

**Causal Factors Affecting Competitive Advantages of Community Enterprises  
Producing Processed Agricultural Products  
in the Three Southern Border Provinces**

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**Abstract**

Competitive advantage is one of the operational objectives of any business organization amidst the changing environment and highly competitive markets. This advantage is the ability of enterprises to be superior to their rivals in the business arena. Therefore, if entrepreneurs know the sources of competitive advantages, it could result in enhancing their competitive advantage. This study aimed to (1) examine the differences in a competitive advantage based on community enterprise characteristics and (2) develop and validate a model of causal factors affecting the competitive advantage of community enterprises producing processed agricultural products. This study was carried out based on a mixed-methods research design. Data were collected through questionnaire-based responses from 325 entrepreneurs of community enterprises producing processed agricultural food products in Thailand's three southern border provinces and through in-depth interviews with 15 community enterprise entrepreneurs. The quantitative data were analyzed through the use of descriptive statistics, ANOVA, and the structural equation modeling technique. Content analysis was used to analyze the qualitative data.

The results revealed that competitive advantage had no statistically significant differences relative to the size and age of community enterprises. The proposed model was consistent with empirical data ( $\chi^2/df = 1.737$ , RMSEA = 0.048, CFI=0.997, SRMR = 0.020). The variables in the proposed model which were intellectual capital, dynamic capability, and innovative capability accounted for 86.80 percent of the total variance of competitive advantage. Dynamic capability

and innovative capability had a direct positive and significant influence on competitive advantage. Innovative capability and dynamic capability also play a role as mediators in the relationship between intellectual capital and competitive advantage. In addition, the results of the qualitative data analysis support the quantitative data. Therefore, the competitive advantage of these community enterprises could be gained by strengthening their intellectual capital to leverage their innovative capability and dynamic capability.

**Keywords:** Competitive Advantage; Community Enterprise; Three Southern Border Provinces

## Introduction

Today's business situation is rapidly changing due to various external factors such as economics, social, cultural, technological, competition, and customers. These arising situations may affect business operations positively or negatively. Therefore, businesses need to continuously improve their operational processes to keep pace with external environment changes in order to obtain a sustainable competitive advantage. This allows businesses to maintain revenues and profits as well as to increase new customers, no matter what the external situation (Hwang et al., 2020). When a business has a competitive advantage, its performance will improve accordingly (Kiyabo & Isaga, 2020). However, good performance derived from the competitive advantage of a business can be achieved through a number of various factors determined by the context of each business. Community enterprise, one of the business operations, refers to the operations of small-scale businesses run by joint operations of people in the community who share a commitment and have a similar way of life, with an aim of generating income and being self-reliant through emphasizing the use of the wisdom of cultural capital and existing local factors to develop products and services (Chantra et al., 2021). It can be said that community enterprise is an important factor in the Thai economic system. The promotion of community enterprise is thus the creation of a strong economic foundation. At present, it is recognized that small and medium-sized enterprises are the sources of employment and income in most countries (Kücher et al., 2020). These enterprises also play an important role in the development of the economy of Thailand (Wongwirach & Wingwon, 2020).

The 12<sup>th</sup> National Economic and Social Development Plan (2017–2021) of Thailand focuses on the development of community enterprise in order to expand grassroots economic development along with the development and promotion of the entrepreneurial society. Moreover, the 13<sup>th</sup> National Economic and Social Development Plan continues to give special attention to the importance of the development of community enterprises (Office of the National Economic and Social Development Board, 2016; 2021). The operations of most community enterprises around 58.21% are categorized as a business of the production of agricultural products (Department of Agricultural Extension, 2020). The current agricultural development plan of Thailand determined that one of the strategic issues is to add value to agricultural products through the promotion of the use of local wisdom in agricultural product processing to create a competitive advantage and community identity (Ministry of Agriculture and Cooperatives, 2017). However, among business competition without any exception for entrepreneurs, even community enterprises, need to compete with other business operators. Business operations of these community enterprises can be developed to gain a competitive advantage by highlighting their distinctiveness and uniqueness in terms of the use of local raw materials and the wisdom of people in the community to produce goods. In addition, based on a literature review on community enterprises, it is found that the innovation and participation of members have a positive influence on the competitive advantage. The innovation involves products, production processes and services, management systems, and marketing. The participation gives special attention to human capital, which is one of the elements of intellectual capital. Other elements of intellectual capital, including structural capital and relational capital, must also be emphasized (Somsri et al., 2017). Although a business has sufficient resources, it may not be able to maintain a competitive advantage, unless business operators have the methods of searching, seizing, and reconfiguring resources in order to catch up with new opportunities and adapt to changes in the business environment or to have the dynamic capability (Teece, 2018a).

It is possible that the intellectual capital, innovative capability, and dynamic capability have an influence on the competitive advantage of community enterprises. However, it is worth noting that previous studies have never been conducted to investigate the influence of innovative capability and dynamic capability as mediators that link the relationship between intellectual capital and the competitive advantage of Thai community enterprises. Based on the statistics of the Department of Agricultural Extension (2021), only 7.04% of community enterprises producing processed agricultural food products in the three southernmost provinces of Thailand had good

operational potential between 2017 and 2021. It is worthwhile doing the study to help increase more potential for these community enterprises. This research aimed to investigate the difference in the competitive advantage of community enterprises with different sizes and ages and to develop and validate the causal relationship of intellectual capital, dynamic capability, innovative capability, and competitive advantage of community enterprises producing processed agricultural products in the southern border provinces of Thailand. This was done to support the development of business operations of the community enterprises for competitive advantages. This results in good business performance and sustainability of businesses and strengthens the basic economy that helps enhance the growth of the country's economy.

## Research Objectives

1. To examine the differences in a competitive advantage based on the characteristics of community enterprises producing processed agricultural products.
2. To develop and validate a model of causal factors affecting the competitive advantage of community enterprises producing processed agricultural products.

## Literature Review

### Resource-Based View Theory

This study develops a conceptual framework and research hypotheses based on the resource-based view theory. It describes how each enterprise strives to create and develop resources that bring about a durable advantage over its rivals. (Doucouré & Diagne, 2020). At present, an organization's resources, particularly intangible assets have an increasingly important role. Moreover, intangible assets can create a competitive advantage when combined with other tangible assets. Therefore, it is a significant challenge for enterprises regarding management capability and asset utilization (Shen et al., 2020). Therefore, this study investigates the resources, or the assets having intangible characteristics, including intellectual capital, innovative capability, and dynamic capability which are expected to have a correlation and bring about competitive advantages to community enterprises.

The concept of competitive advantage, innovative capability, dynamic capability, and intellectual capital are discussed as follows:

### **Competitive advantage**

Competitive advantage is one of the most important requirements for the long-term success of any enterprise. When an enterprise has something that its competitors do not, it gains a competitive advantage, which means an enterprise outperforms them or does things that competitors do not or cannot do well. Therefore, the value an enterprise gives to its customers that is greater than the cost of supplying it is its competitive advantage (Porter, 1985). In other words, the competitive advantage of an enterprise is what distinguishes it from its competitors. The generic strategies for establishing a competitive advantage are comprised of cost leadership, differentiation, and focus (Porter, 1985). Apart from these three strategies, another strategy that should be considered for effective business operations in today's changing environment, is a quick response (Ko, 1997).

However, enterprises with different characteristics in terms of size and age tend to have different competitive advantage levels. Firm size is an important factor in gaining a competitive advantage. Smaller enterprises are more agile when it comes to adjusting to new market possibilities because they are less inertial (Applegate & Lampert, 2021). Whereas larger enterprises are more likely to have competitive advantages over their competitors, such as easy access to capital, the capacity to recruit high-quality people and resources, strong strategic capabilities, as well as outstanding product development and marketing skills. The age of an enterprise is also an indicator of its level of experience, which is linked to efficiency and the ability to continue in business (Doucouré & Diagne, 2020; Christiana, 2020).

### **Innovative capability**

In an ever-changing environment, innovative capacity is often recognized as a vital source of competitive advantage for any enterprise (Hernández-Perlines & Araya-Castillo, 2020). Innovative capability or innovativeness refers to an enterprise's entire potential to offer new products to the market or open up new markets by combining strategic direction with innovative behavior and procedures (Wang & Ahmed, 2004). The idea of innovative capacity is addressed differently by various disciplinary bodies of literature. Wang and Ahmed (2004) revealed five dimensions in their study to develop and validate the organizational innovativeness construct. They are product innovativeness, process innovativeness, market innovativeness, behavioral innovativeness, and strategic innovativeness. However, this current study focuses only on three

dimensions for determining the innovative capability of a community enterprise: product innovativeness, process innovativeness, and market innovativeness.

In the context of micro, small, and medium-sized enterprises, it was found that innovative capability has a direct positive effect on the sustainable competitive advantage of these enterprises (Teguh et al., 2021). Several studies also reported the positive linkage between innovation capacity and competitive advantage (Obeidata et al., 2021; Lee & Yoo, 2021).

### **Dynamic capability**

Dynamic capability broadens the resource-based view by including the effects of changing environments (Karimi-Alagheband & Rivard, 2020). Dynamic refers to the ability to renew competencies in order to deal with the changing business environment, and the term capability stresses strategic management in adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competencies (Teece et al., 1997). According to Baškarada and Koronios (2018), the dynamic capability is divided into five components, namely: sensing, searching, seizing, shifting, and shaping.

Several leading scholars stated that an enterprise can remain competitive over time in a dynamic environment by strengthening its dynamic capability (Linde et al., 2021). In other words, dynamic capacity has evolved as a critical factor for enterprises' development, survival, and competitiveness in today's changing business environment. Many studies reported that dynamic capability has a positive and significant influence on the competitive advantage of enterprises (Ferreira & Coelho, 2020; Prabowo et al., 2021).

### **Intellectual capital**

Intellectual capital, which is regarded as a strategic asset for the organization's long-term survival, is critical to its success in a competitive business environment. It can be defined as a set of intangible resources that generate value for an organization (Baima et al., 2021). Many researchers who have given meaning to intellectual capital have often covered three capital traits: human capital, structural capital, and relational capital (Bontis, 1999).

### **The relationship between intellectual capital and innovative capability**

An enterprise's ability to implement strategy and innovate is generally intimately linked to its intellectual capital, or its ability to use knowledge resources. Different techniques for accumulating and utilizing information are used by different enterprises, and these techniques are manifested as various components of intellectual capital. Moreover, the three dimensions of green

intellectual capital, i.e., human, organizational, and relational capital have a beneficial impact on process innovation performance (Jirakraisiri et al., 2021). Intellectual capital enables an enterprise to increase its innovation (Nejjari & Aamoum, 2020; Obeidata et al., 2021). The study of Jardon (2018) argued that human capital generates relational capital, and relational capital needs structural capital to increase the innovativeness of small businesses.

#### **The relationship between intellectual capital and dynamic capability**

It is widely acknowledged that intellectual capital is closely linked to an organization's dynamic capability (Muhammad & Salma, 2021). Therefore, owners or executives should provide adequate intellectual capital in order to increase the dynamic capabilities of an enterprise. It can be denoted that intellectual capital is a vital resource for dynamic capability (Pigola & da Costa, 2021).

#### **The relationship between intellectual capital and competitive advantage**

Intellectual capital is one of the most essential resources for gaining a competitive advantage for an enterprise (Na-Nan et al., 2021). However, intangible resource as intellectual capital is difficult to see, feel, or describe, therefore a visible result of it would be when efficient management practices, techniques, and tools have been applied. This implies that business success is not determined by the absolute availability of resources, but that it depends on the ability of enterprises to deploy their resources to produce innovative products for their markets (Aljanabi, 2022). Enterprises can control their assets to gain a competitive advantage and value from new products. Prior studies have also stated that intellectual capital has a significant indirect effect on competitive advantage through innovation (Obeidata et al., 2021).

In addition, the study of Vu et al. (2021) revealed that enterprise resources have a positive impact on dynamic capability. An enterprise's existing resource is primarily intangible as intellectual resources that can transform into competency. Whereas superior competency relies upon an enterprise's ability to integrate, generate, and reconfigure those resources. The process of these abilities to respond to a changing environment and stabilize is in the business competitive world termed dynamic capability (Prena & Kustina, 2020). Therefore, enterprises can increase their competitive advantage and performance by accumulating human, social, and organizational capital, and by using the dynamic capability, to mediate these basic forms of intellectual capital (Nhon et al., 2020).

## Conceptual Framework

Based on a theoretical and empirical study of relevant variables, a conceptual framework for this research is exhibited in Fig. 1, and the following hypotheses were tested.

H1: Innovative capability has a positive effect on competitive advantage.

H2: Dynamic capability has a positive effect on competitive advantage.

H3: Intellectual capital has a positive effect on innovative capability.

H4: Intellectual capital has a positive effect on dynamic capability.

H5: Innovative capability mediates the relationship between intellectual capital and competitive advantage.

H6: Dynamic capability mediates the relationship between intellectual capital and competitive advantage.

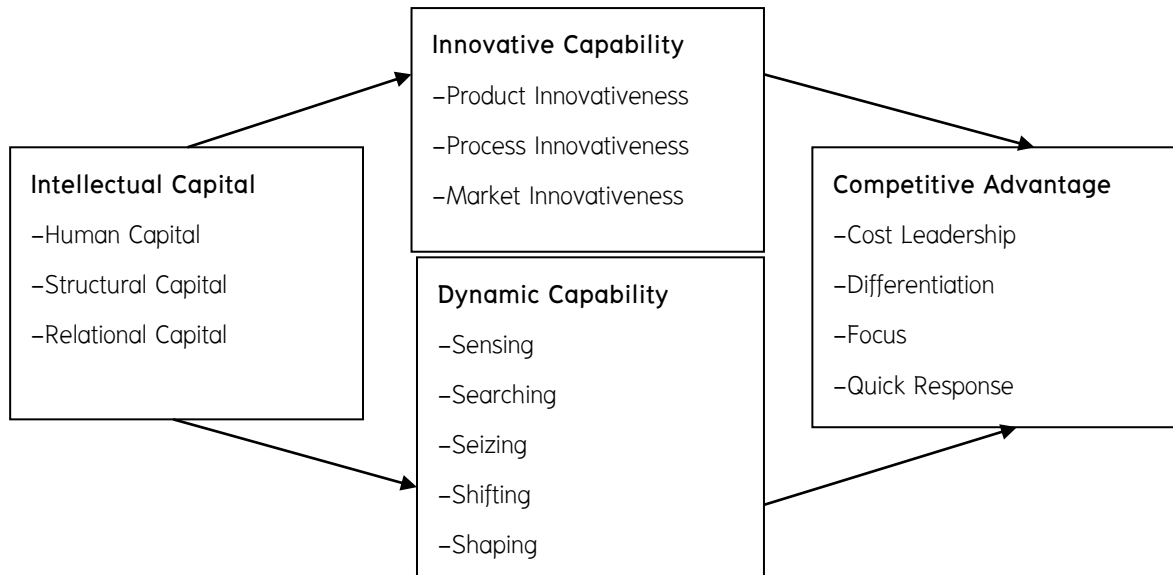


Fig 1. Conceptual Framework

## Research Methodology

### Design and data collection

This study has a mixed-methods, convergent design. The target population in this study is the entrepreneurs of community enterprises that produce processed agricultural food products in the three southern border provinces of Thailand. The sample group for the quantitative data collection was determined according to the suitable criteria, namely at least 20 samples per variable (Hair et al., 2010). There were 15 variables in this study, therefore, at least 300 samples



should be randomized. However, to prevent a low response rate, 400 samples were determined by using a proportional stratified simple random sampling technique based on each province. A total of 325 completed questionnaires were returned. In addition, qualitative data were collected through in-depth interviews with 15 community enterprise entrepreneurs, each had received either an award for delivering outstanding products or a community enterprise distinction.

### **Measures and data analysis methods**

#### **Quantitative method**

The questionnaire to obtain quantitative data was created based on a review of prior literature. This questionnaire comprises five sections. In the first section, business characteristics, the second section, intellectual capital is evaluated under three capital traits: human capital, structure capital, and relational capital based on the concept of Bontis (1999). The third section, innovative capability, comprises product innovativeness, process innovativeness, and market innovativeness. These dimensions are adopted and applied from the organizational innovativeness based on the concept of Wang and Ahmed (2004). The fourth section, dynamic capability includes five components: sensing, searching, seizing, shifting, and shaping which were drawn from the work of Baškarada and Koronios (2018). The fifth section, competitive advantage, according to Porter (1985), is the three forms of generic competitive strategy: cost leadership, differentiation, and focus. In addition, another strategy, a quick response based on the concept of Ko (1997), was added. The measurements in the second to the fifth sections were rated on a 5-point Likert scale.

To examine the quality of the questionnaire, content validity was determined by three experts. All items had item-objective congruence (IOC) scores higher than 0.6. The questionnaire was also tested with 30 entrepreneurs of community enterprises who were not in the sample group of this study. Cronbach's alpha was used to calculate the reliability value to ensure that the items were internally consistent. Cronbach's alpha values ranged from 0.969 to 0.989, which are all significantly higher than the 0.70 criterion (George & Mallery, 2003). Data were analyzed from the questionnaires using IBM SPSS Statistics 23 and Lisrel 8.80 software. The structural equation model was developed using the two-step model-building based on Anderson and Gerbing (1988), validation by measurement model of latent variables followed by an analysis using the structural equation model in order to test the hypotheses in the proposed model. Maximum likelihood estimation is used in the structural equation modeling analysis software.

### Qualitative method

The semi-structured interview form was used to obtain qualitative data from the in-depth interviews with key informants. This interview form was based on the literature review in intellectual capital, innovative capability, dynamic capability, and competitive advantage, and the guidelines for increasing competitive advantage. Content analysis was used to analyze data from the in-depth interviews.

### Research Results

#### The research results for each objective are as follows:

The first objective of the study is to examine the differences in a competitive advantage based on the characteristics of community enterprises producing processed agricultural products. From the quantitative research, it was found that the difference in a competitive advantage based on size and age is not statistically significant. In the same way, qualitative research has also yielded these results.

The second objective of the study is to develop and validate a model of causal factors affecting the competitive advantage of community enterprises producing processed agricultural products. First, the confirmatory factor analysis (CFA) for the four latent constructs in this study was performed to test the measurement model. In this stage, the reliability and validity of the measurement were assessed. The results revealed that Cronbach's alpha coefficient of each construct was higher than 0.70 in the acceptable value which was suggested by George and Mallery (2003). The composite reliability of each construct was also greater than 0.60 which fulfilled the criteria recommended by Diamantopoulos and Siguaw (2000). With regard to convergent validity, all indicators exhibited loadings above the threshold of 0.50 and all the values of AVE were also above the threshold level of 0.50 (Hair et al., 2010). In addition, discriminant validity was assessed by using chi-square difference tests. It is found that the chi-square difference statistics for all pairs of constructs were all more than the critical value of the Bonferroni method. Therefore, the discriminant validity of the measurement model is acceptable. Then, the structural equation modeling was used to test hypotheses for the relationship between four constructs: intellectual capital, innovative capability, dynamic capability, and competitive advantage. According to the analysis results, as shown in Table 1, the proposed model showed an adequate fit. The value of  $\chi^2/df$  was smaller or equal to 5.00, RMSEA was smaller than 0.08,

GFI, AGFI, and CFI were greater than 0.90, SRMR was smaller than 0.05. All values are acceptable according to the criteria suggested by Diamantopoulos and Siguaw (2000).

**Table 1.** Path Coefficient of the Proposed Model

Causal Variable	Effect Variable								
	Innovative Capability			Dynamic Capability			Competitive Advantage		
	TE	DE	IE	TE	DE	IE	TE	DE	IE
Intellectual Capital	.985** (.053)	.985** (.053)	–	.946** (.056)	.946** (.056)	–	.910** (.062)	–	.910** (.062)
Innovative Capability	–	–	–	–	–	–	.370** (.126)	.370** (.126)	–
Dynamic Capability	–	–	–	–	–	–	.577** (.129)	.577** (.129)	–
R <sup>2</sup>	.969			.895			0.868		

$\chi^2 = 130.302$ ,  $df=75$ ,  $RMSEA = 0.048$ ,  $CFI=0.997$ ,  $GFI = 0.949$ ,  $AGFI = 0.919$ ,  $SRMR = 0.020$

Note: TE= total effect, DE= direct effect, IE= indirect effect, \*\* $p<.01$

Standard errors are in parentheses.

The findings show support for all hypotheses. H1 is supported with a positive effect of innovative capability on competitive advantage. Similarly, H2 is supported with a positive effect of dynamic capability on competitive advantage. H3 is supported with a positive effect of intellectual capital on innovative capability. H4 is also supported with a positive effect of intellectual capital on dynamic capability. In addition, the results of path analysis indicate that intellectual capital has an indirect effect on competitive advantage through innovative capability and dynamic capability as mediators. Therefore, H5 and H6 are supported. Intellectual capital has the highest effect on competitive advantage through innovative capability and dynamic capability with path coefficient 0.910 ( $p<.01$ ), then dynamic capability, with path coefficient 0.577 ( $p<.01$ ), and innovative capability with path coefficient 0.370 ( $p<.01$ ). The results also reveal that 86.80% of competitive advantage could be explained by these three variables in the proposed model. The relationship between these variables has also been confirmed by qualitative research findings. The following Fig. 2 is a model showing the results of hypothesis testing.

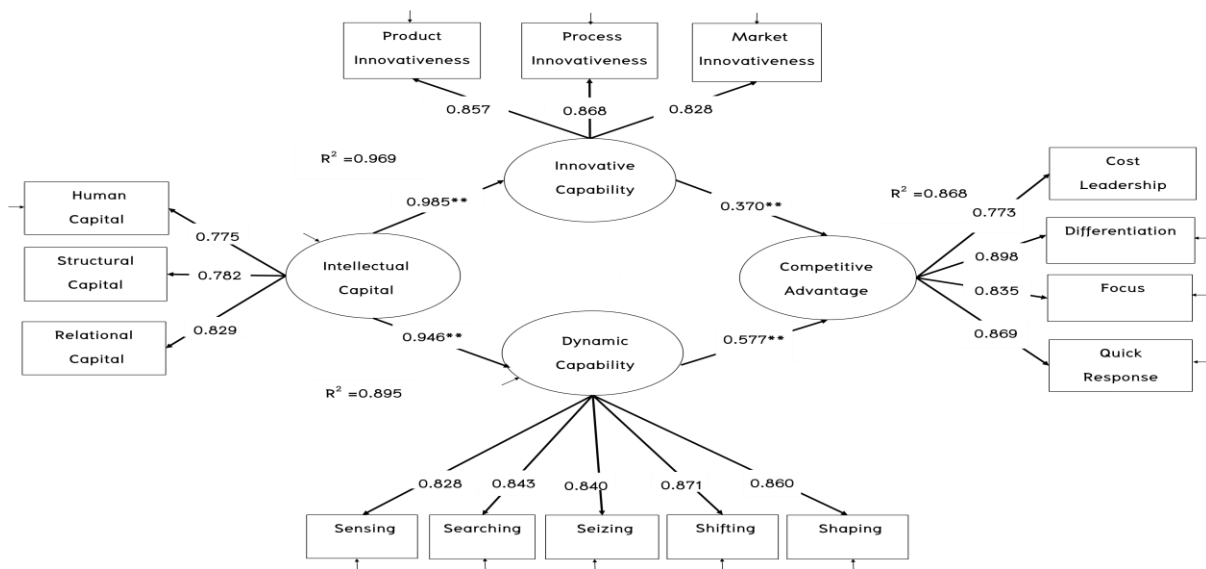


Fig. 2 Test of a Structural Equation Modeling

## Discussions

The results of the study show that there are no statistically significant differences between different sizes and ages of community enterprises with respect to the competitive advantage. This is in line with the results from the in-depth interviews with the entrepreneurs of community enterprises. They indicated that their businesses' gaining a competitive advantage depends neither on the age of the enterprise nor the number of members, but on the ability to continuously improve operations to suit the current business situation. In addition, being reliant on the improvement or development of local products that are already unique to still meet and satisfy customers' needs in today's market helps them gain advantage. The results are in contrast with the findings of other studies that reported sizes and ages had shown themselves to have a significant relationship with the competitive advantage (e.g. Doucouré & Diagne, 2020; Applegate & Lampert, 2021). This may be because building a competitive advantage in a presently uncertain and changing business environment depends more on the ability to adapt, which includes learning to do new things, improving or developing products, or appropriately reinventing a new business model, in order to quickly and effectively respond to signals of change in the target market. Therefore, any entrepreneurs of community enterprises who are able to handle such matters well and more quickly would have a competitive advantage.

Another finding in this study reveals that the suggested model is an appropriate fit. Innovative capability and dynamic capability have a statistically significant positive direct effect on competitive advantage. It is also consistent with the results from the in-depth interviews, in which everyone agreed that they do not stop improving or developing new products, services, processes, and marketing as well as transforming their business and evolving with the times. Empirical research has confirmed a positive impact of the innovative capacity on competitive advantage (Hernández-Perlines & Araya-Castillo, 2020; Teguh et al., 2021). This might be due to the fact that enterprises need innovative capacity in order to enable themselves to continually improve or develop new things that benefit their competitive advantage. Dynamic capacity is another important factor for gaining and holding on to the competitive advantage that will help a business thrive (Karimi-Alagheband & Rivard, 2020; Ferreira & Coelho, 2020; Prabowo et al., 2021). Dynamic capability is developed through sensing, searching, seizing, shifting, and shaping the business, thereby helping enterprises adapt to the changing business environment, formulate suitable responses to changes, and apply efficient methods to maintain competitive advantage.

In addition, the results confirm that innovative capability and dynamic capability mediate the relationship between intellectual capital and competitive advantage. This finding is consistent with prior studies (Obeidata et al., 2021; Nhon, et al., 2020). Similarly, from the in-depth interviews, many community enterprise entrepreneurs agreed that innovative capability and dynamic capability are generated from the knowledge, ideas, and skills of their staff including support from government agencies. These intangible assets or resources are included in intellectual capital. This reinforces the concept that intellectual capital is an important input that must be utilized or transformed into various capacities in order to obtain an output that creates a competitive advantage outcome in the business environment. Additionally, from the resource-based view, the key to gaining a competitive advantage depends not only on the ownership but also on the management of strategic resources of an organization (Teece, 2018b).

### **Knowledge from Research**

The results of this study not only extend the academic literature on those aforementioned factors in community enterprise but also point out the important role of innovative capability and dynamic capability as mediators in the relationship between intellectual capital and competitive advantages. Practical implications are provided to community enterprise entrepreneurs operating in

developing countries like Thailand. They should pay special attention to intellectual capital, innovative capability, and dynamic capability to support the competitive advantage of community enterprises producing processed food agricultural products.

## Conclusion

This current study provides a framework simultaneously linking intellectual capital, dynamic capability, innovative capability, and competitive advantage. The findings show that dynamic capability and innovative capability have a positive direct and significant effect on competitive advantage. In addition, intellectual capital also has a positive and significant effect on dynamic capability and innovative capability to obtain a competitive advantage for community enterprises. Therefore, highlighting the important role of these intangible assets will help enhance the competitive advantage of community enterprises, particularly community enterprises producing processed agricultural food products.

## Suggestions

Community enterprise entrepreneurs or government officials whose role is to promote the entrepreneurship of community enterprises should give special attention to the development of intellectual capital in all elements: human capital, structural capital, and relational capital. This is because intellectual capital is a key factor in building innovative capability and dynamic capability contributing to the competitive advantage of community enterprises. To develop the intellectual capital of community enterprises, the relational capital should be emphasized. Entrepreneurs also need to pay attention to all elements of innovative capability, namely product innovativeness, process innovativeness, and market innovativeness, with the central focus on process innovativeness. Likewise, all elements of dynamic capability: sensing, searching, seizing, shifting, and shaping are vital, and the primary focus should be placed on shifting.

For the upcoming research, it is possible to compare the issues of innovative capability, dynamic capability, intellectual capital, and competitive advantage between developing countries or between community enterprises that produce different types of products. Based on the nature of the business operation, there could be other variables that could impact the competitive advantage of community enterprises. Thus, future research may consider other drivers and control variable factors that might provide insight and more findings on competitive advantage. Finally, the

cross-sectional data presented herein is insufficient to investigate the causal relationship shown by the suggested model fully. In the future, longitudinal research with more rigorous experimental controls should be conducted.

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