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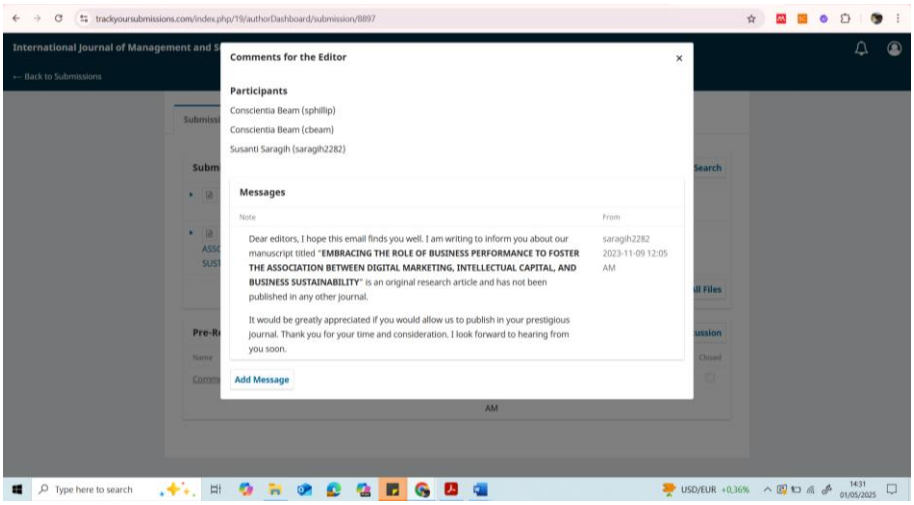

EMBRACING THE ROLE OF BUSINESS PERFORMANCE TO FOSTER THE ASSOCIATION BETWEEN DIGITAL MARKETING, INTELLECTUAL CAPITAL, AND BUSINESS SUSTAINABILITY

ABSTRACT

This study aims to explore the relationship between digital marketing and business performance and sustainability in small-medium enterprises (SMEs) in Bandung, Indonesia. Besides, this study also explores the mediation power of business performance in enhance the association of digital marketing, intellectual capital and business sustainability. The quantitative approach was used in this study, and data were acquired from 308 SMEs in Bandung, Indonesia. The data was collected by utilising Google Forms and employing

purposive sample methods. The study hypotheses were tested using Smart PLS. Results indicated that digital marketing has no significant effect on business performance. However, intellectual capital has been found as a catalyst of business performance and business sustainability. Given the identified role of intellectual capital as a catalyst for both business performance and sustainability, SMEs owners should prioritise investments in knowledge creation by providing employee training, and innovation. This could involve fostering a culture of continuous learning and supporting research and development initiatives. This study provides theoretical and practical implications for SMEs development.

Contribution & Originality: While discussions around digital marketing often centre on short-term benefits, such as immediate sales. This research broadens the scope by recognising the potential of digital strategies in contributing to the long-term sustainability of a business. It opens avenues for further investigation into the mechanisms through which digital marketing practices influence sustainability.

Keywords: digital marketing, intellectual capital, business performance, business sustainability, small-medium enterprise (SME)

1. INTRODUCTION

Businesses are pivotal in promoting sustainability by integrating environmentally and socially responsible practices into their operations. Beyond profit-making, modern businesses are increasingly recognising their responsibility to contribute positively to the planet and society. This responsibility involves adopting sustainable sourcing and production methods, reducing carbon footprints, and embracing ethical labour practices. By incorporating sustainability into their core values, businesses address global challenges such as climate change and social inequality and enhance their long-term viability. Innovation and collaboration can help businesses achieve economic success while contributing to environmental stewardship, demonstrating the connection between economic success and environmental stewardship (McDowell et al., 2018). This responsibility is not only for large corporations, but also for small and medium-sized enterprises (SMEs) (Ngah et al., 2015).

Small and medium-sized enterprises (SMEs) hold immense potential for championing sustainability practices. Despite their size, SMEs can be agile and innovative, allowing them to swiftly implement eco-friendly measures and adapt to changing environmental standards (Bruce et al., 2023). Their local focus often contributes to their communities' economic development and job creation. When committed to sustainability, SMEs can show that responsible business practices are feasible on a small scale. Moreover, their flexibility allows experimentation with green technologies and circular economy models. SMEs have the capacity to make a significant contribution to global sustainability goals, contributing to a more environmentally aware and socially responsible business environment.

Moreover, SMEs play a significant role in contributing to the Gross Domestic Product (GDP) of developing countries. For example, according to the Indonesian Ministry of Cooperatives and Small and Medium Enterprises, Indonesian SMEs contribute to the Gross Domestic Product (GDP) of around 61% (Indonesian Investment, 2022). In addition, the Central Statistics Agency (BPS) (2019) stated that the number of SMEs reached more than 26 million businesses or 98.68% of the total non-agricultural businesses in Indonesia and these businesses were able to absorb workforce of more than 59 million people or about 75.33% of the total non-agricultural workforce. Thus, the importance of SMEs in strengthening Indonesia's economic growth and enhancing the advancement of sustainable practices cannot be overstated.

However, SMEs also face many difficulties in running their businesses and to implement sustainability practices. For example: SMEs are limited in financial resources which restricts them from investing in technologies that enable sustainability practices (Dwiputri et al., 2023; Ngah et al., 2015; Permatasari & Gunawan, 2023). Large companies easily use digital marketing through websites and recruit staff who are experts in conducting product/service campaigns and optimising digital marketing (Atanassova & Clark, 2015; Ritz et al., 2019). Meanwhile, SMEs only rely on the owner's ability to do so. There is often a lack of understanding of their unique and experimental social media practices. SMEs often lack of understanding of the opportunities offered by social media because owners are limited in access to information and knowledge about digital marketing (Nakara et al., 2012). This situation makes SMEs only use digital marketing just to survive, very rigid with routines due to lack of intellectual capital (Bontis et al., 2000). In addition, the lack of policy clarity regarding sustainability practices for SMEs has also led to low awareness of SMEs to implement sustainability practices. These constraints, combined with problems in forecasting future

demand and limited technological expertise, are linked to the poor quality of their management (Atanassova & Clark, 2015; Bruce et al., 2023).

Although previous research has shown how digital marketing and intellectual capital contribute to sustainability practices in SMEs (Bruce et al., 2023; Van Binh et al., 2022), the mechanisms that occur between these variables have not been widely explored. Small businesses would likely benefit from participating in and developing a digital marketing strategy, and intellectual capital in business sustainability. These benefits are received because they can improve operational efficiency by reducing costs and improved innovation and productivity. When business performance is perceived positively, SMEs see the potential and power for SMEs to implement sustainability practices. Meanwhile, previous research is in agreement that digital marketing and intellectual capital contribute to sustainability practices and in the long run will improve business performance (Lu et al., 2022). The inconsistent relationship between whether business performance will affect sustainability practices or sustainability practices will affect business performance has led researchers to conduct this study in order to clarify the relationships between digital marketing, intellectual capital, business performance, and sustainability practices in SMEs. This research tries to explain the mechanism that occurs by exploring company performance as the black box.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Digital marketing is a system that uses technology (mainly on the Internet, but also including mobile phones, display advertising, and any other digital medium) as a way to promote products, market products, and conduct product buying and selling transactions (https://en.wikipedia.org/wiki/Digital_marketing). Digital technology is the key to unlocking a company's full potential and igniting the spirit of entrepreneurship. In the digital age, it offers businesses a unique opportunity to thrive due to its ability to transform performance (Van Binh et al., 2022; Wilson & Makau, 2018). Through digital marketing, companies can gain new markets and information about potential consumers, opening up new sales opportunities for them. Digital marketing is a cost-effective solution that can significantly reduce expenses, particularly in the areas of business promotion and rent. By reducing expenses, companies can significantly boost their business performance and maximise their profitability. Thus, the use of digital marketing can improve business performance. Even in crises like the COVID-19 outbreak, Mehralian & Khazaee (2022) found that SMEs' digital marketing capability has a positive effect on the success of a business. In addition, Nuseir & Aljumah (2020) found that implementing digital marketing strategies in SMEs can effectively facilitate remote customer

engagement, leading to improved business performance. Based on the description above, the first hypothesis of this research is:

H1 : Digital marketing affects business performance.

To remain competitive in today's market, companies invest in both tangible and intangible assets, including intellectual capital - scientific and technological knowledge. This investment is essential to succeed in the increasingly fierce business environment. Intangible assets should be managed in a way that results in improved performance for the company. Intellectual capital as an intangible asset is becoming a crucial factor for a firm's long-term profit and performance in the knowledge-based economy as more firms identify their core competence as invisible assets rather than visible assets (Ekaningrum, 2021; Rokhman et al., 2023). The intellectual capital elements are human capital, innovation capital, process capital, and customer capital (Bontis et al., 2000). All of SMEs' knowledge about these four elements will strengthen SMEs' ability to create competitive advantage (Ekaningrum, 2021; McDowell et al., 2018; Sahari et al., 2019). In addition, according to Koentjoro & Gunawan (2020) organising knowledge boosts innovation for entrepreneurs because it allows entrepreneurs to expand their capacity for generating ideas, leading to greater opportunities for growth and success. Therefore, the second hypothesis for this study is:

H2 : Intellectual capital affects business performance.

Effective business performance can lead to increased profitability, which can help companies invest in socially responsible and ethical practices. By implementing these sustainability practices, companies can revolutionise the recruitment process, accelerate branding, and establish a strong public relations presence. These steps will ultimately lead to greater profitability and ensure long-term success for the business. The practice of sustainability can also reduce an organisation's environmental impact, increase its social responsibility, and improve its economic sustainability. According to Budiarto et al. (2021) SMEs need to innovate to maintain business sustainability. SMEs with better financial conditions will tend to have better sustainability performance (Lu et al., 2022; Quéré et al., 2018). Therefore, SMEs must always develop and see opportunities to innovate on an ongoing basis. Thus, the third hypothesis in this study is:

H3 : Business performance affects business sustainability.

In the industrial era of 4.0, digital marketing can be a valuable tool for companies looking to differentiate themselves from their competitors. By leveraging online marketing

strategies, businesses can effectively communicate their unique value proposition as it can provide better services, lower prices, and establish a better relationship with customers (Chakravarthy et al., 2022; Lamidi & Rahadhini, 2021; Mehralian & Khazaee, 2022; Wilson & Makau, 2018). The use of digital marketing expands the market, reduces sales costs and can increase buying interest due to the ease of transactions provided (Rahayu et al., 2021). Therefore, in the long run, business performance that grows due to digital marketing optimisation will encourage business sustainability. So, it can be said that the use of digital marketing will increase business sustainability due to business growth obtained from digital marketing results. Based on this description, the fourth hypothesis for this research is:

H4 : The performance of the business mediates the influence of digital marketing on business sustainability.

It is widely believed among researchers that intellectual a key factor that can significantly impact the performance of SMEs (Gross-Gołacka et al., 2021; Jermsittiparsert, 2021; McDowell et al., 2018). This is particularly true as SMEs may face challenges when it comes to competing on the basis of scale and scope. Additionally, previous research has shown that intellectual capital results from acquiring, communicating, and codifying knowledge. This leads to increased innovation and the ability to generate value (Gross-Gołacka et al., 2021) and will encourage the creation of business sustainability in the future (Kianto et al., 2017; Trarintya et al., 2021,: Akhtar et al. (2015) asserts that intellectual capital, encompassing knowledge and innovation, plays a pivotal role in determining the sustainability and financial performance of a business. Thus, intellectual capital will provide business sustainability because it can improve business performance (Dwiputri et al., 2023). Based on this description, the fifth hypothesis for this research is:

H5 : The performance of the business mediates the influence of intellectual capital on business sustainability.

The research model is shown in Figure 1 below:

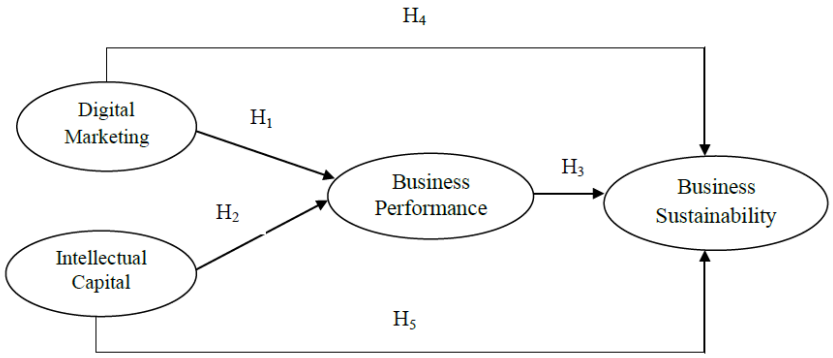

Figure 1. Research Model
Source : Researcher Elaboration

3. RESEARCH METHODOLOGY

3.1. Sample and data collection

The participants in this study are owners of SMEs in Bandung who are members of a waste bank community. This study selects SMEs based on a purposive sampling method. In order to fit the study design, specific criteria were determined. First, the SMEs have adopted digital marketing in their business strategy. Second, the business has been operated for at least three months. In total, there are 308 SMEs owners that participated voluntarily in this research. An overview of the respondents' demographics is presented in the following table (Table 1).

Table 1. Respondents' demographics

Characteristics	Frequency	Percentage
Gender		
• Male	135	44%
• Female	173	56%
Educational Background		
• Primary school	10	3%
• Junior high school	35	11%
• Senior high school	187	61%
• University	76	25%
Age		
• 17-22 years	23	7%
• 23-28 years	69	22%
• 29-34 years	54	18%

• 35-40 years	54	18%
• 41-46 years	52	17%
• 47-52 years	27	9%
• over 53 years	28	9%
• (blank)	1	0%
Marital Status		
• Married	229	74%
• Unmarried	79	26%
The business' age.		
• Less than a year	122	40%
• > 1-5 years	141	46%
• > 5-10 years	36	12%
• > 10-15 years	5	2%
• > 15-20 years	2	1%
• Over than 20 years	2	1%
Business Sectors		
• Agriculture	11	3,57%
• Chemical and cosmetics	13	4,22%
• Clothing retails	50	16,23%
• Construction equipment and material	1	0,32%
• Electricity and electronics	13	4,22%
• Food and Beverage	107	34,74%
• Health and Pharmaceutical	1	0,32%
• Home appliance and furniture	14	4,55%
• Tourism	2	0,65%
• Consumer goods	28	9,09%
• Automotive	1	0,32%
• Others	33	10,71%
Total	308	

Source: Results analysis from SmartPLS

The presented table (Table 1) exhibits the demographic data of the respondents, inclusive of their gender, educational background, age, marital status, and business age. Based on the data, the majority of the respondents are female, constituting 56% of the total participants. Also, the majority of the respondents have a senior high school educational background (61%), followed by 76 respondents (25%) who have a university degree. Most of the respondents are between the ages of 29 and 40 years old. The business sectors of the respondents include agriculture, chemical and cosmetics, clothing retail, construction equipment, electricity and electronics, food and beverage, health and pharmaceutical, home appliance and furniture, tourism, consumer goods, and automotive. The majority of the

respondents come from the food and beverage sector (34.74%), and their businesses are around 1-5 years old.

This study collected data through surveys. Respondents received online questionnaires directly from researchers. The questionnaire prepared by the researcher consists of five sections, which include questions about the respondents' data, digital marketing adoption, intellectual capital, business performance, and organisational sustainability.

3.2. Definition of Operational and Measurement of Variables

Digital marketing is an activity to plan, implement, distribute, and sell products and services through the use of applications and technological information. Davis (1989) developed an instrument to assess digital marketing implementation. According to this instrument, the technology acceptance model is measured by three dimensions: the perceived ease of utilising technology for digital marketing, usability perceptions, and the desire to utilise technology. This instrument has been extensively used in prior research, such as Ritz et al. (2019), with Cronbach's Alpha values in the range of 0.789-0.917. To assess digital marketing adoption, 17 questions are asked. For example: "Using the internet to promote your products/services will increase the company's effectiveness in increasing consumer engagement."

Intellectual capital (IC) is defined as an intellectual material (knowledge, information, intellectual property, experience) that is useful in the process of creating value and profit for a company. IC is elusive, but once it is discovered and exploited, it may provide an organisation with a new resource-base from which to compete and win (Bontis et al., 2000). IC is measured by three dimensions, namely human capital, structural capital, and customer capital, developed by Ulum (2017) as cited in Ulum & Fitri Wijayanti (2019). There are 53 questions in this instrument. An example of this could be the following: "The overall competence of employees is the same as an ideal level that we can expect to achieve".

Business performance refers to an organisation's capacity to make use of resources effectively and efficiently in accordance with its specific strategy. In this study, company performance was assessed using a 10-question instrument developed by Ulum & Fitri Wijayanti (2019). "This company's return on assets after tax is good," for example.

According to this study, business sustainability is defined as an organisation's initiative that minimises the influence on the planet's existence and ecosystems in order to achieve sustainable development. The instrument developed by Kolk et al. (2010) has been used to measure business sustainability. This instrument consists of three dimensions: economic, socio-

economic, and environmental, one of which is: "This company reduces emissions in the course of its operations." All questions that were used in this study were graded on a 5 Likert scale (1: strongly disagree and 5: strongly agree).

3.3. Research Procedure

In this study, we used path analysis to test our research hypothesis. Before conducting the hypothesis test, we performed validity and reliability tests to ensure the accuracy and consistency of our measuring instruments. Our validity testing included both convergent and discriminant validity tests. To test the path model, we used Partial Least Square (PLS) with Smart PLS 3 software.

4. Results and Analysis

4.1. Outer Model Testing

To validate the outer model test, the following tests are required to execute:

a) Convergent validity test.

According to Hair et al. (2022) convergent validity is the extent to which the construct converges to explain the variance of its items. The convergent validity test is measured using the average value of the extracted variance (AVE), where the AVE value that is required to be larger than 0.5, indicating that the latent variable can explain more than 0.5 of the variance value of its indicators. Table 2 shows the results of the convergent validity test. As shown in table 2, the latent variables used in this study are valid because their AVE value exceeds 0.5.

Table 2. AVE's value

	Average Variance Extracted (AVE)
Digital Marketing	0,788
Intellectual Capital	0,613
Business Performance	0,67
Sustainability Business	0,509

Source: Results analysis from SmartPLS

b) Discriminant validity test

The discriminant validity refers to how much empirical difference exists between the constructs within the model (Hair et al., 2022). Based on the Fornell-Larcker criterion, the discriminant validity test value must be greater than 0.7084. The results of the discriminant validity test in this study can be seen in Table 3. As shown in Table 3, the study variables are valid because the resulting Fornell-Larcker criteria value is more than 0.708.

Table 3. Fornell-Larcker Criteria

	Digital Marketing	Intellectual Capital	Business Performance	Sustainability Business
Digital Marketing	0.888			
Intellectual Capital	0.784	0.783		
Business Performance	0.607	0.722	0.818	
Sustainability Business	0.669	0.752	0.775	0.713

Source: Results analysis from SmartPLS

c) Reliability test

Cronbach's Alpha and Composite Reliability are two methods employed by Hair et al. (2022) for assessing the consistency of internal reliability in PLS. A latent variable is considered reliable if its Cronbach's Alpha and Composite Reliability values are both greater than 0.70. According to Table 4, all latent variables in this study are reliable because their Cronbach's Alpha and Composite Reliability values are more than 0.70.

Table 4. Reliability Analysis

	Cronbach's Alpha	Composite Reliability
Digital Marketing	0.973	0.976
Intellectual Capital	0.962	0.966
Business Performance	0.834	0.89
Sustainability Business	0.909	0.922

Source: Results analysis from SmartPLS

4.2. Inner Model Test

The outer model testing has led to the conclusion that inner model testing is feasible. Inner model testing entails numerous tests, including Coefficient of determination (R^2) and Path coefficient.

a) Coefficient of determination (R^2)

The coefficient of determination describes the extent to which exogenous latent factors impact endogenous latent variables. According to the results, digital marketing and intellectual capital influence business success by 0.522, while other factors influence the remaining 0.478. Furthermore, digital marketing and intellectual capital have a total of 0.684 influence on sustainability business, with the remaining 0.316 influenced by other factors (see Table 5).

Table 5. Coefficient of Determination (R^2)

	R Square	R Square Adjusted
Business Performance	0.525	0.522
Sustainability Business	0.687	0.684

Source: Results analysis from SmartPLS

b) Path coefficient

Based on the results of the path coefficient shown in Table 6, the direct effect of digital marketing on business performance is rejected because the p-value obtained is 0.134. Thus, the first hypothesis of this study is rejected, meaning that digital marketing has no effect on business performance. According to this study, intellectual capital directly impacts business performance (p-value = 0.000, α = 0,05). This value indicates that H2 is accepted. The third hypothesis attempts to determine the direct relationship between business performance and its sustainability. The result showed that H3 is also accepted because the p-value is 0,000 (α = 0,05). We can conclude that business performance has a positive and significant effect on business sustainability. This study also tested the mediating role of business performance in the relationship between digital marketing and business sustainability (H4). However, the results showed that business performance did not have a significant mediation role in this relationship (p-value = 0.136, α = 0,05). Meanwhile, the fifth research hypothesis (H5) suggests that intellectual capital has a significant effect on business sustainability, mediated by business performance. The p-value of 0.000 (α = 0,05), indicating that the fifth research hypothesis is accepted.

5. Discussion

Based on the data processing results (Table 4.1), we concluded that digital marketing has no significant effect on business performance (H1 rejected). There are several reasons that could explain this result. Firstly, the use of digital marketing for SMEs may not directly result in immediate sales so that when measuring performance (especially financially), there is no short-term growth (Permana et al., 2019; Tolstoy et al., 2022). However, the use of digital marketing helps SMEs to gain brand visibility and credibility, which is crucial for long-term sustainability. Secondly, the use of digital marketing requires knowledge of marketplace algorithms. In general, SMEs are limited in human resources with adequate levels of digital literacy (Chakravarthy et al., 2022) to understand how to optimize digital marketing (such as partnerships, or affiliate marketing). As evidenced by Table 1, the characteristics of the respondents support the finding that digital marketing optimization has not yet provided financial benefits for SMEs that participated in this study. The majority of respondents recently started their business, with 122 SMEs operating for less than a year and 141 SMEs for less than five years. Therefore, it is safe to conclude that digital marketing optimization has yet to yield financial benefits for these businesses.

Our study also reveals that intellectual capital directly affects business performance (H2). Intellectual capital refers to the intangible assets of a business, including knowledge, skills, experiences, innovations, and relationships. When a small or medium-sized business invests in knowledge and creativity, the owners can develop unique products and services, giving them an edge over their competition and attracting new customers (Ayu et al., 2021; Ekaningrum, 2021; Ngah et al., 2015). In essence, intellectual capital provides a valuable source of sustainable competitive advantage that can result in improved operational efficiency, increased revenue, and enhanced overall performance.

According to the study, business performance plays a significant role in the sustainability of SMEs (H3 is supported). The performance of a business can be measured by various factors such as revenue growth, profit margins, marketing effectiveness, customer satisfaction, and employee satisfaction. Ensuring that a SMEs excels in these areas can significantly contribute to its long-term sustainability and success. Conversely, if these areas are not given adequate attention, the business may face a higher risk of failure and closure. Therefore, it is crucial for SMEs to focus on improving their business performance to ensure their long-term sustainability.

On the contrary, this study results indicate that business performance does not have a significant impact on mediating the relationship between digital marketing and sustainability business (H4 is rejected). The evidence strongly suggests that digital marketing might have an independent impact on the sustainability of businesses, regardless of their overall performance. In other words, the positive impact of digital marketing on sustainability business is not linked to the performance of the business. Therefore, the use of digital marketing might not always directly translate into immediate growth, however it helps SMEs improve their chances of long-term success. Furthermore, the association between digital marketing and business sustainability may be mediated by additional variables not included in this analysis (for example: innovation).

Intellectual capital is the foundation of business sustainability. It encompasses intangible assets such as human capital, structural capital, and relational capital. Intellectual capital is a unique asset that cannot be replicated. Harnessing these invaluable resources will help businesses in strategic decision-making and provide a good understanding of the specific situation the company faces. This will make them informed and give them the capacity to make effective decisions for long-term success. Furthermore, intellectual capital improves business sustainability by demonstrating efficient resource utilization and goal achievement (H5 is

accepted). Based on the analysis, SMEs that are involved in this study have focused on developing and utilizing their intellectual capital in order to enhance their overall sustainability.

Table 6. Path Coefficient

	Standardized Beta	Sample Mean (M)	Standard Error	T-Statistics	P-value	α	Decision
Digital Marketing ⇒ Business Performance	0,108	0,107	0,072	1,501	0,134	0,05	H_1 is rejected
Intellectual capital ⇒ Business Performance	0,637	0,642	0,07	9,035	0,000	0,05	H_2 accepted
Business Performance ⇒ Business Sustainability	0,47	0,467	0,059	8,021	0,000	0,05	H_3 is accepted.
Digital Marketing ⇒ Business Performance ⇒ Business Sustainability	0,051	0,05	0,034	1,492	0,136	0,05	H_4 is rejected.
Intellectual Capital ⇒ Business Performance ⇒ Sustainability Business	0,3	0,3	0,051	5,847	0,000	0,05	H_5 is accepted

Source: Results analysis from SmartPLS

6. Conclusion and Further Research

Micro, Small, and Medium-sized Enterprises (SMEs) hold an important role in promoting sustainability practices. This is because SMEs are small in scope and relatively more agile. This makes them able to make changes faster than large companies. However, SMEs also have limitations that make them difficult to sustain for the long term. The opportunity to use technology with the use of digital marketing is still often not optimised due to a lack of knowledge and expertise in understanding how digital marketing works. Small businesses would likely benefit from participating in and developing a digital marketing strategy. These benefits are received because they can improve operational efficiency by reducing costs and improved innovation and productivity. When business performance is perceived positively, SMEs see the potential and power to implement sustainability practices.

This study found that although SMEs have used digital marketing, the evaluation of business performance has not shown positive results. This is because the optimisation of digital marketing has not yet occurred in SMEs due to limited knowledge, experience and expertise. This study also found that intellectual capital is an important factor in encouraging business continuity because businesses that prioritise intellectual capital can continuously evolve, introducing new products or services that meet changing customer needs and market trends. So that intellectual capital will improve business performance and will provide the potential to sustain in the future. Finally, intellectual capital as a unique asset, which can differentiate one business from another, is also considered an important factor in creating business sustainability.

This study makes valuable theoretical and practical contributions to developing small business sustainability. While prior studies and theories have indicated that digital marketing significantly affects business sustainability and performance, this study highlights an important point that these benefits are not short-term but occur through a mechanism. Organizations should recognize that long-term sustainability requires an overall understanding of the potential of digital strategies, not just their short-term or financial impact. Therefore, future digital marketing studies should study the potential of these strategies in contributing to the long-term sustainability of a business. The role of intellectual capital has been identified as a key factor in driving both business performance and sustainability. This study provides important managerial implication for SME owners, highlighting the need to prioritize investments in knowledge creation by providing employee training and promoting innovation. This can be achieved by fostering a culture of continuous learning and supporting research and development initiatives.

Although this study significantly contributes to the themes of digital marketing and sustainability in SMEs. However, while conducting the research, some limitations were observed. The research was confined to a small sample of SMEs in Bandung, Indonesia, which hampers its generalizability. To address this limitation, future studies should include SMEs from different regions of Indonesia. Additionally, as the data was collected through questionnaires and not verified through interviews, this method of data collection may have its limitations. Therefore, future study should consider using triangulation approaches, including focus group discussions with respondents, would provide better insights and help in optimizing digital marketing and business performance. Another limitation of this study is that it solely measures business performance financially. However, business performance is not limited to financial aspects alone, but involves several other factors as well. Therefore, it is highly recommended that future studies focus on measuring other aspects of performance rather than just financial performance.

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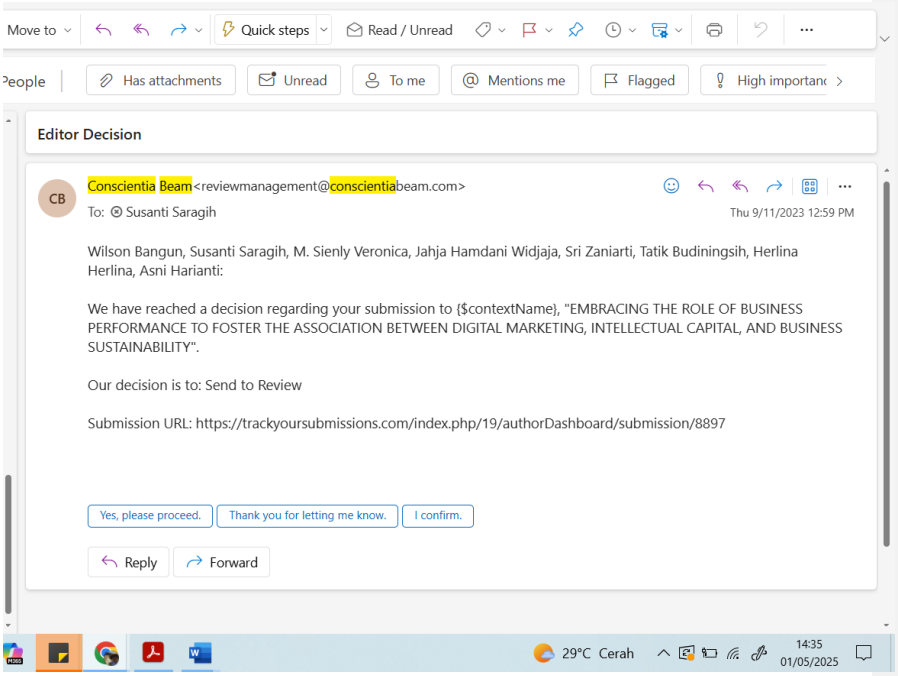
2. Bukti sent to review (9 Nov 2023)



3. Bukti permintaan revisi (23 November 2023)

Outlook

Major Revision Required: Article ID-IJMS/1554/23

No.		
1	(A1) dan (A6) Permintaan agar referensi di lengkapi	Referensi sudah diperbaharui dan di lengkapi sesuai dengan sitasi yang ada di artikel.
2	(A2) Harap angka desimal disesuaikan jumlah angkanya	Semua angka desimal sudah di sesuaikan menjadi 2 angka di belakang koma.
3	(A3) Tabel harap dituliskan ulang tabelnya	Tabel 4 sudah di tulis ulang.
4	(A4) Tidak menggunakan kata ganti orang	Sudah diganti
5	(A5) Periksa penulisan rumus	Sudah diperbaiki

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Title: Embracing the Role of Business Performance to Foster the Association between Digital Marketing, Intellectual Capital, and Business Sustainability

Article no: 1554-IJMS

Journal: International Journal of Management and Sustainability

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The paper has received feedback from reviewers. It is evident that several matters require attention prior to the acceptance of the paper for publication in IJMS. Kindly refer to the attached document containing the comments provided by the referees.

It is requested that the author thoroughly consider the comments provided by the referees and subsequently submit a revised version of the manuscript along with a detailed response addressing each of the reviewers' remarks. It is requested that any modifications be highlighted in a distinct colour and that the editable source files (such as Word) be provided for submission. The deadline for submission of your revised work is December, 08, 2023.

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Article No.: 1554-IJMS-8897

Is this article according to the scope of this journal?	Yes.
Abstract	The abstract revised in the structured abstract style, without the use of headings, and following to the sentence structure of purpose, Design/Methodology/Approach, Findings, and Practical Implications.
Introduction: Does the first paragraph serve as a good introduction?	The first paragraph serves as a good introduction.
Review of literature	The paper demonstrates an adequate understanding of the relevant literature in the field and cites an appropriate range of literature sources.
Methodology	This study used questionnaires to collect data and used Partial Least Square (PLS) with Smart PLS 3 software. Please give a brief introduction of the method used in the research and go into further detail about how it differs from past studies.
Results	The results are presented clearly and analyzed appropriately.
Conclusion	It would be desirable to categorize implications, limitations and future research suggestions under separate headings under conclusion to enhance their comprehensibility.
Bibliography/References	The quality of the reference is substandard. The unpublished work in question has been referenced. It is recommended to reference published scholarly research papers. The references need to meet the APA style of referencing.
Decision	Requires Major Revision

Editorial comments:

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4. Bukti revisi dan komentar untuk reviewer (1 Desember 2023)

EMBRACING THE ROLE OF BUSINESS PERFORMANCE TO FOSTER THE ASSOCIATION BETWEEN DIGITAL MARKETING, INTELLECTUAL CAPITAL, AND BUSINESS SUSTAINABILITY

ABSTRACT

This study aims to explore the relationship between digital marketing and business performance and sustainability in small-medium enterprises (SMEs) in Bandung, Indonesia. Besides, this study also explores the mediation power of business performance in enhance the association of digital marketing, intellectual capital and business sustainability. The quantitative approach was used in this study, and data were acquired from 308 SMEs in Bandung, Indonesia. The data was collected by utilising Google Forms and employing purposive sample methods. The study hypotheses were tested using Smart PLS. Results indicated that digital marketing has no significant effect on business performance. However, intellectual capital has been found as a catalyst of business performance and business sustainability. Given the identified role of intellectual capital as a catalyst for both business performance and sustainability, SMEs owners should prioritise investments in knowledge creation by providing employee training, and innovation. This could involve fostering a culture of continuous learning and supporting research and development initiatives. This study provides theoretical and practical implications for SMEs development.

Contribution & Originality: While discussions around digital marketing often centre on short-term benefits, such as immediate sales. This research broadens the scope by recognising the potential of digital strategies in contributing to the long-term sustainability of a business. It opens avenues for further investigation into the mechanisms through which digital marketing practices influence sustainability.

Keywords: digital marketing, intellectual capital, business performance, business sustainability, small-medium enterprise (SME)

7. INTRODUCTION

Businesses are pivotal in promoting sustainability by integrating environmentally and socially responsible practices into their operations. Beyond profit-making, modern businesses are increasingly recognising their responsibility to contribute positively to the planet and society. This responsibility involves adopting sustainable sourcing and production methods, reducing carbon footprints, and embracing ethical labour practices. By incorporating sustainability into their core values, businesses address global challenges such as climate change and social inequality and enhance their long-term viability. Innovation and collaboration can help businesses achieve economic success while contributing to environmental stewardship, demonstrating the connection between economic success and environmental stewardship (McDowell et al., 2018). This responsibility applies not only for big firms, but also for small and medium-sized businesses (Ngah et al., 2015).

Small and medium-sized enterprises (SMEs) hold immense potential for championing sustainability practices. Despite their size, SMEs can be agile and innovative, allowing them to swiftly implement eco-friendly measures and adapt to changing environmental standards (Bruce et al., 2023). Their local focus often contributes to their communities' economic development and job creation. When committed to sustainability, SMEs can show that responsible business practices are feasible on a small scale. Moreover, their flexibility allows experimentation with green technologies and circular economy models. SMEs have the capacity to make a significant contribution to global sustainability goals, contributing to a more environmentally aware and socially responsible business environment.

Moreover, SMEs make a substantial contribution to the Gross Domestic Product (GDP) of emerging economies. For example, according to the Indonesian Ministry of Cooperatives and Small and Medium Enterprises, Indonesian SMEs contribute to the Gross Domestic Product (GDP) of around 61% (Indonesian Investment, 2022). In addition, the Central Statistics Agency (BPS) (2019) stated that the number of SMEs entered above 26 million businesses or 98.68% of the total non-agricultural businesses in Indonesia and, and these businesses had the ability to take on a workforce of more than 59 million people or about 75.33% of the total non-agricultural workforce. Thus, the importance of SMEs in strengthening Indonesia's economic growth and enhancing the advancement of sustainable practices cannot be overstated.

However, SMEs also face many difficulties in running their businesses and to implement sustainability practices. For example: SMEs are limited in financial resources which restricts them from investing in technologies that enable sustainability practices (Dwiputri et al., 2023; Ngah et al., 2015; Permatasari & Gunawan, 2023). Large companies easily use digital

marketing through a variety of digital tools such as websites, blogs, Twitter, and Facebook to engage with its customers and recruit staff who are experts in conducting product/service campaigns and optimising digital marketing (Briones et al., 2011; Ritz et al., 2019). Meanwhile, SMEs rely solely on the ability of the owner for doing so. There is frequently a lack of knowledge of the distinctiveness of social media practices and experience using them. SMEs often lack of understanding of the opportunities offered by social media because owners are limited in access to information and knowledge about digital marketing (Nakara et al., 2012). This situation makes SMEs only use digital marketing just to survive, very rigid with routines due to lack of intellectual capital (Bontis et al., 2000). In addition, the lack of policy clarity regarding sustainability practices for SMEs has also led to low awareness of SMEs to implement sustainability practices. These constraints, paired with difficulties forecasting future demand and lack of technological skills, all contribute to organization's ability to effectively engage with its customers and build reputation and business performance (Briones et al., 2011; Bruce et al., 2023).

Although previous research has shown how digital marketing and intellectual capital contribute to sustainability practices in SMEs (Bruce et al., 2023; Van Binh et al., 2022), the mechanisms that occur between these variables have not been widely explored. Small enterprises may find it advantageous to engage in and establish a digital marketing plan, as well as enhance their intellectual assets in promoting business sustainability. These benefits are received because they can improve operational efficiency by reducing costs and improved innovation and productivity. When business performance is perceived positively, SMEs see the potential and power for SMEs to implement sustainability practices. Meanwhile, previous research is in agreement that digital marketing and intellectual capital contribute to sustainability practices and in the long run will improve business performance (Lu et al., 2022). The inconsistent relationship between whether business performance will affect sustainability practices or sustainability practices will affect business performance has led researchers to conduct this study in order to clarify the relationships between digital marketing, intellectual capital, business performance, and sustainability practices in SMEs. This research tries to explain the mechanism that occurs by exploring company performance as the black box.

8. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Digital marketing is a method that utilizes technology, primarily the internet but also other digital mediums like mobile phones and display advertising, to promote products, market them, and facilitate transactions for buying and selling products

(https://en.wikipedia.org/wiki/Digital_marketing). Digital technology is the key to unlocking a company's full potential and igniting the spirit of entrepreneurship. In the digital age, it offers businesses a unique opportunity to thrive due to its ability to transform performance (Obermayer et al., 2022; Van Binh et al., 2022). Through digital marketing, companies can gain new markets and information about potential consumers, opening up new sales opportunities for them. Digital marketing is a cost-effective solution that can significantly reduce expenses, particularly in the areas of business promotion and rent. By reducing expenses, companies can significantly boost their business performance and maximise their profitability. Thus, the use of digital marketing can improve business performance. Even in crises like the COVID-19 outbreak, Mehralian & Khazaee (2022) found that having a strong digital marketing strategy can greatly contribute to the success of SMEs. In addition, Briones et al. (2011) found that implementing digital marketing strategies in SMEs can effectively facilitate remote customer engagement, leading to improved business performance. Based on the description above, the first hypothesis of this research is:

H1 : Digital marketing affects business performance.

To remain competitive in today's market, companies invest in both tangible and intangible assets, including intellectual capital - scientific and technological knowledge. This investment is essential to succeed in the increasingly fierce business environment. It is important to handle intangible assets in a manner that leads to better outcomes for the organization. In the present knowledge-driven economy, intellectual capital, as an intangible asset, is increasingly needed for a company's long-term profitability and performance. More and more businesses are recognizing that their primary strengths lie in intangible assets rather than physical ones. (Ekaningrum, 2021; Rokhman et al., 2023). The components of intellectual capital encompass human capital, innovation capital, process capital, and customer capital, representing that intangible assets become core assets in the knowledge-based resources (Bontis et al., 2000). All of SMEs' knowledge about these four elements will strengthen SMEs' ability to create competitive advantage (Ekaningrum, 2021; McDowell et al., 2018; Sahari et al., 2019). In addition, according to Koentjoro & Gunawan (2020) organising knowledge boosts innovation for entrepreneurs because it allows entrepreneurs to expand their capacity for generating ideas, leading to greater opportunities for growth and success. Therefore, the second hypothesis for this study is:

H2 : Intellectual capital affects business performance.

Effective business performance can lead to increased profitability, which can help companies invest in socially responsible and ethical practices. By implementing these sustainability practices, companies can revolutionise the recruitment process, accelerate branding, and establish a strong public relations presence. These steps will ultimately lead to greater profitability and ensure long-term success for the business. The practice of sustainability can also reduce an organisation's environmental impact, increase its social responsibility, and improve its economic sustainability. According to Budiarto et al. (2021) SMEs need to innovate to maintain business sustainability. SMEs with better financial conditions will tend to have better sustainability performance (Lu et al., 2022; Quéré et al., 2018). Therefore, SMEs must always develop and see opportunities to innovate on an ongoing basis. Thus, the third hypothesis in this study is:

H3 : Business performance affects business sustainability.

In the industrial era of 4.0, digital marketing can be a valuable tool for companies looking to differentiate themselves from their competitors. By leveraging online marketing strategies, businesses can effectively communicate their unique value proposition as it can provide better services, lower prices, and establish a better relationship with customers (Chakravarthy et al., 2022; Lamidi & Rahadhini, 2021; Mehralian & Khazaee, 2022; Obermayer et al., 2022). The use of digital marketing expands the market, reduces sales costs and can increase buying interest due to the ease of transactions provided (Rahayu et al., 2021). Therefore, in the long run, business performance that grows due to digital marketing optimisation will encourage business sustainability. So, it can be said that the use of digital marketing will increase business sustainability due to business growth obtained from digital marketing results. Based on this description, the fourth hypothesis for this research is:

H4 : The performance of the business mediates the influence of digital marketing on business sustainability.

It is widely believed among researchers that intellectual a key factor that can significantly impact the performance of SMEs (Gross-Gołacka et al., 2021; Jermsittiparsert, 2021; McDowell et al., 2018). This is particularly true as SMEs may face challenges when it comes to competing on the basis of scale and scope. Additionally, previous research has shown that intellectual capital results from acquiring, communicating, and codifying knowledge. This leads to increased innovation and the ability to generate value (Gross-Gołacka et al., 2021) and will encourage the creation of business sustainability in the future (Kianto et al., 2017; Trarintya et al., 2021,: Akhtar et al. (2015) asserts that intellectual capital, encompassing

knowledge and innovation, plays a pivotal role in determining the sustainability and financial performance of a business. Thus, intellectual capital will provide business sustainability because it can improve business performance (Dwiputri et al., 2023). Based on this description, the fifth hypothesis for this research is:

H5 : The performance of the business mediates the influence of intellectual capital on business sustainability.

The research model is shown in Figure 1 below:

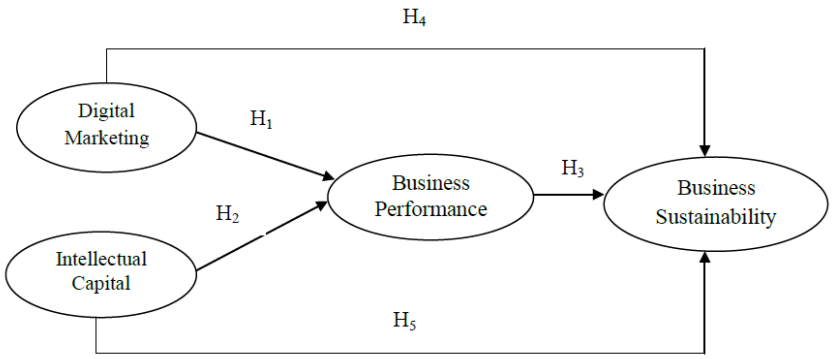

Figure 1. Research Model
Source : Researcher Elaboration

9. RESEARCH METHODOLOGY

9.1. Sample and data collection

The participants in this study are owners of SMEs in Bandung who are members of a waste bank community. This study selects SMEs based on a purposive sampling method. In order to fit the study design, specific criteria were determined. First, the SMEs have adopted digital marketing in their business strategy. Second, the business has been operated for at least

three months. In total, there are 308 SMEs owners that participated voluntarily in this research. An overview of the respondents' demographics is presented in the following table (Table 1).

Table 1. Respondents' demographics

Characteristics	Frequency	Percentage
Gender		
• Male	135	44%
• Female	173	56%
Educational Background		
• Primary school	10	3%
• Junior high school	35	11%
• Senior high school	187	61%
• University	76	25%
Age		
• 17-22 years	23	7%
• 23-28 years	69	22%
• 29-34 years	54	18%
• 35-40 years	54	18%
• 41-46 years	52	17%
• 47-52 years	27	9%
• over 53 years	28	9%
• (blank)	1	0%
Marital Status		
• Married	229	74%
• Unmarried	79	26%
The business' age.		
• Less than a year	122	40%
• > 1-5 years	141	46%
• > 5-10 years	36	12%
• > 10-15 years	5	2%
• > 15-20 years	2	1%
• Over than 20 years	2	1%
Business Sectors		
• Agriculture	11	3,57%
• Chemical and cosmetics	13	4,22%
• Clothing retails	50	16,23%
• Construction equipment and material	1	0,32%
• Electricity and electronics	13	4,22%
• Food and Beverage	107	34,74%
• Health and Pharmaceutical	1	0,32%
• Home appliance and furniture	14	4,55%
	2	0,65%

• Tourism	28	9,09%
• Consumer goods	1	0,32%
• Automotive	33	10,71%
• Others		
Total	308	

Source: Results analysis from SmartPLS

The presented table (Table 1) exhibits the demographic data of the respondents, inclusive of their gender, educational background, age, marital status, and business age. Based on the data, the majority of the respondents are female, constituting 56% of the total participants. Also, the majority of the respondents have a senior high school educational background (61%), followed by 76 respondents (25%) who have a university degree. Most of the respondents are between the ages of 29 and 40 years old. The business sectors of the respondents include agriculture, chemical and cosmetics, clothing retail, construction equipment, electricity and electronics, food and beverage, health and pharmaceutical, home appliance and furniture, tourism, consumer goods, and automotive. The majority of the respondents come from the food and beverage sector (34.74%), and their businesses are around 1-5 years old.

This study collected data through surveys. Respondents received online questionnaires directly from researchers. The questionnaire prepared by the researcher consists of five sections, which include questions about the respondents' data, digital marketing adoption, intellectual capital, business performance, and organisational sustainability.

9.2. Definition of Operational and Measurement of Variables

Digital marketing is an activity to plan, implement, distribute, and sell products and services through the use of applications and technological information. Davis (1989) developed an instrument to assess digital marketing implementation. According to this instrument, the technology acceptance model is measured by three dimensions: the perceived ease of utilising technology for digital marketing, usability perceptions, and the desire to utilise technology. This instrument has been extensively used in prior research, such as Ritz et al. (2019), with Cronbach's Alpha values in the range of 0.789-0.917. To assess digital marketing adoption, 17 questions are asked. For example: "Using the internet to promote your products/services will increase the company's effectiveness in increasing consumer engagement."

Intellectual capital (IC) refers to the valuable intellectual material that a company possesses, such as knowledge, information, intellectual property, and experience. It is used to

create value and generate profits for the company. IC is elusive, but once it is discovered and exploited, it can offer an unique competitive advantage to an organization, leading to success. (Bontis et al., 2000). IC is measured by three dimensions, namely human capital, structural capital, and customer capital, developed by Ulum (2017) as cited in Ulum & Fitri Wijayanti (2019). There are 53 questions in this instrument. An example of this could be the following: "The overall competence of employees is the same as an ideal level that we can expect to achieve".

Business performance refers to an organisation's capacity to make use of resources effectively and efficiently in accordance with its specific strategy. In this study, company performance was assessed using a 10-question instrument developed by Ulum & Fitri Wijayanti (2019). "This company's return on assets after tax is good," for example.

According to this study, business sustainability is defined as an organisation's initiative that minimises the influence on the planet's existence and ecosystems in order to achieve sustainable development. The instrument developed by Kolk et al. (2010) has been used to measure business sustainability. This instrument consists of three dimensions: economic, socio-economic, and environmental, one of which is: "This company reduces emissions in the course of its operations." All questions that were used in this study were graded on a 5 Likert scale (1: strongly disagree and 5: strongly agree).

9.3. Research Procedure

In this study, we used path analysis to test our research hypothesis. Path analysis is a statistical method that describes the directed dependencies among variables, enabling the examination of complex models and comparing different models (Kline & Cahyono, 2015). This study examines the direct and indirect effects of digital marketing and intellectual capital on business sustainability, with business performance as the mediator. In order to test the path model, we used Partial Least Square (PLS) with Smart PLS 3. A unique characteristic of partial least squares (PLS) is that it can handle high-dimensional data with many independent variables while addressing the issue of multicollinearity and allowing for the modeling of dependent relationships between multiple independent variables and a dependent variable (Ringle et al., 2022). This study involved 308 SMEs that participate voluntary to fulfill the questionnaire. SmartPLS is a software tool used for path analysis, allowing researchers to conduct sophisticated analyses, estimate complex models, and gain deeper insights into their data.

Before conducting the hypothesis test, we performed validity and reliability tests to ensure the accuracy and consistency of our measuring instruments. Our validity testing included both convergent and discriminant validity tests. By using SmartPLS, we are able to conduct sophisticated analyses and estimate complex models, making this study impactful.

10. Results and Analysis

10.1. Outer Model Testing

To validate the outer model test, the following tests are required to execute:

d) Convergent validity test.

According to Hair et al. (2022) convergent validity is the extent to which the construct converges to explain the variance of its items. The convergent validity test is measured using the average value of the extracted variance (AVE), where the AVE value that is required to be larger than 0.5, indicating that the latent variable can explain more than 0.5 of the variance value of its indicators. Table 2 shows the results of the convergent validity test. As shown in table 2, the latent variables used in this study are valid because their AVE value exceeds 0.5.

Table 2. AVE's value

	Average Variance Extracted (AVE)
Digital Marketing	0,788
Intellectual Capital	0,613
Business Performance	0,67
Sustainability Business	0,509

Source: Results analysis from SmartPLS

e) Discriminant validity test

The discriminant validity refers to how much empirical difference exists between the constructs within the model (Hair et al., 2022). Based on the Fornell-Larcker criterion, the discriminant validity test value must be greater than 0.7084. The results of the discriminant validity test in this study can be seen in Table 3. As shown in Table 3, the study variables are valid because the resulting Fornell-Larcker criteria value is more than 0.708.

Table 3. Fornell-Larcker Criteria

	Digital Marketing	Intellectual Capital	Business Performance	Sustainability Business
Digital Marketing	0.888			
Intellectual Capital	0.784	0.783		

Business Performance	0.607	0.722	0.818	
Sustainability Business	0.669	0.752	0.775	0.713

Source: Results analysis from SmartPLS

f) Reliability test

Cronbach's Alpha and Composite Reliability are two methods employed by Hair et al. (2022) for assessing the consistency of internal reliability in PLS. A latent variable is considered reliable if its Cronbach's Alpha and Composite Reliability values are both greater than 0.70. According to Table 4, all latent variables in this study are reliable because their Cronbach's Alpha and Composite Reliability values are more than 0.70.

Table 4. Reliability Analysis

	Cronbach's Alpha	Composite Reliability
Digital Marketing	0.973	0.976
Intellectual Capital	0.962	0.966
Business Performance	0.834	0.89
Sustainability Business	0.909	0.922

Source: Results analysis from SmartPLS

10.2. Inner Model Test

The outer model testing has led to the conclusion that inner model testing is feasible. Inner model testing entails numerous tests, including Coefficient of determination (R^2) and Path coefficient.

c) Coefficient of determination (R^2)

The coefficient of determination describes the extent to which exogenous latent factors impact endogenous latent variables. According to the results, digital marketing and intellectual capital influence business success by 0.522, while other factors influence the remaining 0.478. Furthermore, digital marketing and intellectual capital have a total of 0.684 influence on sustainability business, with the remaining 0.316 influenced by other factors (see Table 5).

Table 5. Coefficient of Determination (R^2)

	R Square	R Square Adjusted
Business Performance	0.525	0.522
Sustainability Business	0.687	0.684

Source: Results analysis from SmartPLS

d) Path coefficient

Based on the results of the path coefficient shown in Table 6, the direct effect of digital marketing on business performance is rejected because the p-value obtained is 0.134. Thus, the first hypothesis of this study is rejected, meaning that digital marketing has no effect on business performance. According to this study, intellectual capital directly impacts business performance (p-value = 0.000, α = 0,05). This value indicates that H2 is accepted. The third hypothesis attempts to determine the direct relationship between business performance and its sustainability. The result showed that H3 is also accepted because the p-value is 0,000 (α = 0,05). We can conclude that business performance has a positive and significant effect on business sustainability. This study also tested the mediating role of business performance in the relationship between digital marketing and business sustainability (H4). However, the results showed that business performance did not have a significant mediation role in this relationship (p-value = 0.136, α = 0,05). Meanwhile, the fifth research hypothesis (H5) suggests that intellectual capital has a significant effect on business sustainability, mediated by business performance. The p-value of 0.000 (α = 0,05), indicating that the fifth research hypothesis is accepted.

11. Discussion

Based on the data processing results (Table 4.1), we concluded that digital marketing has no significant effect on business performance (H1 rejected). There are several reasons that could explain this result. Firstly, the use of digital marketing for SMEs may not directly result in immediate sales so that when measuring performance (especially financially), there is no short-term growth (Permana et al., 2019; Tolstoy et al., 2022). However, the use of digital marketing helps SMEs to gain brand visibility and credibility, which is crucial for long-term sustainability. Secondly, the use of digital marketing requires knowledge of marketplace algorithms. In general, SMEs are limited in human resources with adequate levels of digital literacy (Chakravarthy et al., 2022) to understand how to optimize digital marketing (such as partnerships, or affiliate marketing). As evidenced by Table 1, the characteristics of the respondents support the finding that digital marketing optimization has not yet provided financial benefits for SMEs that participated in this study. The majority of respondents recently started their business, with 122 SMEs operating for less than a year and 141 SMEs for less than five years. Therefore, it is safe to conclude that digital marketing optimization has yet to yield financial benefits for these businesses.

Our study also reveals that intellectual capital directly affects business performance (H2). Intellectual capital encompasses the intangible assets of a business, such as knowledge,

skills, experiences, innovations, and relationships. When a small or medium-sized business invests in knowledge and creativity, the owners can develop unique products and services, giving them an edge over their competition and attracting new customers (Ayu et al., 2021; Ekaningrum, 2021; Ngah et al., 2015). In essence, intellectual capital provides a valuable source of sustainable competitive advantage that can result in improved operational efficiency, increased revenue, and enhanced overall performance.

According to the study, business performance plays a significant role in the sustainability of SMEs (H3 is supported). The performance of a business can be measured by various factors such as revenue growth, profit margins, marketing effectiveness, customer satisfaction, and employee satisfaction. Ensuring that a SMEs excels in these areas can significantly contribute to its long-term sustainability and success. Conversely, if these areas are not given adequate attention, the business may face a higher risk of failure and closure. Therefore, it is crucial for SMEs to focus on improving their business performance to ensure their long-term sustainability.

On the contrary, the results obtained from this study showed that the performance of a business does not have a significant role in mediating the association between digital marketing and business sustainability (H4 is rejected). The evidence strongly suggests that digital marketing might have an independent impact on the sustainability of businesses, regardless of their overall performance. In other words, the positive impact of digital marketing on sustainability business is not linked to the performance of the business. Therefore, the use of digital marketing might not always directly translate into immediate growth, however it helps SMEs improve their chances of long-term success. Furthermore, the association between digital marketing and business sustainability may be mediated by additional variables not included in this analysis (for example: innovation).

Intellectual capital (IC) is crucial for a business's long-term success. It comprises intangible resources that cannot be easily quantified, including human capital (knowledge, skills, and expertise of employees), structural capital (organizational processes, systems, and intellectual property), and relational capital (relationships with customers, suppliers, and stakeholders). Intellectual capital is a unique asset that cannot be replicated. Harnessing these invaluable resources will help businesses in strategic decision-making and provide a good understanding of the specific situation the company faces. This will make them informed and give them the capacity to make effective decisions for long-term success. Furthermore, intellectual capital improves business sustainability by demonstrating efficient resource utilization and goal achievement (H5 is accepted). Based on the analysis, SMEs that are

involved in this study have focused on developing and utilizing their intellectual capital in order to enhance their overall sustainability.

Table 6. Path Coefficient

	Standardized Beta	Sample Mean (M)	Standard Error	T-Statistics	P-value	α	Decision
Digital Marketing ⇒ Business Performance	0,108	0,107	0,072	1,501	0,134	0,05	H_1 is rejected
Intellectual capital ⇒ Business Performance	0,637	0,642	0,07	9,035	0,000	0,05	H_2 accepted
Business Performance ⇒ Business Sustainability	0,47	0,467	0,059	8,021	0,000	0,05	H_3 is accepted.
Digital Marketing ⇒ Business Performance ⇒ Business Sustainability	0,051	0,05	0,034	1,492	0,136	0,05	H_4 is rejected.
Intellectual Capital ⇒ Business Performance ⇒ Sustainability Business	0,3	0,3	0,051	5,847	0,000	0,05	H_5 is accepted

Source: Results analysis from SmartPLS

12. Conclusion and Further Research

Micro, Small, and Medium-sized Enterprises (SMEs) hold an important role in promoting sustainability practices. This is because SMEs are small in scope and relatively more agile. This makes them able to make changes faster than large companies. However, SMEs also have limitations that make them difficult to sustain for the long term. The opportunity to use technology with the use of digital marketing is still often not optimised due to a lack of knowledge and expertise in understanding how digital marketing works. Small businesses would likely benefit from participating in and developing a digital marketing strategy. These benefits are received because they can improve operational efficiency by reducing costs and improved innovation and productivity. When business performance is perceived positively, SMEs see the potential and power to implement sustainability practices.

This study found that although SMEs have used digital marketing, the evaluation of business performance has not shown positive results. This is because the optimisation of digital marketing has not yet occurred in SMEs due to limited knowledge, experience and expertise. This study also found that intellectual capital is an important factor in encouraging business continuity because businesses that prioritise intellectual capital can continuously evolve, introducing new products or services that meet changing customer needs and market trends. So that intellectual capital will improve business performance and will provide the potential to sustain in the future. Finally, intellectual capital as a unique asset, which can differentiate one business from another, is also considered an important factor in creating business sustainability.

Implications

The study provides both theoretically and practically to the creation of small business sustainability. While prior studies and theories have indicated that digital marketing significantly affects business sustainability and performance, this study highlights an important point that these benefits are not short-term but occur through a mechanism. Organizations should recognize that long-term sustainability requires an overall understanding of the potential of digital strategies, not just their short-term or financial impact. Therefore, future digital marketing studies should study the potential of these strategies in contributing to the long-term sustainability of a business. The significance of intellectual capital in driving business performance and sustainability has been recognized as crucial. This study provides important managerial implication for SME owners, highlighting the need to prioritize investments in knowledge creation by providing employee training and promoting innovation. This can be

accomplished through creating a culture of continuous learning and supporting research and development activities.

Limitations and Future Research Suggestions

Although this study significantly contributes to the themes of digital marketing and sustainability in SMEs. However, while conducting the research, some limitations were observed. The research was confined to a small sample of SMEs in Bandung, Indonesia, which hampers its generalizability. To address this limitation, future studies should include SMEs from different regions of Indonesia. Additionally, as the data was collected through questionnaires and not verified through interviews, this method of data collection may have its limitations. Therefore, future study should consider using triangulation approaches, including focus group discussions with respondents, would provide better insights and help in optimizing digital marketing and business performance. Another limitation of this study is that it solely measures business performance financially. However, business performance is not limited to financial aspects alone, but involves several other factors as well. Therefore, it is highly recommended that future research should emphasize analysing other dimensions of performance instead of just financial performance.

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Susanti Saragih, and M. Sienly Veronica conducted the literature review.
Sri Zaniarti and Tatik Budiningsih prepared and designed the questionnaires and ethics. They also collected data through questionnaires.
M. Sienly Veronica conducted statistical analyses.
Tatik Budiningsih analyzed and interpreted the results of statistical analyses.

Susanti Saragih and Sri Zaniarti drafted the manuscript.

All the authors have the whole manuscript and approved the final version to be published.

Data sharing: Authors agree to make data and materials supporting the results or analyses presented in this paper available upon reasonable request. Please contact the corresponding author to obtain access to the data and materials.

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Small-medium enterprise (SME).

ABSTRACT

This study aims to explore the relationship between digital marketing and business performance and sustainability in small-medium enterprises (SMEs) in Bandung, Indonesia. Additionally, it examines the mediation power of business performance in enhancing the association of digital marketing, intellectual capital, and business sustainability. ~~A~~We employed a quantitative approach ~~was employed,~~ and ~~data were~~ acquired data from 308 SMEs in Bandung, Indonesia. Data collection utilized Google Forms and purposive sampling methods. ~~The~~We tested the hypotheses ~~were tested~~ using Smart PLS. The results indicate that digital marketing has no significant effect on business performance. However, we found that intellectual capital ~~was found to be~~act as a catalyst for both business performance and sustainability. Given the identified role of intellectual capital as a catalyst for both business performance and sustainability, SMEs owners should prioritize investments in knowledge creation by providing employee training ~~and~~, fostering a culture of continuous learning, and supporting research and development initiatives. Investments in knowledge creation and innovation are crucial for SMEs to enhance business performance and sustainability. This involves providing employee training, fostering a culture of continuous learning, and supporting research and development initiatives.

Contribution/Originality: Discussions on digital marketing often center on short-term benefits, such as immediate sales. This research broadens the scope by recognizing the potential of digital strategies to contribute to the long-term sustainability of a business. This opens avenues for further investigation of the mechanisms through which digital marketing practices influence sustainability.

1. INTRODUCTION

Businesses play a pivotal role in promoting sustainability by integrating environmentally and socially responsible practices into their operations. Beyond profit-making, modern businesses are increasingly recognizing their responsibility to contribute positively to the planet and society. This responsibility involves adopting sustainable sourcing and production methods, reducing carbon footprints, and embracing ethical labor practices. ~~By incorporating sustainability into their core values, businesses~~Business address global challenges such as climate change and social inequality ~~and enhance~~by incorporating sustainability into their core values, enhancing their long-term viability. Innovation and collaboration can help businesses achieve economic success while contributing to environmental stewardship, demonstrating the connection between economic success and environmental stewardship ~~(McDowell, Peake, Coder, & Harris, 2018)~~(McDowell, Peake, Coder, & Harris, 2018). This responsibility applies not only to big firms but also to small and medium-sized businesses ~~(Ngah, Wahab, & Salleh, 2015)~~(Ngah, Wahab, & Salleh, 2015).

Small- and medium-sized enterprises (SMEs) have immense potential for championing sustainability practices. Despite their size, SMEs can be agile and innovative, allowing them to swiftly implement eco-friendly measures and adapt to changing environmental standards ~~(Bruce et al., 2023)~~(Bruce et al., 2023). Their local focus often contributes to their community's economic development and job creation. When committed to sustainability, SMEs can demonstrate that responsible business practices are feasible on a small scale. Moreover, their flexibility allows experimentation with green technologies and circular economic models. SMEs have the capacity to contribute significantly to global sustainability goals, contributing to a more environmentally aware and socially responsible business environment.

SMEs play a significant role in ~~the~~emerging economic development of emerging economies, contributing substantially to the Gross Domestic Product (GDP). For instance, in Indonesia, SMEs account for around 61% of the GDP ~~(Indonesian Investment, 2022)~~(Indonesian Investment, 2022)~~. Furthermore, Diliana, Rafei, Safrida, and Fadillah (2019)~~. Furthermore, Diliana, Rafei, Safrida, and Fadillah (2019) reported in a BPS report that SMEs in Indonesia numbered over 26 million businesses, representing 98.68% of the total non-agricultural businesses. These businesses employ ~~a workforce of~~ over 59 million people, comprising approximately 75.33% of the total non-agricultural workforce. ~~The~~We cannot overstate the importance of SMEs in fostering economic growth and promoting sustainable practices in Indonesia~~ cannot be overstated~~. I removed the repeated mention of the Indonesian Ministry of Cooperatives and Small and Medium Enterprises and instead used the Central Statistics Agency (BPS) as the sole source for the statistics.

However, SMEs face many difficulties running their businesses and implementing sustainable practices. For example, SMEs have limited financial resources, which restricts them from investing in technologies that enable sustainability ~~(Ngah et al., 2015; Permatasari & Gunawan, 2023)~~(Ngah et al., 2015; Permatasari & Gunawan, 2023). Large companies easily use digital marketing through a variety of digital tools such as websites, blogs, Twitter, and Facebook to engage with ~~its~~their customers and recruit staff who are experts in conducting product/service campaigns and optimizing digital marketing ~~(Briones, Kuch, Liu, & Jin, 2011; Ritz, Wolf, & McQuitty, 2019)~~(Briones, Kuch, Liu, & Jin, 2011; Ritz, Wolf, & McQuitty, 2019). SMEs rely solely on owners' abilities to do so. Frequently, there is a lack of knowledge regarding the distinctiveness of social media practices and their experiences. SMEs often lack ~~of~~ understanding of the opportunities offered by social media because owners are limited in access to information and knowledge about digital marketing ~~(Nakara, Benmoussa, & Jaouen, 2012)~~(Nakara, Benmoussa, & Jaouen, 2012). ~~This~~The situation ~~makes~~forces SMEs ~~use only~~ to rely solely on digital marketing ~~to survive~~for survival, and ~~is very~~their rigid ~~with~~ routines ~~due~~

~~to~~stem from a lack of intellectual capital ~~(Bontis, William Chua Chong, & Richardson, 2000)~~(Bontis, William Chua Chong, & Richardson, 2000). ~~In addition~~Furthermore, the ~~lack of policy clarity regarding~~ absence of clear policies pertaining to sustainability practices for SMEs has ~~led to~~ resulted in a low level of awareness ~~of~~among SMEs ~~in implementing sustainability~~about the implementation of these practices. These constraints, paired with difficulties forecasting future demand and a lack of technological skills, contribute to an organization's ability to effectively engage with its customers and build reputation and business performance ~~(Briones et al., 2011; Bruce et al., 2023)~~(Briones et al., 2011; Bruce et al., 2023).

~~Although previous research has shown how~~While prior studies have demonstrated the role of digital marketing and intellectual capital ~~contribute to~~in SMEs' sustainability practices ~~in SMEs~~, ~~(Bruce et al., 2023)~~(Bruce et al., 2023), the ~~mechanisms that occur~~interplay between these variables ~~have not been widely explored~~remains largely unexplored. Small enterprises may find it advantageous to engage in and establish a digital marketing plan, as well as enhance their intellectual assets in promoting business sustainability. ~~These~~They achieve these benefits ~~are obtained because they can improve~~by enhancing operational efficiency ~~by reducing costs and improving~~through cost reduction, innovation, and productivity enhancement. When business performance is positively perceived, SMEs see the potential and power of SMEs to implement sustainability practices. Meanwhile, previous research is in agreement that digital marketing and intellectual capital contribute to sustainability practices and, in the long run, will improve business performance ~~(Lu, Rodenburg, Foti, & Pegoraro, 2022)~~(Lu, Rodenburg, Foti, & Pegoraro, 2022). The inconsistent relationship between whether business performance affects sustainability practices or whether sustainability practices ~~affects~~affect business performance has led researchers to conduct this study to clarify the relationships between digital marketing, intellectual capital, business performance, and sustainability practices in SMEs. This research ~~attempts~~aims to ~~explain~~elucidate the ~~mechanism that occurs~~underlying mechanisms by ~~exploring~~examining company performance as ~~a black box~~an opaque entity.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Digital marketing is a method that ~~utilizes~~uses technology, primarily the Internet, but also other digital media, such as mobile phones and display advertising, to promote products, market them, and facilitate transactions for buying and selling products (https://en.wikipedia.org/wiki/Digital_marketing). Digital technology is key to unlocking a company's full potential and igniting the spirit of entrepreneurship. In the digital age, it offers businesses a unique opportunity to thrive due to its ability to transform performance ~~(Obermayer, Kővári, Leinonen, Bak, & Valeri, 2022)~~(Obermayer, Kővári, Leinonen, Bak, & Valeri, 2022). ~~–~~ Through digital marketing, companies can gain access to new markets and information about potential consumers, opening up new sales opportunities. Digital marketing is a cost-effective solution that can significantly reduce expenses, particularly in business promotion and ~~rent. Companies~~rental. By reducing expenses, companies can significantly boost their business performance and maximize ~~their~~ profitability ~~by reducing expenses~~. Therefore, digital marketing can improve business performance. Even in crises such as the COVID-19 outbreak, ~~Mehralian and Khazaee (2022)~~Mehralian and Khazaee (2022) found that having a strong digital marketing strategy can greatly contribute to the success of SMEs. In addition, ~~Briones et al. (2011)~~Briones et al. (2011) found that implementing digital marketing strategies in SMEs can effectively facilitate remote customer engagement, leading to improved business performance. ~~Based on the description above, the~~The first hypothesis of this research is based on the description provided above:

H_1: Digital marketing affects business performance.

To remain competitive in today's market, companies invest in both tangible and intangible assets, including intellectual capital and scientific and technological knowledge. This

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investment is essential for success in an increasingly fierce business environment. It is important to handle intangible assets in a manner that leads to better organizational outcomes. In the present knowledge-driven economy, intellectual capital, as an intangible asset, is increasingly required for a company's long-term profitability and performance. An increasing number of businesses recognize that their primary strengths are intangible assets rather than physical ones ~~(Ekaningrum, 2021)~~(Ekaningrum, 2021). The components of intellectual capital encompass human capital, innovation capital, process capital, and customer capital, indicating that intangible assets become core assets in the knowledge-based resources ~~(Bontis et al., 2000)~~(Bontis et al., 2000). All of SMEs' knowledge about these four elements will strengthen ~~SMEs'~~their ability to create competitive advantage ~~(Ekaningrum, 2021; McDowell et al., 2018; Sahari & Santy, 2019).~~(Ekaningrum, 2021; McDowell et al., 2018; Sahari & Santy, 2019). In addition, according to ~~Koentjoro and Gunawan (2020)~~Koentjoro and Gunawan (2020), organizing knowledge boosts innovation for entrepreneurs because it allows entrepreneurs to expand their capacity for generating ideas, leading to greater opportunities for growth and success. Therefore, the second hypothesis proposed for this study is as follows:

H_2: Intellectual capital affects business performance.

Effective business performance can lead to increased profitability, which can help companies invest in socially responsible ethical practices. By implementing these sustainability practices, companies can revolutionize the recruitment process, accelerate branding, and establish strong public relations. Ultimately, these steps lead to greater profitability and ensure long-term business success. Sustainability can also reduce an organization's environmental impact, increase its social responsibility, and improve its economic sustainability. ~~According to Budiarto, Vivianti, and Diansari (2020)~~According to Budiarto, Vivianti, and Diansari (2020), SMEs need to innovate to maintain business sustainability. SMEs with better financial conditions will tend to have better sustainability performance ~~(Lu et al., 2022; Quéré, Nouyrigat, & Baker, 2018)~~(Lu et al., 2022; Quéré, Nouyrigat, & Baker, 2018). ~~Therefore~~As a result, SMEs must ~~always~~constantly develop and ~~see~~look for opportunities to innovate ~~on an ongoing basis~~. Thus, the third hypothesis in this study is:

H_3: Business performance affects business sustainability.

In the industrial era of 4.0, digital marketing can be a valuable tool for companies looking to differentiate themselves from their competitors. ~~By leveraging online marketing strategies, businesses~~Businesses can effectively communicate their unique value proposition ~~as it~~by leveraging online marketing strategies, which can provide better services, lower prices, and establish a better relationship with customers ~~(Chakravarthy, Rani, & Karunakaran, 2022; Lamidi & Rahadhini, 2021; Mehralian & Khazaee, 2022; Obermayer et al., 2022).~~(Chakravarthy, Rani, & Karunakaran, 2022; Lamidi & Rahadhini, 2021; Mehralian & Khazaee, 2022; Obermayer et al., 2022). The use of digital marketing expands the market, reduces sales costs, and can increase buying interest due to the ease of transactions provided ~~(Rahayu, Kusumojanto, Martha, Ningsih, & Hapsari, 2021)~~(Rahayu, Kusumojanto, Martha, Ningsih, & Hapsari, 2021). Therefore, ~~in the long run, business performance~~it can be asserted that ~~grows due to~~the implementation of digital marketing ~~optimization~~ will ~~encourage~~foster business sustainability. So, it can be said that the use of digital marketing will increase business sustainability due to business growth obtained from digital marketing results. Based on this description, the fourth hypothesis is as follows~~.~~:

H_4: The performance of the business mediates the influence of digital marketing on business sustainability.

It is widely believed among researchers that ~~intellectual~~intellectuals are a key factor that can significantly impact the performance of SMEs ~~(Gross-Gołacka, Kusterka-Jefmańska, Spałek, & Jefmański, 2021; Jermsittiparsert, 2021; McDowell et al., 2018)~~(Gross-Gołacka,

Kusterka-Jefmańska, Spałek, & Jefmański, 2021; Jermsittiparsert, 2021; McDowell et al., 2018). This is particularly true because SMEs may face challenges when it comes to competing on the basis of scale and scope. ~~Additionally~~Furthermore, previous research has ~~shown~~demonstrated that intellectual capital ~~results~~arises from acquiring, communicating, and codifying knowledge. This leads to increased innovation and the ability to generate value ~~(Gross-Gołacka et al., 2021)~~(Gross-Gołacka et al., 2021) and will encourage the creation of business sustainability in the future ~~(Akhtar, Ismail, Ndaliman, Hussain, & Haider, 2015; Kianto, Sáenz, & Aramburu, 2017; Trarintya, Wiagustini, Artini, & Ramantha, 2021)~~(Akhtar, Ismail, Ndaliman, Hussain, & Haider, 2015; Kianto, Sáenz, & Aramburu, 2017; Trarintya, Wiagustini, Artini, & Ramantha, 2021). It asserts that intellectual capital, encompassing knowledge and innovation, plays a pivotal role in determining the sustainability and financial performance of a business. Thus, intellectual capital provides business sustainability because it can improve business performance. Based on this description, the fifth hypothesis is as follows~~.~~:

H_5: The performance of the business mediates the influence of intellectual capital on business sustainability.

The research model is shown in ~~Figure 1~~Figure 1:

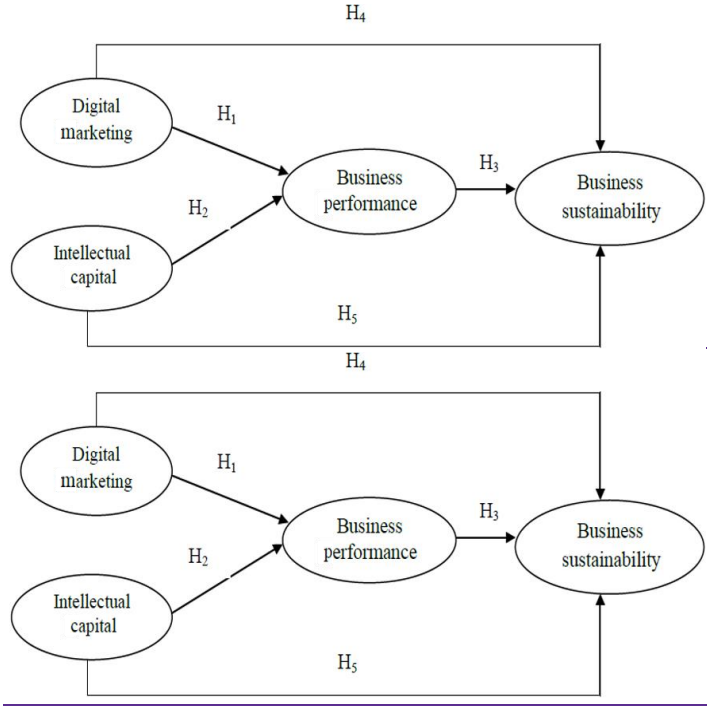

Figure 1. Research model.

Source: Researcher elaboration.

3. RESEARCH METHODOLOGY

3.1. Sample and Data Collection

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The participants in this study were owners of SMEs in Bandung, who are members of a waste bank community. This study selected SMEs using a purposive sampling method. ~~To~~We determined specific criteria to fit the study design~~, specific criteria were determined~~. First, SMEs adopt digital marketing as their business strategy. Second, the business has operated for at least three months. A total of 308 SMEs owners voluntarily participated in this research. ~~An~~Table 1 presents an overview of the ~~respondents'~~respondents' demographics ~~is presented in Table 1.~~.

Table 1. Respondents' demographics.

Characteristics	Frequency	Percentage
Gender		
• Male	135	44%
• Female	173	56%
Educational background		
• Primary school	10	3%
• Junior high school	35	11%
• Senior high school	187	61%
• University	76	25%
Age		
• 17-22 years	23	7%
• 23-28 years	69	22%
• 29-34 years	54	18%
• 35-40 years	54	18%
• 41-46 years	52	17%
• 47-52 years	27	9%
• Over 53 years	28	9%
• (Blank)	1	0%
Marital status		
• Married	229	74%
• Unmarried	79	26%
The business' age.		
• Less than a year	122	40%
• > 1-5 years	141	46%
• > 5-10 years	36	12%
• > 10-15 years	5	2%
• > 15-20 years	2	1%
• Over than 20 years	2	1%
Business sectors		
• Agriculture	11	3.57%
• Chemical and cosmetics	13	4.22%
• Clothing retails	50	16.23%
• Construction equipment and material	1	0.32%
Electricity and electronics		

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• Food and beverage	13	4.22%
• Health and pharmaceutical	107	34.74%
• Home appliance and furniture	1	0.32%
• Tourism	14	4.55%
• Consumer goods	2	0.65%
• Automotive	28	9.09%
• Others	1	0.32%
Total	308	

Source: Results analysis from SmartPLS.

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~~Table 1~~Table 1 presents the demographic data of the respondents, including gender, educational background, age, marital status, and business age. Based on the data, the majority of respondents were female, constituting 56% of the total participants. In addition, the majority of respondents had a senior high school educational background (61%), followed by 76 respondents (25%) with a university degree. Most respondents were between the ages of 29 and 40. The business sectors of the respondents include agriculture, chemicals and cosmetics, clothing retail, construction equipment, electricity and electronics, food and beverages, health and pharmaceuticals, home appliances and furniture, tourism, consumer goods, and automotive. The majority of the respondents came from the food and beverage sector (34.74%), and their businesses were around 1-5 ~~to~~ years old.

The data were collected through surveys. Respondents received online questionnaires directly from the researchers. The researcher prepared a questionnaire ~~prepared by the researcher consisted of~~that include five sections, ~~which included~~each containing questions about the respondents' data, digital marketing adoption, intellectual capital, business performance, and organizational sustainability.

3.2. Definition of Operational and Measurement of Variables

Digital marketing is an activity for planning, implementing, distributing, and selling products and services using applications and technological information. ~~Davis (1989)~~Davis (1989) developed an instrument to assess digital marketing implementation. According to this instrument, the technology acceptance model is measured in three dimensions: the perceived ease of utilizing technology for digital marketing, usability perceptions, and the desire to utilize technology. This instrument has been extensively used in prior research, such as ~~Ritz et al. (2019)~~Ritz et al. (2019), with Cronbach's Alpha values in the range of 0.789-0.917. Seventeen questions were asked to assess digital marketing adoption~~, .~~.:17 questions ~~are~~were asked. For example, using the Internet to promote your products~~/~~ and services will increase the company's effectiveness in increasing consumer engagement."

Intellectual capital (IC) is a critical asset for organizations, referring to the intangible resources such as knowledge, information, intellectual property, and experience that enable them to create value and generate profits. ~~-~~Although challenging to identify and harness, once a company uncovers and leverages its intellectual capital, it can yield a unique and powerful competitive advantage that can propel it to success ~~(Bontis et al., 2000)~~(Bontis et al., 2000). ~~IC is measured by~~ Ulum (2017) developed three dimensions~~, namely~~ to measure IC: human capital, structural capital, and customer capital, ~~developed by Ulum (2017) as~~which Ulum and Fitri Wijayanti (2019) cited ~~in Ulum and Fitri Wijayanti (2019).~~. There are 53 questions in this instrument. An example of this could be the following: "The overall competence of employees is the same as an ideal level that we can expect to achieve~~".~~."

Business performance refers to an organization's capacity to use resources effectively and efficiently in accordance with its specific strategy. In this study, company performance was assessed using the 10-question instrument developed by ~~Ulum and Fitri Wijayanti (2019)~~Ulum and Fitri Wijayanti (2019). For example, "This company's return on assets after tax is good~~," for example.~~."

According to this study, business sustainability is defined as an organization's initiative that minimizes the influence on the planet's existence and ecosystems in order to achieve sustainable development. ~~The instrument developed by Kolk, Hong, and van Dolen (2010)~~Kolk, Hong, and van Dolen (2010) ~~has been used~~developed an instrument to measure business sustainability. This instrument consists of three dimensions: economic, socio-economic, and environmental, one of which is: "This company reduces emissions in the course of its operations." All questions that were used in this study were graded on a 5-point Likert scale (1: strongly disagree and 5: strongly agree).

3.3. Research Procedure

~~In this~~This study~~,~~ used path analysis~~ was used~~ to test the hypotheses. Path analysis is a statistical method that describes the directed dependencies among variables, enabling the examination of complex models and comparison of different models ~~(Kline, 2015)~~(Kline, 2015). This study examines the direct and indirect effects of digital marketing and intellectual capital on business sustainability, with business performance as the mediator. ~~To test the path model, we used partial least squares (PLS) with the Smart PLS 3. A unique characteristic of partial~~Partial least squares (PLS) is ~~that~~one of a kind because it can ~~handle high-dimensional~~ deal with large amounts of data ~~with many~~and a lot of independent variables ~~while addressing the issue of~~ . It can also handle multicollinearity and ~~allowing for the modeling of dependent relationships~~model the relationship between the multiple independent variables and a dependent variable ~~(Ringle, Wende, & Becker, 2022)~~(Ringle, Wende, & Becker, 2022). This study included 308 SMEs that voluntarily participated in the questionnaire. SmartPLS is a software tool used for path analysis that allows researchers to conduct sophisticated analyses, estimate complex models, and gain deeper insights into their data. ~~Before conducting the hypothesis test,~~We performed validity and reliability tests ~~were performed~~before conducting the hypothesis test to ensure the accuracy and consistency of the measuring instruments. Our validity test includes both convergent and discriminant validity tests. By using SmartPLS, we were able to conduct sophisticated analyses and estimate complex models, making this study impactful.

4. RESULTS AND ANALYSIS

4.1. Outer Model Testing

To validate the outer model test, the following tests are required to execute:

4.1.1. Convergent Validity Test

According to ~~Hair, Hult, Tomas, Ringle, and Sarstedt (2022)~~Hair, Hult, Tomas, Ringle, and Sarstedt (2022), convergent validity is the extent to which the construct converges to explain the variance of its items. The convergent validity test is measured using the average value of the average extracted variance (AVE), where the AVE value ~~that~~ is required to be larger than 0.5, indicating that the latent variable can explain more than 0.5 of the variance value of its indicators. ~~Table 2~~Table 2 shows the results of the convergent validity test. As shown in ~~Table 2~~Table 2, the latent variables used in this study are valid because their AVE value exceeds 0.5.

Table 2. AVE's value.

Variables	Average variance extracted (AVE)

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Digital marketing	0.788
Intellectual capital	0.613
Business performance	0.67
Sustainability business	0.509

Source: Results analysis from SmartPLS.

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4.1.2. Discriminant Validity Test

The discriminant validity refers to how much empirical difference exists between the constructs within the model ~~(Hair et al., 2022)~~(Hair et al., 2022). Based on the Fornell-Larcker criterion, the discriminant validity test value must be greater than 0.7084. ~~The~~Table 3 displays the results of the discriminant validity test in this study ~~can be seen in Table 3.~~. As shown in ~~Table 3~~Table 3, the study variables are valid because the resulting Fornell-Larcker criteria value is more than 0.708.

Table 3. Fornell-Larcker criteria.

Variables	Digital marketing	Intellectual capital	Business performance	Sustainability business
Digital marketing	0.888			
Intellectual capital	0.784	0.783		
Business performance	0.607	0.722	0.818	
Sustainability business	0.669	0.752	0.775	0.713

Source: Results analysis from SmartPLS.

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4.1.3. Reliability Test

Cronbach's Alpha and Composite Reliability are two methods employed by ~~Hair et al. (2022~~Hair et al. (2022) to assess the consistency of internal reliability in PLS. A latent variable was considered reliable if its Cronbach's Alpha and Composite Reliability values were both greater than 0.70. According to ~~Table 4~~Table 4, all latent variables in this study are reliable because Cronbach's Alpha and Composite Reliability values are greater than 0.70.

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Table 4. Reliability analysis.

Variables	Cronbach's alpha	Composite reliability
Digital marketing	0.973	0.976
Intellectual capital	0.962	0.966
Business performance	0.834	0.89
Sustainability business	0.909	0.922

Source: Results analysis from SmartPLS.

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4.2. Inner Model Test

The outer model ~~testing~~test has led to the conclusion that inner model testing is feasible. Inner model testing entails numerous tests, including Coefficient of determination (R2) and Path coefficient.

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Commented [H3]: Remove capitalization

4.2.1. Coefficient of Determination (R2)

The coefficient of determination describes the extent to which exogenous latent factors impact endogenous latent variables. According to the results, digital marketing and intellectual capital influence business success by 0.522, ~~while~~whereas other factors influence the remaining 0.478. Furthermore, digital marketing and intellectual capital have a total of 0.684 influence on sustainability ~~business~~businesses, with the remaining 0.316 influenced by other factors (see ~~Table 5~~Table 5).

Table 5. Coefficient of determination (R2).

Variables	R square	R square adjusted
Business performance	0.525	0.522
Sustainability business	0.687	0.684

Source: Results analysis from SmartPLS.

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4.2.2. Path Coefficient

~~Based on the results of the~~Table 6's path coefficient ~~shown in Table 6,~~results, which show a p-value of 0.134, reject the direct effect of digital marketing on business performance ~~was rejected because the p-value obtained was 0.134~~. Thus, the first hypothesis of this study is rejected, implying that digital marketing has no effect on business performance. According to this study, intellectual capital directly affects business performance (p = 0.000, α = 0,05). This value ~~indicates that~~signifies the acceptance of H2 ~~was accepted~~. The third hypothesis attempts to determine the direct relationship between business performance and sustainability. The results showed that H3 was also accepted because the p-value was 0~~,~~.000 (α = 0~~,~~.05). We conclude that business performance has a positive and significant effect on business sustainability. This study also tested the mediating role of business performance on the relationship between digital marketing and business sustainability (H4). However, the results showed that business performance did not have a significant mediating role in this relationship (p = 0.136, α = 0~~,~~.05). Meanwhile, the fifth research hypothesis (H5) suggests that intellectual capital has a significant effect on business sustainability, mediated by business performance. A p-value of 0.000 (α = 0~~,~~.05), indicating that the fifth research hypothesis was accepted.

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5. DISCUSSION

Based on the data processing results ~~Table 6~~in Table 6, we concluded that digital marketing has no significant effect on business performance (H1 rejected). There are several reasons that could explain this result. Firstly, the use of digital marketing for SMEs may not directly result in immediate sales so that when measuring performance (especially financially), there is no short-term growth ~~(Permana, Poerwoko, Widyastuti, & Rachbini, 2019; Tolstoy, Nordman, & Vu, 2022)~~(Permana, Poerwoko, Widyastuti, & Rachbini, 2019; Tolstoy, Nordman, & Vu, 2022). However, the use of digital marketing helps SMEs ~~to~~ gain brand visibility and credibility, which is crucial for long-term sustainability. ~~Secondly, the use of~~ Second, digital marketing necessitates knowledge of marketplace requires knowledge of marketplace algorithms. In general, SMEs are limited in human resources with adequate levels of digital literacy ~~(Chakravarthy et al., 2022)~~(Chakravarthy et al., 2022) to understand how to optimize digital marketing (such as partnerships, or affiliate marketing). ~~As evidenced by Table 1~~As shown in Table 1, the characteristics of the respondents support the finding that digital marketing optimization has not yet provided financial benefits for SMEs that participated in this study. The majority of respondents recently started their ~~business~~businesses, with 122 SMEs operating for less than a year and 141 SMEs for less than five years. Therefore, it is safe

to conclude that digital marketing optimization has yet to yield financial benefits for these businesses.

Our study also reveals that intellectual capital directly affects business performance (H2). Intellectual capital encompasses the intangible assets of a business, such as knowledge, skills, experiences, innovations, and relationships. When a small or medium-sized business invests in knowledge and creativity, owners can develop unique products and services, giving them an edge over their competition and attracting new customers ~~(Ekaningrum, 2021; Ngah et al., 2015)~~(Ekaningrum, 2021; Ngah et al., 2015). In essence, intellectual capital provides a valuable source of sustainable competitive advantage that can result in improved operational efficiency, increased revenue, and enhanced overall performance.

~~According to this~~The study~~,~~ supports H3, indicating that business performance ~~plays a significant role in~~ significantly contributes to the sustainability of SMEs ~~(H3 is supported). Business performance can be measured by various~~. Various factors, ~~such as~~including revenue growth, profit margins, ~~marketing~~market effectiveness, customer satisfaction, and employee satisfaction, can measure business performance. SMEs in these areas can significantly contribute to their long-term sustainability and success. Conversely, if these areas do not receive adequate attention, businesses may face a higher risk of failure and closure. Therefore, it is crucial that SMEs focus on improving their business performance to ensure long-term sustainability.

In contrast, the results obtained from this study show that the performance of a business does not have a significant role in mediating the association between digital marketing and business sustainability (H4 is rejected). Evidence strongly suggests that digital marketing might have an independent impact on the sustainability of businesses, regardless of their overall performance. In other words, ~~the~~business performance does not correlate with positive impact of digital marketing on business sustainability ~~is not linked to business performance~~. Therefore, the use of digital marketing might not always translate directly into immediate growth; however, it helps SMEs improve their chances of long-term success. Furthermore, additional variables such as innovation, not included in this analysis, may mediate the association between digital marketing and business sustainability ~~may be mediated by additional variables that are not included in this analysis (e.g., innovation).~~.

Table 6. Path coefficient.

Path analysis	Standardized beta	Sample mean (M)	Standard error	T-statistics	P-value	α	Decision
Digital marketing ⇒ Business performance	0.108	0.107	0.072	1.501	0.134	0.05	H_1 is rejected
Intellectual capital ⇒ Business performance	0.637	0.642	0.07	9.035	0.000	0.05	H_2 accepted
Business performance ⇒ Business sustainability	0.47	0.467	0.059	8.021	0.000	0.05	H_3 is accepted.
Digital marketing ⇒ Business performance ⇒	0.051	0.05	0.034	1.492	0.136	0.05	H_4 is rejected.

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Business sustainability							
Intellectual capital ⇒ Business performance ⇒ Sustainability business	0.3	0.3	0.051	5.847	0.000	0.05	H_5 is accepted

Source: Results analysis from SmartPLS.

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Intellectual capital (IC) is crucial to a business's long-term success. It ~~comprises~~encompasses intangible resources ~~that cannot be easily quantified, including~~, such as human capital (knowledge, skills, and expertise of employees), structural capital (organizational processes, systems, and intellectual property), and relational capital (relationships with customers, suppliers, and stakeholders~~).~~), which are difficult to quantify. Replicating Intellectual capital is impossible, making it a unique asset ~~that cannot be replicated.~~. Harnessing these invaluable resources will help businesses in strategic decision~~-~~-making and provide a good understanding of the specific situation the company faces. This will inform them and give them the capacity to make effective decisions for long-term success. Furthermore, intellectual capital improves business sustainability by demonstrating efficient resource utilization and goal achievement (H5 is accepted). ~~Based on~~According to the analysis, the SMEs involved in this study have focused on developing and utilizing their intellectual capital to enhance their overall sustainability.

6. CONCLUSION AND FURTHER RESEARCH

Micro, Small, and Medium-sized Enterprises (SMEs) play an important role in promoting sustainability practices. This is because SMEs are relatively agile and have a small scope. This enables them to make changes faster than large companies do. ~~However,~~ SMEs ~~also~~ have limitations that make ~~them~~long-term sustainability difficult ~~to sustain over the long term. The opportunity to use technology with digital marketing is often not optimized due to a lack~~. Lack of knowledge and expertise in understanding ~~how~~digital marketing often leads to underutilization of technology in digital marketing ~~works~~. Small businesses are likely to benefit from participating in and developing digital marketing strategies. These benefits are obtained because they can improve operational efficiency by reducing costs and improving innovation and productivity. When business performance is positively perceived, SMEs see the potential and power to implement sustainability practices.

This study found that, although SMEs have used digital marketing, the evaluation of business performance has not shown positive results. This is ~~because the optimization of digital marketing has not yet occurred in SMEs~~ due to the limited knowledge, experience, and expertise of SMEs, which has prevented them from optimizing digital marketing. This study also found that intellectual capital is an important factor in encouraging business continuity because businesses that prioritize intellectual capital can continuously evolve, introducing new products or services that meet changing customer needs and market trends. Thus, intellectual capital will improve business performance and provide the potential for sustainability in the future. Finally, intellectual capital, as a unique asset that can differentiate one business from another, is also considered an important factor in creating business sustainability.

6.1. Implications

This study provides both theoretical and practical insights into the creation of small business sustainability. While prior studies and theories have indicated that digital marketing significantly affects business sustainability and performance, this study highlights an important point: these benefits are not short-term but occur through a mechanism. Organizations should recognize that long-term sustainability requires an overall understanding of the potential of digital strategies, not just their short-term or financial impact. Therefore, future digital marketing studies should examine the potential of these strategies to contribute to the long-term sustainability of a business. ~~The significance~~Scholars have recognized the crucial role of intellectual capital in driving business performance and sustainability ~~has been recognized as crucial~~. This study provides important managerial implications for SME owners by highlighting the need to prioritize investments in knowledge creation by providing employee training and promoting innovation. ~~This can be accomplished by creating~~Creating a culture of continuous learning and supporting R&D activities can accomplish this.

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6.2. Limitations and Future Research Suggestions

This study significantly contributes to the themes of digital marketing and sustainability in SMEs. However, this study had some limitations. The ~~research was confined~~study limited its scope to a small sample of SMEs in Bandung, Indonesia, ~~which hampers~~thereby impeding its generalizability. To address this limitation, future studies should include SMEs from other regions of Indonesia. Additionally, because the data were collected through questionnaires and not verified through interviews, this method of data collection may have limitations. Therefore, future studies should consider using triangulation approaches, including focus group discussions with respondents, to provide better insights and help optimize digital marketing and business performance. Another limitation of this study is that it measured business performance financially. However, business performance is not limited to financial aspects alone but also involves several other factors. Therefore, it is highly recommended that future research should emphasize analyzing other dimensions of performance instead of just financial performance.

Authors' Contributions: All authors collaborated substantially on the research.
Wilson Bangun led the project and oversaw its research design and methodology. The authors also critically revised the manuscript for important intellectual content.
Susanti Saragih and M. Sienly Veronica conducted the literature review.
Sri Zaniarti and Tatik Budiningsih prepared and designed the questionnaires and ethics. They also collected data using questionnaires.
M. Sienly Veronica conducted statistical analyses.
Susanti Saragih and M. Sienly Veronica analyzed and interpreted the results of statistical analyses.
Tatik Budiningsih and Sri Zaniarti drafted the manuscript.
All authors have approved the final version of the manuscript to be published.
Data Sharing: Authors agree to make data and materials supporting the results or analyses presented in this paper available upon reasonable request. Please contact the corresponding author to obtain access to the data and materials.

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Transparency: The authors state that the manuscript is honest, truthful, and transparent, that no key aspects of the investigation have been omitted, and that any differences from the study as planned have been clarified. This study followed all writing ethics.

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Transparency: The authors state that the manuscript is honest, truthful, and transparent, that no key aspects of the investigation have been omitted, and that any differences from the study as planned have been clarified. This study followed all writing ethics.

EMBRACING THE ROLE OF BUSINESS PERFORMANCE TO FOSTER THE ASSOCIATION BETWEEN DIGITAL MARKETING, INTELLECTUAL CAPITAL, AND BUSINESS SUSTAINABILITY

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