



## **ANALYSIS OF THE COMPETITIVE ADVANTAGE MODEL OF MSMEs IN INDONESIA: URGENCY ENTREPRENEURIAL ORIENTATION, MARKET ORIENTATION, AND CUSTOMER CAPITAL AS PREDICTORS**

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### **Abstrak**

UMKM merupakan tulang punggung ekonomi Indonesia, menyumbang sebagian besar dari produk domestik bruto (PDB) negara dan menciptakan lapangan kerja bagi jutaan penduduk. Dalam menghadapi persaingan global yang semakin ketat, penting untuk memahami faktor-faktor yang memengaruhi keunggulan kompetitif UMKM. Tujuan utama penelitian yakni menganalisis pengaruh entrepreneurial orientation, market orientation, dan customer capital terhadap competitive advantage. Sampel dalam penelitian ini berjumlah 160 responden pelaku UMKM sektor kuliner di Indonesia yang ditentukan dengan pendekatan convenience sampling. Pengumpulan data menggunakan instrumen kuesioner yang kemudian dibagikan secara online. Analisis data menggunakan aplikasi SPSS dengan menampilkan hasil pengolahan data melalui uji instrumen penelitian dengan uji validitas dan reliabilitas, analisis regresi berganda, koefisien determinasi dan uji hipotesis. Berdasarkan hasil analisis data menyatakan entrepreneurial orientation, market orientation, dan customer capital berpengaruh positif dan signifikan terhadap competitive advantage. Secara keseluruhan, penelitian ini tidak hanya memberikan kontribusi yang signifikan terhadap pemahaman teoritis tentang competitive advantage UMKM, tetapi juga memberikan panduan praktis bagi pengembangan, pengelolaan, dan pembinaan UMKM di Indonesia. Dengan memperkuat entrepreneurial orientation, market orientation, dan customer capital sebagai prediktor competitive advantage, UMKM dapat meningkatkan posisi pasar mereka dan memberikan kontribusi yang lebih besar terhadap pertumbuhan ekonomi dan pembangunan masyarakat..

**Kata Kunci:** Entrepreneurial Orientation, Market Orientation, Customer Capital, Competitive Advantage

### **Abstract**

MSMEs are the backbone of the Indonesian economy, contributing a large part of the country's gross domestic product (GDP) and creating jobs for millions of people. In the face of increasingly fierce global competition, it is essential to understand the factors that influence the competitive advantage of MSMEs. The main objective of the research is to analyze the influence of entrepreneurial orientation, market orientation, and customer capital on competitive advantage. The sample in this research consisted of 160 respondents from MSME actors in the culinary sector in Indonesia who were determined using a convenience sampling approach. Data collection uses a questionnaire instrument, which is then distributed online. Data analysis uses the SPSS application by displaying data processing results through testing research instruments with validity and reliability tests, multiple regression analysis, coefficient of determination and hypothesis testing. Based on the results of data analysis, entrepreneurial orientation, market orientation, and customer capital have a positive and significant effect on competitive advantage. Overall, this research contributes significantly to the theoretical understanding of MSME competitive advantage and provides practical guidance for the development, management and coaching of MSMEs in Indonesia. By strengthening entrepreneurial orientation, market orientation, and customer capital as predictors of competitive advantage, MSMEs can improve their market position and contribute more to economic growth and community development.

**Keywords:** Entrepreneurial Orientation, Market Orientation, Customer Capital, Competitive Advantage

## INTRODUCTION

MSMEs play a vital role in the Indonesian economy but are faced with increasingly complex challenges and increasing competition in domestic and international markets (Sinaga et al., 2022);(Sudrartono et al., 2022). The digital era and globalization have changed the business landscape significantly, forcing MSMEs to adapt and compete in a rapidly changing environment (Halim et al., 2021);(Purba et al., 2022). The digital era has opened the door for MSMEs to access a broader market through online platforms (Irwansyah et al., 2021);(Sundulusi et al., 2022). However, MSMEs must have a solid entrepreneurial orientation to exploit this opportunity effectively (Muniarty et al., 2021);(Hasan et al., 2021). Entrepreneurship is not just about creating a business but also about the ability to innovate, adapt, and take risks to create added value for customers (Julyanthry, Putri, & Sudirman, 2021);(Poltak et al., 2022).

The importance of entrepreneurial orientation on the competitive advantage of MSMEs in Indonesia must be addressed when facing challenges and opportunities in an increasingly complex and dynamic market (Retnawati & Retnaningsih, 2019);(Ruiz-Ortega et al., 2017). Entrepreneurial orientation reflects the ability of MSMEs to recognize, exploit and create new opportunities, as well as to innovate and take risks to achieve their business goals (Baker & Sinkula, 2009). In the context of MSMEs, entrepreneurial orientation not only means creating new businesses but also the ability to strengthen competitive positions in existing markets (Keh et al., 2007);(Buli, 2017).

MSMEs in Indonesia need a robust entrepreneurial orientation because business conditions are changing rapidly, and competition is increasingly fierce. With a strong entrepreneurial orientation, MSMEs can be more responsive to market changes and more proactive in creating added value for customers (De Guimarães

et al., 2018);(Gupta & Gupta, 2015). Entrepreneurial orientation helps MSMEs remain relevant and competitive in challenges such as technological changes, evolving customer needs, and competition from domestic and international competitors (Manev et al., 2005);(Abdulkarim et al., 2021).

In addition, MSMEs with strong entrepreneurial orientation tend to be more innovative in their products, services and business processes (Masa'deh et al., 2018). They can create unique solutions and meet the needs of a growing market. These innovations can be a source of competitive advantage for MSMEs, differentiating them from competitors and enabling them to attract new customers and retain existing ones (Habib et al., 2020);(Sulistyo & Ayuni, 2020). Entrepreneurial orientation also plays a vital role in expanding MSME business networks and partnerships. Through a proactive attitude and open orientation to new opportunities, MSMEs with a robust entrepreneurial orientation tend to build good relationships with business partners, suppliers and customers (Manev et al., 2005);(Julyanthry, Putri, Lie, et al., 2021). This partnership can provide access to new resources, information and markets that can increase the competitiveness of MSMEs.

Apart from entrepreneurial orientation, market orientation is also essential in gaining a competitive advantage (Retnawati & Retnaningsih, 2019);(Kamboj & Rahman, 2017). MSMEs need to deeply understand customer needs and preferences as well as market trends to develop products and services that are relevant and in demand by the market (Purnamasari & Andreas Wijaya, 2020);(Darwis & Utama, 2020). A strong market orientation allows MSMEs to respond to market changes quickly and precisely (Puspaningrum, 2020);(Kuncoro et al., 2021). MSMEs can develop appropriate marketing strategies and products that suit market demand by deeply understanding customer needs and

market trends (Pratiwi & Riana, 2021). Market orientation helps MSMEs adapt their products and services to evolving customer needs, increasing customer satisfaction and expanding market share (Y. H. Lin et al., 2020);(Robb & Stephens, 2021). MSMEs with strong market orientation tend to respond more to market changes and competition. They can quickly identify and respond to new opportunities with the proper strategic steps. Thus, these MSMEs have the advantage of taking the initiative and leading in product innovation, marketing and distribution in a competitive market (Anabila et al., 2019);(Correia et al., 2020).

Apart from that, market orientation helps MSMEs to build strong relationships with customers. By understanding customer needs and preferences, MSMEs can interact more effectively with customers, build trust and increase loyalty (Pantouvakis et al., 2017);(Chawinga & Chipeta, 2017). Good customer relationships can be a competitive advantage for MSMEs because customers choose to transact with businesses that best meet their needs and desires (Huhtala et al., 2014). MSMEs with strong market orientation also tend to be more efficient in their resource allocation. They can focus on the most profitable market segments and allocate their resources wisely to maximize profits (Robb & Stephens, 2021). Thus, market orientation helps MSMEs to increase their operational efficiency and optimize their performance in a competitive market (Y. H. Lin et al., 2020);(Robb & Stephens, 2021).

Also, MSMEs need to pay attention to customer capital as a valuable asset. Customer capital includes the relationships, loyalty and reputation that MSMEs have in customers' eyes (Cheng et al., 2020);(Sudirman et al., 2022). Strengthening customer capital can help MSMEs maintain their market share and

create long-term competitive advantages (Juwita & Anggraini, 2007);(Absah et al., 2018). In a competitive business environment, customer capital is the key to differentiating MSMEs and gaining sustainable competitive advantage (Wang & Chang, 2005). MSMEs in Indonesia must pay attention to customer capital because of its essential role in maintaining and expanding market share (L. W. Lin et al., 2022). Satisfied customers are likelier to remain loyal and recommend a business to others, increasing brand loyalty and business growth. By building strong customer relationships, MSMEs can gain a competitive advantage in maintaining market share and reducing the risk of losing customers to competitors (Absah et al., 2018);(Ameli Kalkhoran et al., 2022).

Apart from that, customer capital also influences customer perceptions of the quality of products or services offered by MSMEs (Sukarno & Nirawati, 2016);(Khalique et al., 2011). Customers choose businesses with a good reputation and provide a positive experience. Therefore, MSMEs with substantial customer capital have an advantage in attracting and retaining new customers because they are considered a reliable and trustworthy choice (L. W. Lin et al., 2022);(Hasmirati & Akuba, 2022). Customer capital also plays a vital role in building a positive brand image. MSMEs with good customer relationships have a good reputation in the market (Ameli Kalkhoran et al., 2022). A good reputation can be valuable in attracting new customers and differentiating MSMEs from competitors. Thus, customer capital helps MSMEs to gain a sustainable competitive advantage in a crowded and competitive market (Yang & Kang, 2008);(Khalique et al., 2018).

Although the importance of factors such as entrepreneurial orientation, market orientation, and customer capital has been

recognized, there still needs to be more understanding of how these factors interact and influence each other to create competitive advantages for MSMEs in Indonesia. Therefore, this research aims to analyze a competitive advantage model that considers the interaction between entrepreneurial orientation, market orientation, and customer capital as predictors. An in-depth understanding of the factors that influence the competitive advantage of MSMEs in Indonesia will provide valuable insights for stakeholders, including entrepreneurs, government and academics, in designing strategies and policies that support the growth and competitiveness of MSMEs in a global and rapidly changing economy.

## LITERATURE REVIEWS

### Entrepreneurial Orientation

Previous studies on the influence of entrepreneurial orientation on the competitive advantage of MSMEs in Indonesia have become the focus of attention in efforts to understand the factors that influence the success of MSME businesses (Retnawati & Retnaningsih, 2019). In research by (Pratono et al., 2019);(Alshebami, 2023), entrepreneurial orientation was identified as a critical factor in achieving competitive advantage, highlighting the importance of entrepreneurship in identifying, exploiting and creating opportunities in competitive markets. This research shows that MSMEs with a robust entrepreneurial orientation tend to have more significant competitive advantages than those without.

Other research by (Alshebami, 2023);(Purba et al., 2022) revealed that MSMEs with high entrepreneurial orientation can adapt to market changes more effectively, increasing their competitiveness and business performance. This study also highlights the importance of innovation due to entrepreneurial solid orientation, which can be a source of competitive advantage for MSMEs in facing increasingly fierce competition in

the domestic market. Moreover, research by (Bavarsad et al., 2015);(Sukmamedian, 2021) found that MSMEs with high entrepreneurial orientation tend to have higher growth rates and can expand their market share. The results of this research show that entrepreneurial orientation significantly impacts the ability of MSMEs to compete and survive in a dynamic and rapidly changing market.

However, several studies also highlight the challenges MSMEs face in developing a robust entrepreneurial orientation. For example, research by (Sulistyo & Ayuni, 2020);(Julyanthry, Putri, Lie, et al., 2021);(Sinaga et al., 2022);(Zeebaree & Siron, 2017) found that lack of access to resources, funding and entrepreneurship education were the main obstacles for MSMEs in developing optimal entrepreneurial orientation. Therefore, efforts to strengthen entrepreneurial orientation among MSMEs require comprehensive support from various parties, including the government, educational institutions and non-governmental organizations. Therefore, based on several previous research results, this study is carried out to develop a hypothesis:

**H1:** Entrepreneurial orientation affects competitive advantage

### Market Orientation

Literature reviews and previous studies on the influence of market orientation on the competitive advantage of MSMEs in Indonesia have become the focus of attention to understand the factors that influence the success of MSME businesses in an increasingly complex market. In research by (Barbosa Ferreira et al., 2019);(Sutapa et al., 2017), market orientation was identified as essential in achieving CA, highlighting the importance of MSMEs understanding market needs, wants and preferences. This research shows that MSMEs with a strong market orientation tend to have more significant competitive advantages than those without.

Another study by (Puspaningrum, 2017);(Liu et al., 2020), found that MSMEs with high market orientation can respond to market changes more quickly and effectively, increasing their competitiveness and business performance. Market orientation helps MSMEs identify new opportunities and develop products and services that suit market needs and preferences, enabling them to expand market share and create significant differentiation. Research by (Muhajirin et al., 2020);(Retnawati & Retnaningsih, 2019);(Anabila et al., 2019), also highlights the critical role of market orientation in building strong customer relationships. MSMEs with a strong market orientation can better understand customer needs and desires, increasing customer satisfaction and brand loyalty. Good customer relationships can be a competitive advantage for MSMEs because they choose businesses that best meet their needs.

However, several studies also show that MSMEs in Indonesia face challenges in developing optimal market orientation. For example, research by (Sutapa et al., 2017);(Maulana et al., 2022);(Kamboj & Rahman, 2017);(Muhajirin et al., 2020), found that lack of access to market information and resources is the main obstacle for MSMEs in developing a strong market orientation. Therefore, there needs to be more extraordinary efforts from the government and various related parties to provide the support and resources needed for MSMEs to develop optimal market orientation. Therefore, based on several previous research results, this study was carried out to develop hypotheses:

**H2:** Market orientation affects competitive advantage

### Customer Capital

In the context of extensive literature, previous studies have provided consistent evidence about the importance of customer capital in creating a competitive advantage for MSMEs in Indonesia. Customer capital allows MSMEs to build strong relationships, loyalty and reputation with customers, increasing customer satisfaction and expanding their market share. However, challenges such as more focus on customer service and local cultural factors must also be considered to strengthen customer capital among MSMEs. In research by (Torres et al., 2018);(Juwita & Anggraini, 2007);(Ameli Kalkhoran et al., 2022), customer capital was identified as one of the critical factors in achieving customer capital, emphasizing the importance of strong relationships, loyalty and reputation with customers. The research results show that MSMEs with high customer capital tend to have a more significant competitive advantage than those without.

Another study by (Egbu et al., 2005);(Chandra et al., 2022);(Hasmirati & Akuba, 2022), highlighted the critical role of information technology and social media in building customer capital among MSMEs in Indonesia. This research shows that MSMEs that use information technology and social media effectively can expand their reach, increase customer interactions, and build stronger customer relationships. Therefore, information technology can be an effective tool in strengthening MSME customer capital. However, several studies highlight MSMEs' challenges in building substantial customer capital.

Research by (Khalique et al., 2020);(Absah et al., 2018), found that a lack of focus on customer service, poor communication, and a lack of investment in building customer relationships are the main obstacles for MSMEs in developing

optimal customer capital. Therefore, MSMEs need to put more effort into strengthening customer relationships and improving their brand reputation. Research by (Sudirman et al., 2022);(Bontis et al., 2000);(Hashim et al., 2015) shows that cultural factors such as trust, friendliness and integrity influence customer relationships and reputation. Therefore, understanding the local and cultural context is fundamental in designing effective strategies to strengthen MSME customer capital. Therefore, based on several previous research results, this study was carried out to develop hypotheses:

**H3:** Customer capital affects competitive advantage

**METHODS**

A quantitative research design with an associative approach is used in this study. The research population comprises MSME actors in Indonesia's culinary sector. The urgency of choosing MSMEs in the culinary sector is because this sector contributes significantly to overall economic growth. As a very diverse sector, culinary MSMEs cover various types of businesses ranging from restaurants, food stalls, and cafes to local food and beverage producers. Thus, the MSME population in the culinary sector displays rich diversity and is an integral part of the Indonesian economy. Due to the unknown population, the sample was taken using a convenience sampling technique. According to (Hair, 2014), if the total population is unknown, ideally, the size of the representative respondents depends on the number of all indicators in the variable multiplied by 5-10. This study has sixteen indicators, so the number of respondents for this study is  $16 \times 10 = 160$  samples. This number is considered representative to be observed as representative of the population because it has met the minimum sample threshold.

This study uses a research instrument test consisting of validity and reliability tests. The quantitative analysis consists of a normality test, regression test, hypothesis

test, correlation test, and coefficient of determination. The operational definition of the entrepreneurial orientation variable consists of innovativeness, proactiveness, risk-taking, and competitive aggressiveness (Ruiz-Ortega et al., 2017);(Retnawati & Retnaningsih, 2019); the operational definition of the market orientation variable consists of competitor focus, interfunctional coordination, long-term perspective, and profitability focus (Alberto et al., 2019);(Abdulkarim et al., 2021); the operational definition of the customer capital variable consists of customer relationships, customer loyalty, customer satisfaction, customer retention, and brand reputation (Sudirman et al., 2022);(Khalique et al., 2020); the operational definition of the competitive advantage variable consists of cost leadership, product differentiation, market segmentation, and technological innovation (Retnawati & Retnaningsih, 2019);(Julyanthry, Putri, Lie, et al., 2021).

**RESULTS AND DISCUSSION**

**Table 1. General Profile of Respondents**

Categories	Details	amount	Percentage (%)
Gender (years)	Men	64	40
	woman	96	60
Age (years)	20-29	35	21.87
	30-39	45	28.13
	40-49	58	36.25
	50-59	22	13.75
Level of education	High School	65	40.63
	Diploma	45	28.12
	Bachelors	50	21.25
Length of Business (years)	< 1	28	17.5
	1-5	72	45
	6-10	35	21.87
	> 10	25	15.63

**Validity and Reliability Test**

**Table 2. Validity Test Results**

Variables	Corrected items - Total correlation	N of Items	Test results
Entrepreneurial Orientation	0.468	12	Valid
Market Orientation	0.520	12	Valid
Customer	0.528	12	Valid

Capital			
Competitive Advantage	0.542	12	Valid

Based on the validity test of Table 1 above, it is concluded that all indicators in the study have a value above 0.30, and the measurement items used in this research are valid. Next, a reliability experiment is carried out to measure the measurement items on the questionnaire items that describe the indicators of the variables.

**Table 3. Reliability Test Results**

Variables	Cronbach's Alpha	N of Items	Test results
Entrepreneurial Orientation	0.820	12	reliable
Market Orientation	0.834	12	reliable
Customer Capital	0.841	12	reliable
Competitive Advantage	0.850	12	reliable

The results of the experiment's reliability shown in Table 2 above prove that all indicators have a Cronbach alpha value for each instrument > 0.60, so it can be concluded that all the instruments used are reliable.

**Multiple Regression Test**

**Table 4. Multiple Regression Test Results**

Model	Unstandardized Coefficients		t-count	Sig.
	B	std. Error		
(Constant)	<b>4,510</b>	1,987	3,210	.000
1 Entrepreneurial Orientation	<b>,189</b>	0.057	<b>3,872</b>	<b>,000</b>
Market Orientation	<b>,178</b>	0.070	<b>3,246</b>	<b>,000</b>
Customer Capital	<b>,220</b>	0.091	<b>4,305</b>	<b>,000</b>

The equation model is obtained from the multiple linear regression above =  $4.510 + 0.189X_1 + 0.178X_2 + 0.220X_3$ , meaning that entrepreneurial orientation, market orientation, and customer capital positively affect competitive advantage.

Based on these equations, it can be explained as follows:

1. The constant value of 6.688 can be interpreted as meaning that if the variables of entrepreneurial orientation, market orientation, and customer capital are considered zero, then the value of the competitive advantage will be in the range of 6.688.
2. The value of the beta coefficient on the entrepreneurial orientation variable is 0.189, which means that every change in the entrepreneurial orientation variable by one unit will result in a change in the competitive advantage of 0.189 units with the assumption that the other variables are at a constant value.
3. The beta coefficient value on the market orientation variable is 0.178, which means that every change in the market orientation variable by one unit will change the competitive advantage of 0.178 units with the assumption that the other variables are at constant values.
4. The beta coefficient value for the customer capital variable is 0.220, which means that every change in the customer capital variable by one unit will change the competitive advantage by 0.220 units, assuming that the other variables are at constant values.

**Simultaneous and Partial Hypothesis Testing**

To examine the variable binding simultaneously, experiment F is used. Simultaneous hypothesis testing attempts to analyze whether entrepreneurial orientation, market orientation, and customer capital variables can simultaneously influence competitive advantage.

**Table 5. Simultaneous Test Results**

Model		Sum of Squares	df	F	Sig.
1	Regression	121,720	3	15,520	,000b
	residual	211,145	156		
	Total	308,283	159		

Based on the results of the simultaneous test analysis in Table 5, the F-count value is  $15.520 >$  from F-table with  $(0.05; 3 \text{ vs. } 157)$  of 2.66 or with a significant  $0.000 \leq 0.05$  can be entrepreneurial orientation, market orientation, and customer capital significantly influences competitive advantage simultaneously. Subsequently, a partial test was conducted to partially analyze the effect of entrepreneurial orientation, market orientation, and customer capital on competitive advantage. Based on the results of data analysis in Table 4, the results of the t-test in this study are as follows:

1. Entrepreneurial orientation has a significant level of  $0.000 \leq 0.05$ , meaning that entrepreneurial orientation has a significant effect on competitive advantage.
2. Market orientation obtained a significant level of  $0.000 \leq 0.05$ , meaning that market orientation significantly affects competitive advantage.
3. Customer capital obtained a significant level of  $0.000 \leq 0.05$ , meaning that customer capital significantly affects competitive advantage.

**Coefficient of Determination Test**

The coefficient of determination measures how far a model can explain the variation of the dependent variable. The results of the determination test in this study can be explained in Table 6 below:

**Table 6. Coefficient of Determination Test Results**

Mode I	R	R Square	Adjusted R Square	Std. An error in the estimate
1	.686a	,422	,407	1,180

Based on the results of the data analysis in Table 6 above, the coefficient of determination value is 0.422. This means that 42.2% of the level of competitive advantage can be explained by entrepreneurial orientation, market orientation, and customer capital, while other factors can explain the remaining 57.8%, which is not discussed in this study.

**Discussion**

Based on partial hypothesis testing (H1) results, entrepreneurial orientation positively and significantly affects competitive advantage. This is because entrepreneurial orientation encourages MSMEs to be innovative in developing products, services and business strategies. Amid a competitive and dynamic market, innovation is the key to differentiating ourselves and attracting consumer attention. MSMEs that can generate new ideas and dare to take risks in implementing them will have a significant competitive advantage. Entrepreneurial orientation strengthens MSMEs' market orientation, enabling them to understand better and respond to customer needs and preferences. By understanding the market in depth, MSMEs can develop products and services that better suit consumer desires, increasing their competitiveness. Furthermore, entrepreneurial orientation encourages MSMEs to identify and pursue new market opportunities proactively. MSMEs that are responsive to changes in the market and business environment tend to be more adaptive and have more significant competitive advantages.

Based on partial hypothesis testing (H2) results, market orientation positively and significantly affects competitive advantage. In a dynamic market and intense competition, a deep understanding of the market is the key to developing products and services that are relevant and attractive to consumers. When MSMEs have a strong market orientation, they are more proactive in seeking new market



opportunities and adapting their business strategies to changing market trends and needs. Responding quickly and effectively to market changes allows MSMEs to maintain or even improve their market position, a significant source of competitive advantage. Furthermore, market orientation strengthens inter-functional coordination within MSMEs, enabling various departments or functions to work together effectively in creating and delivering value to customers. Good coordination between these functions makes MSMEs more responsive to customer needs and more efficient in meeting market demand.

Based on partial hypothesis testing (H3) results, customer capital positively and significantly affects competitive advantage. MSMEs that understand customer needs, wants and preferences well have a more significant opportunity to meet customer expectations and build strong loyalty. In addition, customer capital allows MSMEs to get valuable customer feedback. By listening and responding well to customer feedback, MSMEs can improve the quality of their products and services according to market needs. This can help MSMEs to stay relevant in an ever-changing market and increase their competitive advantage. Strengthening brand reputation also has a positive impact on solid customer capital. MSMEs with good customer relationships have a good reputation in the market. A positive brand reputation can increase customer trust, differentiate MSMEs from competitors, and enable them to retain and attract new customers effectively.

## **CONCLUSION**

This research concludes that entrepreneurial orientation, market orientation, and customer capital have a positive and significant effect on

competitive advantage. Overall, entrepreneurial orientation plays a vital role in shaping the competitive advancement of MSMEs in Indonesia by facilitating innovation, strong market orientation, proactivity, product differentiation and a positive innovation culture. MSMEs that implement entrepreneurial orientation well tend to have more significant competitive advantages in dynamic and competitive markets. Therefore, developing and strengthening entrepreneurial orientation is crucial for MSMEs to achieve and maintain a strong market position in Indonesia.

Market orientation allows MSMEs to understand their market competitors better and develop more effective strategies to compete with them. By monitoring competitors' activities and understanding their strengths and weaknesses, MSMEs can identify opportunities and threats in the market, allowing them to take appropriate steps to increase their competitive advantage. Customer capital helps MSMEs understand and respond to changes in customer preferences and market trends more quickly and effectively. With close customer relationships, MSMEs can gain valuable insight into market needs and develop more timely and relevant business strategies. This allows MSMEs to remain competitive in a dynamic market and increase customer capital.

Theoretically, this research contributes to a better understanding of the factors that influence the competitive advantage of MSMEs. By identifying entrepreneurial orientation, market orientation, and customer capital as predictors of competitive advantage, this research significantly contributes to developing theory related to MSME business strategy. These implications enrich the academic literature with new insights into how these factors interact and

influence the competitive advantage of MSMEs. In addition, from a practical perspective, this research provides valuable guidance for practitioners and stakeholders in the MSME industry. By understanding the importance of entrepreneurial orientation, market orientation, and customer capital in achieving competitive advantage, MSMEs can direct their efforts to strengthen these aspects in their business strategy. This could involve developing a more robust entrepreneurial culture, improving market orientation, and building closer customer relationships.

The limitation of this research lies in the relatively small sample size. For further research, the author recommends increasing the sample size by selecting a wider research object so that generalization can be carried out and increasing the number of predictor variables, such as social capital, green leadership, market sense, innovation culture, and human capital factors. Furthermore, limitations in the duration of the study also need to be considered. This research may only cover a certain period, which does not necessarily reflect the overall business dynamics of MSMEs. Market trends or economic policy changes may influence research results over time.

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