

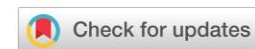
# Enhancing MSME Performance through Entrepreneurial Orientation and Product Innovation: The Mediating Role of Competitive Advantage

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DOI: <https://doi.org/10.30651/blc.v23i1.27879>



**Keywords:**  
*Entrepreneurial  
Orientation;  
Product  
Innovation;  
Competitive  
Advantage;  
MSMEs  
Performance*

**Article Info:**  
*Submitted:  
22/08/2025  
Revised:  
18/12/2025  
Published:  
17/01/2026*

## ABSTRACT

The competitiveness and performance of MSMEs remain suboptimal, despite their significant role in the economy. Specifically, this difference arises from the suboptimal implementation of product innovation and entrepreneurial spirit. To address this issue, this study aims to determine the relationships among product innovation, entrepreneurial orientation, and the performance of Micro, Small, and Medium Enterprises (MSMEs), while considering competitive advantage as a mediating factor. An examination of 60 craft MSMEs in Magelang Regency was conducted using SmartPLS 4.0 and Partial Least Squares (PLS) software. The findings indicate that product innovation and an entrepreneurial mindset significantly improve MSME performance, both directly and indirectly through the utilization of competitive advantage. This insight underscores that a stronger entrepreneurial orientation and continuous product innovation can enhance competitive advantage, thereby improving overall performance. This research not only has academic value but also provides valuable suggestions for policymakers and MSME actors.

## ABSTRAK

Daya saing dan kinerja UMKM masih belum mencapai tingkat optimal namun peranannya yang sangat besar dalam perekonomian. Secara khusus, perbedaan ini muncul akibat belum optimalnya penerapan inovasi produk dan jiwa kewirausahaan. Untuk mengatasi masalah tersebut, penelitian ini bertujuan untuk mengetahui hubungan antara inovasi produk, orientasi kewirausahaan, dan kinerja Usaha Mikro, Kecil, dan Menengah (UMKM), dengan mempertimbangkan keunggulan kompetitif sebagai faktor mediasi. Pemeriksaan terhadap 60 UMKM kerajinan di Kabupaten Magelang dilakukan menggunakan perangkat lunak SmartPLS 4.0 dan analisis *Partial Least Squares* (PLS). Temuan menunjukkan bahwa inovasi produk dan pola pikir kewirausahaan secara signifikan meningkatkan

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kinerja UMKM, baik secara langsung maupun tidak langsung melalui pemanfaatan keunggulan kompetitif. Wawasan ini menggarisbawahi bahwa orientasi kewirausahaan yang lebih kuat dan inovasi produk yang berkelanjutan dapat meningkatkan keunggulan kompetitif, sehingga meningkatkan kinerja secara keseluruhan. Penelitian ini tidak hanya memiliki nilai akademis, tetapi juga memberikan saran yang bermanfaat bagi pembuat kebijakan dan pelaku UMKM.

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## INTRODUCTION

MSMEs are essential to the economy both globally and nationally, as approximately 90% of businesses worldwide are MSMEs and they are capable of absorbing between 60 and 70% of the workforce (ElTarabishy & Baldegger, 2024). Additionally, a portion of the GDP, specifically 61.07%, is absorbed by MSME actors, numbering 64.2 million. MSME actors are also capable of absorbing 97% or 117 million of the existing workforce (Junaidi, 2024). The data shows that the presence of MSMEs can address unemployment, reduce poverty, and also increase wealth to build the country's economic system, including Indonesia (Murniningsih et al., 2023). The large number of job absorptions needs to be balanced by the ability of MSMEs to achieve their business goals. Achieving this goal has a direct impact on the well-being of both the workforce and the owners of MSMEs. The ability to achieve this goal is known as the performance of MSMEs.

The performance of a business can be measured by sales volume, customer numbers, and customer loyalty (Feriyansyah & Febriansyah, 2023). Profits are directly correlated with improvements in these areas. This is one of the company's main goals, as it directly affects the well-being of both business owners and the workforce within it. However, there are still some MSMEs that have not developed and do not have good performance. They faced difficulties in maintaining their businesses, and some even ceased operations because they were unable to compete or improve their products.

The performance of MSMEs will improve when they begin to build competitive advantages (Murniningsih et al., 2023). MSMEs have a competitive edge when their prices and product values are lower than those of their rivals. Efforts to build such competitive advantages are often avoided because people fear the risks involved. This phenomena draws attention to the difficulties MSMEs confront since their performance may be hampered by their limited ability to create competitive advantages through product innovation and an entrepreneurial approach. Studies that looked at how competitive advantage mediated product innovation and entrepreneurial orientation on SMEs in Magelang Regency concluded that these factors had a favorable direct and indirect impact, which lends support to this research (Murniningsih et al., 2023). Nevertheless, because it was not industry-specific, earlier research remained broad in scope.

The improvement of small and medium businesses can be achieved through the use of entrepreneurial orientation. This occurs since entrepreneurial orientation reflects a set of innovative entrepreneurial actions that are closely associated with business performance. (Murniningsih et al., 2023). The process, actions, and choices made by MSME players to take risks, be proactive, and always be creative are also referred to as entrepreneurial orientation (Fiona et al., 2024). MSMEs think that a small profit is preferable to losses that would show that they are unable to compete with their competitors.

In facing competitors, craft MSMEs can implement a method that is often attractive to consumers, product innovation. This works because new products with fresh features and parts can offer better advantages than older ones, as noted by Murniningsih et al. (2023). However, MSME actors find it difficult to balance innovation with maintaining the unique characteristics of their products, and sometimes don't innovate at all, making their products less competitive in a dynamic market. They fear that they would lose clients if they develop their products (Hudha, et.al, 2022).

Magelang Regency has historical evidence and an icon in the form of Borobudur Temple, which attracts tourists to visit and in 2023, a total of 1,474,279 visitors were recorded (BPS, 2023). To meet their own needs, this clearly encourages people to become MSME actors. Based on the data collected, the number of MSME actors in Magelang district is estimated to be over 78,000 (beritamagelang.id, 2024). MSMEs in Magelang Regency offer local products that are distinctive and interesting, including various types of local crafts. Craft MSME entrepreneurs have been inspired to create their best works by the enormous number of tourists and even locals that visit Borobudur Temple and surrounding attractions. The goal is of course to make a profit, which is done by selling around local tourist attractions and even outside the area. A common problem faced by MSME craft businesses is stagnant performance, particularly the low profits they generate. The factor causing this is a lack of courage in innovating. This phenomenon will certainly reduce the ability to compete among other craft MSMEs.

Although entrepreneurial orientation and product innovation are known to improve MSME performance thru competitive advantage, research examining all three variables is still limited. The shortcomings of earlier research led to a real-world study examining how entrepreneurial traits, product innovation, and the success of small craft businesses in Magelang Regency are connected, with competitive advantage playing a key role in this link.

## **LITERATURE REVIEW**

### **MSMEs**

According to BPS, a microbusiness is made up of one to four employees, a small business is made up of five to ten employees, and a medium business is made up of twenty

to one hundred employees. Aside from this, BPS states that UMKM is included in the category of businesses in the industry that are consistent in their operations and have a strategic position in providing work opportunities and promoting local economic growth.

### **Entrepreneurial Orientation**

Entrepreneurship is the ability to think creatively and innovatively to discover new and different things and create opportunities (Widagdo et al., 2019:176). Miller (1983) explained that companies with an entrepreneurial orientation are characterized by three behaviors: proactivity, innovativeness, and risk-taking. Lumpkin & Dess (1996) explain that entrepreneurial orientation is a collection of actions, procedures, and calculated choices that support the development of new goods. This orientation is characterized by three main characteristics: risk-taking courage, a proactive attitude, and a commitment to innovation. Two more closely related components were also introduced by Lumpkin and Dess (1996): autonomy, which refers to the freedom to develop and implement new ideas and projects, and competitive aggressiveness, which is the mindset that drives a business to actively and fiercely compete against rivals attempting to enter the market or gain more ground.

### **Product Innovation**

Innovation is the process of adding value thru the processing of products or resources to make them superior to what they were before (Diharto, 2022:45). Meanwhile, Hurley and Hult (1998) say that innovation is the way an organization responds to changing environmental conditions over time. Then, according to Diharto (2022:45), a product is the outcome of human production, whether it be in the form of products or services, that is purposefully made for trade in response to the wants and wishes of the community. Product innovation refers to the process of enhancing an existing product or service that has already been offered to the market, thereby creating greater value. (Diharto, 2022:45). Hurley & Hult (1998) state that innovative companies are typically able to adopt new ideas and make them essential actions to be taken according to current environmental conditions. According to Kotler and Keller (2016:476) in Vitantri et al. (2020), product innovation can be described as goods, services, or ideas that remain unfamiliar to certain groups of people, regardless of how long they have been introduced. This refers to the dissemination of a novel concept from its inception to its eventual adoption or acceptance by its users.

### **Competitive Advantage**

Competitive advantage is an advantage that is a plus point for a company, and not many other companies possess it (Widagdo et al., 2019:121). According to Widagdo et al. (2019:93), competitive advantage is a means for a business to outperform its rivals, particularly when attempting to meet its financial objectives. Porter (1985:3) states that competitive advantage arises because a company is able to create products whose value exceeds the cost of production, where value is something worth buying and high value

occurs when price and uniqueness are greater than those of its competitors. According to Porter (1985:33), in order to comprehend competitive advantage, one must include both internal and external business processes, including planning, product development, sales, delivery, and new product creation. According to Porter (1980), referenced in Murningsih et al. (2023), competitive advantage is a profit-making tactic used by cooperating businesses to outperform one another.

### **MSMEs Performance**

According to Kamaroellah (2014:15), performance can be understood as the accumulation of efforts made by individuals and groups in order to achieve goals and fulfill their responsibilities. Meanwhile, Andriana (2022:149) underlines that organizational performance represents the assessment of how well the organization, its units, and its employees achieve operational outcomes in accordance with established goals, indicators, and standards. Business performance is the result of various goals set by the company using appropriate strategies (Andriana, 2022:149). Andriana (2022:149) defines company performance as a measure of the company's success in achieving its goals thru its ability to manage its resources. Pramestiningrum and Iramani (2020) say that how well MSMEs do is because of the activities they carry out, which are based on decisions made at the beginning, following the goals the MSMEs want to reach. According to Barney (1991), internal resources that exhibit entrepreneurship, proactivity, and creativity serve as a foundation for competitive advantage and eventually improve business performance. Based on the literature review, MSMEs performance is positioned as the dependent variable influenced by entrepreneurial orientation and product innovation, both directly and thru competitive advantage as a mediating variable (Magdalena. et.al, 2021) .

### **METHOD**

The primary feature of the quantitative data used in this study is that it is numerical data obtained through measurement and computation procedures. Therefore, this data is known as numerical data. (Soesana et al., 2023:32). The population, according to Sugiyono (2013:80), is a group of items or individuals with particular numbers and attributes chosen as the study object to be examined and conclusions made in accordance with the researcher's specifications. Craft MSMEs actors from Magelang Regency are involved in this study. According to Sugiyono (2013:81), a sample is a subset of the population that reflects a particular quantity and set of attributes. The majority of the craft SMEs in Magelang Regency were represented in the study's sample of 60 respondents.

Setiabudhi et al. (2025:2) state that the Partial Least Squares (PLS) method is used in SmartPLS 4.0 software to conduct structural equation modeling (SEM) analysis. The statistical technique utilized in this paper for data analysis is called Partial Least Square-Structural Equation Modeling, or PLS-SEM. This is as a result of the reflective model

used in this study. According to Setiabudhi et al. (2025:24), a reflective model has arrows pointing from the latent variables to the indicators, implying that the indicators describe the variables.

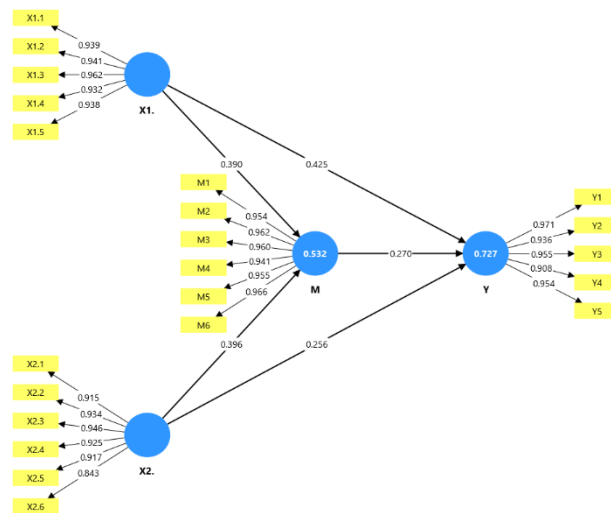
A number of written questions were given to the respondents to collect data for this research. Following the completion of data collection, the PLS-SEM technique was used for data analysis. According to Setiabudhi et al. (2025:27) PLS-SEM usually comprises two model subchapters. The outer model explains how latent variables are represented by their indicators. Conversely, the inner model focuses on the structural relationships between latent variables, including mediators, exogenous, and endogenous variables.

## RESULT AND DISCUSSION

### Result

The majority of MSME actors are male, with 46 (77%), while only 14 (23%) are female. Most of them have a high school diploma, with 21 people (35%), an elementary school diploma, with 19 people (32%), a junior high school diploma, with 16 people (27%), a diploma (D3) diploma, with 2 people (3%), and a bachelor's degree (S1) diploma, with 2 people (3%).

### Outer Model



Source: Processed primary data, 2025

Figure 1. Testing The Measurement Model

### Validity and Reliability Test of Latent Variables

Sihombing et al. (2024:18) state that three criteria are used to measure the model :

- Convergen validity

If an indicator's loading factor value for the latent variable is high—that is, greater than 0.60—it is said to have convergent validity. Furthermore, AVE is another metric that is employed, and an indicator is deemed legitimate if its AVE value exceeds 0.50.

b. Discriminant validity

The process of cross-loading, which compares an indicator's loading values against its original construct with the loading values on additional constructs, can be used to quantify discriminant validity. The criterion for indicator validity is met when the indicator shows the highest level of loading on the construct it represents, rather than on different constructs.

c. Composite reliability (Cronbach's alpha)

Cronbach's alpha can be used to evaluate the construct's dependability for the block of indicators that evaluate both the construct and composite reliability. A construct is deemed reliable when its Cronbach's alpha and composite reliability rating are both greater than 0.70.

**Table 1.** Reliability test

Variable	Cronbach's alpha	Composite Reliability
Competitive Advantage (M)	0.981	0.985
Entrepreneurial Orientation (X1)	0.961	0.975
Product Innovation (X2)	0.955	0.968
MSMEs Performance (Y)	0.970	0.977

**Source:** Processed primary data, 2025

Cronbach's Alpha and all construct reliability ratings are over 0.70, as Table 1 demonstrates. These findings indicate that the analyzed variables have a good level of consistency and can therefore be considered reliable.

### Inner Model

The Internal Model (Structural Model) evaluation was used to test the hypotheses. The internal model illustrates the relationships between constructs or latent variables. The internal model in this study was operated as a structural analysis tool aimed at estimating the interconnections between research elements, namely Entrepreneurial Orientation (X1), Product Innovation (X2), MSME Performance (Y), and Competitive Advantage (M).

### R-Square Value (R<sup>2</sup>)

**Table 2.** R-Square

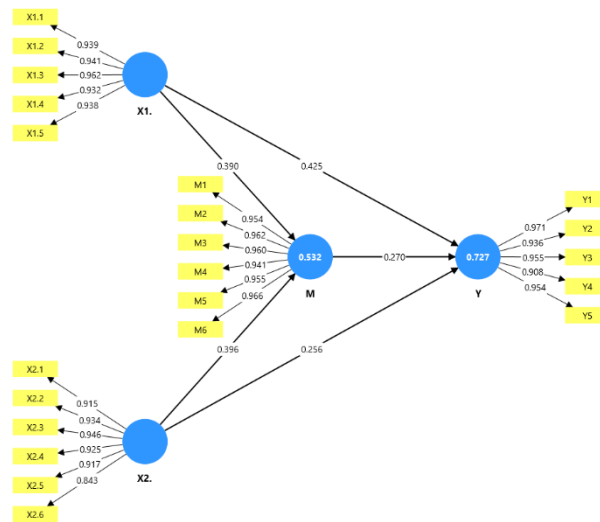
Item	R-square	R-square adjusted
Competitive Advantage (M)	0.532	0.516
MSMEs Performance (Y)	0.727	0.713

**Source:** Processed primary data, 2025



The Competitive Advantage variable's R-Square value is 0.532, and the MSME Performance variable's is 0.727, as Table 2 demonstrates. Entrepreneurial Orientation and Product Innovation contribute 53.2% to Competitive Advantage, while other influences come from variables outside the model. Meanwhile, the findings indicate that Entrepreneurial Orientation, Product Innovation, and Competitive Advantage are key determinants of MSME performance. However, there are other factors that could potentially influence but were not included in this research framework.

## HYPOTHESIS TESTING



Source: Processed primary data, 2025

Figure 2. Testing the measurement model

The significance test of Entrepreneurial Orientation (X1) on MSME Performance (Y) produced a t-statistic of 4.046 (higher than 1.96) with a significance value of 0.000 (p-value < 0.05). The first hypothesis on the effect of entrepreneurial orientation on MSME performance (Y) is accepted in light of these data.

A t-statistic of 2.019 (higher than 1.96) and a significant value of 0.044 (p-value < 0.05) were obtained from the significance test of Product Innovation (X2) on MSME Performance (Y). This outcome suggests that the second hypothesis is accepted.

The t-statistic of 3.196 (higher than 1.96) was obtained from the significance test of Entrepreneurial Orientation (X1) on Competitive Advantage (M), with a significance value of 0.001 (p-value < 0.05). The third hypothesis, according to which entrepreneurial orientation on competitive advantage (M) is true, is supported by this finding.

The significance test of Product Innovation (X2) on Competitive Advantage (M) yielded a t-statistic of 3.280 (>1.96) with a significance value of 0.001 (p-value < 0.05). The fourth hypothesis is accepted based on this outcome.



Product Innovation (X2)'s significance test on Competitive Advantage (M) produced a t-statistic of 3.280 ( $>1.96$ ) and a significance value of 0.001 (p-value  $< 0.05$ ). According to this outcome, the fourth hypothesis is accepted.

According to the significance test results, MSME Performance (Y) is indirectly impacted by Entrepreneurial Orientation (X1) through Competitive Advantage (M). Higher than 1.96, the t-statistic value is 1.988, with a significant value of 0.047 (p-value  $< 0.05$ ). Thus, the mediating variable is competitive advantage (M). The sixth hypothesis (H6) is confirmed by this study, which demonstrates that competitive advantage actually acts as a mediator in the association between entrepreneurial orientation and MSME performance.

According to the significance test results, MSME Performance (Y) is indirectly impacted by Entrepreneurial Orientation (X1) through Competitive Advantage (M). The resulting t-statistic value is 2.101 (greater than 1.96) with a significance value of 0.036 (p-value  $< 0.05$ ). Therefore, the mediating variable is known as competitive advantage (M). The seventh hypothesis (H7) is confirmed by this study, which demonstrates that competitive advantage actually acts as a mediator in the relationship between product innovation and MSME performance.

## Discussion

Craft MSME performers feel that they must continually be proactive and be prepared to take chances with new opportunities if they want to see steadily rising earnings. Craft MSME actors who can respond to market demand faster than their competitors tend to gain customers and consistently increase their profits. This research shows a similar trend to the findings of Covin & Slevin (1989), wherein an entrepreneurial mindset is viewed as a strategic component that can boost competitiveness and enhance small business performance in a market that is highly competitive. This is also supported by Lumpkin and Dess (1996), who assert that, depending on internal and external variables, entrepreneurial traits like autonomy, invention, risk-taking, proactivity, and competitive aggression can be leveraged to enter and survive in new markets.. The results obtained in this study are consistent with the findings of Feriyansyah & Febriansyah (2023) and Ratnasari & Levyda (2021), they discovered that MSME performance is positively and significantly impacted by the entrepreneurial orientation variable.

Craft MSME actors think that both new and existing customers will find innovative and distinctive product varieties appealing. This can trigger an increase in sales, which will ultimately improve performance. Craft MSME actors who consistently innovate their products in terms of new motifs, colors, and designs can attract consumers. In the end, this can boost long-term performance and generate devoted clients. The ability of craft MSMEs to create derivative products will create new markets without abandoning

existing ones. This tactic has the potential to expand the market and greatly boost revenues. Enhancing the product's quality will raise its perceived value in the eyes of customers. As a result, customers will surely become more trusting, which can increase sales and build a strong brand. This research shows a similar trend to the findings of Hurley & Hult (1998), which explain that a company's capacity to innovate compared to its competitors can be a trigger for achieving success in responding to the environment, and can even lead to superior performance if the company develops new capabilities to achieve competitive advantage. Mardatillah et al. (2022:88) also clarified that businesses require innovation since it is crucial to accomplishing organizational objectives. The results obtained in this study are not different from the findings of Sain (2021), Hidayat et al. (2023), and Kusnadi & Utama (2023), who studied how performance is affected by product innovation. The study demonstrates a significant and favorable relationship between product innovation and performance.

MSME craft businesses that are proactively market-oriented and innovate their products are able to offer competitive prices compared to their competitors, high-quality products, and more proactive innovation than their competitors. Furthermore, MSME owners that have an entrepreneurial mindset will take chances to grow their companies. MSME actors can make decisions without going thru lengthy bureaucracy, allowing MSMEs to quickly follow market trends or opportunities. These MSMEs might thus rise to the top of their respective industries and even overtake competitors in terms of market share. Competitive aggressiveness, or having the guts to take on competitors, can improve operational effectiveness and competitive success, according to MSME participants. To continuously outperform competitors, examples of this include adding new features and improving service quality (product delivery accuracy). This study demonstrates a similar pattern to Miller's (1983) findings, which clearly illustrate that having an entrepreneurial approach is seen as advantageous when dealing with rivals. According to Yusuf and Farid (2017:71), an organization's competitive orientation is greatly influenced by its entrepreneurial orientation. This study supports the conclusions of Abadi & Siregar (2025) and Annisa et al. (2023), which demonstrate that entrepreneurial strategies have a positive and significant impact on competitive advantage.

MSME actors who create new products, add variations in color, design, and product patterns, and produce derivative products can differentiate one craft MSME actor from another. Customers will find the product to be more valuable if MSME artisans enhance both the product's quality and color. Customers are prepared to pay extra for unique products that aren't found anywhere else, therefore innovative products can fetch a higher price. This means innovative MSME players will excel in terms of the prices they offer, earning higher profits than their competitors. This research shows a similar

trend to Porter's (1985:176) findings, which explain that innovation is one way to increase competitive advantage with products that are difficult to imitate. Additionally, innovative items might be a tool to outperform rivals (Mardatillah et al., 2022:93). According to Annisa et al. (2023), product innovation significantly and favorably affects competitive advantage; the results of this study support their conclusions.

Craft MSME entrepreneurs believe that price competition, product durability, and good quality are effective in increasing customer numbers and profits. Cost efficiency, which includes both production and marketing expenses, is also thought to be influenced by the capacity to adjust to the items that consumers require. With products and services superior to competitors, craft MSMEs can attract more customers and take market share from competitors, ultimately increasing sales and profits. This study demonstrates a similar pattern to Porter's (1985:11) conclusions that businesses can get superior performance by utilizing competitive advantages derived from both cost and differentiated advantages. Widagdo et al. (2019:93) also explain that financial performance can be achieved thru competitive advantage. The results of this investigation demonstrated a favorable and noteworthy impact on the correlation between MSME performance and competitive advantage, and they align with the findings of Sandityo & Muafi (2024) and Murniningsih et al. (2023).

The association between MSME performance and entrepreneurial orientation is mediated by competitive advantage. If MSME actors with an entrepreneurial orientation (proactive attitude, risk-taking courage, and innovation) also convert this into competitive advantages, like more competitive pricing, higher-quality products, and newer products compared to their competitors, they will effectively maximize their performance. It will be simpler to draw in more clients, boost revenue, and enhance cost effectiveness as a result. This study's trend is in line with that of Brouthers et al. (2009), who discovered that entrepreneurial orientation can be a strategy for creating competitive advantage, are consistent with the pattern shown by this study. According to Barney (1991), internal resources that exhibit entrepreneurship, proactivity, and creativity serve as a foundation for competitive advantage and eventually improve business performance. Accordingly, the current study confirms the findings of Sandityo & Muafi (2024) and Murniningsih et al. (2023), are supported by the current study, which shows that MSME performance and entrepreneurial orientation positively and significantly affect competitive advantage.

Product innovation's impact on MSME success can be complemented by competitive advantage. The performance of businesses will be more affected by MSME actors who can develop new goods, add design variations, enhance quality, and make environmentally friendly products if those innovations also give them a competitive edge. The competitive advantage created by that innovation makes products more quickly accepted by the market, prices become more competitive, and quality is superior to competitors, which will impact increased customer base, increased profits, and

significantly higher monthly and annual production targets. Thus, product innovation is optimal for MSME actors if they create a real competitive advantage in the market. This research shows a similar trend to the findings of Mardatillah et al. (2022:90), namely that companies can achieve competitive advantage thru innovation, which, if not easily imitated by competitors, will lead to long-term success. This study's findings are consistent with those of Sandityo & Muafi (2024) and Murniningsih et al. (2023). Both emphasized how MSMEs' performance and competitive edge can be greatly enhanced by adopting an entrepreneurial attitude.

## CONCLUSION

Data processing of 60 craft SMEs in Magelang Regency provides a basis for the researcher to draw several important conclusions as follows:

1. It has been demonstrated that entrepreneurial orientation significantly and favorably affects SMEs' performance achievement, both directly and indirectly. This suggests that business owners' proactive mindset, risk-taking bravery, and creative projects are actually helping to boost their company's performance.
2. In order to improve MSMEs' performance and competitive position, product innovation is crucial. The ability of MSME actors to create new product variations and improve existing products has proven to open up wider opportunities for achieving a leading position in the market.
3. The relationship between MSME performance, product innovation, and entrepreneurial orientation is strengthened by the mediating role of competitive advantage variables. Product innovation and an entrepreneurial mindset will therefore be more successful if they are combined with the capacity to create advantages that set the company apart from rivals.

Overall, this study demonstrates that the combination of product innovation and entrepreneurial attitude forms a competitive advantage, which in turn improves MSMEs' performance. In addition to adding to the body of knowledge on the factors influencing small business success, these findings offer useful suggestions for MSME actors and policymakers when creating business growth plans.

Therefore, the recommendations provided include:

1. Some MSME actors who have not yet implemented entrepreneurial orientation in their organizations ought to do so since it has been demonstrated to improve MSME performance.
2. Some MSME actors have not yet implemented product innovation in their businesses, so they need to start innovating their products because product innovation has been proven to influence the improvement of MSME performance.

3. Since entrepreneurial orientation has been shown to improve competitive advantage, those MSME actors who have not yet incorporated it into their operations should do so to improve their competitive edge.
4. Some MSME actors have not yet implemented product innovation in their businesses, so they need to start innovating their products because product innovation has been proven to influence the improvement of their competitive advantage.
5. MSME actors should pay attention to their position in the competition because superior competition can affect the improvement of MSME performance.
6. To ensure that their business performance continues to grow sustainably, MSME players must continuously include tactics for improving their competitive advantage and entrepreneurial orientation.
7. MSME actors need to consistently integrate product innovation and competitive advantage improvement strategies so that their business performance can continue to develop in the long term.

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