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## The Role of Place and Intellectual Capital in Achieving Competitive Advantage and Improving Performance of Clothing Small Businesses\*

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### Extended Abstract

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### Introduction

Today, various researchers have studied small businesses from a market perspective and shown their specific relationship to place, although they have not analyzed intellectual capital (Kolk et al., 2013; London et al., 2010). Some researchers are also theoretical, despite examining small businesses (Schoar, 2010) and also used in handicrafts (Toledo-López et al., 2012), Small manufacturing companies (F-Jardon & Pagani, 2016; Toledo, 2010) or small service centers (Kirkwood, 2009), place-based factors have not been examined in terms of their competitiveness. Small businesses offer a specific decision model, which is strongly influenced by place and is likely to affect place-based competitiveness (Eijdenberg et al., 2017). Various aspects of area affecting the competitiveness of small businesses, such as the place (Eijdenberg et al., 2015; Kumar et al., 2014) or place-dependent resources of small companies, have been examined (Dubois, 2016; Peredo & McLean, 2010). However, the intellectual capital mediation process has not been well studied because small businesses have little intellectual capital (Gill & Mand, 2013). The clothing industry is one of the most important and influential industries on the country's economy, which undoubtedly faces several challenges with the globalization of the economy and increasing competitiveness; It is clear that in such a situation, to maintain the position and create added value for customers, companies active in the clothing industry, especially small companies, are forced to improve competitiveness (Strategic Plan of the Ministry of Industry, Mines and Trade, 2017). On the other hand, one of the most critical issues

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facing this industry is the inability of small companies to compete in this industry (Strategic Plan of the Ministry of Industry, Mines and Trade, 2017).

### **Methodology**

The present study is based on applied research and how to obtain the required data, which is a type of descriptive and correlation analysis. In the present study, a standard questionnaire was used to measure the effect of place on competitive advantage through the mediating role of intellectual capital (human, structural and communication capital). The statistical population of the study is active in small clothing businesses. The available sampling method and Cochran's formula were used to obtain the sample size. In this study, structural equation modeling is used to test research hypotheses and examine the relationships between latent factors.

### **Findings and results**

The coefficient of significance between competitive advantage and business performance is equal to 4.14, so competitive advantage significantly affects business performance. The obtained significant coefficient for the place with a competitive edge, human capital, structural capital, and communication capital is equal to 3.26, 6.78, 7.37, and 3.88, respectively. Therefore, the place has a significant effect on competitive advantage, human capital, structural capital, and communication capital. The coefficient of significance between social capital, structural capital, and communication capital with a competitive advantage is equal to 3.57, 4.01, and 3.86, respectively. Therefore, human capital, structural capital, and communication capital have a significant effect on competitive advantage.

### **Conclusion**

Structural capital is still in its infancy in developing countries. The cultural components of these countries are place-based. The technology there is basically adaptive and imitative. The organization is informal and following local customs. Although these components are a source of competitive interest, the requirement for competitiveness is the establishment of relationships. In the case of small businesses, in addition to cooperation, establishing informal relationships is also extremely important in competitiveness. This finding indicates that it is essential to acquire the managerial capital of small businesses. Local government needs to promote a management culture to increase the competitiveness of small businesses in this way. Intellectual capital is the source of competitive advantage. The place is essential for the competitiveness of small businesses because, in the home, small businesses have their primary customers and products typically attract them in their area of supply. The place supports human capital, because in most cases, the entrepreneurial human capital; Local knowledge created in the realm of activity, and dependent on it. Also, place increases structural investment that includes technology, culture, and organization, because the initial learning takes place primarily in its territory. Besides, place-based relationship investment, because communication takes place in the realm in which the company operates. Intellectual capital influences and oversees the impact of business on competitive advantage.

### **Keywords:**

Place, Competitive Advantage, Intellectual Capital, Small Business, Strategic Plan of Clothing Industry.

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