

# Strengthening Competitive Advantages to Improve Sales Performance: The Effect of Organizational Strategy and Knowledge Management

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Submitted:  
November 28, 2025

Revised:  
January 2, 2026

Accepted:  
January 30, 2026

Published Online:  
January 31, 2026

## ABSTRACT

The multilevel marketing industry in Indonesia has shown dynamic growth in line with increased direct sales activities. However, this development has not always been accompanied by stable sales performance, companies face competitive pressures and changing consumer preferences. This situation requires companies to strengthen their internal capabilities in order to improve competitiveness and sales performance. This study aims to analyze the influence of organizational strategy and knowledge management on sales performance through competitive advantage in MLM companies in Surakarta. The study uses a quantitative approach with a census technique on 193 leaders. Data analysis was performed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results show that organizational strategy and knowledge management have a positive and significant effect on competitive advantage, and competitive advantage has a positive and significant effect on sales performance. In addition, competitive advantage is proven to mediate the effect of organizational strategy and knowledge management on sales performance. This study contributes to strengthening the knowledge-based view and strategic management perspectives in explaining sales performance achievement through competitive capabilities and provides practical implications for MLM companies in formulating strategies to improve sales performance.

**Keywords:** Competitive Advantage, Knowledge Management, Multilevel Marketing, Organizational Strategy, Sales Performance.

## INTRODUCTION

The Multilevel Marketing (MLM) industry in Indonesia has experienced dynamic growth over the past decade as people have increasingly preferred direct selling systems that offer flexible income and extensive distributor networks. According to a report by the Direct Selling Association (2022), global direct selling has shown positive growth in terms of the number of distributors and sales value during the 2018–2023 period. In the Indonesian context, data from the Indonesian Direct Selling Association also shows an increase in the number of MLM companies operating in various regions, including Surakarta, as one of the areas with fairly developed network marketing activities. However, this development has not always been accompanied by stable sales performance, as companies face competitive pressures, changes in consumer preferences, and reputational challenges that affect network distribution performance (Ganesan et al., 2009).

In facing these dynamics, MLM companies are required to devise appropriate strategies to maintain competitiveness and improve long-term sales performance. From a strategic management perspective, organizational strategy is the primary instrument for directing goals, allocating resources, and coordinating company activities in a competitive business environment (Porter, 1980; Barney, 1991). In addition to strategy, knowledge is

**JIMKES**

Jurnal Ilmiah Manajemen  
Kesatuan  
Vol. 14 No. 1, 2026  
pp. 1259-1270  
IBI Kesatuan  
ISSN 2337 – 7860  
E-ISSN 2721 – 169X  
DOI: 10.37641/jimkes.v14i1.5025

an increasingly important asset in the process of creating organizational value. The Knowledge-Based View (KBV) positions the ability to manage knowledge as a strategic resource that contributes to sustainable competitive advantage (Nonaka & Takeuchi, 1995; Grant, 1996).

Competitive advantage is an important outcome of organizational capabilities and a determinant of market and sales performance (Porter, 1985; Day & Wensley, 1988; Rose et al., 2010). In the context of the MLM industry, competitive advantage can arise through product differentiation, compensation system effectiveness, service quality, distribution speed, and the company's ability to build a productive network. A strong competitive advantage provides opportunities to improve sales performance through customer value creation and strengthening the company's position in the market (Tsiu et al., 2025).

In addition to theoretical relevance, there are a number of research gaps that underlie this study. First, theoretically, studies that integrate the strategic management perspective and the knowledge-based view to explain the formation of competitive advantage in the MLM industry face limitations. Second, empirically, previous research findings show inconsistent results regarding the relationship between these variables. Some studies by Saeed et al. (2020) and Sulaeman et al. (2025) find that strategy contributes to competitive advantage, while other studies show a stronger contribution to knowledge management. Third, contextually, research examining the relationship between organizational strategy, knowledge management, competitive advantage, and sales performance in the MLM industry in Indonesia is still relatively limited, especially in the context of regions such as Surakarta.

Based on this gap, this study aims to analyze the influence of organizational strategy and knowledge management on sales performance through competitive advantage in MLM companies in Surakarta. This study provides a theoretical contribution by strengthening the integration of strategic management and knowledge-based view perspectives in explaining the achievement of sales performance through internal organizational capabilities. In practical terms, this study provides implications for MLM companies in designing strategies to increase competitiveness and sales performance amid intense competition.

## **LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT**

### **The Influence of Organizational Strategy on Competitive Advantage**

Organizational strategy can be understood as a set of managerial decisions and coordinated actions aimed at accomplishing long-term objectives and maintaining organizational continuity. In strategic management, it encompasses the processes of designing, executing, and assessing how resources are deployed in response to changes in the business environment (Wirati et al., 2024). Firms with well-defined strategies generally demonstrate consistent resource allocation and develop operational systems that align with the achievement of organizational goals (Bush et al., 2009; Tukirin, 2023). Within network-oriented business models such as multi-level marketing, organizational strategy is particularly important in determining the effectiveness of network arrangements, market growth initiatives, distributor training programs, and compensation structures. These strategic components enable organizations to build differentiation and competitive challenges in rapidly evolving markets.

Previous studies have strongly highlighted the role of organizational strategy in shaping competitive advantage. Organizations often implement differentiation strategies to distinguish themselves from rivals within the industry (Abdulwase et al., 2020). Likewise, strategic approaches may emphasize profit enhancement through more efficient production activities and improved service delivery (Agustia et al., 2020). Achieving sustainable competitive advantage requires not only leveraging internal capabilities but also developing integrated strategies that address multiple dimensions of the organization (Henaulu et al., 2021). Furthermore, focus strategies allow companies to target specific market segments and customize offerings to meet the needs of selected customer groups (Fu et al., 2022). Empirical findings also confirm this relationship, as Farida and Setiawan

(2022) reported that business strategy significantly influences competitive advantage. Organizational strategy serves as a guiding framework through which firms can strengthen differentiation, manage resources effectively, and adapt to competitive conditions, thereby sustaining superior performance in changing environments.

H1: Organizational strategy has a positive effect on competitive advantage.

### **The Influence of Knowledge Management on Competitive Advantage**

Knowledge management refers to an organization's capability to create, organize, store, and disseminate knowledge to enhance organizational processes and effectiveness (Mohammed et al., 2023). From the knowledge-based view, knowledge is considered a strategic asset that generates economic value and serves as a key source of competitive advantage. Effective knowledge management practices encourage innovation, strengthen organizational learning, improve information accuracy, and enhance cross-functional coordination. These mechanisms enable firms to build unique capabilities that are difficult for competitors to replicate. Prior research has consistently emphasized the influence of knowledge management on competitive advantage. Wahyono (2020) found that higher levels of knowledge management lead to stronger competitive advantage, particularly when supported by increased product innovation. Similarly, Rehman et al. (2020) and Zainuddin et al. (2020) reported that intellectual capital and knowledge management significantly determine organizational innovativeness and competitive superiority. More recently, Munte et al. (2025) confirmed that knowledge management has a significant effect on competitive advantage, which ultimately contributes to improved organizational performance.

In network-based business contexts such as Multi-Level Marketing (MLM), knowledge management plays an essential role in distributing product knowledge, sales techniques, recruitment strategies, and market insights throughout the distributor network. An integrated and easily accessible knowledge system improves distributor competence and supports consistent marketing practices, thereby strengthening the firm's ability to compete effectively. Knowledge capabilities also contribute to better decision-making, faster responsiveness to market changes, and continuous improvement in organizational processes. Firms with strong knowledge systems are more capable of meeting customer needs quickly and creating superior value, which enhances their competitive position in the marketplace (Gibbert et al., 2002).

H2: Knowledge management has a positive effect on competitive advantage.

### **The Influence of Competitive Advantage on Sales Performance**

Sales performance reflects an organization's success in achieving its sales objectives through both quantitative and qualitative outcomes (Davis & Mentzer, 2007). Common indicators include sales volume, sales growth, turnover, and market expansion. In multi-level marketing (MLM) systems, sales performance is not only evaluated through direct sales results but also through the ability to develop and sustain a productive distributor network. Achieving strong sales outcomes in such dynamic environments requires firms to establish distinctive strengths that allow them to compete effectively. Competitive advantage emerges from a company's strategic decisions to seize market opportunities and respond to competitive pressures (Friesenbichler & Reinstaller, 2022).

The influence of competitive advantage on sales performance has been widely supported in the literature. Wahyudin et al. (2022) demonstrated that competitive advantage positively and significantly affects sales performance, indicating that firms with stronger competitive positioning achieve better sales outcomes. Similarly, competitive advantage has been shown to significantly enhance overall organizational performance (Nguyen et al., 2021). Businesses that develop unique value propositions, which are difficult for competitors to imitate or replace, can create higher customer lifetime value and sustain long-term growth (Wongsansukcharoen & Thaweepaiboonwong, 2022).

Competitive advantage enables companies to deliver superior value, strengthen differentiation, and expand their market base (Kenyon & Sen, 2014). Empirical evidence also confirms that competitive advantage contributes to improved performance across industries (Ahmed et al., 2020). Firms that maintain superior products, effective sales networks, and strong reputations are more likely to achieve enhanced sales performance and sustained business success.

H3: Competitive advantage has a positive effect on sales performance.

### The Mediating Role of Competitive Advantage

Competitive advantage refers to an organization's ability to deliver superior value compared to competitors through differentiation, innovation, efficiency, and strong customer-oriented capabilities (Kenyon & Sen, 2014). It emerges from strategic decisions that enable firms to seize market opportunities and respond effectively to competitive pressures (Friesenbichler & Reinstaller, 2022). In the context of multi-level marketing, competitive advantage is reflected in the quality of products, distributor network effectiveness, compensation structures, service responsiveness, and corporate reputation. Importantly, competitive advantage is often developed through internal organizational capabilities that are shaped by both organizational strategy and knowledge management. Well-formulated strategies provide direction for resource allocation and differentiation, enabling firms to strengthen their competitive positioning (Abdulwase et al., 2020; Wirati et al., 2024). Likewise, knowledge management enhances organizational learning, innovation, and decision-making, creating unique capabilities that are difficult for competitors to replicate (Rehman et al., 2020; Mohammed et al., 2023).

Competitive advantage also plays a crucial role in translating these internal capabilities into improved sales outcomes. Firms with strong competitive positioning are more likely to achieve higher sales performance through enhanced customer value, market expansion, and sustainable growth (Wahyudin et al., 2022; Wongsansukcharoen & Thaweepaiboonwong, 2022). Empirical evidence further confirms that competitive advantage significantly contributes to organizational and sales performance (Ahmed et al., 2020; Nguyen et al., 2021). Therefore, competitive advantage can be positioned as a mediating mechanism through which organizational strategy and knowledge management influence sales performance. This mediating process suggests that strategic and knowledge-based resources strengthen competitive advantage, which subsequently drives superior sales results.

H4: Competitive advantage mediates the effect of organizational strategy on sales performance.

H5: Competitive advantage mediates the effect of knowledge management on sales performance.

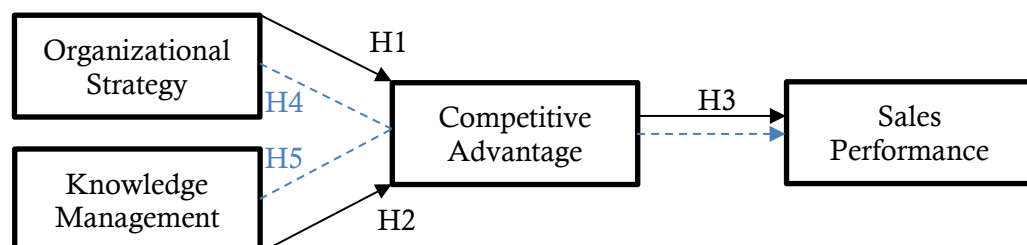


Figure 1. Conceptual Framework

Figure 1 shows the effect of competitive advantage as a key mechanism linking organizational strategy and knowledge management to sales performance. Organizational strategy is expected to positively influence competitive advantage (H1) by

providing clear direction for resource allocation, differentiation, and market responsiveness. Similarly, knowledge management is hypothesized to enhance competitive advantage (H2) through the development of organizational learning, innovation, and unique capabilities. Competitive advantage, in turn, is proposed to have a positive effect on sales performance (H3), indicating that firms with stronger competitive positioning are more likely to achieve higher sales outcomes. Furthermore, competitive advantage is positioned as a mediating variable, through which organizational strategy indirectly improves sales performance (H4) and knowledge management indirectly strengthens sales performance (H5).

## **RESEARCH METHODS**

This study uses a quantitative approach with the aim of testing the causal relationship between variables consisting of organizational strategy, knowledge management, competitive advantage, and sales performance. The type of research used is explanatory research because it aims to explain the influence between variables through hypothesis testing. The population in this study consists of all active leaders of PT Srikandhi Jayatama Indonesia (SJI) who are involved in sales and network recruitment activities. Based on the company's current year data, there are 193 leaders who meet these criteria. The study uses a census technique so that the entire population is sampled to produce representative empirical data and increase the power of statistical analysis. This method is selected because the population size is relatively small and fully accessible, making it feasible to include all members and eliminate sampling error.

The study employed primary data collected through the distribution of structured questionnaires to respondents. Data collection was conducted online using digital forms to ensure efficiency and accessibility. In addition to primary data, secondary data were obtained from internal company documents as well as relevant scientific literature that supported the theoretical foundation and research constructs. The variables examined in this study include organizational strategy (X1), which is measured through indicators related to the formulation, implementation, and evaluation of strategies aimed at achieving organizational objectives and adapting to environmental changes. Knowledge management (X2) is assessed through indicators reflecting the processes of knowledge acquisition, storage, distribution, and application in operational activities. Competitive advantage (Z) is measured using indicators of differentiation, product or service quality, service speed, and perceived customer value. Sales performance (Y) is evaluated through indicators such as sales volume, sales growth, turnover, and the achievement of distribution targets.

Data in this study were collected using a survey instrument in the form of a questionnaire with a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree). Data collection was conducted online through Google Forms to facilitate the distribution to respondents. This study used a census method, so that all members of the population were respondents. The questionnaire was distributed during the research period to the network of leaders of PT Srikandhi Jayatama Indonesia. The data collected was cross-sectional because it was taken in the same period of time.

Data in this study were collected through a survey instrument in the form of a structured questionnaire using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The questionnaire was distributed online via Google Forms to facilitate efficient access and participation among respondents. This study applied a census method, meaning that all members of the population were included as respondents. The survey was administered during the research period to the network of leaders at PT Srikandhi Jayatama Indonesia. The data obtained were cross-sectional in nature, as they were collected at a single point in time within the same research period.

## RESULTS

The measurement model was evaluated to determine the contribution of indicators to the formation of constructs, as reflected in factor loadings. The indicator feasibility criterion was set at a loading value of  $\geq 0.70$ .

**Table 1.** Outer Loading Construct

Variable	Loading
Organizational Strategy (X1)	>0.70
Knowledge Management (X2)	>0.70
Competitive Advantage (Z)	0.702 – 0.894
Sales Performance (Y)	0.705 – 0.875

Based on Table 1, all indicators in the organizational strategy (X1), knowledge management (X2), competitive advantage (Z), and sales performance (Y) constructs have loading values above 0.70. Thus, all indicators meet the convergent validity criteria.

**Table 2.** Construct Reliability and Validity

Variable	Cronbach's Alpha	Composite Reliability	AVE
Organizational Strategy (X1)	0.728	0.833	0.519
Knowledge Management (X2)	0.716	0.862	0.514
Competitive Advantage (Z)	0.748	0.848	0.699
Sales Performance (Y)	0.779	0.746	0.601

Table 2 presents the results of the construct reliability and convergent validity assessment for all variables in the measurement model. Reliability was evaluated using Cronbach's Alpha and Composite Reliability, while convergent validity was assessed through the Average Variance Extracted (AVE). The results indicate that all constructs demonstrate acceptable internal consistency, with Cronbach's Alpha values ranging from 0.716 to 0.779, exceeding the minimum threshold of 0.60. In addition, Composite Reliability values range between 0.746 and 0.862, confirming that each construct meets the recommended criterion of 0.70. Furthermore, the AVE values for all variables fall between 0.514 and 0.699, surpassing the required level of 0.50, which suggests that the indicators adequately represent their respective constructs. These findings confirm that organizational strategy, knowledge management, competitive advantage, and sales performance satisfy the requirements of reliability and convergent validity, indicating that the measurement instruments are appropriate for further structural model analysis.

**Table 3.** R-square Values

Variables	R Square	Category
Competitive Advantage (Z)	0.480	Moderate
Sales Performance (Y)	0.616	Moderate – Strong

The  $R^2$  value indicates the ability of exogenous constructs to explain endogenous constructs. Based on Table 3, organizational strategy and knowledge management variables explain 48% of the variance in competitive advantage. Competitive advantage variables explain 61.6% of the variance in sales performance.

**Table 4.** Direct Effect Test Results

Relationship	Coefficient ( $\beta$ )	t-statistics	p-value	Description
Organizational Strategy $\rightarrow$ Competitive Advantage	0.249	2.580	0.010	Significant
Knowledge Management $\rightarrow$ Competitive Advantage	0.585	10.380	0.000	Significant
Competitive Advantage $\rightarrow$ Sales Performance	0.784	15.142	0.000	Significant

Table 4 presents the results of the direct effect testing among the constructs in the structural model. The findings indicate that organizational strategy has a positive and

significant effect on competitive advantage ( $\beta = 0.249$ ,  $t = 2.580$ ,  $p = 0.010$ ), suggesting that stronger organizational strategies contribute to enhancing competitive advantage. In addition, knowledge management shows a stronger positive and significant influence on competitive advantage ( $\beta = 0.585$ ,  $t = 10.380$ ,  $p = 0.000$ ), highlighting the critical role of effective knowledge management practices in building organizational competitiveness. Furthermore, competitive advantage has a substantial and significant effect on sales performance ( $\beta = 0.784$ ,  $t = 15.142$ ,  $p = 0.000$ ), indicating that higher competitive advantage leads to improved sales outcomes. These results confirm that all proposed direct relationships in the model are statistically supported.

**Table 5.** Results of the Indirect Effect Test

Mediation Relationship	Coefficient ( $\beta$ )	t-statistics	P-value	Description
Organizational Strategy → Sales Performance through Competitive Advantage	0.195	2.253	0.025	Significant
Knowledge Management → Sales Performance through Competitive Advantage	0.458	7.238	0.000	Significant

Table 5 presents the results of indirect effect testing to examine the mediating role of competitive advantage in the relationships between organizational strategy, knowledge management, and sales performance. The findings show that organizational strategy has a positive and significant indirect effect on sales performance through competitive advantage ( $\beta = 0.195$ ,  $t = 2.253$ ,  $p = 0.025$ ), indicating that organizational strategy contributes to improved sales outcomes by strengthening competitive advantage. Similarly, knowledge management demonstrates a stronger positive and significant indirect effect on sales performance through competitive advantage ( $\beta = 0.458$ ,  $t = 7.238$ ,  $p = 0.000$ ), highlighting that effective knowledge management enhances sales performance primarily by increasing the organization's competitive advantage. These results confirm that competitive advantage serves as a significant mediating mechanism linking both antecedent variables to sales performance.

**Table 6.** Effect Size Values

Relationship	f <sup>2</sup>	Category
Organizational Strategy	0.02	Small
Knowledge Management	0.69	Large
Competitive Advantage	1.61	Large

Table 6 presents the effect size ( $f^2$ ) values for each structural relationship in the research model. The relationship between organizational strategy and competitive advantage shows an  $f^2$  value of 0.02, which falls into the small category, indicating that organizational strategy contributes minimally to explaining variations in competitive advantage. In contrast, knowledge management has a large effect on competitive advantage with an  $f^2$  value of 0.69, demonstrating its substantial role in enhancing competitive advantage. Furthermore, competitive advantage exhibits a very strong influence on sales performance, as reflected by a large effect size of 1.61, suggesting that competitive advantage is a dominant predictor of sales performance in this study.

The predictive relevance of the model was assessed using the blindfolding procedure, which resulted in a  $Q^2$  value of 0.467. Since the  $Q^2$  value is greater than zero, this indicates that the model has good predictive relevance, meaning it is capable of accurately predicting the dependent variable. Moreover, a  $Q^2$  value of 0.467 suggests a strong level of predictive accuracy, demonstrating that the structural model provides meaningful and reliable predictions based on the observed data.

## DISCUSSION

The results of the study indicate that organizational strategy has a significant effect on competitive advantage. This finding suggests that the company's efforts in formulating,

implementing, and evaluating strategies play an essential role in strengthening its competitive position. From a strategic management perspective, strategy serves as a key instrument for managing internal resources and responding to environmental dynamics in order to generate competitive added value (Barney, 1991; Ko & Liu, 2017). Well-defined strategies enable organizations to allocate resources consistently and develop operational systems that support organizational objectives (Tukirin, 2023; Wirati et al., 2024). Moreover, organizations often adopt differentiation strategies to distinguish themselves from competitors and strengthen their market positioning (Abdulwase et al., 2020). Achieving sustainable competitive advantage also requires integrated strategies that cover multiple organizational dimensions (Henaulu et al., 2021). These results are consistent with empirical evidence showing that business strategy significantly influences competitive advantage (Farida & Setiawan, 2022; Chaerunnisa et al., 2025). In the MLM context, effective strategies related to network development, distributor training, compensation systems, product differentiation, and market penetration become critical factors that enhance organizational competitiveness in rapidly evolving markets.

The results show that knowledge management has a significant influence, with the greatest contribution to competitive advantage, compared to other constructs. This finding supports the Knowledge-Based View (KBV), which positions knowledge as a strategic resource that is rare, valuable, and difficult to imitate, thereby generating competitive advantage (Nonaka & Takeuchi, 1995; Grant, 1996). Previous empirical studies have also shown that knowledge management plays a role in building innovation, efficiency, and organizational responsiveness to market changes, which ultimately strengthens competitive advantage (Chen & Huang, 2009; Mahdi et al., 2011; Zhang et al., 2025). In the context of MLM, the effectiveness of knowledge management among distributors is an important aspect because network marketing systems depend on the duplication of skills, training, and the dissemination of product information.

Competitive advantage has a significant effect on sales performance. This indicates that MLM companies offering superior value through product differentiation, service quality, and effective distribution networks tend to achieve better sales outcomes. These findings support Porter's (1985) view that competitive advantage drives superior market performance. Competitive advantage also enhances sales results by enabling firms to create greater customer value and strengthen loyalty (Day & Wensley, 1988). Empirical studies confirm this relationship, showing that competitive advantage positively and significantly improves sales performance and contributes to broader organizational performance (Nguyen et al., 2021; Wahyudin et al., 2022; Zebua, 2025).

The results also show that competitive advantage mediates the influence of organizational strategy and knowledge management on sales performance. This mechanism indicates that organizational strategy and knowledge do not have a direct impact on sales performance, but rather that this influence is mediated by the organization's ability to create and maintain competitive value. The strengthening of this mediating role is in line with the Resource-Based View (RBV) perspective, which emphasizes that organizational superiority in the market is shaped by the organization's internal capabilities before influencing performance output (Wernerfelt, 1984; Barney, 1991). Empirically, these findings are consistent with research showing that competitive advantage is an important mediating variable in organizational performance achievement models (Roscoe et al., 2019; Saeed et al., 2020).

## **CONCLUSION**

The results of the study indicate that organizational strategy and knowledge management have a positive and significant effect on competitive advantage, and that competitive advantage has a positive and significant effect on sales performance. Furthermore, competitive advantage was found to mediate the influence of organizational strategy and knowledge management on sales performance. This indicates that improvements in sales performance in the MLM industry are influenced by the

effectiveness of strategies and knowledge management capabilities through the creation of a competitive advantage.

Although this study provides empirical evidence on the role of organizational strategy and knowledge management in strengthening competitive advantage and improving sales performance, several limitations should be acknowledged. First, the study focuses on a single MLM company in Surakarta, which may limit the generalizability of the findings to other MLM companies or industries with different organizational contexts. Second, the use of cross-sectional data restricts the ability to capture dynamic changes in strategy, knowledge management practices, and sales performance over time. Future research is therefore recommended to expand the sample to include multiple companies or regions, use longitudinal designs, and incorporate additional variables such as leadership style, organizational culture, and digital capability to provide a more comprehensive understanding of the factors influencing competitive advantage and sales performance.

**FUNDING STATEMENT:** This research did not receive any specific grant from funding agencies in the public, commercial, or not - for - profit sectors.

**CONFLICTS OF INTEREST:** The author declares no conflict of interest.

**DECLARATION OF GENERATIVE AI STATEMENT:** During the preparation of this work, the author(s) used ChatGPT, Grammarly, and Turnitin in order to support academic writing clarity, improve linguistic accuracy, and ensure compliance with plagiarism standards. After using this tool/service, the author(s) reviewed and edited the content as needed and take(s) full responsibility for the content of the publication.

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