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Acculturative Product Excellence and Business Sustainability in Samarinda Sarong Weaving Industry

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Abstract
This study analyzes acculturative isolation product excellence as a mediator between value creation, product innovation, and business sustainability in Samarinda's sarong weaving industry. Using Resource-Based View theory, data were collected from 102 MSMEs and weaving artisans through questionnaires and analyzed using SEM-PLS. Results showed acculturative isolation product excellence significantly affects business sustainability directly (β=0.528; $p<0.001$) and through isolation mechanisms as partial mediator (indirect effect=0.102; p=0.070). Product innovation only shows indirect effects through isolation mechanisms (indirect effect=0.106; p=0.063). These findings emphasize culture-based isolation strategies in creating sustainable competitive advantage. Practical implications suggest strengthening intellectual property protection, integrating innovation with traditional values, and improving market education for sustainable traditional craft industry business models.

Keywords: *acculturative insulation product excellence, value creation, product innovation, business sustainability, Samarinda weaving*

Introduction

Company sustainability depends heavily on Strategic Management implementation and environmental harmony. Innovation in science and technology fundamentally boosts modernization and stimulates high-quality economic development.

Various constraints often appear in efforts to increase product creativity, from resource limitations and resistance to change to time constraints. However, every challenge presents potential for companies to find more effective product development methods. Successful strategies must blend deep market understanding, latest technology adoption, and corporate culture that drives experimentation and creative thinking.

One strategically appropriate approach is the isolation product concept—a method where companies create competitive barriers (Barriers to entry) to reduce threats from business rivals. This strategy not only guards market share but also builds unique value difficult for competitors to replicate through technological superiority, brand strength, and exclusive supply chain control.

Implementation of product isolation faces significant challenges with dynamic market volatility, from increasingly fast competitive innovation and shifting consumer preferences to ongoing regulatory complexity. However, when applied correctly, this strategy can produce sustainable competitive advantage, as proven by various world-famous companies' success.

Previous studies propose that when companies successfully develop isolation mechanisms, they automatically build competitive obstacles (Li & Tsai, 2010). Therefore, it's rational for companies to create isolation mechanisms in marketing strategy platforms difficult to imitate. Sources include innovation-based abilities,

marketing abilities, and buyer cost-related mechanisms. These mechanisms, alone or combined, play important roles in forming strategic weapons for introducing products to market and achieving superior performance—called strategic isolation abilities.

Literature finds value creation can occur through differentiation-based sustainability channels. Recent research (Indriastuti, 2020) introduces Acculturative Product Attractiveness—products born from cultural blends appealing to global consumers seeking authenticity, and Acculturative Isolating Product Attractiveness—combining cultural uniqueness with strategic isolation mechanisms creating positioning difficult to match.

Related to previous research gaps and Resource-Based View theory, this study investigates sustainability of MSME businesses with typical East Kalimantan product isolation: Sarong Samarinda. Business sustainability remains vulnerable for MSME actors because new players often only follow trends, and when trends end, they replace products or stop operations, rarely inheriting to next generations.

Table 1. Development Sarong Samarinda (5 Years Final)

Aspect	2019	2020	2021	2022	2023	Information
Amount Craftsman	142	135	128	125	156	2022-2023 regeneration program adds young craftsmen
Production (sheets/year)	15,000	12,500	10,200	11,000	15,000–18,000	Recovery & semi-mechanical technology increases production
Market Value (Rp Billion)	3.2	2.8	2.1	2.5	3.0	Average price Rp. 500,000–1.5 million/sheet
Exports (% of total)	8%	5%	3%	6%	9%	Main to Malaysia & Singapore
Average Age of Craftsmen	52 years	53 years	54 years	55 years	56 years	Regeneration not maximum

Source: East Kalimantan Industry Service, 2024

Evaluation shows production decline during 2020-2022 caused by three main factors: 1) COVID-19 impact, 2) limited standard cotton thread material supply, and 3) reduced active craftsmen. In 2023, marketing distribution divided into local sales in Samarinda and East Kalimantan (65%), national market especially Java and Bali (26%), and exports through digital platforms (9%). Eighty percent of senior craftsmen master warp ikat weaving techniques and classic motifs, but only 20% of young craftsmen deeply understand traditional techniques.

From business phenomenon gaps and empirical study gaps, research is needed to bridge existing gaps. The title investigated: **Role of Acculturative Isolation Product Excellence as Mediation of Value Creation and Product Innovation Towards Sustainability of Samarinda Sarong Woven Fabric Craft Industry Business in East Kalimantan Province**.

Literature Review

Resource Based View

Resource-Based View (RBV) concept is rooted in economics and business strategy literature developed since the 1950s. This theory asserts company competitive advantage comes from effective resource and capability management to compete in markets. Companies are viewed as collections of valuable and rare resources. Barney (2021) added that company development requires optimal resource utilization to achieve efficient performance

and generate profits, emphasizing unique and difficult-to-substitute resource combinations creating competitive advantage.

RBV views competitive advantage through two main lenses: capabilities and resources. Both are managed strategically to achieve cost advantage or differentiation advantage. Cost advantage is achieved when companies produce similar goods/services at lower costs, while differentiation occurs when companies offer more unique or quality products than competitors (Sutanto, 2020). The study exemplifies how weaving MSMEs achieve differentiation through collaborative design capabilities, while cost advantage is achieved by large companies through economies of scale.

Superiority Product Acculturative Isolation

Supporting Elements of Product Excellence connect RBV with key concepts: Strategic Asset (Worley, 2020)—strategic assets like technology or intellectual property rights strengthening competitive isolation; Strategy Product Creativity (Slater, 2021)—product design or function innovations born from cultural acculturation; Uniqueness Product Advantage (Griffith, 2020)—product uniqueness distinguishing from competitors through traditional motifs or materials; and Product Strategy Capability (Ferdinand, 2021)—company capability in managing and commercializing acculturative products.

Isolating Mechanism in Strategy Development (Li & Tsai, 2020) explains how companies "isolate" product advantages from competitor imitation through patents/cultural certification and complexity of acculturation processes (hereditary handicraft techniques). Recent research (Indriastuti, 2020) introduces: Acculturative Product Attractiveness—products born from cultural blends appealing to global consumers seeking authenticity; and Acculturative Isolating Product Attractiveness—combining cultural uniqueness with strategic isolation mechanisms creating difficult-to-match positioning.

Uniqueness of Products that Have Advantages (UPA)

Griffith (2020) defines UPA as product specialty providing added value in consumers' eyes through unique characteristics difficult for competitors to imitate. This concept emphasizes products' ability to satisfy customer needs superiorly compared to similar products.

Core Elements of UPA according to Griffith (2020) highlight two main components:

1. Uniqueness—product characteristics setting it apart from competitors (both physical and non-physical)
2. Advantage—concrete benefits felt by consumers

UPA can be sourced from Breakthrough Product development, Brand Equity strong image, Customer Experience personalized service, and Uniqueness Supply Chain exclusive standard materials. UPA impacts according to Griffith (2020):

For Business:

- Higher Prices: Unique products sold at premium margins
- Customer Retention: UPA increases loyalty and reduces price dependence
- Market Defense: Product uniqueness becomes barrier for new competitors

For Industry:

- Niche Market: UPA allows focusing on specific segments
- Value Competition: Companies compete on uniqueness, not just price

Strategy Development Mechanism

Li & Tsai (2020) define isolation mechanisms as inhibiting factors preventing competitors from copying or utilizing a company's typical resources and abilities. Main functions protect company competitive superiority

from duplication threats. Forms of isolation include: patent rights (legal protection and trade brands), tacit knowledge (non-transferable skills), social complexity (complex organizational interactions), and inability to copy past experiences.

Isolation mechanisms in Strategy Development play vital roles (Li & Tsai, 2020): guarding competitive uniqueness, maintaining profit margins, forming obstacles for newcomers. However, constraints exist: high maintenance costs, potential skill distribution, and weakening protection policy evolution. Li & Tsai (2020) findings reveal isolation mechanisms play vital roles in competitive strategy, though implementation faces challenges requiring ongoing R&D or legal costs to defend patents.

The Attraction of Acculturative Products

Product Attraction acculturative refers to products' pulling power formed through cultural acculturation processes, where product characteristics unite local and global cultural elements creating unique value for consumers. Acculturation is a social, psychological, and cultural process causing change when two or more different cultures assimilate. In this process, individuals adopt, acquire, and adapt to new cultural environments. Based on RBV theory, two variables are applied: acculturative product superiority and innovation power. Acculturative products are unique products with different values compared to original products, developed based on assimilating cultural values of a place.

From cultural contact and interaction, acculturation products are born. These products own strong identity and are difficult to imitate because they represent local culture owned by communities. As a multiethnic country, Indonesia has various local culture types represented by local products.

Main Dimensions of Product Attraction acculturative according to Indriastuti (2020):

1. Authenticity Culture—authenticity of local cultural elements in products
2. Ability Global—products' ability to fulfill global standards
3. Hybrid Aesthetics—harmonious fusion of cross-cultural design elements

Gupta (2021), Hakkak & Ghodsi (2020), competitive advantage of products refers to advantages or differentiating factors products have compared to competing products. This advantage includes three main elements: uniqueness, added value, and benefits felt by customers, based on deep understanding of customer needs and preferences.

Product uniqueness provides competitive added value by creating differentiation difficult to compare with similar market products. This special characteristic is also difficult for competitors to imitate due to limited access to underlying knowledge sources.

Valencia et al. (2020) state unique products are produced by highly specialized suppliers, giving companies stronger bargaining positions in markets. Cooper & Kleinschmidt (2020) added product uniqueness functions as competitive differentiator creating added value. This uniqueness comes from effective consumer knowledge management—critical factor accompanying promotional strategies in marketing innovative technology-based products. Acculturative uniqueness products significantly impact company competitive positions. Such products not only are new or different but also resonate deeply with target market values, habits, or cultural preferences, creating significant comparative advantage difficult for competitors to imitate.

Value Creation

Concept of Value refers to extent customers feel products or services meet their needs or desires, reflected in willingness to pay. This value depends more on customer perception than products' intrinsic value. According

to Roger (2021) in Wahyuningsih (2020), value includes what consumers pay and benefits received from costs incurred. Value can be created through value chain activity series.

Value Creation is defined by Totanan (2020) as producers' or sellers' effort making their products or services more needed and attractive in consumers' eyes than competitors. This process involves innovation utilizing existing resources and capabilities. Innovation is key for organizations to survive and thrive in dynamic environments.

Three main perspectives in value creation:

1. Resource capability—company ability to utilize technology, human resources, and organization
2. Internal processes—company operational activities
3. Business performance—results of two previous aspects

Human roles are very important in creating value because their knowledge and creativity are bases for innovation. Besides creating value, companies need capturing this value in profit margin form, calculated from value created minus production costs. Value creation relates to providing product and process innovations suiting unique customer needs. Successful companies understand businesses must create value for customers, employees, and investors. Customer value is achieved through innovation and exceptional service, while employee value includes appreciation and decision-making involvement. Value creation concept is useful for Company's value, including principles or philosophies underlying business goals and strategies—integrity, creativity, customer orientation. These values serve as employee guidelines and influence company public image. In business contexts, values divide into economic, social, and environmental values.

Value Creation Strategy is created involving in-depth analysis of customer, employee, and investor needs, and collaborative approach ensuring products or services meet expectations. Value creation benefits include increased customer loyalty, employee motivation, and investor appeal. Companies need developing sustainable value creation models maintaining competitive advantage.

Three Ways of Value Creation in Small Business:

1. Creating New Value: Developing new products/services or entering different markets
2. Creating More Value: Improving operational efficiency producing more at same cost
3. Creating Better Value: Focusing on improving existing products, services, or business models quality (Utami et al., 2023)

Methods

To answer research problems and test hypotheses, researchers used Smart PLS data analysis technique, chosen for good software availability. Descriptive statistical analysis was also conducted. This study uses Structural Equation Modeling-Partial Least Square (SEM-PLS) analysis method with WrapPLS software help. SEM-PLS method is used because it analyzes variable relationships even with relatively small sample numbers and requires normal distribution assumptions. According to Ghozali (2020), PLS is fairly strong analysis technique not requiring many assumptions. This method allows using data not requiring multivariate normal distribution (indicators with category, ordinal, interval to ratio scales can be used in same models).

This study uses saturated sampling method, where all population members are sampled. According to Grounded Theory (Glaser & Strauss, 2020), "theoretical sampling" is a dynamic qualitative research approach. This process occurs iteratively with main criterion achieving data saturation point—condition when researchers no longer find new insights or categories from collected data.

Data comes directly from selected respondents (primary data). Data collection was conducted distributing questionnaires to respondents determined as research samples totaling 102 people including UMKM actors in Samarinda Sarong Weaving Industry sector and craftsmen.

The inner model refers to relationships between latent variables and constructs defined in substantive theory. This analysis aims examining R-square value as model goodness-of-fit test.

When analyzing structural models, R-square coefficient tests measure research model explanatory power accounting for dependent variable variation. According to Ghozali (2020), R-square values of 0.75, 0.50, and 0.25 respectively indicate strong, moderate, or weak models.

Model of Fit refers to selecting, developing, or adjusting models describing relationships between studied variables. This process involves determining most appropriate models based on underlying research theory and analyzed data characteristics. To test whether research models meet ideal criteria, Goodness of Fit Model is used. According to Kock (2020), Goodness of Fit criteria can be assessed using 10 model fit or index criteria presented in following table:

Table 2. Goodness of Fit Criteria

Criteria	Value	Status
Average path coefficient (APC)	0.367, P<0.001	significant
Average R-squared (ARS)	0.700, P<0.001	significant
Average adjusted R-squared (AARS)	0.692, P<0.001	significant
Average block VIF (AVIF)	2.378	acceptable if ≤ 5, ideally ≤ 3.3
Average full collinearity VIF (AFVIF)	3.043	acceptable if ≤ 5, ideally ≤ 3.3
Tenenhaus GoF (GoF)	0.603	small ≥ 0.1, medium ≥ 0.25, large ≥ 0.36
Sympson's paradox ratio (SPR)	1.000	acceptable if ≥ 0.7, ideally = 1
R-squared contribution ratio (RSCR)	1.000	acceptable if ≥ 0.9, ideally = 1
Statistical suppression ratio (SSR)	1.000	acceptable if ≥ 0.7
Nonlinear bivariate causality direction ratio (NLBCDR)	1.000	acceptable if ≥ 0.7

Hypothesis testing results are based on path relationships in structural models assessed for significance. This significance value can be obtained using SEM analysis with WarpPLS 7.0. Hypothesis significance testing can be seen through coefficient parameter tests.

Mediation effect testing is conducted when mediating or intervening variables exist in studies. Mediation occurs when exogenous and endogenous variables are related through linking variable roles. According to Ghozali (2020), three steps test mediating variable influence:

1. Testing exogenous variable (X) effect on endogenous variable (Y)
2. Testing exogenous variable (X) effect on mediating variable (M)
3. Conducting simultaneous test of exogenous variable (X) effect on endogenous variable (Y) through mediating variable (M)

Figure 1: Conseptual model

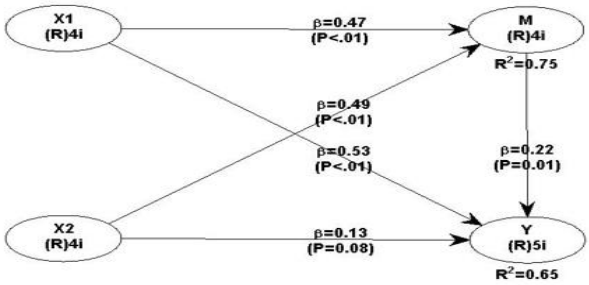

Figure 1: Conseptual model
Source : The result of data processing, 2025

The outer model refers to evaluating research variable reliability and validity. Several indicators assess outer models, including Convergent Validity, Discriminant Validity, Composite Reliability, Cronbach's Alpha, and Average Variance Extracted (AVE). Based on SEM analysis results, all variables were found valid and reliable, detailed below:

1. Convergent Validity Test: Loading factor value is considered valid when exceeding 0.7. However, values above 0.6 and even 0.5 may still be accepted as adequate.
2. Discriminant Validity: Construct is regarded as meeting discriminant validity requirement if Average Variance Extracted (AVE) value is greater than 0.5.
3. Reliability Test: Reliability is examined using Cronbach's Alpha coefficient. Construct is considered reliable if Cronbach's Alpha value is greater than 0.6.
4. Composite Reliability: Construct fulfills composite reliability requirement if composite reliability value is above 0.7.

Results and Discussion

This structural equation model fulfills strict eligibility criteria based on various goodness-of-fit indicators. Average Path Coefficient (APC) value of 0.367 is statistically significant ($p < 0.001$) indicating connection strength between model variables. Model predictive power is classified as very good, with determination coefficient (R^2) of 65.4% for variable Y and 74.6% for variable M, showing large variance parts in endogenous variables can be explained by exogenous variables. Tenenhaus GoF of 0.603 included in large effect category increasingly strengthens overall model predictive validity. Multicollinearity aspect in model is well controlled, indicated by values.

Validity and Reliability: This Model Construct shows excellent internal consistency. Composite reliability for all latent variables exceed 0.8 (Y=0.828, M=0.814, X1=0.821, X2=0.815), fulfilling strict reliability criteria. Although Cronbach's Alpha values for variables M (0.694), X1 (0.708) and X2 (0.698) are slightly below 0.7, these values are still acceptable for explorative studies. Model convergence validity is also well met (Y=0.493, M=0.524, X1=0.534, X2=0.526), indicating every construct capable of explaining more than 50% variance from indicators.

Path Analysis Results reveal several important findings:

1. Direct influence of variable M against Y is 0.216 (p=0.012) statistically significant
2. Variable X1 shows very significant direct influence against Y with coefficient 0.528 (p<0.001)
3. Direct influence X2 to Y not statistically significant (0.133, p=0.084)
4. Both exogenous variables (X1 and X2) significantly influence mediator variable M with coefficients of 0.471 and 0.488 respectively (both p<0.001)

Analysis Effect Mediation findings show:

1. For path X1→M→Y:
    - Indirect effect of 0.102 with p-value of 0.070 is significant
    - Total effect of X1 on Y is 0.630 ($p<0.001$)
    - Findings indicate significant partial mediation existence
2. For path X2→M→Y:
    - Indirect effect of 0.106 with p-value of 0.063
    - Shows significant mediation pattern

Implications Findings: Analysis results reveal that:

1. X1 is strong predictor for Y, both directly and via M
2. X2 only influences Y through M, although mediation effect marginal
3. Advanced study needed with bigger sample to confirm mediation effect significance currently still marginal

This study's findings strengthen Resource-Based View (RBV) theory by showing acculturative isolation product superiority acts as strategic asset able to create unique and sustainable value for Samarinda sarong weaving industry. Path analysis results confirm:

- Product superiority (X1) has strong direct effect on business sustainability (Y) ($\beta=0.528$, $p<0.001$), in line with Griffith's (2020) proposition on Uniqueness Product Advantage
- Isolation mechanism (M) successfully mediates X1-Y relationship (indirect effect=0.102, $p=0.070$), supporting Li & Tsai's (2020) theory on Isolating Mechanism
- Product innovation (X2) is only significant through M ($\beta=0.488$, $p<0.001$), indicating innovation requires isolation strategy to impact sustainability

This finding enriches acculturative product attractiveness literature (Indriastuti, 2020) by proving combination of cultural uniqueness and isolation mechanisms can create competitive barriers in traditional craft industry.

Conclusion

Based on analysis and discussion results, this study concludes:

1. Acculturative isolation product superiority is proven to significantly influence Samarinda sarong weaving industry business sustainability, both directly ($\beta=0.528$, $p<0.001$) and through value creation mediation mechanism
2. Isolation mechanism successfully acts as partial mediator (indirect effect=0.102, $p=0.070$), confirming importance of intellectual property protection and cultural uniqueness in creating sustainable competitive advantage
3. Product innovation shows marginal indirect effect ($p=0.063$), indicating innovation needs combining with isolation strategy to provide optimal impact on business sustainability
4. These findings strengthen Resource-Based View theory application in traditional craft industry context, especially in managing culture-based product uniqueness as strategic assets

Practical Implications:

Business actors are advised to:

- Strengthen legal protection for traditional weaving motifs and techniques
- Integrate technological innovation while maintaining cultural values
- Develop market education programs to increase consumer appreciation

Limitations and Suggestions for Further Research:

Main limitation lies in mediation effect still marginal, so further research is needed with:

- Larger and more diverse sample
- Addition of moderating variables such as government support
- Longitudinal approach to measure long-term impacts

This research provides important contribution to developing sustainable business models for Indonesian traditional craft industry in globalization era.

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