



## The Effect of Entrepreneurial Orientation and Market Orientation on Competitive Advantage at Culinary SMEs in West Sumatera

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### Abstract

Competition in MSMEs, especially culinary, makes business people see what factors influence competitive advantage. This study aims to analyze the RBV theory, Entrepreneurial Orientation, Market Orientation and Competitive Advantage at Culinary SMEs in West Sumatra. The population taken in this study are Culinary SMEs in West Sumatra. The sampling method used is non-probability side by using purposive sampling technique. The number of samples in the study was 165. Testing the hypothesis using analysis with two tailed. The data analysis technique is SEM (Structural Equation Model) with the SmartPLS 4 professional application program. The results of study are that entrepreneurial orientation has a positive effect on competitive advantage in culinary SMEs in West Sumatra. Entrepreneurial orientation has a positive effect on market orientation in culinary SMEs in West Sumatra. Market orientation towards culinary competitive advantage in West Sumatra. Market orientation mediates entrepreneurial orientation to competitive effects on culinary SMEs in West Sumatra.

Keywords: Entrepreneurial Orientation, Market Orientation, Competitive Advantage, Culinary SME's, RBV Theory

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### 1. Introduction

SMEs are one of the driving forces that have given a big contribution for Indonesia's economy to grow and it has played an important role to reduce unemployment rate [1]. According to data from we are Social in 2022, has made a major contribution to Indonesia's Gross Domestic Product (GDP) in Indonesia [2]. Then, according to survey data in 2021 from Ministry of Cooperatives and SMEs, 64.2 million or 99.99 percent of Indonesian business units are SMEs, it means that SMEs developed widely in Indonesia and it is form of economic development in Indonesia and actually it has also created an intense competition between SMEs in the market. The current globalization era has encouraged SMEs to be more adaptive and boost their ability in the market in order to provide a better product and service compared than competitors. In West Sumatera, SMEs play an important role in building local economy growth, especially culinary SMEs has encouraged a more competitive environment in the market [3]. Competitive advantage basically grows from the values or benefits created by the company for customers, customers generally prefer to buy products that have more value than they want or expect. The application of competitive advantage also needs to be implemented in the SMEs that are run so that they can face competition in this era of globalization and free markets.

With an intense competition, every SMEs have to strengthen its competitiveness in the market that can be done through improving the implementation of marketing and entrepreneurial concept in their business. One of the important factors that can encourage the success of business actors in carrying out

entrepreneurial activities is that business actors are able to analyze the market. A good understanding of customer needs and wants will greatly help businesses to provide products or services that attract customer's interest. The ability of business actors to be able to analyze the market is what is commonly referred to as market orientation [4]. Market orientation is a link between processes and activities as well as customer creation and satisfaction through continuous assessment of customer needs and desires. Market orientation is crucial for business continuity, in line with the rapid level of global competition and shifts in market needs [5]. Market orientation is a valuable asset that is rare, cannot be imitated perfectly, and cannot be exchanged which can provide a sustainable competitive advantage for businesses [6]. In addition to the market orientation strategy that supports the competitive advantage of a company is entrepreneurial orientation, SMEs with a strong entrepreneurial orientation can develop concepts and services to meet customer needs [7].

The implication of the results of entrepreneurial orientation is increasingly building an entrepreneurial spirit, so that it will encourage the company to develop new products or services that suit the needs and desires of customers [8]. Companies that have a good entrepreneurial orientation will be able to reach their target market and tend to be in a more superior market position compared than competitors [9]. Companies that have an entrepreneurial orientation will always monitor and pay attention to market changes and respond quickly, then take advantage of the risk-taking market [10]. Entrepreneurial orientation is one of the key elements that lead to successful business performance during uncertain business conditions [11]. The choice of competitive strategy is an important

thing that plays an important role in business implementation, so that it will help SMEs to growth and can improve its capability to compete in the market [12].

## 2. Research Method

Quantitative research method using the explanatory research approach was applied in this study [13]. Survey questionnaire survey was applied to 165 respondents of culinary small and medium enterprises (culinary SMEs) in West Sumatera. Research instruments were adapted from previous studies. Entrepreneur orientation variable was measured by using indicators. Market orientation was measured by using indicators. Competitive advantage was measured by using indicators adapted from [14]. Structural equation modelling was applied to analyzed the data of this research by using Smart PLS 4.0 software.

## 3. Result and Discussion

As many as 165 valid data from research respondents were analyzed in this study. Of the 165 respondents in this study, as much as 13% are managers, 47% are SME's owner and 40% are owner and manager. In terms of education, the majority of respondents (52%) are Diploma, S1 and S2 graduates. In terms of gender, the majority of respondents (58%) in this study were female. Meanwhile, from the age aspect, the majority (69%) of the respondents in this study are 42 years old and below. Indicator Square Loading presented in Table 1.

Table 1. Indicator Square Loading

Research Indicators	Squared Loading
CA10	0.762
CA11	0.712
CA12	0.724
CA13	0.709
CA3	0.696
CA4	0.750
CA6	0.774
CA7	0.741
CA8	0.808
CA9	0.716
EO1	0.701
EO2	0.814
EO3	0.703
EO6	0.676
EO7	0.736
EO8	0.782
MO1	0.695
MO2	0.787
MO4	0.722
MO6	0.726
MO9	0.692

The research variable was considered has a good internal consistency when it has Composite Reliability 0,7 and above. Based on Table 2 it can be seen that all research variables have composite reliability 0,7 and above. It means that this research instruments have good internal consistency. Internal consistency presented in Table 2.

Table 2. Internal Consistency

Research Variables	Composite Reliability	Information
Competitive Advantage (Y)	0.924	<i>reliable</i>
Entrepreneurial Orientation (X)	0.876	<i>reliable</i>
Market Orientation (M)	0.847	<i>reliable</i>

The research instrument is considered has a good convergence validity when research variable has AVE score 0,5 and above. Based on table 3 it can be seen that all variable have AVE score higher than 0,5. It means that this research instruments have good convergence validity. Convergent Validity presented in Table 3.

Table 3. Convergent Validity

Variable	Average Variance Extracted (AVE)
Competitive Advantage (Y)	0.547
Entrepreneurial Orientation (X)	0.543
Market Orientation (M)	0.526

Based on Fornier Larcker criterion, a research variable was considered has a good discriminant validity when correlation between a variable and its self has higher value than the correlation of a variable with other variables. Based on table 4 it can be seen that all variable have correlation with they self higher than the correlation with other variables. It means that this research instruments have good discriminant validity. Correlation matrix presented in Table 4.

Table 4. Correlation Matrix

Variables	Competitive Advantage	Entrepreneurial Orientation	Market Orientation
Competitive Advantage	0.740		
Entrepreneurial Orientation	0.476	0.737	
Market Orientation	0.554	0.682	0.725

Whether or not a proposed hypothesis is accepted, it is necessary to test the hypothesis using the Bootstrapping function on SmartPLS4. The hypothesis is accepted when the significant level is less than 0.05 or the t-value in structural model exceeds t-statistical value for the 5% significance level which is 1.65. Following are the results of direct effects of relationship among variables in the research model. Path coefficient result in Table 5.

Table 5. Path coefficient result

Regression Path	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ((O-STDEV)/M)	P values
EO -> CA	0.183	0.183	0.110	1.660	0.097
EO -> MO	0.682	0.682	0.043	15.918	0.000
MO -> CA	0.429	0.429	0.109	3.950	0.000

The Effect of Entrepreneurial Orientation on Competitive Advantage [15]. This study found that entrepreneurial orientation has a positive and significant effect on competitive advantage. This result

indicates that entrepreneurial orientation plays an important role for culinary SMEs in West Sumatera in building the competitive advantage of their business. It means that if SMEs can implement the concept of entrepreneurial orientation according to its components such as creating innovation on product and service, being proactive in facing any challenges in the competition and they can manage the risks as well, it may encourage SMEs culinary in West Sumatera to be more superior and competitive in the market compared than their competitors, then can take benefits for their business [16]. It means that entrepreneurial orientation can be relevant approach for SMEs in order to achieve a competitive advantage that can give many benefits and help to strengthen their positions in the competition.

These finding is in accordance with several previous studies, it is found that the implementation of entrepreneurial orientation has a positive and significant effect on competitive advantage. Welding industry in Tanzania found that entrepreneurial orientation has a positive and significant effect on competitive advantage. Furthermore conducted at Tempe Chips SMEs in Malang, found that entrepreneurial orientation has a positive and significant effect on competitive advantage. Entrepreneurial orientation has a positive and significant effect on competitive advantage of artisanal fishery entrepreneur in Banten.

The Effect of Entrepreneurial Orientation on Market Orientation [17]. This study found that entrepreneurial orientation has a positive and significant effect on market orientation. This result indicates that entrepreneurial orientation is one of substantial factors for culinary SMEs in West Sumatera in enhancing their ability to implement market orientation approach for their business. It means that SMEs can improve its capability in designing the product and service and customize their customer's need according to market condition by improving the implementation of entrepreneurial orientation concept, such as creating innovation on product and service, manage risks effectively and being proactive in avoiding any problems that will challenge them in the competition [18]. Therefore culinary SMEs in West Sumatera can maximize their resource and capability effectively in order to strengthen their position in the market by providing a quality products and services for the customers.

These finding is in accordance with several previous studies, entrepreneurial orientation has a positive and significant effect on international market orientation of Mexican SMEs. Entrepreneurial orientation has a positive and significant effect on market orientation of family and non-family firms in Spain. The implementation of entrepreneurship approach at firms in Spain has a positive and significant effect on market orientation. Furthermore, also discovered that entrepreneurial orientation has a positive and significant effect on market orientation in SMEs of

manufacturing industry of food and beverages in Malaysia.

The Effect of Market Orientation of Competitive Advantage [19]. This study found that market orientation has a positive and significant effect on competitive advantage. This result indicates that market orientation has an important role for culinary SMEs in West Sumatera in achieving a competitive advantage for their business. It means that the components of market orientation approach can be a relevant aspect that has to be improved in order to strengthen their capability to compete in the market. The implementation of market orientation can be done by providing the suitable products and services according to the market needs so that all decisions in the business is also should be based on the current market conditions in order to fulfill customer demands. Therefore it may SMEs to give more attentions in providing a more superior products and services compared than the competitors. As the result, SMEs can take the benefits from what they provide for the customers as well and strengthen their position in the competition [20].

These finding is in accordance with several previous studies, namely study conducted at Tempe Chips SMEs in Malang discovered that market orientation has a positive and significant effect on competitive advantage. Found that market orientation has a positive and significant effect on competitive advantage at leather bag and suitcase in East Java. Furthermore study by found that market orientation has a positive and significant effect on competitive advantage of SMEs culinary entrepreneurs in Depok West Java.

#### 4. Conclusion

The results of this research found that market orientation influences competitive advantage positively, therefore the higher the entrepreneurial orientation, the higher the competitive advantage in Culinary MSMEs in West Sumatra. Entrepreneurial orientation influences market orientation positively, therefore the higher the entrepreneurial orientation, the higher it will be. competitive advantage in culinary MSMEs in West Sumatra. The results of this research also found that entrepreneurial orientation towards competitive advantage is positively moderated by market orientation. Findings related to the insignificance of entrepreneurial orientation affecting competitive advantage in Culinary MSMEs in West Sumatra. This is because entrepreneurial capabilities are very limited, there is still a need to increase creativity to further improve orientation so that the culinary businesses produced can compete superiorly and implementing the elements of entrepreneurial orientation has not been carried out thoroughly by business managers because the existence of these businesses is mostly still traditional.

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