


THE EFFECT OF STRATEGIC FLEXIBILITY AS A MODERATING VARIABLE IN IMPROVING FIRM PERFORMANCE IN MICROFINANCE INSTITUTIONS

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ARTICLE INFO	ABSTRACT
<p>Article history:</p> <p>Received 07 April 2023</p> <p>Accepted 06 July 2023</p>	<p>Purpose: This study aims to determine and analyze the effect of intangible assets in increasing sustainable competitive advantage and performance in microfinance institutions as well as the influence of strategic flexibility as a moderating variable.</p>
<p>Keywords:</p> <p>Intellectual Capital; Social Capital; Sustainable Competitive Advantage; Strategic Flexibility; Microfinance Institutions.</p>	<p>Theoretical framework: The five variables studied, namely intellectual capital and social capital, each measured with three dimensions as independent variables, sustainable competitive advantage as variable intervening and performance as dependent variables, and the influence of strategic flexibility moderation.</p>
	<p>Design/methodology/approach: The study was conducted with a quantitative approach; questioners were given to MFI leaders in Madura while analysis of the influence of each variable using partial least squares structural equation modeling (PLS-SEM) techniques with the help of SmartPLS 3.0 software.</p> <p>Findings: The results of the analysis show that intellectual capital has a significant effect on sustainable competitive advantage and performance, social capital has a significant impact on sustainable competitive advantage but does not affect performance, while strategic flexibility weakens the influence of intellectual capital on firm performance and strengthens the effect of social capital on performance.</p> <p>Research, Practical & Social Implications: The following study can be more detailed by measuring and exploring the influence of each dimension, both social capital and intellectual capital dimensions. Company leaders must continue to increase the value of intellectual capital and develop social relations and utilize these relationships in alternative strategies.</p> <p>Originality/value: This study investigates the influence of intellectual capital and social capital on sustainable competitive advantage and performance in a hyper-competitive business environment as well as the effect of moderation of strategic flexibility with research objects in Islamic microfinance institutions.</p> <p>Doi: https://doi.org/10.26668/businessreview/2023.v8i7.2298</p>

O EFEITO DA FLEXIBILIDADE ESTRATÉGICA COMO VARIÁVEL MODERADORA NA MELHORIA DO DESEMPENHO DA EMPRESA EM INSTITUIÇÕES DE MICROFINANÇAS

RESUMO

Objetivo: Este estudo tem como objetivo determinar e analisar o efeito dos ativos intangíveis no aumento da vantagem competitiva sustentável e no desempenho das instituições de microfinanças, bem como a influência da flexibilidade estratégica como variável moderadora.

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Estrutura teórica: As cinco variáveis estudadas, a saber, capital intelectual e capital social, cada uma medida com três dimensões como variáveis independentes, vantagem competitiva sustentável como variável interveniente e desempenho como variáveis dependentes, e a influência da flexibilidade estratégica como moderação.

Projeto/metodologia/abordagem: O estudo foi conduzido com uma abordagem quantitativa; os questionários foram entregues aos líderes das IMFs em Madura, enquanto a análise da influência de cada variável usava técnicas de modelagem de equações estruturais por mínimos quadrados parciais (PLS-SEM) com a ajuda do software SmartPLS 3.0.

Conclusões: Os resultados da análise mostram que o capital intelectual tem um efeito significativo sobre a vantagem competitiva sustentável e o desempenho, o capital social tem um impacto significativo sobre a vantagem competitiva sustentável, mas não afeta o desempenho, enquanto a flexibilidade estratégica enfraquece a influência do capital intelectual sobre o desempenho da empresa e fortalece o efeito do capital social sobre o desempenho.

Implicações sociais, práticas e de pesquisa: O estudo a seguir pode ser mais detalhado, medindo e explorando a influência de cada dimensão, tanto do capital social quanto do capital intelectual. Os líderes da empresa devem continuar a aumentar o valor do capital intelectual, desenvolver relações sociais e utilizar essas relações em estratégias alternativas.

Originalidade/valor: Este estudo investiga a influência do capital intelectual e do capital social na vantagem competitiva sustentável e no desempenho em um ambiente de negócios hipercompetitivo, bem como o efeito da moderação da flexibilidade estratégica com objetos de pesquisa em instituições de microfinanças islâmicas.

Palavras-chave: Capital Intelectual, Capital Social, Vantagem Competitiva Sustentável, Flexibilidade Estratégica, Instituições de Microfinanças.

MEJORA DEL RENDIMIENTO EMPRESARIAL EN LAS INSTITUCIONES DE MICROFINANCIACIÓN

RESUMEN

Objetivo: Este estudio pretende determinar y analizar el efecto de los activos intangibles en la mejora de la ventaja competitiva sostenible y el rendimiento en las instituciones de microfinanciación, así como la influencia de la flexibilidad estratégica como variable moderadora.

Marco teórico: Las cinco variables estudiadas, a saber, el capital intelectual y el capital social, medidos cada uno con tres dimensiones, como variables independientes, la ventaja competitiva sostenible como variable interveniente y el rendimiento como variable dependiente, y la influencia de la flexibilidad estratégica como moderadora.

Diseño/metodología/enfoque: El estudio se llevó a cabo con un enfoque cuantitativo; se entregaron cuestionarios a los dirigentes de las IMF de Maduro, mientras que para el análisis de la influencia de cada variable se utilizaron técnicas de modelización de ecuaciones estructurales por mínimos cuadrados parciales (PLS-SEM) con ayuda del software SmartPLS 3.0.

Conclusiones: Los resultados del análisis muestran que el capital intelectual tiene un efecto significativo sobre la ventaja competitiva sostenible y el rendimiento, el capital social tiene un impacto significativo sobre la ventaja competitiva sostenible pero no afecta al rendimiento, mientras que la flexibilidad estratégica debilita la influencia del capital intelectual sobre el rendimiento de la empresa y refuerza el efecto del capital social sobre el rendimiento.

Implicaciones sociales, prácticas y de investigación: El siguiente estudio puede detallarse más midiendo y explorando la influencia de cada dimensión tanto del capital social como del capital intelectual. Los directivos de las empresas deberían seguir aumentando el valor del capital intelectual, desarrollar las relaciones sociales y utilizar estas relaciones en estrategias alternativas.

Originalidad/valor: Este estudio investiga la influencia del capital intelectual y el capital social en la ventaja competitiva sostenible y el rendimiento en un entorno empresarial hipercompetitivo, así como el efecto de moderar la flexibilidad estratégica con objetos de investigación en instituciones islámicas de microfinanciación.

Palabras clave: Capital Intelectual, Capital Social, Ventaja Competitiva Sostenible, Flexibilidad Estratégica, Instituciones de Microfinanciación.

INTRODUCTION

Every company will always face the speed and variety of internal and external changes (Jalagat, 2016) as a logical consequence of the dynamics of life that will continue to develop.

Companies that can convert these changes into opportunities have the potential to achieve the best performance because they can excel in competition. One of the assets that form a competitive advantage is intellectual capital (Kengatharan, 2019) and social capital (Lyu & Ji, 2020).

Since this term became popular in the 1980s, empirical studies on the effect of intellectual capital on organizational performance have varied. For example, Ozkan et al. (2017), Yao et al. (2019), Bayraktaroglu et al. (2019) Xu & Li (2019) found that intellectual capital is empirically proven to influence performance, add to company value, make the organization more effective, and ultimately provide welfare to the company, increase profitability and productivity (Kengatharan, 2019).

However, other studies also found no effect either simultaneously or with variations in the partial effect of the intellectual capital dimension. Simultaneously (Bontis et al., 2018; Moghaddam et al., 2015) found that intellectual capital has no significant relationship with financial performance. However, the dimensions of intellectual capital partially vary in its effect on company performance. Partially components of intellectual capital such as human capital, customers, and social capital (Khalique et al., 2015) have no relationship with competitive advantage (Yaseen et al., 2016).

On the other hand, the effect of social capital depends on the complexity of social interaction. Theoretically, it can have a positive effect or no effect. However, it can also have a negative effect depending on the interactions between people, structures, and the environment that affect organizational processes (Strindlund et al., 2021). In the business world, the role of social capital in increasing competitiveness has been widely studied, both resulting in direct influence (Karim et al., 2021; Liu et al., 2018; Mamun et al., 2018; Navas et al., 2019) or indirectly (Chuang et al., 2016) and there is no influence of social capital on competitive advantage (Meflinda et al., 2018).

While the effect of social capital on performance, Dar and Mishra (2020) concluded that social capital does not affect financial performance. Akintimehin et al. (2019) revealed that internal social capital influences non-financial performance, but internal social capital does not influence financial performance. Meanwhile, external social capital does not affect both financial and non-financial performance, as well as variations in the influence of each dimension (Ha, 2021)

Social capital, like a double-edged knife, can have a negative effect on companies in some ways. Pillai et al.(2015) specifically conducted a literature study to identify some of the

negative impacts of social capital. This is caused by the pattern of increasing social capital that forms an inverted-U shape pattern, which means that increasing social capital at a certain level is related to increased performance. However, when social capital is continuously increased, the effect becomes insignificant, even having a negative impact because it can generate group fanaticism and is less open to external groups (Y. Wang et al., 2021; F. Zhang et al., 2019).

However, this finding is based on the assumption that the business environment moves consistently. However, today's business conditions are much more complex due to changing customer needs and demands, intense competition, globalization, crises, and technological developments. A clear example is the Covid-19 pandemic which forced business stakeholders to adjust their business assumptions (Duarte Alonso et al., 2020). Therefore, it is necessary to re-do research to determine whether social capital and intellectual capital still affect sustainable competitive advantage and company performance in an uncertain business environment.

In dealing with environmental uncertainty, companies need to have flexible strategies and policies at the strategic, tactical, and operational levels in order to adapt to certain conditions (Sushil & Stohr, 2014). Strategic flexibility allows companies to switch quickly from one strategy to another. In addition, strategic flexibility allows businesses to gain sustainable competitive advantage and good performance by proactively analyzing the business environment, identifying opportunities, and anticipating external threats. This success is easier to achieve if the company has substantial intellectual capital and social capital (Hess & Flatten, 2019). Therefore, strategic flexibility can increase social and intellectual capital's influence on company performance.

Based on the description above, this paper aims to examine and analyze the effect of intellectual capital and social capital on competitive advantage and their impact on company performance in an uncertain business environment. In addition, this study will also examine the role of strategic flexibility in moderating this effect. Theoretically, this research contributes to an understanding of the implementation of strategic flexibility and practically becomes a basis for company leaders to realize the importance of optimizing social relations in increasing competitive advantage and performance.

LITERATURE REVIEWS

Social Capital

Social capital refers to interpersonal relationships that create value for individuals in organizations. The basic premise of this concept is that social interactions, relationships, and

ties in social structures or networks are valuable resources that can be developed in such a way as capital in facilitating the acquisition of resources (Lee et al., 2019). When embedded in social relationships and interactions, social cohesion with elements that include trust, norms, reciprocity, and cooperation (Nahapiet & Ghoshal, 1998) can facilitate the coordination of actions that produce mutual benefits.

Social capital consists of three dimensions (Nahapiet & Ghoshal, 1998), namely: first, structural social capital refers to the frequency of interpersonal relationships, with whom and with whom they share information, usually reflected in familiarity and connectivity (Davenport & Daellenbach, 2011). Both relational social capital, this is the affective part which refers to the nature and quality of interpersonal relationships that have developed through interaction (Lefebvre et al., 2016) and manifest in behavioral attributes such as trust, shared group norms and obligations (Davenport & Daellenbach, 2011). The three cognitive social capitals refer to shared understanding and vision

Intellectual Capital

Pedro et al. (2018), in the literature review, found that the most widely cited definition is Stewart's opinion (1997) which defines intellectual capital as intellectual material knowledge, information, intellectual property rights, and experience that can be used to create wealth and gain sustainable competitive advantage in the organization (Z. Wang et al., 2016) whether implicitly stated in the financial statements or not.

Three main components of intellectual capital which have been widely accepted are; human capital, structural capital, and relational capital (Mubarik et al., 2021; Pedro et al., 2018). Human capital is the intelligence of organizational members derived from knowledge embedded and available through employees, such as intelligence, attitudes, talents, skills, and others. Structural capital, namely knowledge embedded in information systems and products from the company's conversion of knowledge and intellectual property (Khalique & De Pablos, 2015), includes mechanisms, technology (information systems and databases), procedures, processes, and intellectual property. Relational capital is a harmonious relationship between a company and its partners to help create added value from suppliers, customers, clients, shareholders, community members, communities, government, the state and informal networks. (Inkinen, 2015) both at the individual and organizational levels.

Strategic Flexibility

Initially, strategic flexibility was identified as a "Black box" because of its various definitions and dimensions (Ahmadi et al., 2017). In Sharma and Sushil language (2002, p. 12) noted that flexibility has 16 connotations, namely freedom, adaptability, liberalism, informality, responsiveness, compromise, versatility, adjustment, contingency, non-rigidity, variability, looseness, variability, broadening, multiplicity, openness, customize. Meanwhile, conceptually, strategic flexibility has similarities with several other similar concepts, for example, organizational flexibility, strategic maneuverability, and dynamic capabilities (Norman Roberts & Stockport, 2014). The point of strategic flexibility is options, change mechanisms, and freedom of choice (Sushil, 2014)

Strategic flexibility allows companies to choose, develop, and modify strategic options to react and respond to a changing environment (Norman Roberts & Stockport, 2014) with systemic action. The difference is that responsive means the company follows environmental changes while being proactive is trying to influence the environment. or lead change (Combe, 2012).

Sustainable Competitive Advantage

Barney (1991) defines sustainable competitive advantage as the continuation of benefits and the simultaneous adoption of unique value-creation strategies by potential competitors who cannot replicate those benefits. This concept does not focus exclusively on the company's competitive position vis-à-vis companies already operating in the same industry or all its current competitors. However, it is also measured by potential competitors poised to enter the industry (Jay B. Barney & Clark, 2007, p. 52).

Companies that have a sustainable competitive advantage are not guaranteed that their competitive advantage will last forever (Singh et al., 2020). Changes in technology, demand, and the broader institutional context can render what used to be a source of sustainable competitive advantage no longer valuable (Jay B. Barney & Clark, 2007, p. 53). The concept of sustainable refers to the time limit for how long the competitive advantage lasts and cannot be imitated by competitors, as long as it is still a source of competitive advantage as long as it is said to be sustainable (Bhat & Darzi, 2018).

Firm Performance

Organizational performance measurement generally focuses on four aspects: input,

process, output, and results (Nalwoga & Van Dijk, 2016). Input measurement focuses on the resources used in producing the product and process measurement, the point of emphasis, is on the activities carried out. Output measurement is to find out the volume of product produced while measuring results focuses on the effect caused by the product or service produced. In essence, the most essential function of performance measurement is to evaluate whether the organization's strategy is achieved.

Organizational performance measurement must be a combination of long-term and short-term, integration of financial and non-financial indicators, combining internal and external perspectives, future-oriented, defining causality of various measures and perspectives in the system (Silvi et al., 2015).

HYPOTHESIS DEVELOPMENT AND CONCEPTUAL FRAMEWORK

Intellectual Capital, Competitive Advantage, and Firm Performance

The concept and application of intellectual capital are vital strategic assets for organizational success (Khalique & De Pablos, 2015). In both high- and low-level knowledge-requiring companies, it assists managers in acquiring valuable resources, enhancing their competitive advantage (Ying et al., 2019). The role of intellectual capital in directly influencing competitive advantage can be found in the study Chahal & Bakshi (2015), Yaseen et al. (2016), Kamukama & Sulait (2017) Indiyati (2018).

Empirically the effect of intellectual capital on performance can be seen in Soetanto & Liem's research (2019), Sharabati (2016), Obeidat et al. (2017) or structured literature review conducted by Demartini & Beretta (2020). Meanwhile, the effect of intellectual capital on company performance is indirectly mediated by several variables, including the speed and quality of innovation (McDowell et al., 2018; Z. Wang et al., 2018), performance measurement system (PMS) (Asiaei et al., 2018) productivity (Kengatharan, 2019) corporate governance (Hamdan et al., 2017) and technological innovation (Xu et al., 2019). In the context of financial institutions, there is also no difference. Intellectual capital has a significant effect on both Islamic banks and conventional banks (Buallay, 2019).

The relationship between intellectual capital and performance is indirectly mediated, among others, by competitive advantage (Ibarra-Cisneros et al., 2020; Khan et al., 2019). In practical implications for increasing company wealth, managers must always try to find a "concoction" of intellectual capital or composition that can add value to the company. Likewise, managers need to know the existence and importance of intellectual capital in creating value

differentiation, increasing competitiveness, and improving company performance.

From the explanation above, intellectual capital is theoretically and empirically one of the most important intangible assets. It should receive serious attention from company stakeholders because intellectual capital directly influences company performance or through other variables.

H1 Intellectual capital has a positive and significant effect on sustainable competitive advantage.

H2 Intellectual capital has a positive and significant effect on firm performance.

H3 Intellectual capital positively and significantly affects firm performance through sustainable competitive advantage.

Social Capital, Competitive Advantage, and Performance

Social commitment as a basis for interaction within an organization can potentially increase an organization's competitive advantage (Kang & Na, 2018), in addition to other factors such as access and extensive network. Organizations can gain faster access to information and operate more efficiently by having a social commitment. Therefore, organizational social capital characterized by broad access and networks is expected to provide a competitive advantage. The study of Abdullah et al. (2018) and Zhang et al. (2015) reveal the importance of social capital in building competitive advantage directly or indirectly (Chuang et al., 2016).

In addition to influencing sustainable competitive advantage, social capital also plays a role in improving company performance. Several studies, such as that conducted by Barroso-Castro et al. (2016), Leem & Rogers (2017), and Al Mamun et al. (2018), empirically concluded that the three dimensions of social capital have a direct effect on company performance, either directly or through other mediating variables (Birasnav et al., 2019; Boohene et al., 2019; Datoon et al., 2018). Hence, Hefu et al. (2016) emphasized that social capital impacts company performance substantively and symbolically. Nonetheless, the influence of each dimension of social capital can vary.

According to Pratono et al. (2016), the role of social capital is still underused by SMEs in improving technology and achieving competitive advantage, and improving company performance. For this reason, it is necessary to optimize intangible assets. A company's Social capital can help control market prices above marginal costs and build networks and trust that open up opportunities to gain a competitive advantage. Therefore, the company's performance does not only depend on marketing capital but also social capital.

Hernández-Carrión et al. (2016) concluded that entrepreneurs' social capital is a determinant of the economic performance of their business. The effect of social capital is moderated by factors such as the intensity of competition in the industry, experience, and the entrepreneur's network. Entrepreneurial social capital combines all of these characteristics explicitly so that it can generate competitive advantages and so on improve performance.

Based on the theoretical studies and empirical evidence above, it can be concluded that social capital influences competitive advantage directly or moderated by other variables or intervening variables. The level of competitive advantage strongly influences the level of success of an organization in producing good performance it has,

H4 Social capital has a positive and significant effect on competitive advantage.

H5 Social capital has a positive and significant effect on firm performance.

H6 Social capital positively and significantly affects company performance through sustainable competitive advantage.

Strategic Flexibility in Moderating the Influence of Social Capital and Intellectual Capital on Firm Performance

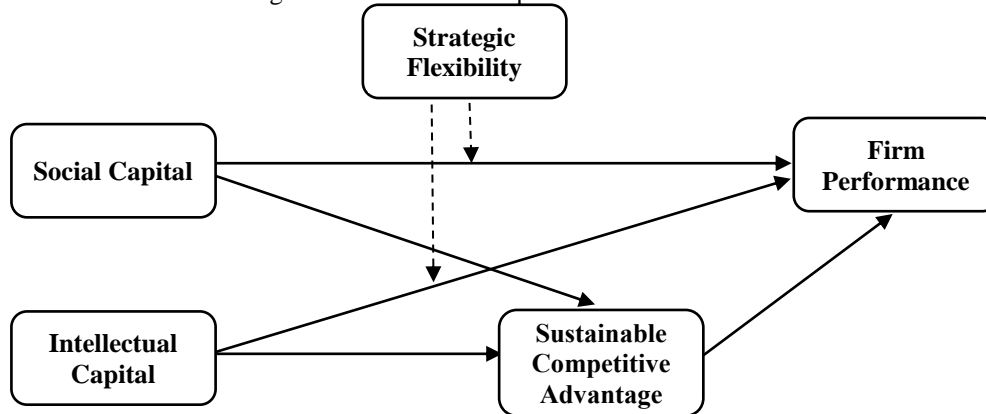
Strategic flexibility emphasizes the ability of organizations to choose strategic options, respond and adapt to environmental changes and take advantage of strategic conditions. This requires all those involved in the organization to have intellectual and social capital because strategic flexibility is collective work from organizational resources (Bamel & Bamel, 2018). This ability becomes easy when the company has intellectual capital and social capital and is supported by professional leaders (Hess & Flatten, 2019)

Strategic flexibility also requires courage in taking risks; therefore, experienced organizational leaders with substantial social capital have the potential to be more successful in creating company performance and added value (Ferris et al., 2017). These empirical findings are reinforced by the study of Birasnav et al. (2019), who concluded that organizational leaders must increase their social capital in order to be able to carry out organizational learning so that it will make the organization flexible in responding to customer needs and improve organizational performance.

H7 Strategic flexibility increases the influence of social capital and intellectual capital on firm performance

Referring to the theoretical studies and empirical studies mentioned above, the model framework in this study is as shown below:

Figure 1. Research conceptual framework model



Source: Prepared by the authors (2021)

The conceptual framework above explains that both social and intellectual capital will affect sustainable competitive advantage and performance, while strategic flexibility moderates this effect because, in a highly dynamic business environment, the company's strategy must be flexible.

RESEARCH METHOD

Time, Population, and Sample

The population in this study are all leaders of Islamic microfinance institutions in the Madura region with the following details:

Table 1 Islamic microfinance institutions in Madura

No	LMS name	Since	Number of Branch Offices				Total Qty
			Bangkalan	Lacquer	Pamekasan	Sumenep	
1	BMT Mawaddah	2000	-	10	6	-	16
2	KSN Nuri	2008	1	6	9	2	18
3	BMT Al-Iktisab	2005	-	2	3	-	4
4	BMT UGT Sidogiri	2000	18	17	4	18	57
5	BMT NU East Java	2004	4	6	7	17	34
6	BMT Al-Kautsar	2015	-	2	-	-	2
Amount			23	42	30	37	132

Source: Prepared by the authors (2021)

Data were collected from the beginning of October 2020 to the end of May 2021. The questionnaire was distributed to the entire study population, namely 132 respondents, where the respondents in this study consisted of branch heads from 6 Islamic microfinance institutions in Madura. However, not all respondents answered the questionnaire given the distributed questionnaires, which gave answers as many as 124 (93.9%).

Variables, Dimensions, and Measurement Scales

Research variables must be specific so that they are not biased and measurable. To meet these criteria, the variables in this study were constructed from dimensions and several indicators. The configuration of variables, dimensions, and indicators can be seen in the following table:

Table 2 Matrix of variables, dimensions, and indicators

No	Variables/ Definitions	Dimensions	Indicator
1	<i>social capital</i> (Liao, 2018)	<i>Structure Capital</i>	1. Long-term good relations 2. Connected with the outside world 3. Harmonious
		<i>Relational Capital</i>	1. Symbiosis mutualism 2. Good Reputation 3. Support to partners 4. Initiative to help
		<i>Cognitive Capital</i>	1. Communicate effectively 2. Responsiveness 3. Have a common goal
2	<i>Intellectual Capital</i> (Li et al., 2019, p. 10) (Mehralian et al., 2018) (Ramadan et al., 2017)	<i>Human Capital</i>	1. Knowledge, 2. attitude, 3. Creativity,
		<i>Structure Capital</i>	1. Organizational structure 2. process capital 3. Technological capital
		<i>Relational Capital</i>	1. Important information from external. 2. Collaborate extensively with external parties. 3. Customer feedback. 4. Aware of customers' needs. 5. Added value to customers.
3	<i>Sustainable competitive advantage</i> (Sachitra, 2016, p.6)	<i>Price</i>	Competitive profit sharing ratio
		<i>Quality</i>	Product Quality
		<i>Product innovation</i>	product development
		<i>Time to market</i>	Customer response speed
4	<i>Strategic flexibility</i> (Evans, 1991) (Fan et al., 2013)	<i>Pro-Active Strategic flexibility</i>	1. Agents of change 2. Strategies that cannot be predicted 3. Create options for growth 4. Attempt to use technology
		<i>Reactive Strategic flexibility</i>	1. Consider an array of contingencies 2. Take advantage of opportunities 3. Planning that is typical of the 'wait and see' nature
5	(Z. Wang et al., 2018)	<i>operational performance</i>	
		<i>Financial performance</i>	

Source: Prepared by the authors (2021)

Data Analysis Method

All data were analyzed using the Partial Least Square (PLS) SEM method with the help of SmartPLS version 3.0 software. Variable and construct measurement criteria are based on

the condition of the AVE (Average Variance Extracted) value > 0.50 , discriminant validity of HTMT < 0.9 , composite reliability value (CR > 0.6), and Cronbach's alpha measurement value > 0.5 (Hair et al., 2017).

RESULTS AND DISCUSSION

Profile of Respondents

Table 3. Profile of respondents

Demographic Characteristics	Number of Respondents	Percentage
<i>age</i>		
21-25 Years	25	20
26-30 Years	43	35
31-35 Years	41	33
≥ 36 Years	15	12
<i>Education</i>		
Middle School / Equivalent	9	7,26
High School / Equivalent	67	54.03
Diploma	12	9,68
S1	36	29.03

Source: Prepared by the authors (2021)

Outer PLS Model Testing

The first stage in evaluating the outer model can be started by looking at the results of the convergent validity test through factor loading. The variables or constructs built in this study are multidimensional constructs where each construct has dimensions. Then these dimensions have indicators, so determining variables' validity and reliability use second-order confirmatory factor analysis. An indicator is considered valid if it has an AVE value above 0.5 or shows all outer loading variable dimensions having a loading value > 0.5 , meaning that 50% or more of the variance of the indicator can be explained. Meanwhile, composite reliability > 0.70 is used to determine whether all construct indicators are reliable.

The results of data processing using SmartPLS can be seen in the following table:

Table 4. Results of data processing

Variables	Dimensions	Indicators	Loading Factor		AVE	Convergent Validity
Intellectual Capital	Human Capital	IC1	0.944	0.893	0.872	valid
		IC10	0.955	0.952		valid
		IC11	0.930	0.923		valid
	Structure Capital	IC2	0.939	0.916		valid
		IC3	0.943	0.934		valid
		IC4	0.980	0.963		valid
	Relational Capital	IC5	0.972	0.949		valid
		IC6	0.942	0.934		valid

		IC7	0.908	0913		valid
		IC8	0.930	0931		valid
		IC9	0962	0.959		valid
performance	Operational Performance	PERF1	0.840	0.805	0.795	valid
		PERF2	0.902	0.877		valid
		PERF3	0897	0.871		valid
		PERF4	0912	0.918		valid
		PERF5	0879	0914		valid
	Financial Performance	PERF6	0.956	0911		valid
		PERF7	0910	0.924		valid
		PERF8	0.934	0.908		valid
Social Capital	Structure Capital	SC1	0.946	0941	0891	valid
		SC2	0.950	0.948		valid
		SC3	0.956	0.945		valid
	Relational Capital	SC4	0962	0939		valid
		SC5	0.938	0.949		valid
		SC6	0.926	0.935		valid
		SC7	0.961	0936		valid
	Cognitive Capital	SC8	0.960	0.960		valid
		SC9	0.961	0.946		valid
		SC10	0.961	0.938		valid
Sustainable Competitive Advantage	Price	SCA1	1,000	0.904	0.826	valid
	Quality	SCA2	1,000	0.924		valid
	Product Innovation	SCA3	0.924	0.927		valid
		SCA4	0910	0.854		valid
	Time to market	SCA5	1,000	0.934		valid
Strategic Flexibility	Pro-active	SF1	0.959	0.948	0.899	valid
		SF2	0.930	0.930		valid
		SF3	0.963	0966		valid
		SF4	0968	0.965		valid
	Reactive	SF5	0.920	0.920		valid
		SF6	0.958	0.957		valid
		SF7	0.952	0.950		valid

Source: Prepared by the authors (2021)

Loading factor of all indicators > 0.7 and AVE of all constructs > 0.5 indicates that whole valid indicator in measuring the construct, both the 1st and 2nd order construct.

Discriminant Validity

Validity testing is conducted to determine how precisely a measuring instrument performs its measurement function. The indicators used in the study have met discriminant validity as assessed from the HTMT value. The construct is declared to meet discriminant validity if HTMT < 0.9 (Hair et al., 2017)

Table 5 HTMT values

	IC	PERF	SC	SCA	SF
IC					
PERF	0.426				
SC	0.538	0.209			

SCA	0.611	0.671	0.539		
SF	0.268	0.399	0.587	0.122	

Source: Prepared by the authors (2021)

Based on the table above, all constructs have HTMT < 0.9 , indicating that all constructs meet the criteria validity required discriminant (Hair et al., 2017).

Reliability

The construct is declared reliable if the value Cronbach's alpha > 0.7 ; composite reliability > 0.7 (Hair et al., 2017).

Table 6 Value of Cronbach's alpha

	Cronbach's Alpha	Composite Reliability
IC	0.985	0.987
PERF	0.963	0.969
SC	0.986	0.988
SCA	0.947	0.960
SF	0.981	0.984

Source: Prepared by the authors (2021)

Based on the table above, all constructs are declared reliable because all Cronbach alpha values are > 0.7 and composite reliability values are > 0.7 (Hair et al., 2017).

Testing Inner Model PLS

The goodness of fit model

This test is used to measure the performance or suitability of both the inner and outer models model that can be seen in the value of R-square, Qsquare, and SRMR.

Table 7 R square value

	R Square	R Square Adjusted
CC	0.974	0.974
FIN	0.960	0.960
HUMM	0.943	0.943
OP	0.983	0.982
PERF	0.714	0.700
PI	0.945	0.945
homework	0.817	0.816
PRO A	0.994	0.994
QUAL	0.853	0.852
RC	0.985	0.985
RE	0.997	0.997
RAIL	0.997	0.997
SCA	0.408	0.398
st	0.988	0.988
STR	0.967	0.967

IT	0.873	0.872
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Source: Prepared by the authors (2021)

Based on the table above, the lowest endogenous R-square value is 0.408, and endogenous Rsquare > 0.33 indicates the model is in the moderate-strong category.

Table 8 Q square values

	SSO	SSE	Q² (=1-SSE/SSO)
CC	372,000	39,478	0.894
FIN	372,000	63,833	0.828
HUMM	372,000	63,028	0.831
IC	1,364,000	1,364,000	
MOD_IC	9,548,000	9,548,000	
MOD_SC	124,000	124,000	
OP	620,000	145,679	0.765
PERF	992,000	473,080	0.523
PI	248,000	52,616	0.788
homework	124,000	23,803	0.808
PRO A	372,000	39,547	0.894
QUAL	124,000	18,752	0.849
RC	496,000	60,827	0.877
RE	496,000	52,765	0.894
RAIL	620,000	80,290	0.870
SC	1240,000	1240,000	
SCA	620,000	413,981	0.332
SF	868,000	868,000	
st	372,000	41,694	0.888
STR	372,000	39,018	0.895
IT	124,000	16,673	0.866

Source: Prepared by the authors (2021)

Based on the table above, the lowest endogenous Qsquare value is 0.332 > 0.15 show predictive relevance model in the medium – large category.

Table 9 Model SRMR values

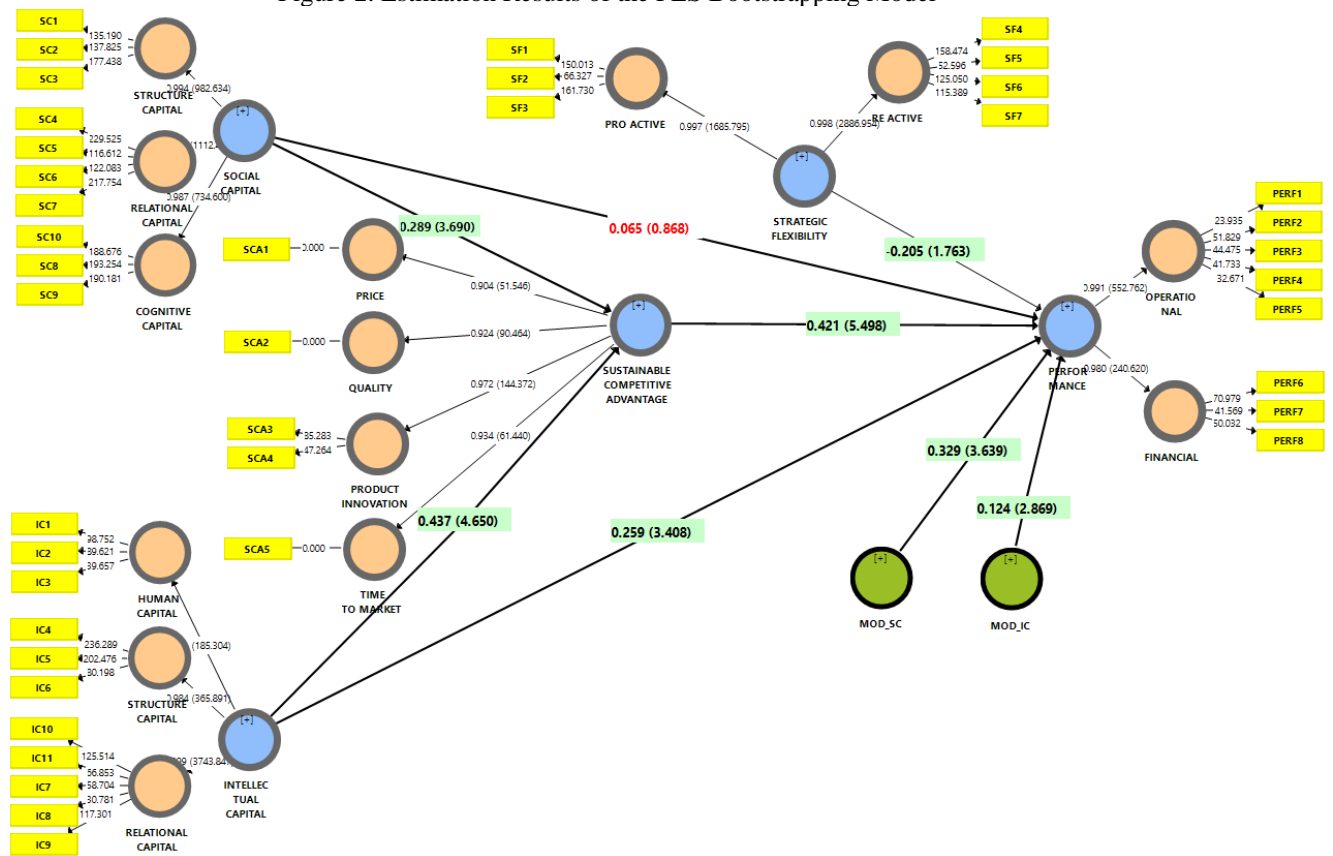
	Saturated Model	Estimated Model
SRMR	0.056	0.075

Source: Prepared by the authors (2021)

Based on the table above, the model's SRMR value is <0.08, which indicates a perfect fit model.

PLS Bootstrapping Model Estimation Results

Figure 2. Estimation Results of the PLS Bootstrapping Model



Source: Prepared by the authors (2021)

The level of significance or probability of the direct effects, indirect effects, and total effects of each variable in this study can be seen from the bootstrapping process values in the following table;

Table 10 Path coefficient results

	Original Sample (O)	Sample Means (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Results
IC -> PERF	0.259	0.262	0.076	3,408	0.000	Supported
IC -> SCA	0.437	0.438	0.094	4,650	0.000	Supported
MOD_IC -> PERF	0.124	0.126	0.043	2,869	0.002	Supported
MOD_SC -> PERF	0.329	0.339	0.090	3,639	0.000	Supported
SC -> PERF	0.065	0.068	0.075	0.868	0.193	Not Supported
SC -> SCA	0.289	0.288	0.078	3,690	0.000	Supported
SCA -> PERF	0.421	0.413	0.077	5,498	0.000	Supported
SF -> PERF	-0.205	-0.198	0.116	1,763	0.039	Supported
SC -> SCA -> PERF	0.121	0.118	0.036	3,330	0.000	Supported
IC -> SCA -> PERF	0.184	0.182	0.054	3,378	0.000	Supported

Source: Prepared by the authors (2021)

DISCUSSION

Intellectual capital directly or indirectly influences sustainable competitive advantage and performance. For service companies, intellectual capital is significant in increasing sustainable competitive advantage by using a combination of capital structure and human capital to design price, quality, product, innovation, and market penetration strategies. In addition, relational capital also plays a role in reducing costs and improving company performance when implementing this strategy. Among the three dimensions of intellectual capital, human capital is considered to have the most influence on performance due to the human ability to utilize structural capital and relational capital. Even if an organization has a strong structure and relationships, if the 'human' is not qualified, these structures and relations become ineffective. Therefore, combining the three dimensions of intellectual capital is vital for organizations to achieve the best performance.

Social capital has a positive effect on sustainable competitive advantage, meaning that organizations must be able to capitalize on their social relations, both relationships between individuals within the organization and with other stakeholders, because the potential to access competitive advantage sources is increasingly open when organizations have many relationships that make them move faster ahead of competitors and work more effectively and efficiently. However, social capital does not directly affect company performance. This absence of influence could be because social capital can lead to trust-over and fanaticism, so the principles of work professionalism tend to be ignored. The effect is to lower the control system that should be built within the organization. Nevertheless, social capital influences performance through the mediation of sustainable competitive advantage. Thus the dimensions of social capital must be focused on optimizing product development and innovation and expanding market access.

Sustainable competitive advantage has a positive and significant effect on performance. Product quality, innovation, and market penetration speed are considered part of the foundation for performance improvement, especially as a service company that requires additional development processes to achieve the best performance.

The role of strategic flexibility as a moderating variable weakened the effect of intellectual capital from initially 0.259 to 0.124. This phenomenon could be due to excessive responsiveness of the human capital dimension, which made strategic flexibility fail (Herhausen et al., 2014), or because microfinance has limited intellectual capital, making it relatively difficult to apply strategic flexibility.

Even though the influence of social capital on performance in this study was not significant (0.065), the role of strategic flexibility turned out to be able to change the influence, which initially had no effect to become influential (0.329), meaning that internal resources in the form of social capital would be wasted if not used as capital in designing organizational strategy, because strategic flexibility emphasizes the ability of organizations to choose strategic options and take advantage of strategic conditions, this necessitates that all those involved in the organization must be those who have social capital, because strategic flexibility is collective work that comes from organizational resources (Bamel & Bamel, 2018). Through social capital, the intensity of knowledge sharing will increase performance (Araujo et al., 2021) and enable the exchange of information to implement reactive or proactive strategies.

The strategic flexibility framework allows organizations to move from one strategic option to another. This is not easy, especially for organizations that do not have strong roots, because choosing strategic options requires the trust of many parties, not only internal organizations (employees) but also other stakeholders. Limited resources in implementing strategic flexibility must be addressed by reconfiguring or replacing less valuable resources with resources that provide more value and improve company performance. (Chang, 2019). For example, leaders who lack the courage to take risks should replace experienced organizational leaders with substantial social capital (Ferris et al., 2017).

CONCLUSION

Companies must be able to identify social relations that can be capitalized to improve performance and optimize these relationships in strategic options because social capital will be useless if it is not used as capital in designing organizational strategies and implementing these strategies flexibly in responding to changes and business challenges. Increasingly complex. Likewise, companies must strengthen treatment in increasing their intellectual capital. However, implementing strategic flexibility in exploring social and intellectual capital must be measured according to the organization's needs. Therefore the organization must have a mechanism to actualize this capital.

Company leaders must continue to improve the intellectual capital component, primarily investing more in the competence and abilities of employees, including their skills, education, and training programs to improve company performance (Mota & Pimentel, 2021) and achieve competitive advantage and ensure continued success. In the future, investors pay special attention to the components of intellectual capital and can choose the best investment

opportunities (Bataineh et al., 2022). They must also continue developing their social relations and utilize them in alternative strategies.

The limitation of this research is that it was conducted in the Madura region with a population of 132, so the results of this study cannot be generalized to more considerable area coverage, as well as the measurement of the effect of each variable which is still global, not yet in detail to the measurement of the effect of each dimension, so that subsequent research can be more detailed by measuring and exploring the influence of each dimension, both the dimensions of social capital and intellectual capital.

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