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Competitive Strategy and Performance in Traditional Food SMEs: The Role of Competitive Advantage

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ABSTRACT

Objective*: This study investigates how competitive strategies, including entrepreneurial and market orientations, influence the performance of traditional food SMEs, with a focus on competitive advantage as a mediating variable. This research aims to provide valuable insight for improving business performance in the traditional food sector, especially amidst growing competition and challenges related to innovation and technology adoption.*
Methodology*: This study employs a quantitative approach using Structural Equation Modeling (SEM) with Smart PLS 4.0. Data was collected through a questionnaire distributed to 300 SMEs in the Jabodetabek area (Jakarta, Bogor, Bekasi, and Tangerang). The data analysis involved assessing both measurement and structural models to examine the relationship between entrepreneurial orientation, market orientation, competitive advantage, and business performance.*
Findings*: The results show that market orientation positively affects business performance, while entrepreneurial orientation has a significant impact on competitive advantage. Furthermore, competitive advantage plays a critical role as an intervening variable between both entrepreneurial and market orientation and business performance. Notably, entreprenuenial orienattion dose not directly influ ence business performance buat doses enhance competitive advantage, which in turn improves performance*
Conclusion*: This study highlights the importance of adopting a market orientation and fostering an entrepreneurial orientation to enhance competitive advantage, thereby improving business performance in traditional food SMEs. These findings suggest that SMEs must focus on innovation, market responsiveness, and strategic management to remain competitive and expand their reach, particularly in global markets. The results also provide actionable insights for policymakers, business owners, and other stakeholders involved in the growth of Indonesia's traditional food industry.*

Keywords: *Entrepreneurial Orientation; Market Orientation; Competitive Advantage; Business Performance; SMEs Traditional Food.*

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INTRODUCTION

One of the leading sectors among SMEs is the traditional food industry, which not only provides income for the community but also helps preserve the archipelago's culinary culture. In 2023, there will be around 66 million SMEs in Indonesia, with a significant portion engaged in the traditional food sector, which accounts for the main part of the culinary industry, contributing 34 percent. Added value in the food industry contributes 28.48%. Conventional food, as the industry group with the largest contribution to added value, experienced a slowdown in growth, with an average decline of 0.003 percent (Kantor Dagang Indonesia, 2023).

Due to a lack of innovation and technology, digital literacy, productivity, legality or licensing, financing, branding and marketing, human resources, standardization and certification, fair distribution of coaching, training, and facilitation, and a single database owned by SMEs, the business model that Small and Medium Enterprises (SMEs) typically employ is still largely simple. Only around 18% of culinary MSMEs have optimally utilized digital marketing, even though 98% of consumers in Central Java search for culinary information online (Fajrul & Saptyana, 2025). In addition, SMEs often lack consistency in setting production quality standards and optimizing the use of raw materials, resulting in lower product quality. Particularly in the traditional food sector, these problems affect SMEs' business performance.

However, amid increasingly tight market competition, many traditional food SMES are struggling to sustain their operations and improve their performance. Based on a previous study, the various problems faced by SMEs in Indonesia were stated to be lower levels of entrepreneurial innovation compared to SMEs in other nations. The level of expertise in resolving organizational and business management issues remains insufficient, and networking remains restricted, making it difficult to access information, markets, and inputs. Additionally, the linkage remains minimal, making it impossible to take advantage of both the national and regional markets, and access to finance is unfavorable for SMEs, thereby constraining their ability to expand their businesses on a larger scale (Tirtayasa et al., 2022).

Achieving and maintaining a competitive edge, which in turn influences corporate performance, requires a strong competitive strategy. SMEs must enhance their capacity with competitive business strategies. Competitive strategy focuses on building a successful business in a competitive environment by analysing the entrepreneurial and market orientations of SMEs that influence business performance. Entrepreneurial orientation is related to company strategy, decision-making, practices, commitments, actions, attitudes, and knowledge for understanding the quality of traditional food products, thereby affecting the business performance of SMEs (Sutrisno et al., 2021). Market orientation is important for increasing domestic and global competitiveness and for adapting to customer needs. Increased turnover, profitability, and marketing performance are just a few examples of how market orientation has repeatedly been shown to have a positive and significant impact on business performance (Anggraini, 2022; Dhameria & Kusumah, 2024).

Competitive advantage is directly enhanced by business strategies, particularly in small and medium-sized enterprises (SMEs) and organizational contexts across industries, thereby ensuring sustainable commercial development (Abdulwase et al., 2021; Farida & Setiawan, 2022). Competitive advantage arises from the configuration and coordination of activities, as described in the value chain framework. Competitive advantage is achieved by offering high-quality, unique products or services or by focusing on particular market niches. By raising earnings, influencing financial performance, influencing work performance, and influencing

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purchasing decisions, competitive advantage improves corporate performance (Irawan & Sudarmiatin, 2024).

Many studies focus on general food SMES in Indonesia (Hanna & Rajkumar, 2025; Widjaja et al., 2025). However, there is still no specific research on traditional foods with distinctive characters, such as local recipes, culture, halal, and local wisdom. Some previous research results also prove that there is an inconsistency in the mediating roles of market orientation and entrepreneurial orientation, where innovation alone has an effect, proactiveness, risk-taking, and competitive aggressiveness are often insignificant (Widjaja et al., 2025).

This study investigates the connection between competitive strategy, competitive advantage, and company success in traditional food SMEs. The metrics of competitive strategy, competitive advantage, and company performance will serve as the foundation for the evaluation. The study's conclusions may have useful implications for competitive advantage and strategy to enhance company performance. Additionally, this study aims to offer fresh perspectives on competitive advantage and strategy, specifically in the traditional food sector for SMEs.

Research Question

1. Do entrepreneurial orientation, market orientation, and innovation affect the performance of traditional food SMES?
2. To what extent do entrepreneurial orientation and market orientation contribute to improving the performance of traditional food SMES?
3. Does competitive advantage mediate the relationship between entrepreneurial orientation and market orientation and the performance of traditional food SMEs?

LITERATURE REVIEW

Business Performance

MSME Performance is the result of business achievements in the form of business growth, profit, owner wealth, and market performance. MSME performance is explained by the dynamic ability to sense, learn, integrate, and coordinate resources to respond to a changing environment and to create a competitive advantage that improves performance (Bekata & Kero, 2025; Hernández-Linares et al., 2021). An effective performance measurement system must be integrated, adaptive, and relevant to the business strategy and environment. Performance measurement now focuses not only on financial aspects, but also includes marketing, operations, and management dimensions, and takes into account the interests of various stakeholders. Business performance consists of three main systems: operational efficiency, market effectiveness, and financial resilience. The three can support or conflict with each other and affect the company's profitability, growth, and solvency. Business performance consists of three main systems: operational efficiency, market effectiveness, and financial resilience(Mouzas & Bauer, 2022). All three can support or conflict with one another, affecting the company's profitability, growth, and solvency. Business performance indicators are internal processes, productivity, marketing, market position, risk management, liquidity, strategy, industry environment structure, internal capabilities, and environmental suitability.

Competitive Strategy

Competitive strategy is understood as the process of helping SMEs manage and combine resources such as local recipes, local networks, reputation, innovation capabilities, and marketing capabilities. An organization's performance is largely related to its competitive tactics. Since no one model works for all businesses, effective competitive tactics include

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constant observation of rivals, industry developments, and client demands. The five competitive pressures can be addressed by three general competitive strategies: (1) overall cost leadership, (2) distinctiveness, and (3) emphasis. It is widely acknowledged that two essential elements of a competitive strategy for businesses, particularly small and medium-sized enterprises (SMEs), are market and entrepreneurial orientations.

Dynamic Capabilities is defined as an enterprise's ability to integrate, build, and reconfigure internal and external competencies in a changing environment (Azzam et al., 2023; Simões Ribeiro et al., 2023). In Dynamic capabilities, strategic orientation consists of two, namely entrepreneurial orientation (EO) and Market Orientation (MO). EO is defined as the entrepreneurial capabilities to form a strategic entrepreneurship framework for value creation and capture (Azzam et al., 2023; Khan et al., 2025). The development of Entrepreneurial Orientation (EO) is influenced by a variety of external factors, including the organizational environment and company participation, as well as internal motives and personality traits. Innovativeness, risk-taking, proactiveness, autonomy, competitive aggression, enthusiasm, and perseverance are some of the EO dimensions (Guevara-Otero et al., 2025; Santos et al., 2020).

Market orientation as a resource-based capability through routine activities and human capital that creates long-term advantages (Simões Ribeiro et al., 2023). A key in marketing is market orientation, which focuses on how businesses provide value for clients and beat rivals. Market orientation and organizational performance are consistently positively correlated, even in niche industries like manufacturing, services, and SMEs (Kirca et al., 2005). Typically, the aspects include inter-functional coordination (working across departments to efficiently serve the market), competitor orientation (monitoring and responding to competitors), and customer orientation (understanding and addressing consumer needs). The degree to which a company collects and disseminates market knowledge, aligns internal operations to meet market demands, and maintains an aggressive, risk-tolerant, and forward-looking strategic mindset is a common indicator of market orientation (Crick, 2021; Schulze et al., 2022).

Competitive Advantage

The research-based view (RBV) provides a strong theoretical basis for explaining competitive advantage derived from internal resources. RBV explains how internal factors such as assets, capabilities, processes, and knowledge are the source of a company's competitive advantage and strategic capacity (Lubis, 2022; Paliwal & Saxena, 2023). These resources can be tangible or intangible, such as reputation, knowledge, brand, social relations, and entrepreneurial orientation (Lubis, 2022) . RBV emphasizes harnessing capabilities such as innovation, marketing, and learning to create a competitive advantage. Competitive advantage is a superior position resulting from the use of resources such as authentic product differentiation, stable quality, and proximity to the community.

A fundamental concept in strategic management and practical execution is an organization's competitive advantage, which explains how a company can achieve superior performance relative to competitors. Michael Porter introduced the concept of the "diamond model," which highlights national factors such as production factor conditions, domestic demand, related industries, and corporate strategy as determinants of a country or industry's competitive advantage (Porter, 2019). Key dimensions commonly identified include cost leadership, differentiation (such as quality or innovation), flexibility, and delivery performance, which together help firms achieve superior market positions. Indicators used to measure competitive advantage typically include financial performance, market share, customer satisfaction, innovation outcomes, and operational efficiency (Abdul-Kadhim et al., 2022; Ali & Anwar, 2021; Fabrizio et al., 2022). In addition, the theory of competitive advantage has also

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been developed by emphasizing the importance of a company's internal resources that are valuable, rare, difficult to imitate, and not easily replaced as the key to sustainable advantage.

HYPOTHESIS AND RESEARCH FRAMEWORK

Competitive Advantage Effect on Business Performance

Businesses can outperform rivals by providing customers with greater value or by operating more efficiently when they have a competitive advantage gained through tactics such as differentiation, cost leadership, innovation, and a strong market orientation. This improves financial and market results (Agus et al., 2023; Mandasari et al., 2023). Dynamic capabilities such as invention and adaptation are crucial for small and medium-sized enterprises (SMEs) to sustain a competitive edge amid resource constraints.
H1: Competitive Advantage positively influences Business Performance

Entrepreneurial Orientation Effect on Business Performance

Entrepreneurial orientation (EO), which encompasses innovativeness, risk-taking, and proactiveness, has been consistently linked to improved business performance. Therefore, Entrepreneurial Orientation tends to lead to better outcomes, such as increased growth, profitability, and greater success in new product development. In small and medium-sized enterprises, the owner's attributes and the firm's orientation, whether entrepreneurial or more traditional, can further shape outcomes, with EO being especially important for younger firms. Entrepreneurial marketing positively impacts business performance in SMEs (Mandasari et al., 2023; Yi et al., 2021)
H2: Entrepreneurial Orientation positively influences Business Performance

Entrepreneurial Orientation Effect on Competitive Advantage

It has been repeatedly demonstrated that entrepreneurial orientation (EO), defined by inventiveness, proactivity, and risk-taking, enhances a company's competitive edge across a variety of settings and sectors. Studies reveal that EO enhances dynamic capabilities, creativity, and innovation, which in turn drive both differentiation and cost advantages, ultimately improving firm performance (Chen et al., 2023; Ferreira et al., 2020). Therefore, adopting and maintaining a strong entrepreneurial orientation is a key driver for firms seeking to achieve and sustain a competitive edge in markets. Studies show that entrepreneurial orientation positively impacts competitive advantage and performance in SMEs (Yi et al., 2021)
H3: Entrepreneurial Orientation positively influences Competitive Advantage

Market Orientation Effect on Business Performance

The organizational focus on understanding and responding to consumer demands, competitive activity, and market trends is known as market orientation. Market orientation has been consistently linked to improved business performance across diverse industries and regions. Empirical studies show that firms with strong market orientation achieve higher profitability, sales growth, customer retention, and overall performance, regardless of whether they operate in manufacturing, services, or not-for-profit sectors (Cano,C, François A. Carrillat, 2004; Sin et al., 2000)
H4: Market Orientation positively influences Business Performance

Market Orientation Effect on Competitive Advantage

A company's focus on understanding and responding to customer demands and competitive activity is known as market orientation. Market orientation has a significant positive impact on

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competitive advantage, particularly when combined with dynamic capabilities, innovation, and effective business strategies. In some sectors, brand strength and strategic positioning also play significant roles, sometimes even surpassing market orientation in their direct impact on competitive advantage (Nguyen Van et al., 2023; Rua & Santos, 2022)
H5: Market Orientation positively influences Competitive Advantage

Entrepreneurial Orientation Impact as an Intervening Variable on Business Performance and Competitive Advantage
The relationship between EO and company success is frequently mediated by competitive advantage, meaning that the firm's capacity to manage resources and differentiate itself effectively is a major conduit for EO's influence on outcomes such as firm growth and individual wealth. Developing dynamic capabilities and a competitive edge can boost SME performance, but doing so requires a strong entrepreneurial mindset (Agus et al., 2023). Prior studies demonstrated that, via the mediation of competitive advantage, entrepreneurial orientation enhances SMEs' performance (Kiyabo & Isaga, 2020)
H6: Entrepreneurial Orientation positively influences Business Performance and Competitive Advantage as an Intervening Variable

Market Orientation Impact as an Intervening Variable on Competitive Advantage and Business Performance
A strong market orientation, such as focusing on customer needs and monitoring competitors, drives product innovation and differentiation, ultimately enhancing the business's competitive advantage. By enabling businesses to leverage their strengths and adapt to market changes, competitive advantage often serves as an intervening or mediating variable, strengthening the relationship between market orientation and business performance. Research indicates that elements including market volatility, the level of competition, and the company's capacity for internal coordination and innovation (Correia et al., 2021; Na et al., 2019).
H7: Market Orientation positively influences Business Performance and Competitive Advantage as an Intervening Variable

METHODOLOGY

This research was conducted among SMEs specializing in traditional food in the Jabodetabek area (DKI Jakarta, Bogor, Depok, Tangerang, and Bekasi). Since no comprehensive sampling frame exists for this population, purposive sampling was employed. Respondents were selected based on the following predetermined criteria: (1) the business is classified as a micro, small, or medium enterprise engaged in traditional food processing or distribution; (2) the business is actively operating within the Jabodetabek region at the time of data collection; and (3) the owner or manager has direct involvement in the business's operational and financial decisions. This non-probability sampling approach is appropriate when the target population is difficult to enumerate and when specific respondent characteristics are required to ensure the relevance of the data (Ahmed, 2024; Turban et al., 2023).

Sample size determination in this study follows the guidelines established for Partial Least Squares Structural Equation Modelling (PLS-SEM) by Hair & Alamer (2022), who propose two complementary approaches. First, the "10-times rule" stipulates that the minimum sample size should be at least ten times the largest number of structural paths directed at any single latent construct in the model. In this research, the endogenous construct with the highest number of incoming paths has five antecedent variables; therefore, the minimum required

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sample size is 10 × 5 = 50 respondents (White, 2022). Second, to confirm statistical adequacy, a power analysis was conducted using G*Power 3.1 software (Faul et al., 2007), applying a multiple regression framework with a medium effect size ($f^2 = 0.15$), a significance level of $\alpha = 0.05$, and five predictors, which yielded a minimum recommended sample of 92 respondents to achieve 80% statistical power (Althubaiti, 2023)

Accordingly, a target of 300 respondents was set for this study, substantially exceeding both thresholds and ensuring robust statistical power across the five administrative regions covered by Jabodetabek. The total number of respondents for this research is 300 (Amelia & Nugroho, 2024; Herawati & Imronudin, 2024).

The data used in this study are primary data collected through a structured questionnaire instrument using a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The questionnaire was administered digitally via Google Forms and distributed exclusively to respondents who fulfilled the purposive sampling criteria described above. To ensure eligibility, the questionnaire link was disseminated through networks of SME associations, trade cooperatives, and regional business communities within the Jabodetabek area, and only respondents who confirmed active ownership or management of an SME in the traditional food sector were included in the final dataset.

In line with the study's objective, exploratory research examining associations between variables was used. Partial Least Squares (PLS) is the statistical method used in this investigation. Variance-based structural equation modelling (SEM) is the analysis technique employed. SmartPLS 4.0 was used as the analytical instrument in this study to generate the findings. An open-source program called Smart PLS 4.0 is used to conduct PLS path modelling with latent variables. Several studies were conducted to address the current issues. Evaluation of the measurement model (outer model) to determine the validity and reliability of constructs, and evaluation of the structural model (inner model) to examine the proposed links between constructs, are the two primary steps in the process. The first step, the measurement model test, consists of outer loadings, Cronbach's alpha, composite reliability, average variance extracted (AVE), and discriminant validity using the Fornell-Larcker and CIF. Step two is carried out with a structural model test. The test stages are as follows: path coefficients and p-value, determination coefficient, effect size, SRMR (Changalima & Chuwa, 2026; Haji-Othman et al., 2024)

RESULT AND DISCUSSION

Descriptive Characteristic Respondent

To provide readers with information about the characteristics of the participants utilized in this research. Thus, the characteristics of respondents used are gender, length of business, educational background, and business capital used by traditional food SMEs in Jabodetabek (Jakarta, Bogor, Depok, Tangerang, and Bekasi), which represent SMEs in Indonesia. The geographical location of SMEs plays a significant role in explaining subject performances. The questionnaire was completed by 300 respondents. The results of other respondent characteristics are depicted in Figure 1 below.

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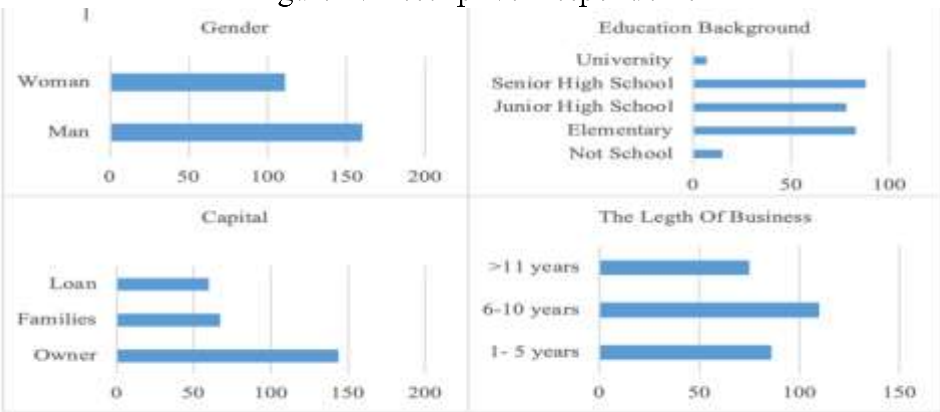
Figure 1. Descriptive Respondents



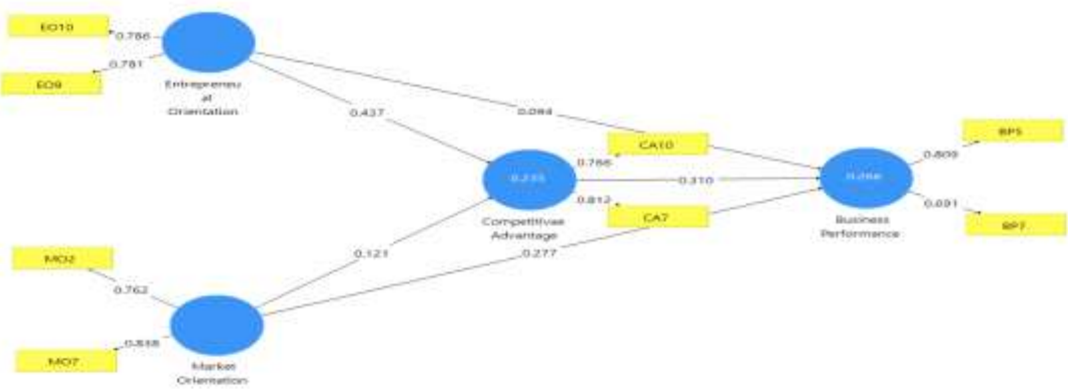
The chart suggests that senior high school is the highest level of education and that men are more likely than women to be traditional food entrepreneurs. This is because vocational education is offered in several Indonesian senior high schools. (Farida & Setiawan, 2022) to develop their entrepreneurship skill. In running their business, most SMEs have a length of business ranging from 6-10 years, with their capital provided by traditional food SME business owners.

Result

Outer Model

Outer model measurement is carried out by checking that the loading factor meets the convergent validity criterion (> 0.70). If it is <0.7, then these indicators must be dropped to measure the correct latent variable. The results of this study show that several indicators were dropped. Figure 2 describes the result of the outer model.

Figure 2. Outer Model



The next step is to evaluate the outer model by examining cross-loadings, discriminant validity, and composite reliability.

1. Cross-loading
   By contrasting a construct's indicator value with that of other constructs, cross-loading is accomplished. The construct indicator correlation is greater than the correlation with indicators (> 0.7), according to the test results.
2. Discriminant validity

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Discriminant validity must meet the requirements of an Average Variance Extracted (AVE) value > 0.5. The test results in this study show that all variables have AVE values> 0.5.

Table 1. Discriminant Validity Result

Variables	Average Variance Extracted (AVE)
Business Performance	0.566
Competitive Advantage	0.623
Entrepreneurial Orientation	0.614
Market Orientation	0.642

3. Composite Reliability
   This is a reliability test that assesses the composite reliability of the construct indicator. The results of this study show values> 0.6, indicating that the construct in the model has high reliability and meets the reliability requirements.

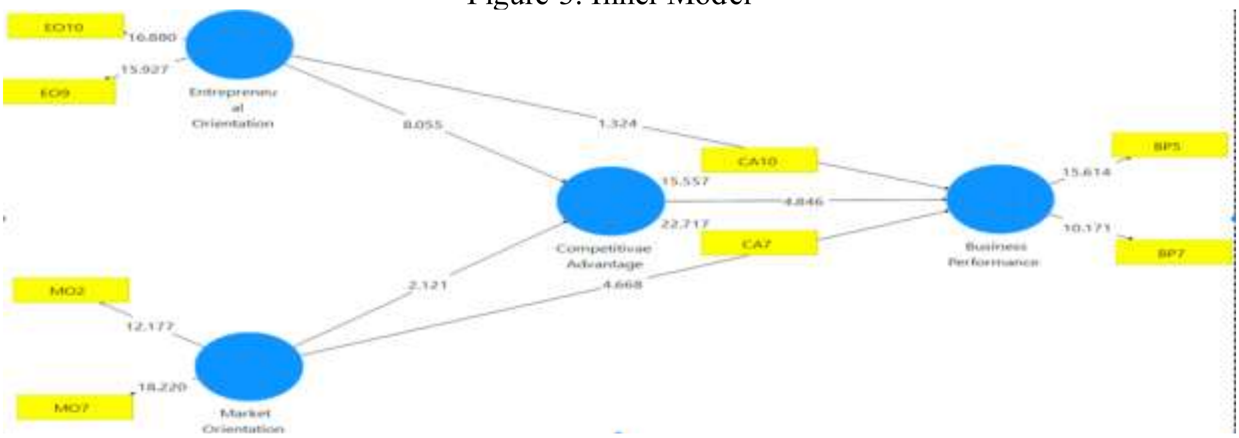
Table 2. Composite Reliability Result

Variables	Composite Reliability
Business Performance	0.722
Competitive Advantage	0.768
Entrepreneurial Orientation	0.761
Market Orientation	0.781

Inner Model

Testing of the outer model has been completed in this study; the next step is to test the inner model using bootstrapping. This inner model provides information about the statistical values of the hypothesis results. The results of testing the inner model can be seen in the following Figure 3:

Figure 3. Inner Model



By examining the R-squared value, or the percentage of variation explained, the inner model can be evaluated. The table below provides the study's R-squared value:

Table 3. R-Square Result

Variables	R Square	R Square Adjusted
Business Performance	0.266	0.258
Competitive Advantage	0.235	0.230

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The construct variables for the business performance variants have an R-squared value of 0.266. This suggests that 26.6% of firm performance may be explained by competitive advantage, market orientation, and entrepreneurial orientation, with the remainder attributable to other factors not addressed by the model. The R-squared value for competitive advantage is 0.235. This suggests that 23.5% of the competitive advantage may be described by the variables of market orientation and entrepreneurial orientation, with the remaining portion not being explained by the model. The R^2 value in this study indicates a weak fit, meaning that the model explains only a small number of variants (Haji-Othman et al., 2024; Lin & Huynh, 2024). Other factors that are not measured in the model include competence, innovation, technology, and government policies.

The t-statistic and the t-count are compared to test the hypothesis. The hypothesis can be accepted if the t-statistic exceeds the critical value in the t-table, and vice versa. At a 5% significance level, the study's t-table value is 1.65. It is possible to determine the link between the study's variables by comparing these values. The results of hypothesis testing based on the path coefficient findings in the SmartPLS test are displayed in the following table:

Table 4. Hypothesis Testing Result

	t Statistics	P Values	Conclusion
Competitive Advantage -> Business Performance	4.846	0.000	Ha accepted
Entrepreneurial Orientation -> Business Performance	1.324	0.186	Ha rejected
Entrepreneurial Orientation -> Competitive Advantage	8.055	0.000	Ha accepted
Market Orientation -> Business Performance	4.668	0.000	Ha accepted
Market Orientation -> Competitive Advantage	2.121	0.034	Ha accepted

Table 5. Hypothesis Indirect Testing

	t-statistics	P Values	Remarks
Entrepreneurial Orientation -> Competitive Advantage -> Business Performance	3.806	0.000	Ha accepted
Market Orientation -> Competitive Advantage -> Business Performance	1.816	0.070	Ha accepted

Discussion

Based on the test results in Table 4, the results can be discussed further and linked to theoretical and empirical studies on their influence on entrepreneurial orientation, market orientation, competitive advantage, and business performance. The results are significant and align with prior studies, while contributing to a nuanced understanding of the existing literature.

Competitive advantage affects firm performance, as the t-statistic (4.846) exceeds the critical value (1.65) at the 0.000 significance level. This can be interpreted as accepting Ha and rejecting Ho. Comparative advantage is widely recognized as a key mechanism through which resources, capabilities, and strategies translate into higher SEMs performance, but the strength and pattern of this effect can vary across contexts. Several empirical studies show that a stronger competitive advantage directly improves performance (Cheng et al., 2025; Hanna & Rajkumar, 2025). A strategy SMEs business actors can adopt is to place greater emphasis on competitive advantage to improve business performance, especially in light of the evolving business landscape (Tirtayasa et al., 2022). Traditional food SMEs need to develop strategies to drive long-term growth. One strategy is for SME players to promote traditional foods in both local and global markets and participate in exhibitions. In addition, Indonesia's traditional food has advantages and uniqueness that other countries do not have. Globally, it has the advantage of competing in the worldwide market. On the other hand, in the local market, SMEs have to compete with large companies that can offer more competitive prices. These advantages include

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unique offerings compared to other companies, competitive pricing, rare products, and hard-to-copy products or services. Therefore, the company is required to further increase production results and implement the right business strategy to help customers achieve good business performance.

The performance of businesses is unaffected by entrepreneurial orientation, where the statistical t-value (1.324) < t-table (1.65) with a significant value of (0.186). This shows that Ha is rejected and Ho is accepted. The results of this study are in line with the research conducted by Maulana et al.(2025). This shows that if EO is not supported by SMEs' management competence, it can lead to immeasurable business performance. Entrepreneurial Orientation contradicts traditional and adaptive market orientation. Entrepreneurial orientation is a process that explains how firms develop strategies to support SME actors' decision-making (Sutrisno et al., 2021). However, the value of each EO dimension may vary with the firm's stage of growth and the specific business environment. Several empirical studies have shown that entrepreneurial orientation affects performance only in older SMEs (Fernandes et al., 2025; Ferreira et al., 2020). This is because the strategic behaviour of management levels is clearly structured to win the competition through innovation and proactive responses to existing market opportunities. In traditional food SMEs, business performance is unaffected by entrepreneurial orientation because these SMEs are unable to provide quality services, quality management, or products to customers. In addition, environmental conditions related to the availability of raw materials, consumer tastes, and other unpredictable factors will affect the poor business performance of the traditional food industry.

Entrepreneurial orientation affects competitive advantage, where the t-statistic value in the hypothesis test is (8.055) > t-table (0.165) with a significant value of (0.000). Thus, Ho is rejected while Ha is accepted. An entrepreneurial orientation can foster an entrepreneurial attitude in business operations. The entrepreneurial attitudes SME entrepreneurs need include open innovation, risk-taking, and autonomy. Companies must have a table of implementation plans to accomplish objectives. and to see new opportunities to be gained to achieve competitiveness, more participation, more distribution, and innovation (Sutrisno et al., 2021). Traditional food players have an entrepreneurial attitude, as evidenced by the fact that the majority of SMEs have been in this business for 6-10 years. This shows that SMEs have faced changes in technology and consumer tastes. But they still survive to run a traditional food business by taking all the risks involved and trying to remain innovative and proactive in adapting to change. The previous study highlighted that EO is an important driver of a firm's competitive advantage, especially for MSEMs (Farida & Setiawan, 2022; Rihayana et al., 2024). EO, with the power of innovation and product differentiation, will be able to increase competitive advantage and performance, especially in traditional food MSEMs.

Market orientation affects business performance with a statistical t-value (4.668) > t-table (1.65) with a significance value of (0.000). This indicates that Ho is turned down while Ha is accepted. Previous research studies have stated that market orientation has a positive (Lusiana et al., 2024; Shugdar et al., 2025). An organizational perspective known as "market orientation" promotes three key elements: interaction, competitor orientation, and customer orientation. SMEs that have incorporated market orientation into their organizational culture will prioritize the requirements, desires, and expectations of the external market and be highly sensitive to their rivals' tactics and actions. It provides the foundation for creating plans for every business division within the company and assessing how well the business is performing (Yi et al., 2021). The commitment of traditional food SMEs to running their businesses demonstrates their loyalty to serving consumers. SMEs prioritize consumers in running their businesses to enhance performance.

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Competitive advantage is affected by market orientation, with a t-value (2.121) > the t-table value (1.65) and a p-value (0.000). This shows that Ho gets rejected while Ha is accepted. Previous empirical studies have shown that competitive advantage affects the onboarding market (Cahaya et al., 2024; Puspaningrum, 2020). Globalization in the food sector has two effects for SMEs. First, it opens new opportunities for outward expansion and growth for SMEs; second, it poses new competitive challenges abroad in terms of inward globalization (Rua & Santos, 2022). In the Era of Digital 5.0, as the sales industry has shifted to a buyer's market, innovation is becoming increasingly crucial to winning the competition (Farida & Setiawan, 2022). The company that was bold enough to take risks, innovative enough, and proactive enough created market-oriented opportunities in the face of competition. Traditional food SMEs in Indonesia seek to improve their market orientation by identifying potential customers, determining which traditional Indonesian food products to produce, and determining production quantities. In general, the customers for SMEs' market orientation are domestic and foreign tourists visiting Indonesia. In addition, there is a strong desire among SMES players to provide the best service to customers according to their needs. This is evident in the consistency of SMES owners in running their businesses, with most operating for 6-10 years.

The impact of an entrepreneurial mindset on business outcomes with a competitive advantage as the mediating variable. The t-statistic value in the indirect effect test shows the t-statistic value (3.806)> t-table (1.65), so it can be concluded that Ho is marked aside while Ha is accepted. In traditional food SMEs, EO actors are associated with risk-taking and proactivity. This creativity is related to entrepreneurial orientation (product innovation, risk-taking, competitive aggressiveness, and market review), which must be owned by SME actors to give SMEs a competitive advantage, enabling them to win the competition and implement superior competitive strategies. High creativity is needed by traditional food SMEs to compete with other SMEs and large companies. Entrepreneurial orientation influences business performance as a mediating variable through competitive advantage. The effect of this mediation depends on the industry type, SMEs' size, the local market, and the magnitude of competitive advantage. In many studies of SMEs, competitive advantage mediates the influence of entrepreneurial orientation and capability on performance, including growth, owner wealth, and financial performance (Rua & Santos, 2022; Zahara et al., 2024). SMEs should increase their performance by exploiting market opportunities and neutralizing threats (Kiyabo & Isaga, 2020).

Competitive advantage is one way that market orientation affects company performance as a mediating variable, with a t-statistic (1.816) > t t-value (1.65). Market orientation is the most effective and efficient way to create the behavior needed to deliver superior value to buyers, thereby enabling continuous superior business performance. This is because SMEs that adopt a marketing orientation will have a competitive advantage in product quality, service quality, innovation in traditional food products, and cost. So the customer will be satisfied with the SME's service and earn higher profits, thereby improving their business performance. Market orientation positively influences business performance as a competitive advantage and as a mediating variable (Correia et al., 2021; Yaskun et al., 2023). MO strengthens the relationship between sensing, learning, and integrating capabilities with SMEs' performance (Hernández-Linares et al., 2021). For traditional food SMEs, the MO strategy should be the company's main focus, emphasizing product innovation aligned with market needs and internal coordination. Traditional food SMEs still have considerable market opportunities, especially in global markets. Given that the products reflect Indonesian cultural wisdom and identity, they can attract visitors, both domestic and foreign, especially those visiting the Jabodetabek area.

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CONCLUSIONS

To improve the business performance of SMEs, particularly traditional food SMEs in Indonesia, this study examines the relationships among entrepreneurial orientation, market orientation, competitive advantage, and business performance, with a focus on maintaining and enhancing the competitive advantages of each SME actor. This research is based on various literature and empirical studies. However, there is no prior research examining the traditional food SME sector in Indonesia, although it draws on dimensions and indicators from the prior literature. Competitive strategy variables with entrepreneurial orientation dimensions include risk-taking, proactivity, autonomy, and innovation, while market orientation dimensions include indicators of consumer satisfaction, consumer needs, and responsiveness to change. Business performance variables with indicators of sales, income, and productivity. Competitive advantage variables with indicators of competitive prices and product quality.

The model developed in this study is based on the outcomes of a thorough evaluation of the behavior of traditional food SMEs in implementing business strategies and is grounded in real phenomena observed in the field. The research model also has a low model, as evidenced by the results of model testing, which met the test criteria in the literature, namely validity and reliability. By using rigorous statistical analysis techniques, our research contributes to the methodological literature. Our research data is presented using an information base of statistical and analytical systems to increase the confidence of the government, SME actors, business actors, suppliers, and customers in understanding our research results, based on the number and consistency of reviews.

In conclusion, our research provides an understanding of the impact of market orientation, competitive advantage, entrepreneurial orientation, and business performance on SMEs for stakeholders, consumers, government, and business actors. The findings of this investigation offer theoretical insights and implications for the formulation of strategies and policies, as well as the appropriate methodology. Regarding competitive strategy, the results of this probe encourage SMEs to adopt a market orientation to increase innovation in the production of traditional food products, thereby offering competitive advantages. It also provides the government with an overview of the market opportunities for traditional foods in Indonesia. The government can serve as a policymaker by providing capital and access to global markets for SMEs.

The current study has several limitations. First, the respondents were traditional food SMEs in Jabodetabek (Jakarta, Bogor, Depok, Tangerang, and Bekasi). Therefore, further research can use different demographic area-level objects, as market orientation varies across regions in Indonesia, to get a more complete picture of SMEs in the traditional food industry. Second, the competitive strategy variable consists of several dimensions. This study uses only 2 dimensions, namely entrepreneurial orientation and market orientation. Further research can use other dimensions of the competitive strategy variable. Third, this study still focuses on the PLS method; therefore, future research can use other methods.

The implications of this research are that an organization can achieve favourable results in market orientation, competitive advantage, entrepreneurial orientation, and business performance with sustained support and resource allocation.

Theoretical Implication

This study strengthens the literature on SMEs based on the Resource-Based View (RBV) and dynamic capabilities by showing that entrepreneurial orientation, market orientation, and competitive advantage are important resources and capabilities that can improve SMES business performance (Lubis, 2022; Paliwal & Saxena, 2023; Yaskun et al., 2023). The results

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of the study show that market orientation has a positive effect on performance, both directly and indirectly, through competitive advantage. This shows that orientation plays a strategic role as an intangible capability that transforms power sources into higher performance (Cahaya et al., 2024; Simões Ribeiro et al., 2023; Yaskun et al., 2023). The results of the study showed no significant direct effect of EO on the performance of SMEs. Therefore, it is important to consider the types of SMEs, sectors, and regions, as well as other mediation roles such as innovation, competence, entrepreneurship, management capabilities, and access to government information (Cahaya et al., 2024; Fernandes et al., 2025; Maulana et al., 2025)

Managerial Implication

This research provides implications for SMES owners and managers which play a role in providing practical steps for SMEs in the traditional food:

1. SMEs in strengthening market orientation and entrepreneurship through routine activities to recognize customer needs, monitor competitors, and dare to take measurable risks, and proactively seek new opportunities
2. Encouraging SMEs to eat traditional food in innovating products and processes as a link between entrepreneurial orientation and performance improvement by developing new products, improving quality, and differentiating products that are difficult for competitors to imitate
3. SMEs can maintain a competitive advantage through quality, service, and brand reputation to strengthen marketing and business performance
4. SMEs can increase human resource capacity and entrepreneurial competence by providing training, mentoring, and leveraging government programs, as well as fostering competence and good management, thereby improving SMES performance.

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