019).

Service quality is important and part of the daily activities of MSME actors. Service in this context refers to the quality of service provided to customers. Personal Service enables MSMEs to provide humane and respectful services. In addition, service quality is also related to the company's ability to create innovative products and access valid information on time. Quality of service is necessary because it has a positive influence on competitive advantage. This shows that the quality of service in managing a company has an influence on its ability to compete with other similar companies. Product innovation is needed by MSMEs to maintain company competitiveness. For companies that pursue excellence, restructuring, reducing costs and improving the quality of products or services is no longer enough. Companies must be able to create and commercialize new product and process flows that expand the boundaries of technology, while at the same time keeping a step or two ahead of their competitors (Nguyen et al., 2020). Innovation can bring future success and is the engine that enables businesses to compete and maintain their survival in the global economy.

Innovation can be done both in large companies and small companies such as MSMEs. In fact, often MSMEs are more innovative than large companies. This difference occurs because MSMEs have the advantage of adapting to flexibility and high responsiveness to changes in society, compared to large companies (Syapsan, 2019). External actors currently have an important role for business development, for example in the current state the biggest external factor and the biggest consideration is about how the company can continue to compete and be sustainable after pandemic conditions. External factors such as knowledge of MSME players on the characteristics of their business, understanding market analysis in simple terms and determining what innovations they need will be a need for MSME players. MSMEs in Tangerang and Banten, many of which are in the low productivity group. Low productivity can be seen from low income, the amount of goods production has not increased and the narrow marketing area for MSME finished products. This situation is caused by the problems faced by MSMEs, namely: low quality of human resources, weak entrepreneurship from MSME owners, and limited access of MSMEs to capital, information, technology and markets, as well as other production factors.

1.1 Objectives

Thus, this study aims to determine the influence of Service Quality, Product Innovation as well as external factors on Sustainable Local Economy, with Competitive Advantage as a mediating variable. The originality of this study is: first, the effect of Competitive Advantage as a mediation on the influence of service quality, product innovation and external factors on sustainable local economic growth; second, there is no previous research that addresses this relationship in MSMEs in Indonesia, especially in Java, Indonesia. Third, it is one of the few studies that comprehensively influences service quality, innovation, external factors to sustainable economic growth with competitive advantage as a mediating variable.

2. Literature Review

Service Quality

Service quality is defined as the comparison of customer expectations with service performance (Khoo, 2020). Good service quality leads to customer satisfaction and, therefore, makes the company more competitive in the market (Najib et al., 2020). High quality of service can be achieved by identifying problems in the service and determining measures for service performance and results as well as the level of customer satisfaction. In addition, service quality can be defined by examining the difference between expected service and perceived service (Suciptawati et al., 2019). The concept of service quality is not an independent term, that is, its formation depends on several factors related to service and service companies. These factors are referred to as the Service Quality dimension (Afthanorhan et al., 2019). The dimensions on service quality are as follows; Reliability is defined as the ability to perform the promised service reliably and accurately. Responsiveness is the willingness to help customers and to provide prompt service. This dimension focuses on attitude and accuracy in handling customer requests, queries, complaints and problems. The third dimension of service quality is the Assurance dimension. It can be defined as employee knowledge, courtesy and the ability of a company and its employees to inspire trust and trust in their customers. Another dimension of service quality is the Empathy dimension. It is defined as caring and individualized attention given to customers by a service company. This dimension tries to convey meaning through personal or individual service that the customer is unique and specific to the company. The fifth impertinence of service quality is Tangibility which is defined as the appearance of physical facilities, equipment, communication materials and technology (Ekasari et al., 2019; Ramya, 2019; van Dat, 2020).

Innovation

Innovation is a widely recognized concept and has attracted the interest of the academic and business world, as well as the government interests of all developed and developing countries (Santos et al., 2014). Today, innovation has become a major challenge for all types of organizations as it seems to be a key driver of long-term business success (Enzing et al., 2011). From an organizational knowledge-based perspective (Dangelico & Pujari, 2010), Innovation can be defined as the process of translating ideas (or inventions) into marketable goods and services in a way that generates value (Da Mota Pedrosa, 2012). In addition, innovation is a process and a result, so it focuses on business processes that support the development and application of actual innovative ideas (Hadj, 2020).

External factors

External factors are business factors beyond things that include the technical financial side that can have an impact on the financial and technological aspects of MSMEs. The indicators in this study are the level of education of entrepreneurs, the age of the business which indicates the length of time that the business has operated, the size of the MSME business indicated by its assets. According to Zhou et al. that there is a positive relationship between the age of consumers and their tendency to buy products online, it may be due to familiarity with the use of technology (Zhou & Zhang, 2007). Bagchi & Mahmood also found that online stores have a tendency to earn more money than traditional stores because the most popular items are purchased online, and increased demand leads to increased revenue (Bagchi & Adam, 2006). Research from Susskind identifies a positive relationship between a person's education, time expenditure and spending money on online shopping. In this study, researchers used education level, business age and business size as external factors (Susskind, 2017).

Competitive Advantage

The company's resources and capabilities and external factors are referred to as sources of competitive advantage (Kaleka & Morgan, 2017). There are two sources of competitive advantage, real and intangible. Tangible resources are financial resources and physical assets that are identified and assessed in financial statements. Intangible assets are those that are not visible in real statements (Jurevicius, 2021). In MSMEs, resources must work together to carry out their duties. Included in the resource is the ability of the organization, that is, the ability of the company to deploy resources for the desired result. Organizational capabilities can be classified by value chain because they are designed to create value for customers. New MSMEs created to survive can have slow growth and new management systems.

According to Altenburg and Meyer-Stamer, they form what are called by emerging groups or groups of surviving MSMEs (Liu, 2017). MSMEs that survive in developing countries are vague in defining strategies to build core competencies – they mix strategy with success factors; This is because they are based on intuition and experience focused on short and low term formulations (Kusumadewi & Karyono, 2019).

Sustainable Economic Growth

Persistent stagnation and declining economic growth have been accompanied by chronic unemployment and poverty, and the resulting problems have been in the global spotlight, leading to an increased search for strategies that can stimulate economic activity in many countries (Srinita, 2018). Now small business development has become central to community welfare efforts based on the idea that business shapes the context in which entrepreneurial activity takes place. In addition, MSMEs have higher job creation potential due to lower cost per job. Researchers consider the factors that influence sustainable growth in Indonesia. Given the challenging targets that the government must achieve vision 2030 and MSMEs are one of the most promising sectors in job creation in the country, it is expected that MSMEs adopt management perspectives and strategies that will enable a culture of sustainable growth in business. To encourage customer trust, a product must build sustainable economic growth through two utilitarian and hedonic values as mentioned above (Syapsan, 2019). Therefore, authors proposed research model as follows (Figure 1),

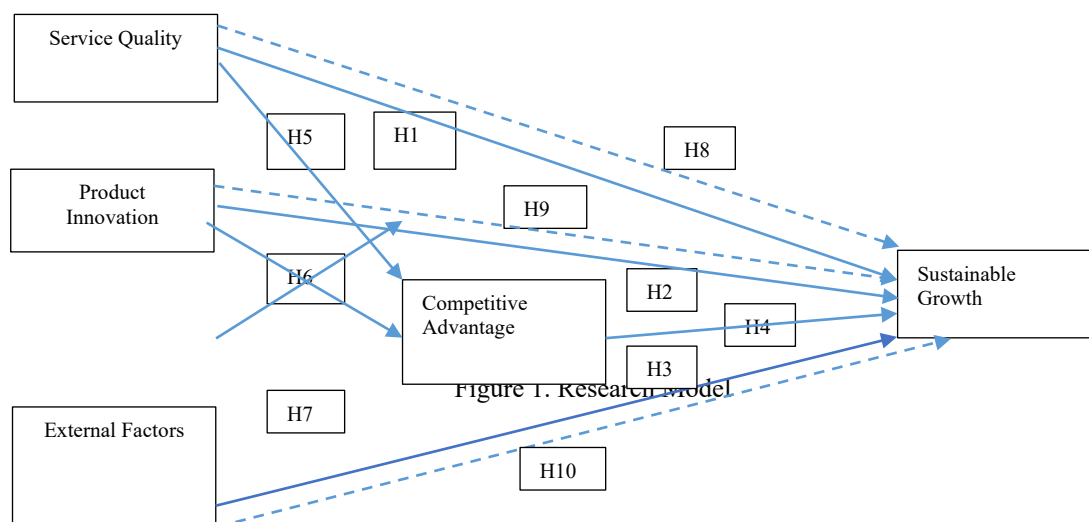


Figure 1. Research Model

The Hypotheses are.

- H1. Service quality has a significant relationship to sustainable economic growth.
- H2. Product innovation has a significant relationship to sustainable economic growth.
- H3. External Factors of significant relationship to Sustainable Growth
- H4. Competitive Advantage has a significant relationship to Sustainable Growth.
- H5. Quality of Service has a significant relationship to competitive advantage.
- H6. Product innovation has a significant relationship to competitive advantage.
- H7. External Factors of significant relationship to Competitive Advantage
- H8. Service Quality has a significant direct and indirect relationship with Sustainable Growth through Competitive Advantage.
- H9. Product Innovation has a significant direct and indirect relationship with Sustainable Growth through Competitive Advantage.
- H10. External factors have a significant direct and indirect relationship with Sustainable Growth through Competitive Advantage.

3. Methods

This research design uses a quantitative approach. In this study there are 3 (three) independent variables, namely: *Service Quality*, *Product Innovation*, *Fintech External Factors*. One mediating variable, namely the competitive advantage variable, and the Sustainable Growth variable as the dependent variable. The population of this study is MSME actors in the Tangerang and Banten regions. In this study using *probability* sampling which is a sampling technique carried out by providing unexpected opportunities for all members of the population to become samples (Anita et al., 2021). In this study, the type of *probability sampling* that will be used is *simple random sampling*, which

allows each member of the population to have the same opportunity to become a research subject or respondent (Sugiyono, 2018). The number of samples is calculated Using the Maximum Possible Estimate (MLE) parameter method, the recommended sample size is between 100-200 samples (Hair et al., 2018). With a total indicator of 23 items, the total sample to be used as respondents is 10×23 indicators = 230 respondents. This study applies the analysis technique of Structural Equation Modelling (SEM), which is a multivariate statistical technique in the form of a combination of factor analysis and regression analysis, to examine the influence of relationships between variables studied and outlined in the research model (J. F. Hair et al., 2011). The analysis tool used in this study is SmartPLS software version 3.0. The instrument test conducted in this study is a test of Validity and Reliability of primary data collected from 230 respondents of MSME.

4. Data Collection

This study used two types of data that became data sources. First is primary data, which is data obtained directly from or the original source or directly at the research location. Researchers use questionnaires to obtain the information needed. Second, is secondary data. Secondary data, which is data that is not obtained directly by the researcher himself, can be through various media obtained and published by other parties.

5. Results and Discussion

5.2 Measurement Model

Outer Model (*Measurement Model*) is carried out to ensure that the measurements used in this study are declared feasible to be used as measurements (valid and reliable), as well as to determine the relationship of variables with indicators.

Convergent validity is done by measuring a multi-item scale and representing variables to measure constructs that have a high proportion of variance and aims to determine the validity of each relationship between indicators and their latent constructs or variables (Hair et al., 2019). *Convergent Validity*, consisting of *Factor Loading (outer loading)* and *Average Variance Extracted (AVE)*. Factor Loading Analysis (*outer loading*) is an analysis that raises the value of each indicator item to measure the variable. The ideal loadings factor value in this study is above 0.7 (> 0.7) meaning that if the factor loadings indicator value is above 0.7, then the indicator is declared valid to measure the construct. The Service Quality Variable, as the first independent variable (X1) in this study, consists of 5 (five) indicator items, with the results of the calculation of *Outer Loadings* as in the Table 1 below.

Table 1. Factor Loading

<i>Item Indicator</i>	CA	FIN	PI	SQ	SUS
CA1	0,857				
CA2	0,936				
CA3	0,924				
FIN1		0,947			
FIN2		0,957			
FIN3		0,868			
PI1			0,880		
PI2			0,848		
PI3			0,870		
PI4			0,897		
SQ1				0,747	
SQ2				0,802	
SQ3				0,741	
SQ4				0,736	
SQ5				0,763	

SUS1					0,909
SUS2					0,858
SUS3					0,848

The conclusion of the convergent validity test through outer loadings performed, shows that all indicator items in each variable have values above 0.7, so they can be inferred that all indicators can be used (Valid) to measure variables. The second analysis of Convergent Validity is to look at the results of Average Variance Extracted (AVE), which is the value which describes the ability of a variable to measure the diversity of variance contained in indicators, or in other words, the AVE value is used to measure the amount of variance that can be captured by its construct, the AVE value must be greater than 0.5 in order to be declared Valid (Ghozali, 2021). In table 2 below, you can see the results of the AVE value of each variable measured.

Table 2. Average Variance Extracted

Variable	Average Variance Extracted (AVE)
Service Quality	0,575
Product Innovation	0,764
External factors	0,856
Competitive Advantage	0,821
Sustainable Growth	0,761

As seen in the AVE column, all variables have AVE values above 0.5, so stated that all indicators are capable (Valid) of measuring their variables.

Discriminant Validity, this test is intended to ensure that each concept of each variable is different from other variables. Discriminant validity testing is carried out to determine how precisely a measuring instrument performs its measurement function. *Fornell-larcker criterion*, is an approach to assessing discriminant Validity, by comparing the square root of each AVE construct, and the resulting value must be greater than the highest correlation with other constructs. In other words, the correlation between variables and other variables should not be greater than the correlation between the variables themselves (Ghozali, 2021). The results are as shown below:

Table 3. Square Roots AVE Value - Fornell-Larcker Criterion

	Competitive Advantage	Faktor External	Product Innovation	Service Quality	Sustainable Growth
Competitive Advantage	0,906				
External actors	0,474	0,925			
Product Innovation	-0,095	0,142	0,874		
Service Quality	0,700	0,807	0,030	0,758	
Sustainable Growth	0,709	0,462	-0,033	0,629	0,872

Based on the Table 3 above, the square root value of AVE in each variable shows the correlation value between constructs and other constructs in the model under study. As shown in the table, the value of square roots Competitive Advantage 0.906 is greater than the value of other square roots variables, as well as in the External Factor variable the value of square roots 0.925, the variable Product Innovation value of square roots 0.874, the variable Quality of Service has The value of square roots is 0.758, and the variable Sustainable Growth has a square roots value of 0.872, so it can be concluded that all variables used in the study have a square roots value that is higher than the highest correlation with other constructs, thus meeting Discriminant Validity. From the results of Convergent Validity

and Discriminant Validity, it can be concluded that all indicator items used in this study are declared Valid measuring the variables used in this research model.

Table 4. Cronbach Alpha and Composite Reliability per Variable

Variable	Cronbach Alpha	Composite Reliability
Competitive Advantage	0,891	0,932
External factors	0,915	0,947
Product Innovation	0,901	0,928
Service Quality	0,820	0,871
Sustainable Growth	0,842	0,905

From the table 4 above, it can be seen that the value of Cronbach's Alpha and Composite Reliability, on the variables Service Quality, Product Innovation, Fintech External Factors, Competitive Advantage, and Sustainable Growth, has a value of both above 0.7. By referring to these two values, it can be stated that, the instrument used to measure is effective/reliable, appropriate and able to reveal information in the field. So that from the results of the Outer Model (Measurement Model) test, it is concluded that the Instrument Test carried out produces the validity of indicator items to measure the variables used in this study, and the instruments used are reliable / powerful to reveal and capture information in the field consistently.

5.3 Structural Model

Structural Model test was carried out to explain the relationship between variables in this research model, by looking at the results of statistical calculations of Path Coefficient, T-Statistic, R-Square, Predictive Relevance (Q2), Model Fit (NFI).

Table 5 Multicolinearitas (Inner VIF Values)

Variabel	Competitive Advantage	Sustainable Growth
Competitive Advantage		2,087
External factors	2,979	3,089
Product Innovation	1,042	1,059
Service Quality	2,922	4,566
Sustainability Growth		

Table 5 shows all variables in this study the VIF value is below the value of 5, so it can be concluded that all variables are free from collinearity symptoms.

Table 6 R-Square and R-Square Adjusted

Variable Endogen	R Square	R Square Adjusted
Competitive Advantage	0,521	0,514
Sustainable Growth	0,538	0,530

From the table 6, the results of R² Variable Competitive Advantage have an R² value of 0.521 (52.1%), which means that the Endogenous Variable Competitive Advantage can be explained by its exogenous variables, namely Service Quality, Product Innovation and External Factors Together by 52.1%, the remaining 47.9% is explained by other variables that are not studied in this model. While the Sustainable Growth Variable has an R² value of 0.538 (53.8%), which means that the Endogenous Sustainable Growth Variable can be explained by its exogenous variable, namely Competitive Advantage of 53.8%, the remaining 46.2% is explained by other variables that are not studied in this model. Based on the influence value of Hair et al., (2019), the two variables mentioned above are in the Moderate category, while the R Square Adjusted value is the result of a correction of the R Square value based on the standard error value, this R Square Adjusted value provides a stronger prediction than R Square regarding the ability of exogenous variables to explain the construct of endogenous variables (Ghozali, 2018).

Table 7 Predictive Relevance (Q2)

Variable Endogen	Q2	Result
Sustainable Growth	0,400	Has a Predictive Relevance Value
Competitive Advantage	0,093	Has a Predictive Relevance Value

In the table 7, it can be seen that the Q2 value of endogenous variables *Competitive Advantage* and *Sustainable Growth* values are both above the value of 0, so it can be stated that both endogenous variables have good predictive relevance.

Table 8. Path Analysis Result

		Original Sample (O)	T Statistics (O/STDEV)	P Values	Decision
H1	Service Quality -> Sustainable Growth	0,888	9,298	0,000	Supported
H2	Product Innovation -> Sustainable Growth	-0,039	0,578	0,564	Not Supported
H3	Faktor External -> Sustainable Growth	-0,118	0,912	0,362	Not Supported
H4	Competitive Advantage -> Sustainable Growth	0,530	6,796	0,000	Supported
H5	Service Quality -> Competitive Advantage	0,888	9,298	0,000	Supported
H6	Product Innovation -> Competitive Advantage	-0,089	1,471	0,142	Not Supported
H7	Faktor External -> Competitive Advantage	-0,230	2,411	0,016	Supported
H8	Service Quality -> Competitive Advantage -> Sustainable Growth	0,470	5,231	0,000	Supported
H9	Product Innovation -> Competitive Advantage -> Sustainable Growth	-0,047	1,405	0,161	Not Supported
H10	Factor External -> Competitive Advantage -> Sustainable Growth	-0,122	2,258	0,024	Supported

5.4 Discussion

According to the calculation of the hypothesis test (direct – indirect) above, it is known that of the 4 (four) independent variables (Service Quality, Product Innovation, and External Factors) that strongest affect the variables of competitive advantage and Sustainable Growth directly, are Service Quality, positively (0.888) and significant (9,298). This is according to the results of research by Bakhtiar Tijiang et al (2017) which states that this study provides findings that Service Quality has a significant effect on competitive advantage. Competitive Advantage also has the strongest influence among the 4 independent variables on Sustainable Growth. This is in accordance with research conducted by Rishi Raj Sharma et al (2021), which states that Competitive Advantage affects the sustainability of the company and guarantees sustainable (Tijiang et al., 2017) growth in the company (Sharma et al., 2021).

The results of H1 measurement in table 8, Service Quality has a positive influence, and significant on Sustainable Growth, so H0 is not supported, and H1 is supported. The results of H2 measurement Service Quality has a negative influence, and significant (T-Statistic value of 0.578 above 1.96) on Sustainable Growth, with a P-value of 0.564 < 0.05 (significance level of 5%), so H0 is supported, and H2 is not supported. The results of H3 measurements, External Factors have a negative influence (original sample value -0.118), and not significant (T-Statistic value of 0.912 above 1.96) on Competitive Advantage, with P-value value of 0.362 > 0.05 (significance level 5%), so H0 is supported, and does not support H3. The results of H4 measurements, Competitive Advantage have a positive influence (original sample value of 0.530), and significant (T-Statistic value of 6.796 above 1.96) on Marketing Mix, with P-value of 0.000 > 0.05 (significance level of 5%), so that the results do not support H0, and support H4.

The results of H5 measurements in table 8, Service Quality has a positive influence (original sample value of 0.888), and significant (T-Statistic value of 9.298 above 1.96) on Competitive Advantage, with a P-value of 0.000 < 0.05 (significance level of 5%), so H0 is not supported, and supports H5. The results of H6 measurements in table 4.8, Product Innovation has a negative influence (original sample value -0.089), and not significant (T-Statistic value of 1.471 above 1.96) on Competitive Advantage, with a P-value of 0.142 > 0.05 (significance level of 5%), so H0 is

supported, and does not support H6. The results of H7 measurements in table 4.8, External Factors have a negative influence (original sample value -0.230), and significant (T-Statistic value of 2.411 above 1.96) on Competitive Advantage, with P-value values of $0.016 < 0.05$ (significance level of 5%), so that these results do not support H0 and support H7.

The results of H8 measurement in table 8, between Service Quality to Sustainable Growth through Competitive Advantage, have a positive (original sample value of 0.470), and significant (T-Statistic value of 5.231 above 1.96), with a P-value of $0.000 < 0.05$ (significance level of 5%), so H0 is not supported and supports H8. The results of H9 measurement in table 4.9, between Product Innovation on Sustainable Growth through Competitive Advantage, have a negative influence (original sample value -0.047), and not significant (T-Statistic value at 1.405 below 1.96), with a P-value of $0.161 > 0.05$ (significance level 5%), so H0 is supported and does not support H9. The results of H10 measurement in table 4.9, between External Factors on Sustainable Growth through Marketing Mix, have a negative influence (original sample value -0.122), and significant (T-Statistic value of 2.258 above 1.96), with a P-value of $0.024 < 0.05$ (significance level of 5%), so H0 is not supported and supports H10.

6. Conclusion

This study was conducted to analyse the effect of *Service Quality*, *Product innovation*, and external factors on sustainable growth and competitive advantage by mediating competitive advantage in the context of small and medium enterprises. The results of this study show that competitive advantage does not provide a full mediation role for the relationship between Service Quality and sustainable growth. Likewise, the relationship between competitive advantage does not provide full mediation on the relationship between external factors and sustainable growth. Research on sustainable growth in SMEs can have practical implications in the management of long-term business growth and development. Through this research, SMEs can identify factors that influence their growth, manage resources efficiently, and develop sustainable growth strategies. Practical implications include the development of a long-term business plan, prudent financial management, and the development of management and leadership capabilities necessary for sustainable growth. Research on superior competition in SMEs can have practical implications in developing effective competitive strategies. Through this research, SMEs can understand their competitive advantages, identify strong market positions, and develop sustainable competitive strategies. Practical implications include the development of product or service differentiation, selection of appropriate target markets, improvement of operational efficiency, and development of competitive advantage through collaboration or innovation. This research still has some limitations, so that in the next study, it can be refined. The limitations of this study include; The subject of the study only concerns small and medium enterprises in the Tangerang and Banten regions, has not represented all provinces in Java, respondents who filled out the questionnaire through google form, have different perceptions in interpreting the statements on the questionnaire, and still need to be measured other variables, in addition to the variables in this study, in order to get a more complete picture.

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