

Competitive Advantage as a Mediator of Business Resilience: An Analysis of Digital Adaptability and Financial Capabilities of Yogyakarta Culinary MSMEs

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Abstract– Economic uncertainty requires Micro, Small, and Medium Enterprises (MSMEs) to demonstrate high endurance. This study aims to analyze the impact of digital adaptability and financial capabilities on business resilience, and to examine the role of competitive advantage as a mediating variable among traditional culinary MSMEs in the Special Region of Yogyakarta. A quantitative explanatory approach was employed, with primary data collected via questionnaires distributed to 87 culinary MSME owners. The sampling was conducted using a purposive sampling technique. Data were analyzed using the Structural Equation Modeling-Partial Least Squares (SEM-PLS) method in SmartPLS 4. The empirical results reveal that the structural model possesses strong predictive power, explaining 77.5% of the variance in business resilience. Specifically, the findings indicate that both digital adaptability and financial capabilities have a positive and significant direct effect on competitive advantage and business resilience. Furthermore, the mediation analysis confirms that competitive advantage serves as a significant partial mediator in the relationship between both digital and financial capabilities toward business resilience. These findings conclude that merely adopting technology and maintaining financial discipline are insufficient; these resources must be strategically leveraged to create a distinct competitive advantage for MSMEs to survive and thrive in the era of disruption. The practical implications of this study provide strategic guidance for MSME practitioners and local governments in designing economic recovery programs focused on strategic value creation rather than basic digital onboarding.

Keywords: *business resilience; competitive advantage; culinary MSMEs; digital adaptability; financial capabilities.*

INTRODUCTION

The Micro, Small, and Medium Enterprises (MSMEs) sector is a fundamental pillar of the economy that has proven to be highly resilient in the face of various macroeconomic turbulences. Specifically, the traditional culinary industry plays a crucial role not only as a catalyst for local economic growth but also as a means of preserving a region's cultural identity. In Indonesia, the potential of local gastronomy has become a key attraction supporting the national tourism ecosystem. One of the most prominent epicenters with strong historical roots is the Special Region of Yogyakarta. As a city of students and a cultural hub, Yogyakarta has evolved into a major axis of gastronomic tourism, where regional culinary MSMEs serve as the backbone and cultural identity that drive society. Based on data from the Yogyakarta Trade and MSMEs Office, the number of MSMEs is projected to increase from 2020 to 2025 (Figure 1).

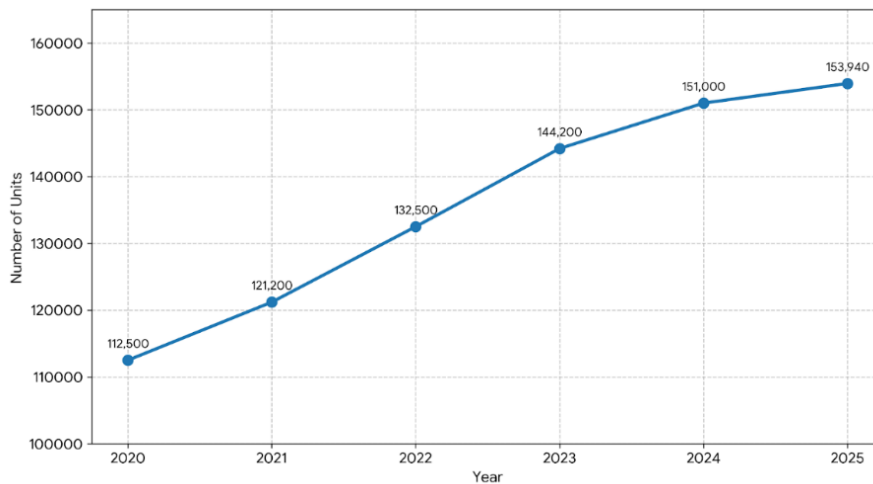


Figure 1. Growth of Culinary MSMEs in Yogyakarta (2020-2025)

The uniqueness of Yogyakarta's culinary landscape lies in the strong differentiation of its flagship products across its five regencies and cities. In Yogyakarta City, the industrial centers of Bakpia Pathok and Gudeg Wijilan remain the primary magnets for urban tourists. Moving north to Sleman Regency, the slopes of Mount Merapi boast Jadah Tempe and various Salak Pondoh derivatives. In the southern region, Bantul Regency is closely associated with Mie Lethek and Sate Klatak, which are deeply rooted in traditional ancestral cooking techniques. Meanwhile, Gunungkidul Regency offers the exoticism of cassava-based local foods such as Tiwul and Gatot, and Kulon Progo Regency continues to strive to elevate Geblek and Growol as classy snack icons. This diversity constitutes an extraordinary social and cultural capital for regional economic resilience. This culinary sector has consistently accounted for a significant share of DIY's Gross Regional Domestic Product (GRDP) each year. Therefore, the survival of these traditional food MSMEs is not merely a matter of cultural preservation but the lifeblood of local community welfare that must be continuously sustained (Adhianata et al., 2024; Cifci & Atsiz, 2022).

However, behind this heritage wealth, traditional culinary MSMEs in Yogyakarta are currently facing massive economic disruption and shifting business landscapes driven by digitalization. In the current digital era, consumer behavior has changed drastically; tourists and local buyers prefer the convenience of contactless transactions (cashless), ordering through food delivery apps, and seeking culinary recommendations driven by viral social media trends. This has become a major obstacle for local culinary entrepreneurs, as most still rely heavily on traditional methods for food production, financial management, and marketing (Adhianata et al., 2024; Briantama Yanuar et al., 2019). Conversely, the use of digitalization, coupled with strong business literacy, can enable a business to survive, grow, and expand significantly (Isle & Freudenberg, 2022).

Preliminary field observations, corroborated by secondary data from government authorities and previous literature (Dinas Koperasi dan UKM DIY, 2025; Kementerian Koperasi dan UKM Republik Indonesia, 2021; Pratama & Susanti, 2022; Wardhana et al., 2025), reveal a critical phenomenon (Table 1). The primary challenge facing traditional culinary MSME clusters in Yogyakarta lies not in their production capabilities but rather in the profound gap between culturally rooted traditional business practices and the aggressive demands of modernization and digitalization. First, in terms of digital adaptability, many heritage culinary MSME owners (especially the older generation) still experience technological stuttering. They struggle to optimize digital marketing, design safe packaging for long-distance shipping (e-commerce), and decipher market algorithms. Second, regarding financial capabilities, digitalization often creates hidden cost traps, such

as high commission deductions from third-party applications (ranging from 20% to 30%). Without adequate financial literacy and bookkeeping, MSMEs frequently miscalculate the digital Cost of Goods Sold (COGS), leading to eroded profit margins amid fluctuating raw material prices (Rudkouskaya & Malik, 2024). This condition is further exacerbated by an increasingly fierce competitive climate, in which products from outside the region can easily enter and dominate the local market through the efficiency of digital supply chains. If this adaptation failure and financial inefficiency are left unchecked, it is highly likely that Yogyakarta's legendary culinary products will gradually be marginalized in their own homeland.

Table 1. Mapping of Baseline Population and Preliminary Operational Tensions per Heritage Culinary Type

Administrative Region	Specific Heritage Culinary	Baseline Population (Units)	Specific Preliminary Observation Findings (Digital & Financial Tensions)
Kota Yogyakarta	Bakpia	217	High digital platform onboarding; profit margins are heavily eroded by 20–30% food-delivery app commissions. Struggle with digital cost accounting for fluctuating raw materials.
	Gudeg	112	
Sleman Regency	Jadah Tempe	80	High dependency on tourism seasonality; weak separation between personal and business financial accounts. Good product longevity but low digital visibility.
	Salak Pondoh	54	
Bantul Regency	Mie Lethek	38	High traditional production and viral social media exposure, yet unable to calculate digital Cost of Goods Sold (COGS) effectively amid supply chain volatility.
	Sate Klatak	68	
Gunungkidul Regency	Tiwul	85	Low digital adaptability; highly reliant on cash transactions due to weak cashless payment infrastructure in rural areas. Lack of financial literacy for capital scaling.
	Gatot	42	
Kulon Progo Regency	Geblek	71	High cultural authenticity but lagging in digital rebranding and logistics reach to compete with modern fast-food alternatives. Operates almost exclusively offline.
	Growol	35	
Total		802	Generic digital adoption does not uniformly guarantee micro-level resilience.

Various previous studies have indeed examined the driving factors of MSME resilience in the disruption era. A study by Prima et al. (2025) found that technology adoption and digital adaptability significantly accelerate post-crisis business recovery. In line with this, research by Prasetya et al. (2021) asserts that strong financial capabilities are the main pillar for MSMEs in maintaining positive cash flow amid market uncertainty. Furthermore, the emergence of Artificial Intelligence (AI) technology presents unique challenges and opportunities for MSMEs in its utilization (Thakuri et al., 2024). Nevertheless, the majority of prior literature continues to examine the effects of technology and finance separately, focusing solely on their direct effects on resilience.

However, empirical evidence indicates that merely using digital tools and recording finances does not necessarily enable a business to survive unless these practices are translated into an advantage. Amid the onslaught of modern products and the penetration of large franchises, local MSMEs must leverage digitalization and financial efficiency to build a competitive advantage that is difficult for competitors to imitate (Chang et al., 2020). Despite this extensive literature, a crucial theoretical gap remains: existing studies largely assume that digital and financial capabilities automatically lead to business resilience. What is significantly overlooked is how these operational inputs are translated

into strategic endurance. This study argues that the mediation of Competitive Advantage has rarely been tested because prior research often treats digitalization as the ultimate goal rather than a transitional tool. Without building a competitive advantage, digital adoption merely creates operational parity among competitors, rather than a unique strategic edge.

Testing this specific mediation is exceptionally critical in the context of the Special Region of Yogyakarta. Yogyakarta is not a generic industrial hub; it is deeply rooted in cultural heritage, where traditional culinary products (e.g., Gudeg, Bakpia, Mie Lethek, Tiwul, Gatot, Growol) carry irreplaceable historical and social identities. If these traditional MSMEs undergo generic digitalization without deliberately building a distinct competitive advantage, they face a severe risk of 'cultural commodification,' losing their authentic heritage identity merely to compete on price and algorithmic visibility within third-party food delivery apps. Therefore, competitive advantage functions as the vital, untested mechanism that reconciles modern efficiency with cultural authenticity. By examining Yogyakarta, this study provides a unique empirical testing ground to prove that traditional firms can achieve sustainable business resilience only when their technological transitions are orchestrated to build an inimitable competitive advantage.

Based on the aforementioned background and research gaps, this study seeks to integrate technological adaptation and financial management variables into a comprehensive structural framework. Therefore, this study aims to empirically analyze the role of Competitive Advantage as a mediator between Digital Adaptability and Financial Capabilities on Business Resilience in local culinary MSMEs in Yogyakarta. The results of this study are expected to provide a pragmatic foundation for business practitioners and local governments in navigating economic uncertainty more tactically and systematically.

LITERATURE REVIEW

Resource-Based View and Dynamic Capabilities

The Resource-Based View (RBV) postulates that a firm can achieve and sustain a competitive advantage if it possesses resources and capabilities that are Valuable, Rare, Inimitable, and Non-substitutable, widely known as the VRIN framework (Barney, 1991) (Pal et al., 2026). In the context of traditional culinary MSMEs, financial capability is a critical internal resource that meets these specific VRIN criteria. It is *valuable* because it enables MSMEs to absorb hidden digital costs and invest in high-quality local ingredients (Herrera-Ballesteros et al., 2026). It is considered *rare* because strong financial discipline, such as separating personal and business accounts, is highly uncommon among traditional micro-enterprises. Furthermore, the embedded knowledge of navigating tight cash flows within localized supply chains makes it structurally *inimitable*, while adequate liquidity remains fundamentally *non-substitutable* for survival. Consequently, when an MSME possesses this VRIN-aligned financial capability, it builds an emergency buffer that creates an initial layer of competitive advantage against immediate market shocks.

Despite its robust explanatory power, traditional RBV is often criticized for being overly static and insufficient for explaining sustained competitive advantage in environments characterized by rapid technological disruption and economic uncertainty (Hernan Ramirez et al., 2026). Merely possessing static financial resources is inadequate if the firm cannot adapt to shifting consumer behaviors. Therefore, the Dynamic Capabilities Theory is utilized as a complementary paradigm. Defined as the firm's ability to continuously integrate, build, and reconfigure internal and external competencies (Teece, 2014), this theory operationalizes agility through three core mechanisms: sensing opportunities, seizing them, and transforming the organizational structure (Ma & Xiao, 2025).

In this study, digital adaptability is explicitly positioned as the critical dynamic capability that executes these three mechanisms. First, traditional food vendors exercise *sensing* by detecting the shifting consumer preferences toward algorithmic visibility and cashless ecosystems. Second, they seize market share by actively adopting digital payment systems and leveraging social media marketing. Finally, *transforming* occurs when these MSMEs structurally reconfigure their traditional operational layout to balance offline authenticity with online food-delivery fulfillment (Kapoor & Aggarwal, 2020; Öztürk, 2024). By integrating VRIN financial resources with these dynamic sensing, seizing, and transforming mechanisms, traditional MSMEs can successfully orchestrate sustained competitive advantage and long-term business resilience.

Hypothesis Development

In contemporary strategic management literature, business resilience is conceptualized not merely as a defensive mechanism, but as the ultimate manifestation of effectively orchestrated internal resources (Resource-Based View) and market agility (Dynamic Capabilities Theory). While traditional views equate resilience with the ability to "bounce back," modern perspectives emphasize "bouncing forward," the capacity to evolve and emerge stronger from adversities (Muafi et al., 2025). Under the integrated framework of RBV and DCT, resilience within the MSME sector is not a standalone trait. Rather, it is the strategic outcome achieved when a firm successfully leverages its VRIN-aligned financial capabilities to buffer operational shocks (RBV), whilst simultaneously deploying its digital adaptability to sense, seize, and transform its business model in response to modernized consumer demands (DCT) (Almansouri et al., 2026).

For traditional culinary MSMEs, achieving this resilience is inherently challenging due to the 'liability of smallness'. It encompasses the intricate ability to maintain operational continuity, secure highly specific local supply chains, and rapidly adapt distribution channels. Crucially, these firms must achieve this agility without compromising their local cultural identity and authenticity (Reniaty et al., 2025). Therefore, business resilience in this specific context is defined as the dynamic equilibrium between preserving socio-cultural authenticity and executing modern, technologically sound business practices (Handayani et al., 2025). Based on this theoretical linkage, the subsequent hypotheses are explicitly formulated.

Digital Adaptability, Competitive Advantage, and Business Resilience

Digital adaptability is defined as a firm's agility and willingness to adopt and integrate digital technologies into its business operations, marketing, and customer interactions (Islam et al., 2025). Previous literature indicates that MSMEs that proactively use digital tools, such as social media marketing and e-commerce platforms, can significantly expand their market reach and improve customer engagement, thereby enhancing their resilience during economic downturns (Kumar et al., 2025). Furthermore, digital adaptability enables MSMEs to streamline operations and gather market intelligence more quickly than their peers, thereby creating a distinct competitive advantage (Pai T et al., 2025). Thus, the following hypotheses are proposed:

H1: Digital adaptability has a positive and significant effect on business resilience

H2: Digital adaptability has a positive and significant effect on competitive advantage

Financial Capabilities, Competitive Advantage, and Business Resilience

Financial capabilities extend beyond mere access to capital; they encompass the owner's financial literacy, prudent cash flow management, budgeting, and the ability to leverage financial technology (fintech) for business efficiency (Respati et al., 2023). Strong

financial capabilities enable MSMEs to build emergency buffers and allocate resources effectively, which are crucial survival mechanisms during economic turbulence and directly foster resilience (Abdulshakour, 2020; Hinduan & Agia, 2024). Additionally, MSMEs with superior financial capabilities can optimize their pricing strategies and reduce operational costs, thereby gaining a cost-leadership or differentiation advantage over competitors (Wahyuningtyas & Puspitasari, 2026). Therefore, this study hypothesizes:
H3: Financial capabilities have a positive and significant effect on business resilience.
H4: Financial capabilities have a positive and significant effect on competitive advantage.

The Mediating Role of Competitive Advantage

Competitive advantage occurs when a firm acquires attributes that allow it to perform better than its competitors, either through cost differentiation or unique value propositions (Cai et al., 2024). In highly saturated markets like the traditional culinary sector, competitive advantage is essential for long-term survival. Empirical evidence suggests that firms with a strong competitive advantage are inherently more resilient because customer loyalty and operational efficiency insulate them from market shocks (Ngah et al., 2016). Moreover, based on the Dynamic Capabilities Theory, digital adaptability and financial capabilities are foundational resources that must be operationalized into a strategic position. Merely adopting technology or maintaining financial records does not automatically guarantee resilience if these actions do not make the MSME stand out from its competitors (Paul & Mathew, 2025). Therefore, competitive advantage acts as the crucial mechanism (mediator) that translates digital and financial competencies into actual business endurance. Based on this logic, the following hypotheses are formulated:

H5: Competitive advantage has a positive and significant effect on business resilience.
H6: Competitive advantage mediates the relationship between digital adaptability and business resilience.
H7: Competitive advantage mediates the relationship between financial capabilities and business resilience.

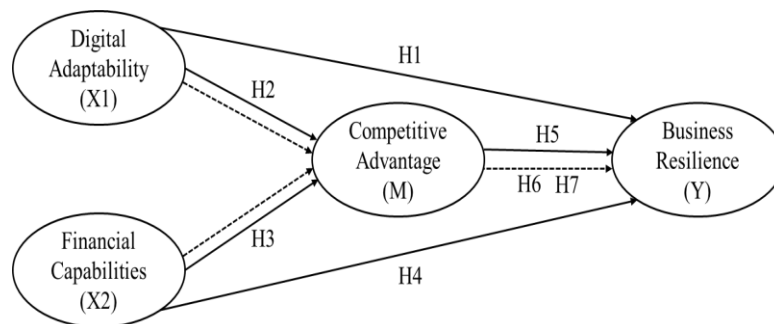


Figure 1. Diagram Research

METHODOLOGY

Research Design, Population, and Sampling Procedure

This study employs a quantitative explanatory research design to systematically examine the causal relationships between digital adaptability, financial capabilities, competitive advantage, and business resilience. The target population comprises heritage culinary MSMEs operating across the five administrative regions of the Special Region of Yogyakarta. While macro-level data (as shown in Figure 1) indicates tens of thousands of generic culinary businesses, this study explicitly isolates the deeply embedded traditional culinary sector. Based on the preliminary baseline mapping (Table 1), the defined

population frame for this specific niche is 802 traditional culinary units. To ensure the validity of the phenomenon, a rigorous purposive sampling technique was implemented. The inclusion criteria strictly required MSMEs that: (1) produce authentic local heritage foods, (2) have operated continuously for a minimum of two years, and (3) have actively integrated digital technology (e.g., cashless payments or food-delivery apps) into their operational processes.

Data Collection and Response Rate

The data collection was conducted over an eight-month period, from March to November 2025. Questionnaires were distributed to all 135 eligible MSMEs utilizing a hybrid approach: direct field visits to regional culinary centers (e.g., Pathuk, Wijilan, Kaliurang, Gunung Kidul) and digital distribution via Google Forms for geographically dispersed respondents. Out of the 135 questionnaires distributed, 102 were returned. After data cleaning to eliminate incomplete or unengaged responses, 87 valid questionnaires were retained for the final analysis. This yields a robust response rate of 64.4%. Although the final sample size (n = 87 respondents) appears small relative to the generic MSME population, it is highly representative and statistically justified for this specific heritage niche. Furthermore, for Partial Least Squares Structural Equation Modeling (PLS-SEM), a sample of 87 significantly exceeds the minimum threshold required by the "ten-times rule" (Hair et al., 2021) and provides adequate statistical power (G*Power > 0.80) to evaluate a structural model with three predictors directed at the dependent variable.

Measurement Instruments

Primary data was measured using a five-point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree) (Likert, 1932). To ensure construct validity and reliability, the measurement items were adapted from previously established scholarly works. The operationalization of the variables is presented in Table 2.

Table 2. Measurement Instruments and Construct Operationalization

Variable	Core Indicators / Measurement Items	Reference
Digital Adaptability (X1)	<ol style="list-style-type: none"> 1. Agility in adopting digital payment systems, such as QRIS (DA1). 2. Proficiency in utilizing social media platforms for brand visibility (DA2). 3. Algorithmic literacy in navigating third-party food delivery apps (DA3). 4. Capability to seamlessly integrate online and offline order fulfillment (DA4). 	Islam et al., (2025); Kapoor & Aggarwal, (2020)
Financial Capabilities (X2)	<ol style="list-style-type: none"> 1. Strict separation of personal and business financial accounts (FC1). 2. Prudent cash flow management and liquidity buffering (FC2). 3. Accuracy in calculating digital COGS and platform commission fees (FC3). 4. Ability to allocate emergency funds for unexpected operational disruptions (FC4). 	Herrera-Ballesteros et al., (2026); Respati et al., (2023)
Competitive Advantage (M)	<ol style="list-style-type: none"> 1. Maintaining unique socio-cultural product value and authenticity (CA1). 2. Cost optimization agility against modern fast-food alternatives (CA2). 3. Offering an inimitable heritage-based customer experience (CA3). 4. Building a strong, localized brand reputation is hard for competitors to replicate (CA4). 	Cai et al. (2024)
Business Resilience (Y)	<ol style="list-style-type: none"> 1. Anticipative capacity toward sudden macroeconomic or market shifts (BR1). 2. Agility in operational transformation during supply chain disruptions (BR2). 3. Long-term socio-cultural and operational continuity (BR3). 4. Speed of business recovery and stabilization following financial shocks (BR4). 	Wahdiniwaty et al. (2025); Muafi et al. (2025)

Data Analysis Technique (SEM-PLS)

The data were systematically analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) with SmartPLS 4. PLS-SEM was explicitly selected due to its robustness in handling complex predictive models with mediating variables and non-normal data distributions. Following the standard analytical guidelines by Hair et al. (2021), the evaluation was strictly divided into the measurement model (outer model) and the structural model (inner model), complemented by model fit assessments.

a. Measurement Model (Outer Model) Evaluation

The outer model assesses the reliability and validity of the constructs. Convergent validity is confirmed if the outer loading factors are > 0.70 and the Average Variance Extracted (AVE) is > 0.50 . Internal consistency reliability is established when both Cronbach's Alpha and Composite Reliability (CR) values exceed 0.70 . Finally, discriminant validity is rigorously verified using the Heterotrait-Monotrait Ratio (HTMT), which requires values < 0.90 to ensure that each variable is empirically distinct.

b. Structural Model (Inner Model) and Hypothesis Testing

The inner model evaluation assesses the predictive power and causal relationships among the latent variables. This is measured through the Coefficient of Determination (R^2) for predictive accuracy and Effect Size (f^2) to evaluate the specific impact of an exogenous construct on an endogenous construct. To test the hypotheses, including the specific mediating role of competitive advantage, a nonparametric bootstrap procedure with 5,000 subsamples was used. A hypothesis is statistically supported if the T-statistic > 1.96 and the P-value < 0.05 .

c. Model Fit Assessment

To ensure the overall structural robustness of the estimated model, the Standardized Root Mean Square Residual (SRMR) and the Normed Fit Index (NFI) were evaluated. A well-fitting model in PLS-SEM is indicated by an SRMR value of < 0.08 and an NFI value approaching 1.0 (typically > 0.90) (Hair et al., 2021).

RESULT

The final sample comprised 87 traditional culinary MSMEs operating within the Special Region of Yogyakarta. As presented in Table 3, the geographical distribution of the respondents was well-proportioned across the five administrative regions, ensuring representative coverage of the targeted heritage culinary clusters within the province. Furthermore, the majority of enterprises (62%) have been established for 2 to 5 years. This indicates that the sample is dominated by businesses that have successfully navigated the critical early phases of operation, making them highly relevant subjects for assessing business resilience. The sampled MSMEs actively produce a variety of iconic regional heritage foods, encompassing authentic local products such as *Bakpia*, *Gudeg*, *Jadah Tempe*, *Mie Lethek*, *Sate Klatak*, *Geplak*, *Tiwul*, *Gatot*, *Geblek*, and *Growol*.

Table 3. Demographic Profil

Category	Frequency	Percentage (%)
Yogyakarta City	18	21%
Sleman Regency	21	24%
Bantul Regency	19	22%
Gunungkidul Regency	15	17%
Kulon Progo Regency	14	16%
Total	87	100%

Source: Authors

To prevent overestimation or excessive generalization of the findings, the authors explicitly note that the sample size (n = 87) is constrained by the specialized, niche criteria of the heritage culinary sector. As established in the methodology, these 87 valid responses represent a robust 64.4% response rate from the screened eligible population (n = 135). Therefore, the empirical insights derived from this study are not intended to be generalized broadly to the macro-MSME ecosystem or generic commercial food industries. Instead, they provide a highly concentrated, context-specific analysis of culturally embedded traditional firms navigating modern digital-financial transitions.

The first stage of PLS-SEM analysis involved assessing the structural equation modeling analysis, which was conducted in two main phases: evaluating the measurement model to verify instrument quality and testing the structural model to assess the hypothesized relationships. The initial stage of the analysis involved evaluating the measurement model to ensure that all constructs were reliable and valid. As shown in Table 2, all constructs exceeded the required threshold of 0.70 for both Cronbach’s Alpha and Composite Reliability. Furthermore, the Average Variance Extracted (AVE) for all variables was above the 0.50 cut-off, confirming convergent validity.

Table 2. Construct Reliability and Validity

Variable	Cronbach’s Alpha	Composite Reliability	AVE
Business Resilience (Y)	0.846	0.887	0.571
Competitive Advantage (M)	0.838	0.894	0.681
Digital Adaptability (X1)	0.850	0.889	0.574
Financial Capabilities (X2)	0.899	0.923	0.665

Source: Authors

Based on the initial calculation, all outer loading factors exceeded the 0.70 threshold, and the Average Variance Extracted (AVE) for each construct was above 0.50, confirming convergent validity. As shown in Table 2, Composite Reliability (CR) and Cronbach’s Alpha for all variables were above 0.70, indicating high internal consistency. Furthermore, the HTMT ratio for all construct pairs was below 0.90, satisfying the requirements for discriminant validity. To ensure that each construct is empirically distinct, discriminant validity was assessed using the Heterotrait-Monotrait Ratio (HTMT). While some values approached the 0.90 threshold, as presented in Table 3, the overall model maintains sufficient differentiation for further structural analysis.

Table 3. Discriminant Validity (HTMT)

	Business Resilience	Composite Reliability	Digital Adaptability
Competitive Advantage	0.894		
Digital Adaptability	0.889	0.889	
Financial Capabilities	0.891	0.846	0.800

Source: Authors

Upon confirming the measurement model's reliability and validity, the structural model was evaluated. First, the model fit was assessed, yielding a Standardized Root Mean Square Residual (SRMR) of 0.090 (Table 4), indicating an acceptable fit.

Table 4. Model Fit Results

Metric	Saturated Model	Estimated Model
SRMR	0.090	0.090
NFI	0.705	0.705

Source: Authors

The predictive power of the structural model is reflected in the coefficient of determination (R^2), presented in Table 5. The R^2 for Business Resilience is 0.775, meaning that 77.5% of its variance is robustly explained by the independent variables. Additionally, Competitive Advantage shows a strong R^2 of 0.660. The complete structural path and factor loadings for each indicator are shown in Figure 1, demonstrating that most indicators have strong loadings above 0.70.

Table 5. Coefficient of Determination

Construct	R^2	R^2 Adjusted
SRMR	0.775	0.772
NFI	0.660	0.657

Source: Authors

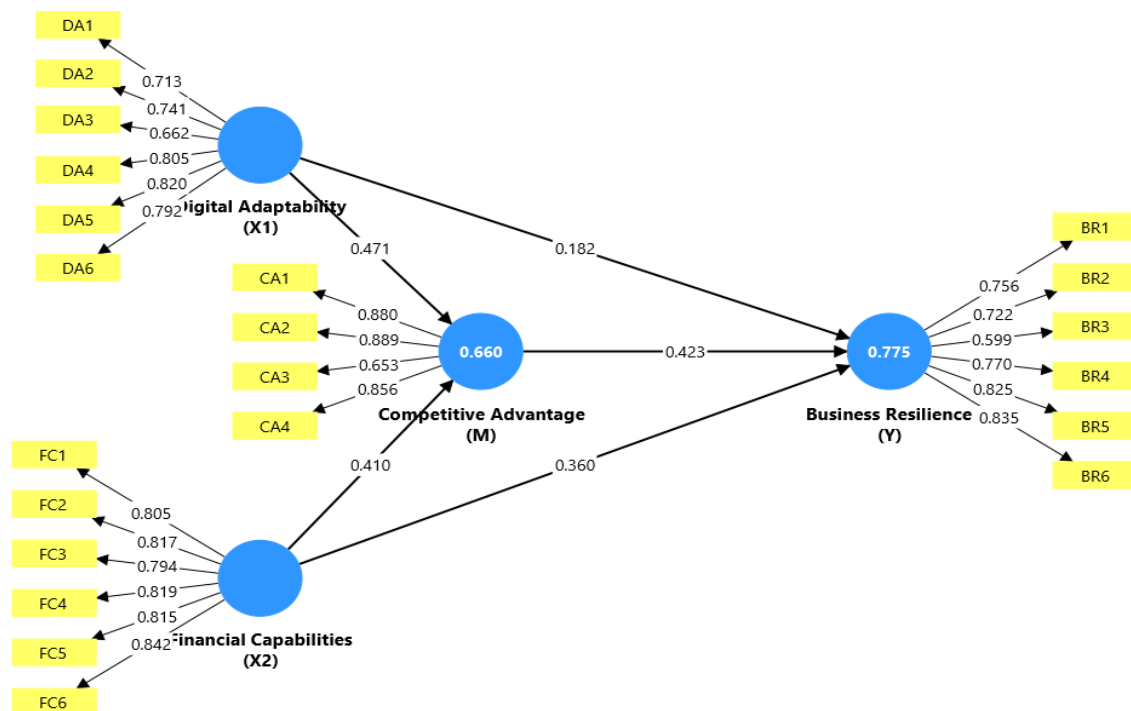


Figure 1. Path Analysis Model

Finally, hypothesis testing was conducted using bootstrapping. The results for both direct and specific indirect effects are summarized in Table 6. The analysis reveals significant positive direct effects for all hypothesized paths. Crucially, the mediation analysis confirms that Competitive Advantage significantly mediates the relationships between Digital Adaptability and Financial Capabilities, and between Digital Adaptability and Business Resilience (P-values < 0.001). Since the direct paths remain significant even with the inclusion of the mediator, Competitive Advantage acts as a partial mediator in this structural model, translating digital and financial resources into a tangible market edge.

Table 6. Path Coefficients (Direct Effects)

Hypothesis	Relationship	Path Coefficient (β)	T-Statistics	P-Values	Result
H1	DA \rightarrow BR	0.182	2.415	0.000	Supported
H2	DA \rightarrow CA	0.471	3.102	0.002	Supported
H3	FC \rightarrow BR	0.360	2.854	0.004	Supported
H4	FC \rightarrow CA	0.410	4.215	0.000	Supported
H5	CA \rightarrow BR	0.423	4.876	0.000	Supported

Source: Authors

The mediation analysis examined the role of Competitive Advantage as a mediator. The results show that the indirect effects are significant for both paths shown in Table 7.

Table 7. Path Coefficients (Indirect Effects)

Hypothesis	Relationship	Path Coefficient (β)	T-Statistics	P-Values	Result
H6	DA \rightarrow CA \rightarrow BR	0.199	3.937	0.000	Supported
H7	FC \rightarrow CA \rightarrow BR	0.173	4.297	0.000	Supported

Source: Authors

Since the direct effects (H6 and H7) remained significant after the inclusion of the mediator, it can be concluded that Competitive Advantage partially mediates the relationship between digital and financial capabilities and business resilience.

DISCUSSION

The empirical findings of this study provide a nuanced understanding of how traditional culinary MSMEs in Yogyakarta navigate market volatility. Rather than acting as automated survival tools, the structural analysis reveals that internal competencies exert varying degrees of influence on business resilience, heavily contingent upon strategic value creation. The direct effect of digital adaptability on business resilience (H1) is positive and statistically significant, yet notably modest ($\beta = 0.182, t = 2.415, p < 0.001$). This empirical reality challenges the generic assumption that basic digital onboarding automatically guarantees small business survival. Based on the respondents' profiles, while most traditional culinary operators have integrated foundational digital tools, such as adopting digital payment systems (QRIS) or using social media for visibility, this operational adoption does not directly insulate them from profound market shocks. This modest direct coefficient suggests that digital adaptability functions more as a basic operational hygiene factor in Yogyakarta's contemporary tourism landscape than as an independent "primary driver" of resilience. This finding clarifies prior sweeping claims in the literature (Albukhitan, 2020; Modiba et al., 2024) by demonstrating that for culturally embedded heritage firms, technology integration must coexist with authentic product delivery to prevent demographic marginalization by modern food franchises.

In contrast, financial capabilities exhibit a substantially stronger direct impact on business resilience (H3) ($\beta = 0.360, t = 2.854, p = 0.004$). This higher coefficient reflects the immediate, practical reality of traditional family-owned MSMEs in Yogyakarta. The empirical data imply that firms practicing strict financial discipline, specifically separating personal and business accounts and accurately accounting for the high commission fees (20-30%) of third-party delivery applications, possess a superior liquidity buffer. Given that traditional culinary operations are highly sensitive to fluctuations in the cost of local raw materials (e.g., specific ingredients for *Gudeg* or *Bakpia*), professional cash-flow management serves as a critical, immediate defense mechanism. This objective result

solidifies the arguments of Respati et al. (2023), confirming that everyday financial literacy and routine bookkeeping are fundamentally vital for managing operational volatility and avoiding modern cost traps.

The most critical insight from this structural model is the prominent role of competitive advantage as a partial mediator. The direct path from competitive advantage to business resilience (H5) represents the strongest relationship in the model ($\beta = 0.423$, $t = 4.876$, $p < 0.001$), complemented by significant indirect effects for both digital (H6: $\beta = 0.199$, $p < 0.001$) and financial pathways (H7: $\beta = 0.173$, $p < 0.001$). This empirical breakdown structurally demonstrates that digital and financial competencies do not yield optimal resilience in a vacuum; they must be actively converted into a distinct market edge. For instance, the respondents' capacity to survive does not stem merely from "going digital," but from using digital platforms to amplify their unique heritage value proposition (e.g., showcasing the authenticity of traditional production) while leveraging financial discipline to optimize local supply chain costs. As framed by the Resource-Based View (Herrera-Ballesteros et al., 2026; Pal et al., 2026), achieved differentiation or cost optimization serves as the strategic engine that insulates traditional firms from external disruptions, transforming basic technical inputs into sustainable business endurance.

CONCLUSION

This study concludes that business resilience among traditional culinary MSMEs in Yogyakarta is fundamentally determined by the strategic orchestration of internal resources and dynamic market capabilities. Empirical analysis demonstrates that while both digital adaptability and financial capabilities serve as critical operational baselines, they do not automatically guarantee long-term survival in a vacuum. Instead, this research confirms the critical role of competitive advantage as the vital "strategic bridge." The mediation mechanism reveals that digital tools and financial discipline yield maximum resilience only when they are successfully translated into a distinct market edge, such as differentiation or cost-optimization. For the heritage culinary sector, long-term sustainability depends on a "balanced transformation" that preserves socio-cultural authenticity while adopting modern efficiency to remain relevant in a digital-first economy.

Theoretically, by integrating the Resource-Based View (RBV) and Dynamic Capabilities Theory (DCT), this study offers distinct contributions to the strategic management literature. First, it extends the RBV in micro-firm contexts by conceptualizing financial capability not merely as a static asset but as a dynamic, VRIN-aligned knowledge asset encompassing financial literacy and platform-cost navigation. This capability creates the foundational buffer necessary to protect a firm's core assets from immediate market shocks. Second, this study establishes critical contextual boundaries for dynamic capabilities. While generic DCT assumes a direct, linear relationship between digital agility and firm performance, this research demonstrates that in culturally embedded industries, generic digital onboarding without strategic differentiation risks cultural commodification and algorithmic price wars. By proving that competitive advantage strongly mediates this relationship, the findings structurally confirm that dynamic capabilities sensing, seizing, and transforming must be deliberately steered to build an inimitable strategic edge to successfully unlock business resilience.

From a practical and policy perspective, these empirical insights yield actionable recommendations for navigating market volatility. Traditional MSME operators, such as *Gudeg* and *Bakpia* vendors, must move away from generic digitalization. Instead of using third-party applications solely to increase transaction volume, they should leverage digital platforms as storytelling platforms to amplify their cultural authenticity. Furthermore, these

operators must exercise rigorous financial discipline by explicitly accounting for hidden platform commission fees to protect their cash-flow liquidity. Concurrently, government intervention programs, such as those initiated by Dinas Koperasi & UKM DIY, should shift from providing basic technical digital literacy toward offering strategic managerial training. Financial and digital aid frameworks must be tightly integrated to help heritage MSMEs optimize their local supply chains and construct resilient, localized brand identities capable of competing against large, modern fast-food franchises.

LIMITATION AND IMPLEMENTATIONS

This study has several limitations that must be acknowledged when interpreting the findings. The main limitation is the relatively small sample size of 87 traditional culinary MSMEs. This is due to the researchers' limited human resources in exploring culinary MSMEs in Yogyakarta, which are typically located in rural areas. Furthermore, the scope of this study is limited to the Special Region of Yogyakarta. Because the data comes from a very specific geographic and cultural context dominated by local heritage foods such as Bakpia, Gudeg, Jadah Tempe, Salak Pondoh, Mie Lethek, Sate Klatak, Tiwul, Gatot, Geblek, and Growol, the results may not be generalizable to all traditional foods in other regions. Therefore, the findings may not fully represent the resilience dynamics of MSMEs in other regions with different market characteristics or operating outside the traditional culinary sector.

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