

# Analyzing the Influence of Sustainable Entrepreneurial Orientation on Sustainable Business Performance through Competitive Advantage of SMEs in Jakarta, Indonesia

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## ABSTRACT

In the era of globalization, companies face various challenges and risks, including competition. To survive in this constantly changing business environment, it is important to identify and address both opportunities and threats. The aim of this study is to investigate the impact of sustainable entrepreneurial orientation on business performance in SMEs, with competitive advantage acting as a mediating variable. The research surveyed 325 SME entrepreneurs in Jakarta City. The data was analyzed using the Structural Equation Modeling with Partial Least Square (SEM PLS) approach. The findings demonstrate that sustainable entrepreneurial orientation has a significant effect on business performance in SMEs. In SMEs, there is a significant relationship between sustainable entrepreneurial orientation and competitive advantage, as well as between competitive advantage and business performance. The relationship between sustainable orientation and business performance is mediated by competitive advantage.

## Keywords:

Sustainable entrepreneurial orientation, competitive advantage, business performance, sustainability, SMEs

## INTRODUCTION

The sustainable business performance of Small and Medium Enterprises (SMEs) is a critical issue that has garnered significant attention in recent research. The evolving global landscape, characterized by a shift towards sustainable development, has necessitated a re-evaluation of the priorities and policies governing SMEs (Ondondo, 2023). Furthermore, the literature suggests that the sustainability of SMEs is closely linked to their business models, with a call for innovative business model designs that prioritize sustainability (Venny & Febriyantoro, 2020). This underscores the need for SMEs to adopt business model innovations that align with sustainable practices to ensure long-term viability.

In today's fast-paced world, the importance of precise weather predictions is extremely significant. Similarly, the concept of sustainable entrepreneurial orientation has become increasingly crucial in the business environment. Recent research indicates that sustainable companies must integrate entrepreneurial orientation into their business operations to attain success. Entrepreneurial orientation encompasses organizational innovation, proactiveness, and risk-taking aimed at achieving enduring business performance. This implies that organizations with an enduring entrepreneurial orientation are more inclined towards activities such as developing new products or services, continually pursuing growth opportunities and innovation, and taking well-considered risks for long-term achievements (Rosli Mahmood et al., 2013)

Sustainable entrepreneurial orientation promotes a strong commitment to corporate social responsibility. This enhances the organization's reputation and fosters positive relationships with stakeholders, leading to increased customer loyalty and trust, as well as an improved brand image (Indrawati, 2022). Furthermore, it contributes to the long-term success of the organization by considering environmental

and social factors. Consequently, organizations are better positioned to adapt to changing regulatory requirements and market trends while mitigating risks related to sustainability issues and capitalizing on opportunities arising from the growing demand for sustainable products and services (Jiang et al., 2022).

The development of Small and Medium Enterprises (SMEs) in Jakarta, Indonesia has been substantial, with SMEs significantly contributing to the economic growth of the region (Apriyanto & Yola, 2022). However, despite this propitious growth, SMEs in Jakarta encounter impediments in implementing sustainable entrepreneurship practices, imperative for ensuring enduring business performance. One cardinal hindrance faced by Jakarta's SMEs is the paucity of knowledge and expertise in sustainable business paradigms integrating economic, environmental, and social accountability facets into operations (Permatasari & Gunawan, 2023). Moreover, restrained access to capital has rendered it arduous for SME entrepreneurs to undertake sustainability endeavors, requiring substantial preliminary investments in green technologies, reskilling, and organizational transformations (Das et al., 2020). Additionally, most SMEs lack methodical data acquisition and analytics to accurately gauge sustainability impact, hampering the formulation of efficacious strategies and decision-making (Martins et al., 2022). By surmounting these challenges, SMEs can augment competitive advantage via cost and risk mitigation, enhanced customer loyalty, improved efficiency and productivity, alongside robust relations with diverse stakeholders (Venny & Febriyantoro, 2020). Therefore, a concentrated effort from related institutions through financing, skill upgrading initiatives and regulatory support is imperative to nurture sustainable entrepreneurship among Jakarta's SMEs.

The sustainable business performance of Small and Medium Enterprises (SMEs) in Jakarta can be analyzed from various perspectives. Hacıgöglü et al (2018) provides valuable insights into the translation of sustainable innovation within SMEs into practice, emphasizing the importance of innovation theory, sustainable development practice, and small business characteristics in influencing the sustainable business performance of Jakarta's SMEs. Additionally, Haseeb et al. (2019) highlights the roles of social and technological challenges in achieving sustainable competitive advantage and sustainable business performance among Jakarta's SMEs, shedding light on the multifaceted nature of sustainability. Furthermore, as emphasized by Das and Rangarajan (2020), policy initiatives and collaborative synergy positively influence the sustainability and business growth of SMEs in Jakarta, underscoring the significance of external factors in driving the sustainable business performance of SMEs in this region.

In recent years, the topic of SEO and its relationship to company performance has begun to attract researcher attention, such as the role of environment in SEO on family business performance (Hernández-Perlines & Cisneros, 2018) and SEO on company performance with the consequence of intrapreneurship as a moderating (Criado-Gomis et al., 2018). The results of both studies indicate a significant relationship between SEO and company performance. Although research on SEO has started to gain attention, there are still debates about the application of SEO as a business strategy (Eggers et al., 2018). The research by Kraus et al. (2018) has different results from the two studies above. Kraus et al. (2018) conducted a meta-analysis study of SEO at individual, organizational, and contextual levels. The results state that the application of SEO at the organizational level, especially for SMEs, has

the potential to be detrimental because SEO is a long-term-oriented strategy and has risks if applied by SMEs.

## **Literature Review**

### **1. Sustainable Entrepreneurial Orientation**

Sustainable Entrepreneurial Orientation (SEO) represents a dual strategic orientation formed by integrating the entrepreneurial orientation concept by Covin and Slevin (1999) and the sustainability orientation notion (Fairoz et al., 2010). While entrepreneurial orientation encapsulates the entrepreneurial behaviors inside an organization (Wales et al., 2013), sustainability orientation entails the integration of sustainable development aspects (economic, social, and environmental) (Martin, 2016). The SEO strategy was conceptualized by Criado-Gomis et al. (2017) through a dynamic capabilities perspective that allows a company to achieve a competitive edge (Teece, 2010). SEO offers integration between entrepreneurial orientation and sustainability orientation to form a strategic orientation that drives competitive advantage as well as impact economy and sustainable growth (Lumpkin & Dess, 1996). While incorporating environmental, social, and economic factors equally (Rosli Mahmood et al., 2013) to respond effectively to market volatility by combining capabilities in discovering and capitalizing on available opportunities. The fusion of decision-making facets and EO dimensions (proactiveness, innovation, and risk-taking) as well as SO aspects can develop unique strategic prospects for sustainable organizations to be first movers in the market, grow, and persist in the long run (Criado-Gomis et al., 2017).

### **2. Competitive Advantage**

Developing a competitive strategy means a business must have a forward-looking vision or goal regarding how it will compete (Prakosa, 2005). Competitive advantage is a measure for an organization of the extent to which it can create a position to remain within the market scope as long as competition in that market continues (Herman & Hady, 2018).

According to Supranoto (2009), the understanding of competitive advantage has two definitions that are very different but still interrelated. The first definition explains the superiority in resources and expertise in terms of the creativity and innovation possessed by an organization. An organization that has these advantages has strong competitiveness. The second definition explains the superiority in performance achievement and how well an organization maintains good performance. An organization is considered good when it can take advantage of existing opportunities and always offers new value compared to its competitors. An organization is required to have a competitive advantage as the key to being able to compete in the market (Ruzayda et al., 2014).

### **3. Business Performance**

According to Yuliana & Pujiastuti (2018), a business organization's performance can be seen from market performance and financial performance. Market performance is viewed based on how well a business is market-oriented by looking at opportunities in the market share, and financial performance is viewed based on how well its financial goals are achieved, in the sense of how far a business has achieved profit-oriented results. In the research of Lee, Kim, Seo, & Hight (2015), it is explained that business performance in an organization is used as a benchmark in various aspects. For businesspeople, business performance is usually used as a benchmark

to assess whether the designed business goals have been achieved or not. For investors, business performance is used as a reference to see the financial health and profit growth. For management, business performance is used as a benchmark to improve future business performance.

#### **4. Conceptual Model and Hypothesis**

##### **a. The Effect of Sustainable Entrepreneurial Orientation on Business Performance**

Venny & Febriyantoro. (2020) found a positive effect of sustainability orientation and entrepreneurial orientation on sustainable entrepreneurship, highlighting the significant moderating effect of entrepreneurial knowledge. This indicates that knowledge and understanding of sustainable practices play a crucial role in leveraging Sustainable Entrepreneurial Orientation to improve business performance. In addition, Criado et al. (2017) highlighted the positive association between sustainability orientation and business ideas inclined toward sustainable development. This suggests that a strong Sustainable Entrepreneurial Orientation can drive business ideas aligned with sustainable practices, potentially enhancing business performance. Moreover, Kocak (2017) explored the effects of entrepreneurial orientation and found a positive impact with sustainability orientation on business performance. This underscores the importance of considering the interplay between entrepreneurial orientation and sustainability orientation in influencing business performance through a Sustainable Entrepreneurial Orientation.

H1: Sustainable entrepreneurial orientation has a significant effect on business performance.

##### **b. The Effect of Sustainable Entrepreneurial Orientation on Competitive Advantage**

The rapid growth in the SME sector can reflect the competitiveness of the SME sector, thus raising issues faced by SME business actors regarding how to improve their competitive advantage (Prakosa, 2005; Supranoto, 2009). It is important for SMEs to understand and apply appropriate business strategies that will determine the continuity of their businesses in anticipating future market demand and taking advantage of market opportunities for business growth (O'Donnell et al., 2002). Although prior research has discussed entrepreneurial orientation and sustainability orientation separately in relation to competitive advantage (Wiklund & Shepherd, 2005), recent research proposes combining them as a unified strategy ((Criado-Gomis et al., 2018b). This strategic entrepreneurial orientation enables businesses to adopt entrepreneurial behaviors connected to environmental, social and economic factors as their culture to build competitive advantage, increase market value and profits.

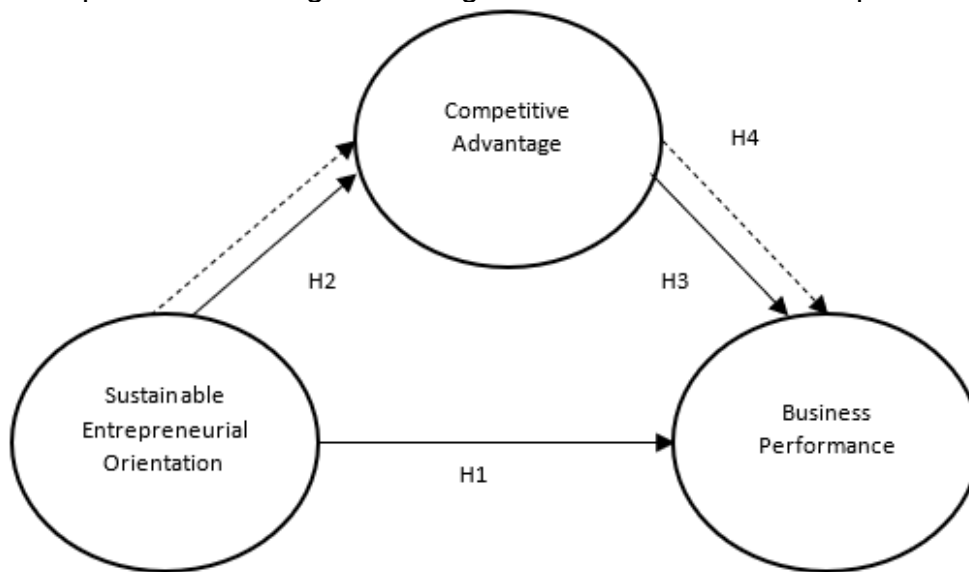
H2: Sustainable entrepreneurial orientation has a significant effect on competitive advantage.

##### **c. The Effect of Competitive Advantage on Business Performance**

A business that has competitive advantage and even maintains that competitive edge will have superior performance compared to competitor businesses without competitive advantage (Sigalas & Papadakis, 2018). This aligns with research by Kakati & Dhar (2002) and Herman et al. (Herman et al., 2018) stating that good competitive advantage enhances business performance. Herman et al. (Herman et al., 2018) state that a business with competitive advantage has added value for itself since such competitive edge represents a business strength in bargaining with consumers.

Business performance can be defined as the success of a business in capturing market share through its ability to offer new value that is acceptable in that market (Chittithaworn et al., 2011). This statement supports the theory by William, James, & Susan (William et al., 2005) which states that the factors influencing business performance success in SMEs are consumers and market share. Therefore, SME actors must analyze and understand market conditions which they then adapt to consumer demand. By doing so, SME actors can create competitive advantage for their own businesses which will later affect the improvement of their business performance.

H3: Competitive advantage has a significant effect on business performance.



**Figure 1.** Research Model

## METHOD

This quantitative survey research uses a questionnaire to examine the relationship between four key competencies (strategic, ethical, networking, and business growth) and the success dynamics of SMEs. Data collected from a large sample is statistically analyzed to test hypotheses regarding how these competencies impact SME performance. This study surveyed 325 SME owners and managers in Jakarta across three key industries: services, commerce, and manufacturing. Respondents are actively involved in business decision-making and operations, providing experienced perspectives and insights on factors impacting the success and sustainability of SMEs.

In this study, the sample selection method used purposive sampling. This method involves selecting units based on certain criteria to ensure the sampled population reflects the characteristics considered essential for research. In this context, the selected SMEs had to meet two primary criteria: being in Jakarta and having been operational for over three years. The data analysis in this study is quantitative with the objective to test the proposed hypotheses. The researchers use the Structural Equation Modeling (SEM) SmartPLS analysis technique version 3 to analyze the data. According to Hair et al., PLS-SEM is capable of handling reflective and formative variables without running into identification issues. In PLS, two models must be analyzed: the measurement model and the structural model. Hypothesis



testing is conducted through a complete analysis of the Structural Equation Modeling (SEM) model using SmartPLS. The complete SEM model not only confirms the theory but also explains the presence or absence of relationships between latent variables (Hair et al., 2017).

## RESULTS AND DISCUSSION

The number of samples collected in this study was 325 respondents. The gender composition of the 325 respondents revealed that 58% were female and 42% were male. This indicates that small and medium-sized enterprises (SMEs) in Jakarta are predominantly owned and operated by women compared to men. The reason for women dominating SMEs in Jakarta could be due to various socioeconomic factors. As more women pursue higher education and join the workforce, their economic empowerment rises. Additionally, the emergence of the internet economy and e-commerce has enabled more women entrepreneurs to start online businesses from home while balancing family responsibilities. Government programs supporting women entrepreneurs through training, mentoring, and access to capital have also boosted women's business ownership. The flexibility and relatively lower barriers to entry for many SMEs suit the needs of female entrepreneurs in Jakarta. As such, women are playing an increasingly vital role in supporting economic growth through their involvement in SMEs across the city.

The frequency of business duration among SMEs in Jakarta was analyzed and it was found that the most common duration was 3-5 years, with a percentage of 62%. On the other hand, the least common duration was more than 8 years, with a representation of only 14%. The frequency of businesses operating for 5-8 years was recorded at 24%. Therefore, the conclusion of the analysis shows that most SMEs in Jakarta have been operating for 3-5 years, making it the most dominant duration of business operation in the area.

The reason why SMEs in Jakarta are dominated by businesses with a duration of 3-5 years can be explained by the high level of competition and challenges in sustaining long-term business viability. Many SMEs fail to survive past 5 years due to limitations in capital, human resources, and financial resilience. Additionally, rapidly changing consumer preferences and the emergence of new business models also challenge SMEs to adapt. Hence, most SMEs in Jakarta tend to focus on the short to medium term in their business operations.

Based on business categories, 56 percent of SMEs in Jakarta are engaged in trade, 35 percent in services and the remainder in production. SMEs in the trade sector dominate because this sector has relatively low barriers to entry and less capital is required to start a business. Additionally, trading activities such as goods distribution and retail have opportunities to reach a wide customer base in urban areas. The high consumer demand for daily necessities and consumer products in Jakarta also drives the growth of retail and wholesale businesses. Another reason is that many residents in Jakarta venture into the trade sector because it is more flexible and does not require specific skills, making it the primary choice for novice entrepreneurs. Therefore, to date, many SMEs are still dominated by the trade business sector in Jakarta (Hadita, 2022).

The researchers conducted additional analysis based on this core insight, examining the measurement and structural models. Evaluating the measurement

model is crucial for determining the validity and reliability of the study variables, as well as how effectively the variables represent their intended constructs. Meanwhile, structural model analysis focuses on the links between latent constructs, maintaining model coherence, and illuminating the dynamics of numerous study components related to small and medium-sized enterprises (SMEs) in Jakarta.

The Partial Least Squares (PLS) approach to Structural Equation Modeling (SEM) provides advantages in exploratory research by allowing for the identification of causal linkages rather than simply validating models. SmartPLS has the advantage of being able to process non-normally distributed data, which is often the case in business studies. Additionally, it can mimic both formative and reflective latent variables (Hair et al., 2017).

### 1. Outer Model (Measurement Model)

The subsequent analytical development of the research focuses specifically on the outer model. This phase is crucial in verifying the validity and reliability of the measurement variables. A rigorous assessment is essential to precisely measure the degree to which variables accurately represent their designated constructs. The study utilizes data analysis techniques with SmartPLS, involving three stages of evaluation to assess the outer model: Convergent Validity, Discriminant Validity, and Composite Reliability.

### 2. Convergent Validity

The degree of correlation or agreement among multiple measures intended to assess the same construct is referred to as construct validity. In the context of SmartPLS and data analysis techniques, this means that the indicators designed to measure a specific latent construct should converge, demonstrating consistent and converging results. A convergent validity assessment is crucial to ensure that the measurement items effectively capture the underlying construct they are intended to represent. This contributes to the overall reliability and validity of the research model.

The results of the SmartPLS output analysis, which includes outer loadings and cross-loadings, are being examined. A thorough evaluation of 15 indicators and a sample size of 325 shows that the outer loading results are satisfactory, with values exceeding the 0.7 threshold. (Ghozali, I., & Latan, 2015).

**Table 1.** Result of Outer Loadings

Item	Loadings
<b>Sustainable Entrepreneurial Orientation</b>	
My business uses innovative marketing strategies	0.726
My business regularly introduces new products	0.808
I am careful in making decisions related to the sustainability of my business	0.824
I choose high risk (more profit) in running my business	0.784
My business is the first to launch new products/services ahead of competitors.	0.762
In running my business, I have a very competitive nature	0.705
I focus on long-term goals and maintaining business continuity.	0.84
In running my business, I minimize expenses to maximize profits.	0.829
I see opportunities to introduce new products/services.	0.788
<b>Competitive Advantage</b>	
My business sales have increased in the last 2 years	0.879
My business always attracts new customers	0.916
The amount of fixed assets (land, buildings, machinery, equipment for business operations, and vehicles) of my business has increased.	0.861
<b>Business Performance</b>	
My business has a better business image than other competitors	0.89

Item	Loadings
My business offers better quality products/services than other competitors	0.881
My business is innovative and has a better marketing strategy than other competitors	0.783

Source: processed data, 2024

All the items above exhibit loading values that meet the significant criteria, i.e., above 0.7. The Average Variance Extracted (AVE) values for all variables exceed 0.5, indicating that they meet the criteria for convergent validity. Convergent validity is established when the AVE value for each variable is above 0.5, suggesting that a substantial proportion of the variance in the observed variables is captured by their respective latent constructs. This result enhances the confidence in the reliability and consistency of the measurement model, affirming the convergent validity of the study's constructs.

### 3. Discriminant Validity

Discriminant validity analysis using cross-loading values in the table indicates the extent to which indicators intended to measure different latent variables have significant differences. Low cross-loading values among indicators confirm that the measurement instrument effectively distinguishes between different constructs, ensuring that these indicators specifically reflect separate latent variables in the context of construct analysis.

**Table 2. Result of Cross Loading**

	BP	CA	SEO
BP1	0.890	0.640	0.788
BP2	0.881	0.751	0.772
BP3	0.783	0.521	0.671
CA1	0.747	0.879	0.821
CA2	0.597	0.916	0.840
CA3	0.634	0.861	0.829
SEO1	0.708	0.557	0.726
SEO2	0.598	0.806	0.808
SEO3	0.629	0.766	0.824
SEO4	0.754	0.635	0.784
SEO5	0.783	0.734	0.762
SEO6	0.579	0.686	0.705
SEO7	0.597	0.916	0.840
SEO8	0.634	0.861	0.829
SEO9	0.890	0.640	0.788

Source: processed data (2024)

Table 2 shows that the indicators that should measure the latent variable tend to have the highest cross loading value for each variable. The BP indicator, as well as SEO and CA, has a higher cross-loading value than other constructs. These results demonstrate consistency between the indicators and the latent variables they are intended to measure, indicating that each indicator has the strongest association with its corresponding latent variable. Thus, to emphasize the interpretation of the latent variable, it is important to consider the indicator with the highest loading value.

### 4. Composite Reliability

During the examination of reliability through composite reliability testing, it was determined that every variable achieved scores of 0.7 or above, indicating that the reliability standards were met. These composite reliability scores indicate a significant level of consistency in measuring each underlying variable, confirming the



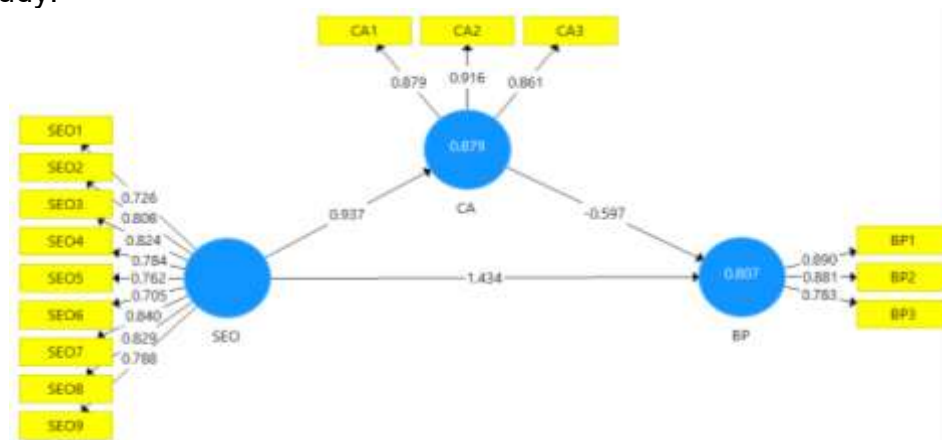
robustness of the research tool to measure the intended constructs consistently and accurately. These findings increase confidence in the credibility and accuracy of the measurement apparatus, thus supporting the reliability and validity of all variables in this research (Hair et al., 2017)

**Table 3** Result of Composite reliability

Variable	Composite Reliability
BP	0,889
CA	0,916
SEO	0,936

Source: processed data (2024)

The composite reliability analysis results indicate strong outcomes for the latent variables in this study. Business Performance (BP) shows a composite reliability value of 0.889, indicating a high level of internal consistency and reliability in measuring business performance-related constructs. Competitive Advantage (CA) exceeds this with a composite reliability of 0.916, reinforcing its strong reliability in capturing various aspects of competitive attitudes. Similarly, the Sustainable Entrepreneurial Orientation (SEO) demonstrates exceptional reliability with a composite score of 0.936. This emphasizes the instrument's reliability in measuring constructs related to sustainable entrepreneurial orientation. The high composite reliability values across all variables underscore the trustworthiness and internal coherence of the measurement model, reinforcing the reliability of the latent constructs in this study.



**Figure 2.** PLS Algorithm

After conducting preliminary analyses, the research focuses on the inner model to scrutinize the connections between latent constructs. The objective is to understand their interrelations and ensure the overall structure of the model remains cohesive and congruent.

The assessment of the inner model follows the testing of the outer model. This evaluation examines the associations among variables to determine whether they have a positive or negative influence. The examination of the inner model relies on two main criteria: the R value of the endogenous latent variable and the estimation of the path coefficient (Hair et al., 2017).

## 5. Inner Model (Structural Model)

According to Hair et al. (2017), the R<sup>2</sup> value can indicate the ability of exogenous variables to measure and explain endogenous variables within the inner model. They revealed that generally, the R<sup>2</sup> value for endogenous variables

approaches 1, indicating that exogenous variables have a high ability to explain or predict endogenous variables within that model. These values are divided into three categories: 0.75, 0.50, and 0.25, described as strong, medium, and weak, respectively. The inner model, as explained by Hair et al., refers to the relationship between endogenous and exogenous variables within a statistical model.

**Table 4. R Square**

Variable	R Square
BP	0,807
CA	0,879

Source: processed data, 2024

Based on table 4 the high R-squared value of 0.807 for Business Performance (BP) suggests that a significant portion of the variance in business performance can be explained by the variations in Sustainable Entrepreneurial Orientation (SEO) and Competitive Advantage (CA). This may be attributed to the fact that Sustainable Entrepreneurial Orientation (SEO) fosters conditions conducive to the development of Competitive Advantage (CA) within businesses.

The substantial R-squared value of 0.879 for the relationship between Sustainable Entrepreneurial Orientation (SEO) and Competitive Advantage (CA) indicates that most of the variance in competitive advantage can be accounted for by variations in sustainable entrepreneurial orientation. This association stems from the close relationship between these two concepts within the business context.

The significance of hypothesis testing is determined by evaluating the p-value, typically considered significant if it is below 5% or 0.05, and if the value exceeds 1.96. Table 6 presents the outcomes of hypothesis testing, illustrating whether the observed data supports or refutes the proposed hypotheses.

**Table 5. Inner Model**

Variable	Original Sample (O)	T-Statistics (O/STDEV)	P-Values	Significant
CA -> BP	-0,597	7,339	0,000	Supported
SEO -> BP	1,434	19,260	0,000	Supported
SEO -> CA	0,937	139,507	0,000	Supported
SEO -> CA -> BP	-0,559	7,338	0,000	Supported

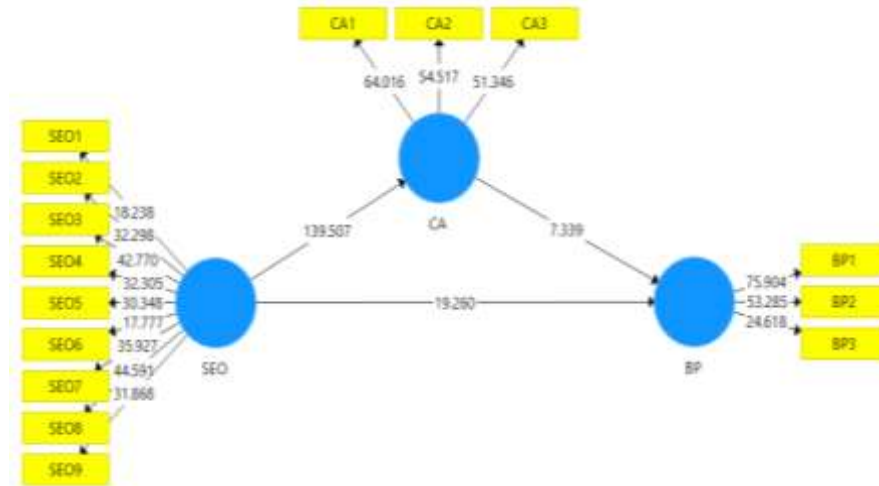
Source: processed data, 2024

Based on Table 5 of the Inner Model, the data reveals that the original sample coefficient (O) for the relationship between Competitive Advantage (CA) and Business Performance (BP) is -0.597. The T-Statistic value, derived by dividing the original sample coefficient by the standard deviation (STDEV), stands at 7.339. Furthermore, the associated p-value is 0.000, which falls below the significance threshold of 0.05, signifying the statistical significance of the CA-BP relationship. Thus, it can be concluded that there is significant evidence supporting the negative influence of CA on BP.

For the relationship between Sustainable Entrepreneurial Orientation (SEO) and Business Performance (BP), the original sample coefficient is 1.434, with a corresponding T-Statistic value of 19.260. Additionally, the p-value associated with this relationship is 0.000, indicating statistical significance. Hence, the data strongly supports a positive influence of SEO on BP.

In the case of the relationship between Sustainable Entrepreneurial Orientation (SEO) and Competitive Advantage (CA), the original sample coefficient is 0.937, with an extraordinarily high T-Statistic value of 139.507. Moreover, the

associated p-value is 0.000, indicating statistical significance. Consequently, there is substantial evidence supporting the positive influence of SEO on CA.



**Figure 3. Inner Model**

## Discussion

### 1. The Effect of Sustainable Entrepreneurial Orientation on Business Performance

In this study, it was found that Sustainable Entrepreneurial Orientation (SEO) significantly influences the business performance of Small and Medium-sized Enterprises (SMEs) in Jakarta. This is evidenced by the discovery that SMEs with a sustainable entrepreneurial orientation tend to demonstrate better business performance. This finding is further supported by research indicating that a sustainability orientation can lead to more proactive stances towards environmental sustainability practices, ultimately resulting in superior firm performance (Roxas et al., 2016). Entrepreneurial orientation has also been identified as a key factor in the successful development of new products, high financial and nonfinancial business performance, and high social performance (Cho & Lee, 2018). Additionally, green entrepreneurial orientation and green innovation have been highlighted as factors that can help SME managers understand the elements contributing to sustainable business performance (Muangmee et al., 2021).

### 2. The Effect of Sustainable Entrepreneurial Orientation on Competitive Advantage

The study discovered that Sustainable Entrepreneurial Orientation (SEO) has a significant impact on the competitive advantage of Small and Medium-sized Enterprises (SMEs) in Jakarta. This finding is consistent with previous studies that confirm entrepreneurial orientation as a crucial factor in creating sustainable competitive advantage for SMEs (Abdurohim et al., 2022). In addition to SEO, other factors such as innovation culture, information technology adoption, and social media marketing also play crucial roles in achieving sustainable competitive advantage (Anastuti & Suharyono, 2018). Therefore, SMEs should develop comprehensive strategies that encompass all these aspects to enhance their competitiveness in an increasingly competitive market. Integrating these various factors can assist Jakarta's SMEs in strengthening their position in the market and achieving long-term sustainability. By doing so, SMEs can effectively navigate challenges and capitalize on opportunities for sustained growth and success.

### **3. The Effect of Competitive Advantage on Business Performance**

The study found that competitive advantage has a significant impact on the business performance of Micro, Small, and Medium Enterprises (MSMEs) in Jakarta. This conclusion is supported by strong evidence. Having a competitive advantage allows MSMEs to distinguish themselves from their competitors, attract customers, and maintain a stable market share. This fosters customer trust and loyalty, ultimately leading to increased sales and revenue. Moreover, competitive advantage enables MSMEs to command higher prices for their products or services, which improves profitability. Additionally, it allows MSMEs to attract investments, gain access to additional resources, and expand their business networks, all of which can support long-term business growth and development. Entrepreneurial orientation plays a crucial role in shaping competitive advantage and business performance, particularly for SMEs. Research has demonstrated that fostering an entrepreneurial mindset within organizations can have a positive impact on competitive advantage and business performance (Anastuti & Suharyono, 2018). Furthermore, factors such as innovation culture, marketing resources, and business networking capability can further enhance competitive advantage and subsequently improve business performance (Abdurohim et al., 2022).

### **4. The Relationship Between Sustainable Entrepreneurial Orientation and Business Performance Is Mediated By Competitive Advantage.**

The relationship between entrepreneurial orientation, competitive advantage, and business performance in SMEs is complex, as evidenced by various studies. Kiyabo and Isaga (2020) found that entrepreneurial orientation has a positive impact on competitive advantage, which in turn positively affects SMEs' performance. Sinaga & Candra (Sinaga & Candra, 2022) suggest that innovation culture can mediate the relationship between entrepreneurial orientation and sustainable competitive advantage. El-Masry & Transport (2021) found that sustainability mediates the relationship between entrepreneurial orientation and competitive advantage, ultimately influencing business performance. Therefore, it is crucial to integrate innovation, sustainability practices, and competitive advantage to enhance SMEs' overall performance and competitiveness in the market. These findings emphasize the multifaceted nature of the relationships among entrepreneurial orientation, competitive advantage, sustainability, and business performance. It is important to consider these factors holistically in SME management strategies.

## **CONCLUSION**

Various studies have concluded that Sustainable Entrepreneurial Orientation (SEO) has a significant impact on the business performance of Small, and Medium Enterprises (SMEs) in Jakarta. Additionally, SEO has a positive effect on competitive advantage, which in turn enhances the business performance of SMEs. This relationship is reinforced by the fact that competitive advantage acts as a mediator between SEO and business performance. In the context of Jakarta's SMEs, developing a sustainable entrepreneurial orientation not only improves business performance but also strengthens the competitive position of SMEs in an increasingly competitive market. By adopting innovative and sustainable practices, SMEs can differentiate themselves from competitors, attract customers, and maintain a stable market share. The competitive advantage gained provides additional benefits, such as

access to resources, investments, and business network expansion. These benefits contribute to the long-term growth and development of SMEs in Jakarta. Therefore, it is crucial for SMEs to integrate strategies that encompass the development of sustainable entrepreneurial orientation, enhancement of competitive advantage, and improvement of business performance to enhance competitiveness and achieve long-term success in a dynamic market.

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