

From Concept to Reality: Examining the Impact of Entrepreneurial Orientation on Business Performance via Competitive Advantage

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Abstract

This study examines the impact of entrepreneurial orientation on business performance, with competitive advantage as a mediating factor, among food and beverage business owners in Garut Regency. Using a quantitative approach with a survey method, the study draws from a population of 6,781 business owners. A random sample of 261 respondents was selected and surveyed through both online and offline questionnaires. The collected data were analyzed using the SmartPLS software to assess the measurement model and test the hypotheses. The findings reveal that entrepreneurial orientation has a positive and significant effect on competitive advantage. Furthermore, competitive advantage positively influences business performance. Additionally, the study confirms that competitive advantage serves as a mediating variable, linking entrepreneurial orientation to business performance. These results highlight the crucial role of entrepreneurial orientation in enhancing business performance, particularly through strategies that strengthen competitive advantage.

Keywords: entrepreneurial orientation, business performance, competitive advantage, food and beverage industry, Garut Regency

Introduction

Entrepreneurship is a crucial pillar of economic development, particularly in developing countries such as Indonesia. According to the Global Entrepreneurship Monitor (GEM) 2021 report, Indonesia exhibits a high level of entrepreneurial activity, with approximately 3.47% of the adult population engaged in entrepreneurial ventures. This indicates significant potential for economic growth through innovation and job creation. In this context, entrepreneurial orientation plays a vital role in determining business success. As defined by Lumpkin and Dess (1996), entrepreneurial orientation encompasses innovation, proactiveness, and risk-taking, all of which contribute to value creation and competitive advantage. Further suggests that a high degree of entrepreneurial orientation

enhances business performance by fostering the development of more effective strategic approaches [1]. The importance of entrepreneurial orientation is particularly evident in the food and beverage industry, one of the fastest-growing sectors in Indonesia. According to the Central Statistics Agency (2021), this sector accounts for 41.5% of the total industrial production value within the manufacturing industry and generates employment for over 4 million workers. Despite its rapid expansion, many businesses in this sector face challenges in improving their performance.

Competitive advantage has been identified as a critical mediating factor in the relationship between entrepreneurial orientation and business performance. Research by Kuckertz and Wagner (2010) highlights that businesses with a strong competitive advantage are better positioned to translate entrepreneurial orientation into superior performance outcomes [2]. The Indonesian food and beverage industry, however, faces intense competition and shifting consumer preferences. A Nielsen (2022) report indicates that 60% of Indonesian consumers favor healthier and natural products, suggesting that businesses must adapt to these trends to maintain competitiveness. Supporting this view, research by Chen et al. (2016) found that companies capable of sustaining a competitive advantage tend to achieve higher performance levels. Although prior studies have explored the relationship between entrepreneurial orientation and business performance, there remains a gap in the literature concerning the mediating role of competitive advantage, particularly within Indonesia's food and beverage sector. Most existing research has either focused on different industries or overlooked the influence of mediating variables that may strengthen this relationship.

This study seeks to address this gap by investigating the following research question: "How does entrepreneurial orientation influence business performance through competitive advantage among food and beverage entrepreneurs in Garut Regency?" The primary objective of this study is to analyze the effect of entrepreneurial orientation on business performance, considering competitive advantage as a mediating variable. This research is grounded in entrepreneurship theory and competitive advantage theory. Entrepreneurship theory posits that individuals with a high level of entrepreneurial orientation create new opportunities and value [3], [4]. Meanwhile, competitive advantage theory underscores the importance of differentiation strategies that enable firms to outperform competitors [5]. These theoretical foundations form the basis of the study's conceptual framework. By highlighting the significance of [6], [7] in driving business performance, this study is expected to make a valuable contribution to the entrepreneurship literature. Additionally, its findings offer practical insights for food and beverage entrepreneurs, guiding them in developing more effective competitive strategies to enhance performance [8]. This paper is structured as follows:

Section 2 presents the literature review on entrepreneurial orientation, competitive advantage, and business performance. Section 3 outlines the research methodology used in the study. Section 4 discusses the findings and data analysis. Finally, Section 5 concludes the study and provides recommendations for future research.

Literature Review

1. Entrepreneurial Orientation

Entrepreneurial orientation refers to the attitudes and behaviors of individuals or organizations in identifying and capitalizing on business opportunities. According to Lumpkin and Dess (1996), entrepreneurial orientation comprises five key dimensions: innovation, proactiveness, risk-taking, market orientation, and competitive orientation. These dimensions collectively enhance a company's ability to adapt to market dynamics and create value. Empirical studies have demonstrated the positive impact of entrepreneurial orientation on business performance. Rauch et al. (2009) [9] found that firms exhibiting a high level of entrepreneurial orientation tend to be more innovative and responsive to customer needs, leading to improved financial outcomes. Furthermore, research by Wiklund and Shepherd (2005) [10] confirmed that entrepreneurial orientation not only influences short-term performance but also plays a crucial role in ensuring long-term business sustainability .

2. Competitive Advantage

Competitive advantage refers to a firm's ability to deliver superior value to customers compared to its competitors. Porter (1985) identified two fundamental strategies for achieving competitive advantage: cost leadership and differentiation . Firms that effectively implement these strategies can establish a strong market position and enhance their business performance. Research supports the critical role of competitive advantage in driving business success. Chen et al. (2016) found that companies with sustainable competitive advantages consistently outperform those without them. Additionally, Aaker (1996) emphasized the significance of brand strength in gaining a competitive edge [11]. A well-established brand not only fosters customer loyalty but also enhances perceived value, further reinforcing a firm's market position.

3. The Relationship Between Entrepreneurial Orientation and Business Performance

A substantial body of research has explored the relationship between entrepreneurial orientation and business performance. Covin and Slevin (1989) argued that entrepreneurial orientation enhances business performance by fostering innovation and adaptability, enabling firms to recognize and capitalize on emerging market opportunities. Supporting this perspective, Wiklund

and Shepherd (2005) demonstrated that entrepreneurial orientation positively affects both financial and non-financial business performance [9], [10]. Their findings indicate that entrepreneurially oriented firms are more innovative and customer-focused, which in turn strengthens their market position and long-term sustainability. These insights underscore the critical role of entrepreneurial orientation in enhancing a firm's overall performance and competitiveness.

4. The Role of Competitive Advantage as a Mediator

Competitive advantage serves as a critical mediating factor in the relationship between entrepreneurial orientation and business performance. Kuckertz and Wagner (2010) highlighted that firms with a high degree of entrepreneurial orientation are more likely to develop strong competitive advantages, which, in turn, enhance their overall business performance. Their findings suggest that entrepreneurial orientation fosters innovation and strategic differentiation, ultimately leading to a sustainable competitive edge. Supporting this perspective, competitive advantage significantly contributes to business performance [12], [13]. Their research indicates that firms capable of developing and sustaining a competitive advantage consistently outperform those that do not. This underscores the pivotal role of competitive advantage as a mechanism through which entrepreneurial orientation translates into improved business outcomes, particularly in dynamic and competitive market environments [13], [14].

5. Entrepreneurship in the Food and Beverage Sector

The food and beverage industry is one of the fastest-growing sectors in Indonesia. According to data from the Central Statistics Agency (2021), this sector accounts for approximately 41.5% of total industrial production and provides employment for over 4 million workers. Despite its rapid expansion, businesses in this sector face considerable challenges, including intense market competition and shifting consumer preferences. Recent market trends emphasize the need for adaptability within this industry. Nielsen (2022) reported that 60% of Indonesian consumers now favor healthier and natural products, signaling a fundamental shift in consumer demand. To remain competitive, businesses must align their strategies with these evolving preferences. In this context, entrepreneurial orientation and competitive advantage are crucial for food and beverage entrepreneurs seeking to enhance their performance and maintain market relevance [15], [16]. This literature review highlights the significant impact of entrepreneurial orientation on business performance, both directly and indirectly through competitive advantage as a mediating factor. Existing studies consistently demonstrate that entrepreneurial orientation fosters value creation and competitive differentiation, particularly in highly competitive industries such as food and beverage. Given these insights, this study aims to further explore this relationship within the specific context

of food and beverage entrepreneurs in Garut Regency.

Research Methods

1. Research Design

This study employs a quantitative research design with a survey approach, enabling the collection of data from a large number of respondents to examine the relationship between entrepreneurial orientation, competitive advantage, and business performance. A cross-sectional method is utilized, where data is collected at a single point in time to analyze the relationships between variables.

2. Population and Sample

The population in this study comprises food and beverage business actors registered in Garut Regency. According to data from the Garut Regency Industry and Trade Office, there are approximately 6,781 business actors operating in this sector. A sample of 261 respondents was selected using a simple random sampling technique to ensure that each business actor had an equal chance of being included, thereby enhancing the generalizability of the findings.

3. Data Collection

Data were collected through questionnaires distributed via both online and offline channels. The questionnaire consisted of multiple sections, including demographic information, as well as items measuring entrepreneurial orientation, competitive advantage, and business performance. A 5-point Likert scale was used, ranging from "strongly disagree" (1) to "strongly agree" (5). Prior to distribution, a pilot test was conducted on a small sample of business actors to ensure the clarity and relevance of the questions.

4. Measurement and Variables

This study examines three key variables:

- a. **Entrepreneurial Orientation:** Measured using the instrument developed by Lumpkin and Dess (1996), which assesses innovation, proactiveness, and risk-taking.
- b. **Competitive Advantage:** Assessed based on Porter's (1985) model, which includes cost leadership and differentiation strategies.
- c. **Business Performance:** Evaluated using both financial and non-financial performance indicators, such as sales growth, market share, and customer satisfaction.

5. Data Analysis

The collected data will be analyzed using SmartPLS software to test the measurement model and research hypotheses. The analysis includes:

- a. Descriptive analysis to summarize respondent characteristics.
- b. Inferential analysis to examine relationships between variables.
- c. Mediation analysis to assess the role of competitive advantage in the relationship between entrepreneurial orientation and business performance.

6. Reliability and Validity

To ensure the reliability and validity of the research instrument, the following steps will be undertaken:

- a. Reliability: Assessed using Cronbach's Alpha, where values above 0.7 indicate acceptable internal consistency. This test will be conducted on pilot test data before full-scale distribution.
- b. Validity: Evaluated through Exploratory Factor Analysis (EFA) to confirm that questionnaire items effectively measure the intended constructs. Additionally, content validity will be verified through expert evaluations in entrepreneurship and management.

7. Research Ethics

This study adheres to ethical research principles, ensuring:

- a. Informed Consent: Respondents will receive clear information about the research objectives and their right to voluntarily participate or withdraw at any stage without consequences.
- b. Confidentiality: All collected data will be kept strictly confidential and used solely for research purposes, with respondent identities remaining anonymous.
- c. Transparency: Research findings will be reported honestly and transparently, including acknowledgment of potential biases and study limitations.

Results and Discussion

1. Descriptive Statistics and Respondent Characteristics

This study involved 261 respondents who are food and beverage business actors in Garut Regency. The demographic characteristics of the respondents are presented in Table 1.

Characteristics	Frequency	Percentage (%)
Gender		
Male	150	57.5
Female	111	42.5
Age		

18-25 years old	50	19.2
26-35 years old	100	38.3
36-45 years old	70	26.8
>45 years old	41	15.7
Length of Business Operation		
<1 year	30	11.5
1-3 years	90	34.5
4-6 years	70	26.8
>6 years	71	27.2

The data indicate that the majority of respondents are male (57.5%), with a predominant age range of 26–35 years (38.3%). This suggests that the food and beverage business sector in Garut Regency is primarily composed of young male entrepreneurs, who are likely more receptive to innovation and change. Regarding business experience, most respondents have been operating for 1–3 years (34.5%), indicating that a significant proportion are relatively new to the industry but have accumulated sufficient experience to understand market dynamics.

Other Descriptive Statistics

In addition to demographic characteristics, this study collected data on entrepreneurial orientation, competitive advantage, and business performance. The descriptive statistics for these variables are presented in Table 2.

Variable	Mean	Standard Deviation	Minimum	Maximum
Entrepreneurial Orientation	3.75	0.65	2.00	5.00
Competitive Advantage	3.60	0.70	2.50	5.00
Business Performance	3.80	0.60	2.50	5.00

The results indicate that the mean entrepreneurial orientation is 3.75, suggesting that business actors in Garut Regency exhibit a relatively high level of entrepreneurial orientation. The standard deviation of 0.65 suggests moderate variation in the responses. Similarly, competitive advantage has a mean of

3.60, indicating that businesses implement competitive strategies effectively, although slightly lower than entrepreneurial orientation. The mean business performance is 3.80, suggesting that most respondents perceive their business performance—measured in terms of sales growth and customer satisfaction—to be satisfactory.

2. Hypothesis Testing

To test the research hypotheses, path analysis was conducted using SmartPLS software. The results are summarized in Table 3.

Hypothesis	Coefficient	T-statistics	P-value	Decision
H1	0.45	5.67	0.000	Accepted
H2	0.38	4.12	0.000	Accepted
H3	0.25	3.01	0.003	Accepted

The results confirm that all hypotheses were statistically significant and accepted.

- H1: Entrepreneurial orientation has a positive and significant effect on competitive advantage ($\beta = 0.45$, $p < 0.001$), indicating that businesses with higher entrepreneurial orientation tend to develop stronger competitive advantages.
- H2: Competitive advantage has a positive and significant effect on business performance ($\beta = 0.38$, $p < 0.001$), highlighting the importance of competitive strategies in enhancing performance.
- H3: Entrepreneurial orientation has a positive indirect effect on business performance through competitive advantage ($\beta = 0.25$, $p < 0.01$), demonstrating that competitive advantage acts as a mediating variable in this relationship.

These findings reinforce the notion that entrepreneurial orientation enhances business performance both directly and indirectly through competitive advantage, emphasizing the need for businesses to strengthen their entrepreneurial capabilities to achieve sustained success.

3. Discussion: Findings Interpretation

The findings of this study indicate that entrepreneurial orientation has a significant positive effect on competitive advantage. This result aligns with the research conducted by Rauch et al. (2009), which demonstrated that firms with high entrepreneurial orientation tend to be more innovative and responsive to customer needs. In the context of food and beverage business actors in Garut Regency,

this suggests that proactive entrepreneurs who are willing to take risks are more capable of creating unique and attractive products, thereby strengthening their market position [1], [9].

Furthermore, the results confirm that competitive advantage has a positive effect on business performance, supporting Porter's (1985) competitive advantage theory. According to Porter, businesses that successfully develop sustainable competitive advantages are likely to achieve superior performance. In this study, food and beverage entrepreneurs who effectively implemented differentiation and low-cost strategies reported higher sales growth and increased customer satisfaction. Additionally, this study provides empirical evidence that competitive advantage functions as a mediator in the relationship between entrepreneurial orientation and business performance. This finding is consistent with Kuckertz and Wagner (2010), who identified competitive advantage as a key linking mechanism between entrepreneurial orientation and performance outcomes [17]. These results suggest that to enhance business performance, entrepreneurs must not only foster an entrepreneurial mindset but also strategically develop competitive advantages to sustain their market positioning.

The findings of this study are consistent with prior research that has established a positive relationship between entrepreneurial orientation and business performance. For instance, Wiklund and Shepherd (2005) found that entrepreneurial orientation enhances both financial and non-financial performance [9], [10]. Similarly, Covin and Slevin (1989) concluded that firms exhibiting a high degree of entrepreneurial orientation tend to perform better in competitive environments. Additionally, the role of competitive advantage in improving business performance is supported by Chen et al. (2016), who found that businesses with sustainable competitive advantages outperform those that fail to develop such advantages. Corroborates the notion that entrepreneurial orientation positively impacts business performance, particularly in small and medium-sized enterprises (SMEs) [16], [18]. However, this study makes a unique contribution by explicitly examining the mediating role of competitive advantage in the relationship between entrepreneurial orientation and business performance. While previous studies have primarily explored the direct relationship, they have often overlooked competitive advantage as a mediator. By addressing this research gap, this study provides new insights into how entrepreneurial orientation translates into improved performance through competitive advantage.

This study makes a significant theoretical contribution by reinforcing the understanding of the relationship between entrepreneurial orientation, competitive advantage, and business performance. The findings emphasize the importance of considering mediating variables in business research, offering a more nuanced perspective on how entrepreneurial firms achieve competitive success.

Future research can build on these insights by exploring additional moderating or mediating factors, such as market conditions, firm size, or digital transformation strategies.

Practical Implications

From a practical standpoint, the findings offer valuable insights for food and beverage entrepreneurs seeking to improve their business performance. Entrepreneurs are advised to:

- Enhance their entrepreneurial orientation by fostering a culture of innovation, proactiveness, and risk-taking to stay ahead of market trends.
- Develop sustainable competitive advantages by implementing differentiation strategies (e.g., unique product offerings, branding, customer experience) and low-cost strategies (e.g., cost-efficient production, supply chain optimization).
- Leverage entrepreneurial capabilities to adapt to changing consumer preferences, particularly the growing demand for healthy and natural food products (Nielsen, 2022).
- By strategically integrating entrepreneurial orientation and competitive advantage, business actors in the food and beverage sector can enhance their long-term performance and sustainability in an increasingly competitive market.

Conclusion

This study aimed to analyze the influence of entrepreneurial orientation on business performance, with competitive advantage as a mediating factor, in the food and beverage sector in Garut Regency. Based on the results of data analysis, several key conclusions can be drawn:

1. Positive Influence of Entrepreneurial Orientation

The findings confirm that entrepreneurial orientation has a positive and significant effect on competitive advantage. Business actors who exhibit proactiveness, innovation, and risk-taking are more capable of developing attractive products and adapting to market demands. This result aligns with previous studies that highlight the role of entrepreneurial orientation in enhancing business performance.

2. The Role of Competitive Advantage

The study further demonstrates that competitive advantage positively impacts business performance. Entrepreneurs who successfully implement differentiation and low-cost strategies experience higher sales growth and increased customer satisfaction. These findings support Porter's Competitive Advantage Theory, which emphasizes the importance of sustained competitive advantage in achieving superior business performance.

3. Mediating Effect of Competitive Advantage

The results provide empirical evidence that competitive advantage acts as a mediator in the

relationship between entrepreneurial orientation and business performance. This suggests that to enhance business performance, entrepreneurs must not only develop a strong entrepreneurial mindset but also implement effective competitive strategies to sustain growth.

4. Practical Implications

These findings offer valuable insights for entrepreneurs in the food and beverage sector. Business actors are encouraged to:

- Strengthen their entrepreneurial orientation by fostering innovation, proactiveness, and risk-taking in business operations.
- Develop competitive advantages through differentiation strategies (e.g., unique product offerings, brand positioning, superior customer service) and cost leadership strategies (e.g., cost efficiency, supply chain optimization).
- Adapt to changing consumer preferences, such as the increasing demand for healthy and natural food products [19], [20].

5. Limitations and Future Research Recommendations

While this study provides important contributions, it has certain limitations:

- The use of a cross-sectional design limits the ability to establish definitive cause-and-effect relationships. Future research employing a longitudinal approach could provide deeper insights into the dynamics of these relationships over time.
- This study focuses solely on the food and beverage sector in Garut Regency. Expanding research to other industries or different geographical regions could offer a broader perspective and improve the generalizability of findings.

Overall, this study reinforces the notion that entrepreneurial orientation positively influences business performance, with competitive advantage serving as a key mediating factor. These findings contribute to the entrepreneurship and management literature while offering practical insights for entrepreneurs seeking to enhance their business performance. Future research should further explore these relationships in different contexts and industries to enrich the understanding of entrepreneurial success strategies.

Acknowledgements

This research is supported Faculty of Entrepreneurship, Universitas Garut.

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