

Exploring the impact of managerial abilities on the competitive advantage and performance of creative industries in Indonesia during the post-pandemic recovery phase

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ABSTRACT

In the pre-COVID-19 era, the creative fashion industry stood as a robust pillar in Indonesia's economy, contributing to over 50 percent of the nation's creative economy exports. Batik clothing and hijabs were at the forefront, emerging as the key export products. However, with the advent of the COVID-19 pandemic, this once thriving sector suffered substantial setbacks. This study aims to investigate how managerial ability influences competitive advantage, and whether the performance of that small-medium creative sectors is directly affected by managerial ability or indirectly through the mediation of competitive advantage. Our study aims to extent the existing studies by focusing on the sustained resilience of businesses in a post-pandemic. The study's sample consists of 134 Batik business owners and/or managers from East Java, Indonesia. The gathered data was then processed and analyzed using a structural equation model. Although the findings indicated that managerial ability did not directly affect business performance, there was a positive relationship between managerial ability and business performance when mediated by the competitive advantage. These findings suggest that competitive advantage continues to play a crucial role in business performance. The higher the managerial ability, the greater the potential to enhance their competitive, which in turn escalates their performance.

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Introduction

Small Medium Enterprises (SMEs) are integral to Indonesia's economy, significantly contributing to national economic growth, particularly crucial in a rapidly developing nation marked by high population growth and substantial labor absorption. The prominence of Batik, a traditional textile produced by a majority of Indonesian SMEs, exemplifies this sector's significance, boasting a widespread appeal in both local and international markets. However, many of these enterprises, notably in regions like East Java, are constrained by simplistic and familial management styles, a consequence of their hereditary nature. This limited managerial sophistication heightens their vulnerability to the dynamic and often turbulent business environment. Both internal factors, including managerial skills, capabilities, and motivation, and external determinants like governmental policies, regulatory dynamics, supplier-consumer interactions, and technological innovations (Arasti et al., 2014), shape their success or failure. Despite the batik industry being an iconic representation of Indonesian heritage with vast developmental potential, its inherent managerial vulnerabilities can threaten its sustainability, especially in the face of external economic challenges.

Marking an economic downturn, the year 2020 witnessed the rapid onslaught of the COVID-19 pandemic across countries (Aftab & Naveed, 2021). Various countermeasures were employed by many countries to curb the virus's high transmission and mortality rates, including lockdowns, restrictions on large-scale social activities, closure of tourist and entertainment venues, and implementation of curfews. These strategies led to the downfall of numerous business units, particularly those in the transportation, tourism industry sectors, and small to medium-sized industrial sector. Asad & Kashif (2020) added that the COVID-19 pandemic has pushed numerous small and medium enterprises (SMEs) to the brink of cessation, incurring significant losses. Because of their small sized and limited innovation capacity, the performance of Small and Medium Enterprises (SMEs) during the COVID-19 period has suffered more than any other sectors (Eggers, 2020). Predominantly grappling with financial issues, the survival of SMEs has been significantly threatened in the current circumstances (Eggers, 2020).

During the challenging times of the COVID-19 pandemic, several key characteristics, including managerial ability (Assaf et al., 2022; Jebran & Chen, 2022; Kumar & Zbib, 2022) and competitive advantage (Behl et al., 2022; Sanil et al., 2022), have been observed to contribute to the survival of Small and Medium-sized Enterprises (SMEs). Managerial ability emphasizes the strategies business practitioners employ to navigate crises, seizing new

opportunities to enhance performance and foster growth. Numerous previous studies have confirmed that managerial ability is a vital component of organizational success, encapsulating expertise in managing capital, labor, and the creation of innovation and efficiency (Demerjian et al., 2012, 2013). Managers with a comprehensive understanding of products, processes, and markets are best positioned to guide employees and implement innovative strategies, attentively responding to changes in consumer behavior. This ability can facilitate the establishment of a competitive advantage and bolster superior business performance (Chiappini et al., 2022; Jebran & Chen, 2022; Martinez-conesa et al., 2017; Pansiri, 2008; Yung & Chen, 2018). Adaptability and agility (Chingwena & Scheepers, 2022), driven by strong managerial abilities, have enabled SMEs to respond promptly to rapidly changing market conditions and consumer demands. Those businesses that leveraged their competitive advantage, whether it be in product differentiation, innovation, or efficient supply chain management, were better positioned to withstand the disruptions caused by the pandemic. This study focuses on exploring the crucial role of managerial abilities in establishing a competitive advantage and improving business performance in the small and medium-sized enterprise (SME) sector during economic crises (Omidkhah, 2016). SMEs, often characterized by simplistic management structures, encounter significant challenges, particularly in their managerial capacity (Rafiki, 2020). The ability to identify and apply effective strategies is central to business continuity, with the courage to make informed, environmentally attuned decisions during economic downturns being a key component of business resilience (Frank et al., 2021). This sentiment is reinforced by (Jebran & Chen, 2022), highlighting the impact of precise decision-making in uncertain conditions on business sustainability. Additionally, technological proficiency is identified as a vital aspect of managerial capability and a cornerstone for SME sustainability (Indrawati et al., 2020; Pavic et al., 2007). This confluence of adept decision-making and technological mastery steers our attention towards the Batik SMEs, renowned for their rudimentary management approaches.

Additionally, in the aftermath of the COVID-19 pandemic, SMEs are tasked with not only recovery, but also with the challenge of enhancing their performance. The incorporation of digital technologies and online platforms has emerged as a pivotal strategy for business revitalization and performance enhancement (Guo et al., 2020; Takeda et al., 2022). Moreover, the emphasis on astute financial management is underscored as a critical component for sustaining businesses during post-pandemic recovery (Eggers, 2020). However, traditional methods of performance measurement, which primarily focus on

financial metrics, may not capture the full spectrum of an SME's effectiveness. This is because these traditional approaches often neglect non-financial aspects that could have a significant impact on overall performance. According to the Resource-Based Theory (RBT), SMEs resources, particularly those that are valuable, rare, inimitable, and non-substitutable (VRIN), are the primary determinants of their competitive advantage and, consequently, performance (Demerjian et al., 2012, 2013). Numerous scholars argue that the key to attaining Sustainable Competitive Advantage (SCA) is augmenting adaptability and embracing information technology. Chakrabarty & Bass (2014) found that sustainability could enable corporations to generate opportunities and manage a broad array of risks, including economic, environmental, and social, thereby fostering long-term value creation. Thus, it is essential for organizations to adapt, integrating new development models to navigate various transformations (Hahn & Aragón-Correa, 2015).

Interestingly, there have been numerous prior studies on business resilience during the COVID-19 pandemic, yet few have explored this topic in the post-pandemic context. Our study aims to fill these gaps by examining the strategies and adaptations undertaken by SMEs in the post-pandemic landscape. Specifically, we aim to explore how managerial ability and competitive advantage can bolster business resilience and drive enhanced performance in a post-COVID-19 environment. We chose creative sectors, Batik, as the focal point of this study due to the drastic downturn in production compared to pre-pandemic levels.

Literature Review

Managerial Ability

The role of managers to achieve business success in the application of management principles is very dependent on the capabilities and managerial aspects possessed, which include the conditions of the industry being managed to determine the right business strategy. The steps taken by a manager are the key to organizational success and business sustainability, which include: how to manage, organize employees, and make the right decisions (Ruiz-Jiménez & Fuentes-Fuentes, 2016). During the COVID-19 pandemic, managerial skills are an important aspect of organizations (Jebran & Chen, 2022; Duan et al. 2022). Human capital represents an intangible asset held by organizations. Organizational capability is determined by the skills of managers, which are instrumental in creating a competitive advantage (Jardon & Martos, 2012). Furthermore, managerial abilities can also enhance business performance within the small and medium industry sector, as evidenced by

studies by (Asah & Rungani, 2015; Jayawarna et al., 2006; Pansiri, 2008). Aligning with the findings of (Ali et al., 2019) in their investigation of the micro-industry sector within the SME community in Pakistan, it underscores the significance of the managerial aspect in fostering sustainability through innovation. Research conducted by Ruiz-Jiménez & Fuentes-Fuentes (2016) also emphasizes that performance can be achieved through managerial skills and innovation. Despite variations in their findings, some of these studies highlight that managerial ability plays a pivotal role in achieving sustainable excellence and improved business outcomes, employing different indicators and dimensions. However, Chabbouh & Boujelbene (2020) present an opposing perspective, contending that managerial abilities may not exert a direct influence on business performance. Given the divergent findings in these studies, this research aims to revisit the concept of managerial abilities. Specifically, this study will delve into managerial capabilities, utilizing decision-making ability and technology mastery as key benchmarks for achieving superior performance through competitive advantage.

Competitive Advantage

Competitive advantage is a condition that describes business success, namely success in the process and product produced compared to competitors (Kam Sing Wong, 2012). The very dynamic environmental changes in the post-crisis require the SME industry not to be static but to be able to create excellence in the fields of design, process, market and sales support (Samsir Samsir, 2017). In global competition, competitive advantage is an important determinant, (Ma, 2004) in his study states that competitive advantage includes elements of innovation and creation, competition, cooperation, and options based on ownership, access, and ability. This shows that ability or expertise is an important aspect in creating a competitive advantage (Beaver & Prince, 2002; Jain et al., 2017; Jardon & Martos, 2012; Kafetzopoulos et al., 2015). Kamukama et al. (2017) in their research also states that competitive advantage is able to mediate between managerial abilities and business performance. This research is also supported by (Rua et al., 2018). In connection with the post-pandemic period, creating competitive advantage is a challenge and prospect for the SME sector (Aduhene & Osei-assibey, 2021).

In the realm of global competition, securing a competitive advantage is pivotal (Jardon & Martos, 2012; Ma, 2004). Ma (2004) posits that element of innovation, competition, cooperation, and co-options, underpinned by ownership, access, and capability, collectively constitute this advantage. Jardon et al. (2012) further elucidate this concept by proposing a

tri-stage model suggesting that competitive advantage is attainable through tangible human capital resources. These resources are organizational competencies that emerge as strategic determinants in realizing optimal business performance. From Ma (2004) perspective, competitive advantage is demarcated by four indicators; creation-innovation, competition, cooperation, and co-option. In this study, the focal point lies in how manager-owners of SMEs foster innovation and competitiveness to bolster business growth. The aspects of cooperation and co-option are not integrated into the research construct, given that SMEs, unlike their larger counterparts, lack the intricate resource capabilities matured through expansive resources.

Pivoting to entrepreneurship, innovation is delineated as the genesis of novel products, processes, or services (Ali et al., 2019; Mamun, 2018; Mohan et al., 2017). Creation, intrinsically tied to innovation, differentiates itself in nuance. While innovation gravitates towards actualizing novel constructs, creation is anchored in the ideation phase (Ma, 2004). Magnier-watanabe (2009) contributes to this discourse by introducing the concept of knowledge creation. Drawing from theory-knowledge creation, he asserts that this form of creation is individualistic, predominantly encompassing cognitive knowledge.

Business Performance

The business performance of an organization reflects the success of the owner or manager. During the COVID-19 period, there was a significant decline in business performance, particularly within the SME industry, including handicraft products like batik (Aftab & Naveed, 2021; Sun et al., 2021). Therefore, in the post-pandemic era, the SME sector has received stimulus measures aimed at improving its business performance (Grandy et al., 2020; Nurunnabi, 2020). Lim, et al. (2021) reported that the Malaysian government has introduced a stimulus package aimed at ensuring the sustainability of businesses, particularly those in the tourism industry. This package includes tax incentives, loan restructuring, and the deferment of loan repayments to banks, among other measures, all designed to alleviate the cash flow challenges faced by Malaysia's tourism industry stakeholders. Additionally, in an effort to mitigate potential increases in unemployment, a wage-subsidy program has been implemented, providing a subsidy of RM600 per month for each retained employee, with a maximum duration of three months. As of May 17th, the government had approved applications for 128,000 employees under this program. In Indonesia, various stimulus measures have been implemented, including direct assistance to MSMEs classified as poor and vulnerable, tax incentives for MSMEs with an annual turnover

of Rp 4.8 billion, restructuring of MSME loans, which can involve delayed installments and interest subsidies, and working capital assistance for SMEs. Additionally, all ministries, institutions, and regional governments have been called upon to take a leading role in the economic recovery of MSMEs (Susanto et al., 2020). Beyond government-initiated stimulus efforts, individuals with surplus funds can also contribute to the economy within the MSME sector by investing their funds in MSME entities (deficit units) through P2P (peer-to-peer) lending (Bella, 2020).

Business performance is defined as the company's ability to increase sales, profitability, and gain a competitive advantage (Kajalo, 2015). In a study of the SME sector in Eutopia, Bereket, Mamo (2017) postulated that business performance encompasses factors such as gross margin, profitability, and cash flow. Furthermore, business performance can also be measured from the level of business productivity, financial capability, and environmental performance (Le & Ikram, 2022). Several prior studies have employed various business performance indicators. In the present study, we have chosen to focus on productivity and financial performance as key metrics for assessing business continuity during the second wave of the pandemic. This choice is based on empirical evidence and observed phenomena related to SMEs' performance, which demonstrate a correlation between managerial ability and competitive advantage aspects with the enhancement of SMEs' performance (Aduhene & Osei-assibey, 2021; Asah & Rungani, 2015; Chabbouh & Boujelbene, 2020; Chuang et al., 2016; Kamukama et al., 2011a, 2017; Lee et al., 2016; Sanchez-gutierrez et al., 2016; Soodabeh, 2016).

H₁: Managerial ability positively influences the performance of a business.

H₂: Managerial ability positively influences the competitive advantage.

H₃: Competitive advantage positively influences business performance.

H₄: Managerial ability has a positive effect on business performance through the mediation role of competitive advantage.

Methods

In this study, data collection was facilitated through the distribution of questionnaires to batik business owners or managers who operate businesses, either directly or through community activities, meticulously designed to glean insights into the variables under investigation. We opted for question items as the primary tool for data gathering instead of delving into financial calculations. This decision is rooted in the understanding that the majority of our respondents are engaged in businesses characterized by simplistic or familial

management structures, a scenario often encountered in hereditary businesses. Given this context, there's a notable deficiency in robust managerial practices.

The sampling for this study was executed through a purposive method, aligning the selection criteria with the research variables. Initially, a clustering phase was conducted utilizing the data of batik business operators affiliated with the East Java Province Cooperatives and MSMEs Service. This process yielded a dataset of 147 respondents (Creswell, 2017). Out of the 147 questionnaires disseminated, 134 were returned with complete data and were subsequently employed in the analytical phase of the research. Respondents were tasked with responding to an array of statements, wherein their responses were gauged on a five-point Likert scale. This scale, extending from 'strongly disagree' to 'strongly agree', was instrumental in capturing a nuanced understanding of the respondents' viewpoints and experiences. Each response facilitated a comprehensive exploration of various facets integral to the study, enhancing the depth and breadth of the findings.

Furthermore, in line with the hypotheses previously outlined, this study provides operational definitions for several variables. Managerial ability is delineated by indicators such as the courage to make decisions and mastery of technology, as highlighted in studies by (Ali et al., 2019; Mohan et al., 2017; Ruiz-Jiménez & Fuentes-Fuentes, 2016). Specific item statements used to measure these indicators include *"I act quickly to deal with risks"*, *"I am trying to take advantage of opportunities to face competitors"*, *"I dare to take risks to seize opportunities"*, *"I utilizing social media to market products during a pandemic"*, *"I utilizing technology for the production process"*. While the variable of competitive advantage uses indicators of innovation, creation and competition (Ali et al., 2019; Magnier-watanabe, 2009; Mamun, 2018; Mohan et al., 2017) with item measurement like *"My company creates new patterns and colours of batik (new product)"*, *"My company uses a new distribution method"*, *"My company creates new packaging periodically"*, *"My company trying to market products with new methods (social media)"*, *"My company trying to take advantage of opportunities to increase competitiveness"*, *"I using credit facilities for business recovery"*, *"I determine competitive prices for batik fairs"*, the business performance variable is measured by the level of productivity and financial performance (Grandy et al., 2020; Le & Ikram, 2022; Naqshbandi & Jasimuddin, 2022; Nurunnabi, 2020; Sun et al., 2021) with items like *"The process of batik production is done with a certain quantity"*, *"I preparing batik products for new markets"*, *"Sales of batik began to grow"*, *"Profit or turnover began to improve"*, and

"The demand for batik has increased". Figure 1 present a comprehensive illustration of our research framework.

The study utilizes Partial Least Squares Structural Equation Modeling (PLS-SEM) as the analytical framework to comprehensively analyze the collected data. PLS-SEM is a non-parametric approach, and it primarily focuses on the overall model fit and relationships between latent constructs rather than individual parameter significance. In the initial phase of data analysis within this study, prior to hypothesis testing, there was a focus on evaluating convergent validity, discriminant validity, and construct reliability. The test for convergent validity was designed to gauge the validity of the association between the indicator and its underlying latent construct. In this evaluation, the measurement results are examined by analyzing the correlation between components, loading factors of indicators on their respective constructs should typically be 0.700 or higher to indicate that they share more variance with their construct than with error terms (Stocchero et al., 2021, 2022). Furthermore, while the construct reliability test conducted in this study aims to showcase the precision, consistency, and accuracy of the indicators used by assessing composite reliability and Cronbach's alpha measures (should be higher than 0.600), the discriminant validity test serves the purpose of determining whether the constructs or indicators employed in a model are distinct and unrelated to the constructs of other variables in the model. For discriminant validity, a common threshold for loading factors is that they should be significantly higher within a particular construct than they are on other constructs. This means that each item should load more highly on the construct it is supposed to be measuring compared to how much it loads on other constructs.

Figure 1. Research Framework

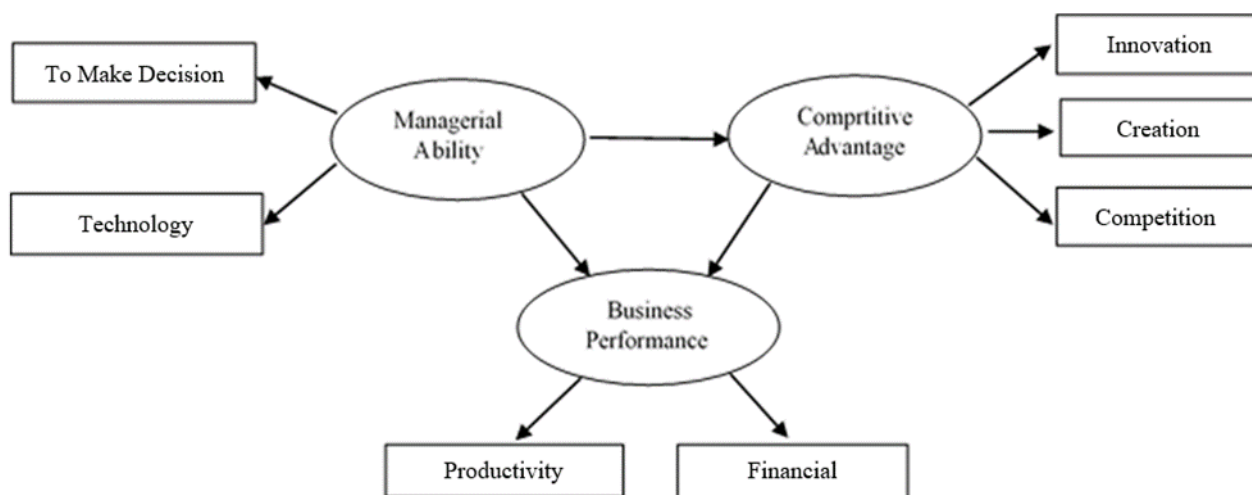


Table 1. The Result of Convergent and Discriminant Validity Test

Constructs	Constructs			Loading Factor
	Managerial Ability	Competitive Advantage	Business Performance	
Managerial Ability				
To Make Decision	0.712	0.363	0.447	0.891
Technology Usages	0.890	0.411	0.525	0.886
Competitive Advantage				
Innovation	0.306	0.591	0.246	0.723
Creation	0.199	0.686	0.271	0.827
Competition	0.435	0.884	0.475	0.915
Business Performance				
Productivity	0.342	0.602	0.835	0.768
Financial Performance	0.320	0.628	0.846	0.871

Table 2. The Result of Construct Reliability Test

Constructs	Composite Reliability	Cronbach's Alpha
Managerial Ability	0.886	0.827
Competitive Advantage	0.905	0.895
Business Performance	0.807	0.861

Based on the result of convergent validity, discriminant validity, and construct reliability tests in Table 1 and 2 indicates that the construct correlation value within each variable is larger than the correlations with other constructs and pass the rule of thumb of factor loadings (0.700). Moreover, the three variables assessed in this study have demonstrated satisfactory reliability, as indicated by Cronbach's Alpha values exceeding the recommended threshold of 0.600. This suggests that the measurement instruments used to assess these variables have shown good internal consistency, enhancing the confidence in the robustness of the data.

Result and Discussion

The demographic profile of the respondents, as outlined in the Table 3, provides a detailed insight into various characteristics of the participants involved in the study. A total of 134 respondents participated, encompassing various roles, genders, ages, and levels of education.

Table 3. Demographic Profile

Demographic Profile (Respondent)	Amount	Demographic Profile (Respondent)	Amount
Status	134	Gender	134
Owner & Manager	118	Male	27
Manager	16	Female	107
Ages (Years Old)	134	Education	134
≤ 40	18	Elementary School	19
> 40 - ≤ 50	59	Junior School	27
> 50 - ≤ 60	43	High School	54
> 60	14	Bachelor	34

In terms of the status of the respondents, a significant majority of 118 were both owners and managers of their respective businesses. This indicates a prevalent dual role, where individuals are actively involved in managerial functions while owning the business. Conversely, 16 respondents identified as managers, suggesting a dedicated role in overseeing the business operations without ownership. While the gender distribution reveals a pronounced female dominance, with 107 female respondents compared to 27 males, age-wise, the respondents were categorized into four distinct brackets. A minority, 18 respondents, were aged under 40, indicating a limited youthful demographic within this business sector. The majority, 59 respondents, fell between the ages of 40 and 49, marking this as the most populated age group. A substantial 43 respondents were aged between 50 and 59, while the least represented group, comprising 14 respondents, were aged 60 and above. Finally, in the context of education, a larger segment, with 54 respondents, had completed their high school education, followed by the respondents with a bachelor's degree (34 respondents), junior (27 respondents), and elementary school (19 respondents).

Table 4. PLS Result

Hypotheses	t-statistics	P-Values	Decision
H ₁ Managerial Ability -> Business Performance	2.951	0.057	Rejected
H ₂ Managerial Ability -> Competitive Advantage	2.113	0.021	Accepted
H ₃ Competitive Advantage -> Business Performance	2.506	0.001	Accepted
H ₄ Managerial Ability -> Competitive Advantage -> Business Performance	2.093	0.034	Accepted

Furthermore, regarding the hypothesis testing, Table 4 elucidates the statistical findings, indicating the rejection of the first hypothesis (H_1) that posits a relationship between managerial ability and business performance. This assertion is substantiated by p-value of 0.057, which is greater than 0.05. This unexpected finding might be attributed to several underlying factors. For instance, the dynamic and often turbulent external environment, particularly the aftereffects of the COVID-19 pandemic, could potentially dilute the impact of managerial ability on performance. Additionally, the batik SMEs' inherent structural and operational characteristics, predominantly familial and simplistic management styles, might not fully harness or reflect the nuances of enhanced managerial competencies.

In the post-pandemic era, businesses, supported by various Indonesian government policies, are in a phase of gradual recovery. These policies, emanating from the ministry of finance, encompass monetary reforms like tax relaxations and reduced lending rates, aimed at propelling the resurgence of the SME sector. However, the optimal harnessing of these facilitative measures, rooted in managerial prowess in decision-making (Duan et al., 2022b; Jebran & Chen, 2022; Ruiz-Jiménez & Fuentes-Fuentes, 2016), remains a challenge due to factors like credit risk apprehensions and the dread of business failure. Technology mastery is pivotal in performance augmentation, necessitating adaptability among batik SMEs managers in East Java, Indonesia, to leverage technological advancements for improved business efficacy. The resonance of these findings with preceding studies (Ali et al., 2019; Asah & Rungani, 2015; Demerjian et al., 2012; Duan et al., 2022b; Naqshbandi & Jasimuddin, 2022; Pinho, 2015; Ruiz-Jiménez & Fuentes-Fuentes, 2016; Tonidandel et al., 2012) underscores their validity.

The acceptance of the second hypothesis (H_2) is validated by a p-value of 0.021, indicate the significant impact of managerial ability on competitive advantage in the post-COVID-19 epoch. The post-COVID-19 era has escalated the need for Batik SMEs to elevate their managerial ability to foster innovation, creation, and competition. In this volatile environment, the ability to introduce novel and adaptable values and strategies is intrinsic to achieving a distinct competitive edge, echoing the findings of previous empirical (Pavic et al., 2007; Roffe, 2012; Chang-Muñoz et al., 2021).

Hypothesis three (H_3) is corroborated, with a p-value of 0.001, affirming the influence of competitive advantage on business performance. Batik SMEs' performance amplification is anchored in innovation, creation, and competitive prowess, pivotal in navigating the dynamic post-pandemic environment. The alignment of managerial stratagems with governmental

economic recovery stimulants is essential, a sentiment echoed by various studies (Jain et al., 2017; Kamukama et al., 2011b).

Lastly, hypothesis (H₄) aligns with the accepted criteria, marked by a p-value of 0.034, revealing the mediating role of competitive advantage in the relationship between managerial ability and business performance. In the evolving post-pandemic landscape, the harmonization of enhanced managerial skills and competitive advantage is crucial for augmenting the performance of Batik SMEs, echoing the insights from prior research (Chuang et al., 2016; Demerjian et al., 2012; Yuan & Wen, 2018).

Conclusion and Suggestion

The results of the study indicate a rejection of the first hypothesis, which postulated a significant relationship between managerial ability and business performance. Several factors could explain this outcome. The prevailing aftermath of the COVID-19 pandemic, characterized by unprecedented disruptions and uncertainties, has potentially muted the expected positive impacts of managerial competencies. Moreover, the inherent structural and operational dynamics of the batik SMEs, marked by familial and simplistic management approaches, might not be adequately responsive or adaptive to harness the intricacies of advanced managerial skills. As a result, there is no discernible distinction in the condition of managerial ability between the post-COVID and during-COVID phases, suggesting a consistent pattern unaffected by the pandemic's transitional phases.

Subsequent hypotheses found acceptance in the study, highlighting the role of managerial ability in fostering competitive advantage, particularly in the tumultuous post-pandemic period. This era has underscored the importance of innovation, creation, and competition, necessitating adaptability among businesses. The study also affirms that competitive advantage has a significant impact on business performance, especially in the volatile environment that businesses navigate post-pandemic. Finally, the study reveals the mediating role of competitive advantage between managerial ability and business performance, emphasizing the interdependence of these variables for optimizing business outcomes.

There are several avenues for future research to explore. First, a deeper analysis into the nuances of managerial abilities and their impacts on business performance in SMEs, especially in a post-pandemic context, is warranted. Given that the current study found no significant relationship, future research might consider employing more granular, context-specific measures of managerial ability and business performance, or exploring alternative

methodologies to capture this relationship. Second, the predominance of familial and simplistic management styles within batik SMEs offers an interesting landscape for future studies. Research could delve into identifying the potential barriers and facilitators within such management styles to the effective implementation of enhanced managerial abilities. Comparative studies might also be conducted to explore the differences and similarities in business performance outcomes between family-run SMEs and those with more formal, structured management systems. Furthermore, considering the apparent consistency in the condition of managerial ability during and post-COVID-19, future studies could explore the resilience and adaptability of SMEs in crisis situations. It would be insightful to understand how such businesses, especially those operating with simplistic management styles, navigate, adapt, and potentially thrive amidst significant disruptions.

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