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Research Article

Analysis of the Entrepreneurial Orientation Impacts of Food and Beverages SMEs in Jabodetabek

[1]Student Celly Widjaja, [2]Student Vinne Shevin, [3]Student Ralfy Damar, [4]Dr. Ario Setiadi*

Business Innovation & Entrepreneurship, Bina Nusantara University Indonesia
*email:celly.widjaja@binus.ac.id,vinne.shevin002@binus.ac.id,ralfy.anandanto@binus.ac.id, ario.setiadi@binus.ac.id**
[1](ORCID : 0009-0007-8385-5088), [2](ORCID: 0009-0008-6926-449X), [3](ORCID: 0009-0000-2836-3127), [4](ORCID: 0009-0003-1214-866X)

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ABSTRACT

This research shows how entrepreneurial orientation, dynamic capability, and innovation capability impact the performance of food and beverage SMEs in the Jabodetabek area, with competitive advantage acting as a mediating factor. SMEs in this sector face growing challenges in improving performance and maintaining a competitive edge in an increasingly dynamic business landscape. The objective of this study is to show that enhancing entrepreneurial orientation, along with developing dynamic and innovation capabilities, can significantly influence both firm performance and competitive standing. Data was collected through structured questionnaires distributed to SME owners in Jabodetabek, and the analysis involved regression and mediation techniques. The results demonstrate that entrepreneurial orientation, dynamic capability, and innovation capability strongly influence both firm performance and competitive advantage. Furthermore, competitive advantage serves as an important mediator in the relationship between these factors and performance, emphasizing its role in optimizing business capabilities for better outcomes. The study suggests that for SMEs to succeed in a competitive market, they need to foster an entrepreneurial approach while continuously adapting and innovating. It contributes to the existing literature by providing empirical evidence on how these capabilities can enhance performance and competitiveness in SMEs. For SME owners and managers, the findings highlight the need to build dynamic and innovative capabilities to remain competitive and ensure sustainable business success. Future studies could explore these dynamics across different industries and regions.

Keywords: entrepreneurial orientation, dynamic capability, innovation capability, firm performance, competitive advantage

1. INTRODUCTION

Indonesian small and medium-sized businesses are governed under Law No. 20 of 2008. Article 1, paragraph 1 defines SMEs as for-profit, independently run businesses that are neither subsidiaries or divisions of bigger corporations. In order to be considered a small business, they need to fulfill the legal requirements. In a similar vein, medium-sized businesses are classified as those having yearly sales or net asset values that fall within the range established by the legislation. Companies are considered small if their yearly sales are more than 300,000,000 IDR but less than 2,500,000,000 IDR, and if their net value is between 50,000,000 IDR and 500,000,000 IDR. Small and medium-sized enterprise (SME) development in West Java is the highest in the country as of 2023.[1].

The importance of small and medium-sized businesses (SMEs) to Indonesia's GDP development has been known for a long time. The bulk of Indonesians work for small firms in the traditional and modern sectors, and they have lower levels of education, therefore this is a key factor.[2]. They can also accommodate a large number of staff. The Department of Industry and Trade and the Department of Cooperatives and SMEs are the two departments that oversee each stage of development planning. There is a critical function for small businesses. The importance of SMEs is clear given their notable development and position as the main contributors to Indonesia's GDP. From 2007 to 2012, the GDP of SMEs grew at an average annual rate of 18.33%, from 2,107,868.10 billion to 4,869,568.10 billion. Data from the Food and Beverage Entrepreneurs Association (GAPMMI)[3], which polled its members internally,

revealed that 54% of culinary entrepreneurs could only make it one to five months in operation. After this time of vulnerability, they are probably

not going to make it. Of the 54%, 6% only manage to survive for one month, 26% for two to three months, and 22% for four to five months. Up to 46% of respondents said they can continue to wait longer than five months. In a virtual conference with Commission VI of the DPR on Monday (27/4), it was stated, "The rest only last about one to five months" [4].

The Food and Beverage (FnB) industry is a major driver of Indonesia's economic recovery, achieving its highest real revenue of 1,121,360 billion in 2022[5]. However, the industry experienced a significant slowdown in 2020, with growth declining to 1.58% from the previous 7.78% due to the Covid-19 pandemic[6]. The industry has been prioritized over other sectors like automotive, chemical, electronics, and textiles during the Industry 4.0 period. Indonesia's status as a developing nation, with a population eager to spend on food and beverages, has fueled continuous growth in this sector (cited from the Ministry of Industry's official website[7]. Unfortunately, the industry's growth is often uniform, focusing on popular trends like coffee and taichan, leading to minimal brand differentiation and intense competition [8].

Despite the growth, many culinary enterprises do not prosper and eventually are unable to compete or survive. Many culinary ventures go viral at first but fail to sustain their success, leaving their customers unsatisfied and failing in the middle[9]. Inadequate basic planning, slow innovation, immature capital application, lack of discipline within the company, unclear and suboptimal targets, unevolved or uncreative marketing, insensitivity to competitors, and—above all—the ease of satisfaction with short-term results that results in a lack of regular evaluations to develop the business from both the management and staff perspectives are some of the factors that contribute to a business's lack of development, especially in the food and beverage industry [10].

Research on small and medium-sized enterprises (SMEs), especially in the food and beverage sector, often touches on the topic of entrepreneurial orientation (EO)[11]. [12]states that the study of entrepreneurship and strategic decision-making are closely related. Many studies have proposed that an entrepreneurial mentality in the workplace is best characterized by three main traits: initiative, risk-taking, and creativity.[13];[14]. The dynamic capacity viewpoint is based on the idea that companies need to set up a learning process to adapt to changes in their environment, according to the resource-based view theory (RBV), which sees an organization as a collection of resources. By reviving and better using their resources, businesses may enhance organizational performance results with the use of dynamic capability. A company's capacity to obtain competitive advantage is described by dynamic capability, which is closely correlated with the company's performance[15]. Innovation capacity, on the other hand, is the end result of creative efforts put into introducing new goods and services to the market. Additionally, it is seen as a new development that aims to help companies improve their performance inside a certain framework[16]. As a result, this capacity for innovation might present businesses with fresh chances to investigate uncharted territory, boost productivity, and become more competitive. One important component of a company's competitive advantage is thought to be its capacity for innovation [17]. A company's success is highly dependent on its capacity to innovate.

Specifically for the food and drink sector, this study fills a knowledge vacuum by investigating the interplay between entrepreneurial approach, dynamic capacity, and innovation capability as they pertain to company success. While each of these elements has been the subject of independent study, the combined impact of these determinants and the mediating function of competitive advantage has received surprisingly little attention. With competitive advantage mediating the relationship between these parameters and business performance, this research seeks to do just that. The results will provide business owners of small and medium-sized enterprises (SMEs) actionable advice for improving their companies' market standing and performance.

2. THEORE RETICAL BACKPRINT RONSE

It is possible to identify numerous difficulties from the background. The food and beverage industryin Indonesia, especially in Jabodetabek, has undergone tremendous economic expansion, which is indicative of an entrepreneurial mindset[18]. The sector's potential for expansion attracts entrepreneurs.[19]. To attain optimal company performance, however, a number of aspects need to be managed in order to develop a successful corporation[20]. Building both internalandexternal competitorsto react to quick changes, including the rapidly evolving food and beverage trends that often change every year, istherole of dynami ccapability in the food and beverage ebusiness[21].Furthermore, a corporation must be able to innovate given the growing competition in business

brought about bynew companies entering the same market segments, especially in the food and beverage industry. This is important because, as happened with the rise of coffee and "sate taichan" trends in the market, If alotof new food businesses open up but all adopt the sametren Sithout differen tiatingt hemselves, they won't have a unique selling proposition and will be less noticeable than their rivals. As a result of these problems, a desire to compete to make sure that one's company performs better than its rivals develops; this desire falls under the category of competitive advantage. Consequently, the goal is to find out how these things affect the success of businesses in the food and drink sector. [22].

Entrepreneurial Orientation to Competitive Advantage

A company's competitive edge is its capacity to outperform its competitors. [23]. In a constantly changing market, a company's ability to adapt swiftly is crucial to its success.[24]. Entrepreneurial resources are acknowledged as a relevant concept for explaining a company's potential to achieve extraordinary performance while others fail in situations where market conditions change quickly and a distinctive competitive advantage is absent [25]. [26]Studies have shown that a proactive, entrepreneurial mindset may lead to a distinct edge in the marketplace. An entrepreneurial mindset isn't complete without innovation, which, via collaborations and networks, may boost competitive advantage.[27]. According to additional studies, market orientation and entrepreneurial orientation have a beneficial impact on durable competitive advantage [27]. This shows that important aspects of an entrepreneurial attitude can offer businesses additional value and improve firm performance.

H1. Entrepreneurial Orientation positively influence to Competitive Advantage

Dynamic Capability to Competitive Advantage

According to the many studies conducted by academics on the topic of dynamic capacity, which focus on an organization's internal resources and capabilities, these studies are crucial to the company's long-term viability. [28]. These resources and abilities are essential for firms to acquire the competitive edge needed to stay in business. Improving business performance is built upon this competitive advantage.[29]. However, [30]According to the study, dynamic skills do not have a direct effect on the performance and competitiveness of businesses.

H2. Dynamic Capability did not influence to Competitive Advantage

Innovation Capability to Competitive Advantage

A company's competitive advantage and performance are both enhanced by innovation.[31]. This is consistent with Puspita's (2020) findings, which show thatcompetitive advantage is impacted by innovation capability. Marketing innovation, product innovation, process innovation, and management sources of competitive advantage are used to gauge the capability. However, through competitive advantage, innovation skill has no discernible impact on business performance[32].[33]Furthermore, studies demonstrate that the capacity to innovate has a substantial effect on both performance and competitiveness. The same conclusions were reached by[34]In his research on small and medium-sized electronics companies in Ho Chi Minh City, Vietnam, he found that a company's potential to innovate had a favorable effect on its operational capability.

H3. Innovation Capability influence to Competitive Advantage

Entrepreneurial Orientation to Firm Performance

Findings from studies conducted by show that an entrepreneurial mindset improves company outcomes. [35], in which researchers in China, Mexico, and Spain looked at how this perspective affected business success. There is a common advantage between an entrepreneurial attitude and corporate success, regardless of changes in institutional and cultural situations. Consistent with previous research, this indicates a link between an entrepreneurial mindset and business success.[36]; Saeed, 2014). [37]found that an entrepreneurial mindset had a beneficial effect on the revenue growth of small and medium-sized enterprises (SMEs) in Malaysia. From this, we might infer that an entrepreneurial mindset influences business outcomes.

H4. Entrepreneurial Orientation influence to Firm Performance

Dynamic Capability to Firm Performance

Dynamic capacities have been shown in previous research to positively affect firm performance [38]; [39];[40]. [41] demonstrated through his research that in an unstable environment, dynamic capabilities act as a mediating factor

between resources and performance. The success of the company will be greatly impacted by dynamic capabilities since they are more effective than resource-based views at providing a competitive advantage and coping with environmental unpredictability [41]. According to[42], dynamic capabilities improve firm performance by making the company's response to market shifts more accurate, swift, and efficient. Researchers examined the effect of dynamic skills on business performance across a range of external environment change levels by[39]. They discovered that, at an intermediate level of dynamism, dynamic capabilities have the biggest impact on company performance.

H5. Dynamic Capability influence to Firm Performance

Innovation Capability to Firm Performance

According to [43], A company's innovation capabilities may be defined as its ability to use its information, expertise, and resources to create novel products, services, processes, structures, and management practices that meet the needs of its target market.

A company's competitiveness may be enhanced via innovation if it can inspire the creation of new goods and services, which in turn can support sales both locally and globally, the growth of markets, and the development of the organization. [44]. Technological innovations, such as new designs or production techniques, can boost cost efficiency and added value when incorporated into systems and processes by innovative organizations[45]. Therefore:

H6. Innovation Capability influence to Firm Performance

Competitive Advantage to Firm Performance

Companies that rely on internal resources are a determining factor in competitive advantage for SMEs, according to [46]. When a company takes advantage of its unique assets, it may offer its customers superior products and services. Due to the importance of these resources, competitive advantage may also boost business performance. The findings are in line with those of Puspita (2020).[47], which found that competitive advantage directly correlates to firm performance, meaning that a higher competitive advantage would result in better firm performance. When compared to its competitors, a company's resources and competencies give it the upper hand in terms of market value.[48]. A competitive advantage affects a company's success, according to research by Winklund and Shepherd in 2003. Results from a research conducted by[49]found that competitive advantage significantly affects the performance of Malaysian SMEs and mediates the association between entrepreneurial orientation and firm performance. Given these findings, it's reasonable to assume that a competitive edge may boost business success.

H7. Competitive Advantage influence to Firm Performance

3. RESEARCH METHODOLOGY

Study Population & Data Collection Procedure

Population

Included in the research are SMEs operating in the food and drink industry in Jabodetabek (Jakarta, Bogor, Depok, Tangerang, and Bekasi). Such SMEs are acknowledged according to their registration and continuing commercial operations within the specified metropolitan region.

Sample

To guarantee that the sample represents a wide range of food and beverage activities, including different sizes and market segments, SMEs were chosen through the use of purposive sampling[50]. The study's residential region was in Jakarta and Tangerang, the most developed metropolitan center, where there is a big population of young and adult entrepreneurs, both male and female. The study's sample approach is acceptable since it is exploratory in nature and concentrates on firms that are likely to exhibit different levels of innovation capacity, dynamic capabilities, and entrepreneurial orientation. [51].

Data Collection

Data will be collected using an organized questionnaire that assesses innovative skills, competitive advantage, entrepreneurial orientation, dynamic capabilities, and corporate performance. The survey will be sent electronically to the chosen small and medium-sized enterprise owners or senior management. Participants will be informed about

the study's purpose, the fact that their participation is completely optional, the regulations regarding confidentiality, and the estimated time required to complete the survey.

Data Analysis Method

Proposed effect of Dynamic Capability, Innovation Capability, and Entrepreneurial Orientation on Firm Performance via Competitive Advantage is shown in Figure 1.0 below.[52]. A method called partial least squares structural equation modeling was used to analyze the survey data in order to find out more about this.[53]. Research aiming at theory development and construct relationship prediction is well-suited to PLS-SEM due to its confidence in handling sophisticated models and its applicability to small to medium sample sizes. The number of answers is sufficient to use PLS-SEM, as shown by [54]suggestion for a minimum of seven latent variables, with three or more items per concept, and a sample size of at least 150.

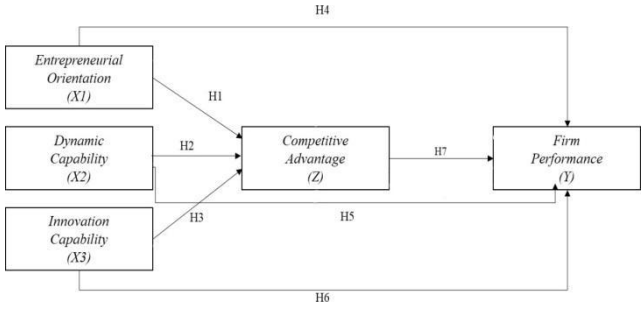

Figure 1 Conceptual model showing the causal relationship between variables.

Table 1 Questions

1.Inourbusiness, ideasconstantly emerge.	Strongly Agree	Agree	Strongly Disagree	Disagree	Neutral
2.Renewaland innovationare continually important for our company.					
3.Wehaverecentlylaunchedmany new products/servics					
4. We invest heavily in the development of new products, services and business practices.					
5. Our business often takes action earlier than competitors.					
6.Weaimtoalwaysbeatthe forefront of business sector development.					
7.Our business always invests resources better than competitors in exploring new markets					
8. We prefer to take more cautious action seven if opportunities maybe missed					
9.Boldactionsarerequiredinour business to achieve goals.					
10. In uncertain situations, our businessisn ot afraid to take big risks.					
11. Our business has the ability to quickly recognize new opportunities and threats in business					
12.Our businesss has the ability to evaluate its own strengths and weaknesses.					
13.Our business is flexible in developing new products or technology.					
14. Our business is flexible in communicating and coordinating effectively between departments					
15. Our business is better at developing new ideas to help customers.					

16.Weare betterat offering new products/offers to customers.					
16.Weare betterat offering new products/offers to customers.					
17.Weare betterat managing processes to reduce costs.					
18.Kami lebih mampu memberikan solusi untuk mengatasi permasalahan pelanggan					
19. Our product/service offers unique benefits compared to our competitors.					
20.Ourproduct/service offers better quality than our competitors.					
21.Our productismo readvanced than our competitors.					
22.Our business sales have increased.					
23.Our business profitability has increased.					
24.Our business cash flow has increased.					
25.Our business's customer growth is better than our competitors.					
26.Our employee grow this better than our competitors.					

4. MEASURES

The data for this study came from a questionnaire. Evidence from prior research informed the creation of the questionnaire.[55]; [56]; [57];[58];[59]with modifications made to suitably match the research setting. The five research variables—Entrepreneurial Orientation, Dynamic Capability, Innovation Capability, Competitive Advantage, and Firm Performance—made up the 26 primary questions that made up the questionnaire. On 5-point Likert scales, 1 signifies strongly disagreeing and 5 means strongly agreeing, with each item serving as its own measure of response.

5. RESULT

This research used Partial Least Squares Structural Equation Modeling (PLS-SEM) to analyze the seven model-reflective hypotheses that were developed using SmartPLS3. This study makes use of PLS-SEM due to its ability to handle many dependencies associated with good statistical efficiency.[60].

Table 2

Sample Characteristics	Categories	Frequency	Percentage of Respondent
Business Duration	Lessthan3years	59	34.3%
	3-7years	88	51.2%
	Morethan7years	25	14.5%
Annual Sales Revenue	Less than Rp 100,000,000	146	84.9%
	Rp100,000,000-Rp 499,999,999	23	13.4%
	Rp500,000,000-Rp 1,000,000,000	2	1.2%
	More than Rp 1,000,000,000	1	0.6%
JobTitles	Business Owner	126	73.3%
	Manager/PIC	46	26.7%

i.Demographic Profile

You can see the breakdown of the 172 respondents' demographics in Table 1. In the sample, 59 (34.3%) of the businesses had been in operation for less than three years, 88 (51.2%) for three to seven years, and 25 (14.5%) for seven years or more.Among the participants, 126 (or 73.3% of the total) are company owners, while 146 (or 84.9% of the total) have yearly sales revenue of less than Rp 100,000,000.

ii.Result for Measurement Model Assessment

In every case, the results above the 0.70 threshold, as indicated in Table 2 for Cronbach's Alpha (CA) ranging from 0.774 to 0.896 and for composite reliability (CR) from 0.873 to 0.928, which represent the internal consistency of the measures used (Hair et al., 2017). The calculated mean variation.

To guarantee convergent validity, we used item-specific analyses of variance (AVE) and factor loadings (FA). According to Hair et al. (2017) and Hulland (1999), all of the items had loadings more than 0.6, and all of the variables had AVEs greater than 0.5, indicating convergent validity. Each of the results that have been stated is shown in Table 2.

Henseler et al. (2015) suggested the Heterotrait-Monotrait Ratio (HTMT), and Fornell and Larcker (1981) were the two methods utilized to determine the discriminant validity in this study. The Fornel-Larcker is first computed by averaging the variances of all the variables; the square root of the average variance (AVE) should be larger than the correlation between the other variables (Fornell & Larcker, 1981). The output is produced via the Fornell-Larcker formula, which is based on the effect underneath it and the square root of AVE in diagonals[61].The findings show that when the square root of the (AVE) is included, the latent variables have enough discriminant validity to account for the off-diagonal influence in the variables. Below, you can see the influence between the numbers provided in Table 3, which indicate the square roots of the diagonal cells, and the values themselves. When the square root of each diagonal value—AVE—was larger than the corresponding impact below it, we achieved the discriminant. The Heterotrait-Monotrait Ratio (HTMT) is another measure for determining discriminant validity. If the correlation coefficient is less than 0.90, the HTMT technique, which was introduced by Henseler et al. (2015), confirms discriminant validity between any two variables. Table 4's HTMT values are below the cutoff of 0.90, indicating that discriminant validity is true.

iii.Result for Structural Model Assessment

According to Hair et al. (2017), the criteria for assessing the structural model (SM) using PLS-SEM were defined throughout the structural model evaluation process. It is critical to assess the importance and relevance of the structural model relationship. The research also measured the dependent variable's predictive significance (Q2), effect magnitude (f2), and R2 (the amount of variation explained). Bootstrapping with 5,000 resamples was also used to evaluate the t-values of important route coefficients.

Table 3 Measures Of variables

Construct	Description	Factor Loading	AVE	CR	CA
Entrepreneurial Orientation	1.Inourbusiness, ideasconstantly emerge.	813	670	946	945
	2.Renewalandinnovationare continually important for our company.	812			
	3.Wehaverecentlylaunchedmany new products/services.	826			
	4. We invest heavily in the development of new products, services and business practices.	810			
	5. Our business often take saction earlier than competitors.	832			
	6.Weaimtoalwaysbeatthe forefront of business sector	822			
	7.Our business always invests resources better than competitors in exploring new markets	794			

	8.Weprefertotakemorecautious actions even if opportunities may be missed.	758			
	9.Boldactionsarerequiredinour business to achieve goals.	827			
	10. In uncertain situations, our businessis not afraid to take big risks.	885			
Dynamic Capability	11.Ourbusinesshastheabilityto quickly recognize new opportunities and threats in business	864	729	876	876
	12.Ourbusinesshastheabilityto evaluate its own strengths and weaknesses.	854			
	13.Ourbusinessisflexiblein developing new products or technology.	839			
	14. Our business is flexible in communicating and coordinating effectively between departments	859			
Innovation Capability	15. Our business is better at developing new ideas to help customers.	861	741	884	883
	16.Weare betterat offering new products/offers to customers.	859			
	17.Weare betterat managing processes to reduce costs.	887			
	18. Kami lebih mampu memberikan solusi untuk mengatasi permasalahan pelanggan	836			
Competitive	19.Ourproduct/service offers	878	792	870	869
Advantage	Unique benefits compared toour competitors.				
	20.Our product/service offers better quality than our competitors.	895			
	21.Ourproductismoreadvanced than our competitors.	898			
	22.Ourbusinesssaleshave increased.	839	692	889	888
	23.Ourbusinessprofitabilityhas increased.	814			
	24.Ourbusinesscashflowhas increased.	820			
	25.Ourbusiness'scustomer growth is better than our competitors.	848			
	26.Ouremployeegrowthisbetter than our competitors.	836			

Note: CR = composite reliability; AVE= average variance extracted; CA= Cronbach'salpha.

Table 4 Discriminant Validity For FORNELL-Larcker Procedure

variables	CA	DC	EO	FP	IC
CA	890				
DC	933	854			
EO	939	949	818		ham
FP	912	940	974	832	
IC	893	917	961	939	861

Note: The off-diagonal value sare the impact between latent variables and the diagonalis the square rooto fAVE. CA=competitive advantage; DC=dynamic capability; EO= entrepreneur ialorientation; FP= firm performance; IC = innovation capability.

Table 5 Assessment Of The Structural Model

R^2	Endogenous Variables	R^2	R^2 Adjusted	0.26:Substantial, 0.13:Moderate, 0.02:Weak
	Firm Performance	954	953	
	Advantage			
Effect Size(F^2)	Exogenous Variables	Firm Perfomance	Competitive Advantage	
	Entrepreneurial Orientation	2.487	091	
	Dynamic Capability	190	188	
	Innovation Capability	013	003	
	Competitive Advantage	001		
Predictive Relevance (Q-Square)	Endogenous Variables	CCR	CCC	
	Competitive Advantage	1,756	3, 635	
	Firm Performance	744	3.673	

The results for predictive relevance (Q2), effect size (f2) and reliability (R2) are shown in Table 4. We used the PLS-Algorithm to get the value of (R2), as shown in Figure 2, even though all of the (R2) values were very significant.

Table 4 shows that the factors that influence a firm's performance are as follows: entrepreneurial orientation has a medium effect (f2 = 0.487), dynamic capability(f2=0.019), innovative capability(f2= 0.013), and competitive advantage (f2 = 0.001).

Any value of collinearity more than 3 indicates that the model has a collinearity issue. The model exhibited enough predictive relevance (Q2) since the endogenous variables had values more than 3, namely 3.635 and 3.673 (Hair et al., 2017).

6. DISCUSSIONS

In the context of SMEs in the food and beverage sector in the Jabodetabek area, this study identifies **competitive advantage** as a key mediating variable that explains how **entrepreneurial orientation**, **dynamic capability**, and **innovation capability** affect firm performance. The results show that **entrepreneurial orientation**, which encompasses innovative thinking, initiative, and taking calculated risks, significantly affects competitive advantage (f2 = 2.487). These results are in line with other research that has shown how an entrepreneurial mindset may boost a company's competitiveness in ever-changing markets.[62]; Lumpkin & Dess, 1996; [63].

However, the collinearity results indicate some limitations in the model's predictive capacity. Although multicollinearity is not a significant issue, the predictive relevance of the endogenous variables (Q2 = 0.635and0.673) is only moderate. Thissuggests that while the model provides meaningful insights, it does not fully explain firm performance comprehensively. These findings align with Hair et al. (2017), who emphasize the importance of considering predictive relevance in structural models.

The findings also reveal that **dynamic capability** does not directly impact competitive advantage (f2 = 0.190); instead, it becomes crucial when applied strategically to adapt to environmental changes. In this context, [56]emphasize that dynamic capabilities must be integrated into afirm's strategy to have a significant impact. Similarly, [64] arguethat while dynamic capabilities are important, they need to be oriented toward emerging opportunities in the market. [65] further adds that without effective utilization, dynamic capabilities will not provide a sustained competitive advantage.

Innovation capability, although important, shows minimal direct impact on competitive advantage, as indicated by its low effect size (f2 = 0.013). This suggests that innovation alone is insufficient to drive firm performance unless mediated by other factors, such as competitive advantage. These findings are consistent with [66], who emphasizes therole of innovation in the entrepreneurial process, but also notes that innovation must be combined with the ability to create clear market differentiation (Hamel & Prahalad, 1994). More recent research by[67] also stress esthat innovation must be supported by a strategic competitive advantage in order to have a tangible impact on business outcomes.

Ultimately, this study highlights the central role that **competitive advantage** functions as a moderating factor to guarantee the full realization of the advantages of an entrepreneurial mindset, dynamic capabilities, and innovative aptitude.[68]. The real success of innovation and entrepreneurship projects depends on creating a unique and lasting competitive advantage. In order to succeed in today's fast-paced and competitive marketplaces, small and medium-sized enterprises (SMEs) must cultivate an entrepreneurial spirit and learn to strategically use their skills. For policymakers and company owners in the SME sector, this research offers a gold mine of information, especially when it comes to the significance of matching internal resources with external market prospects. Table 6 shows this information.

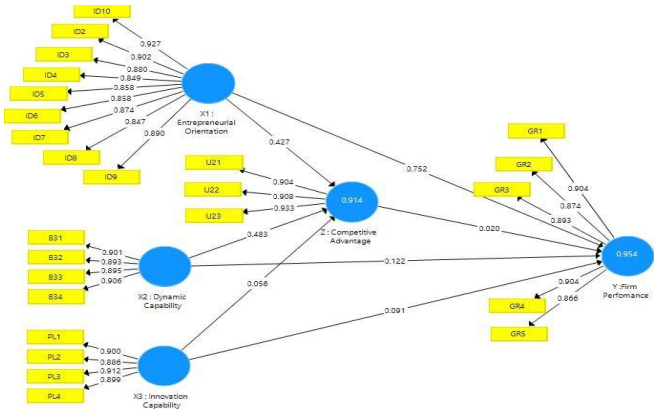

Figure 2

Table 6

Hypothesis	Beta/OS	LL	UL	T	P	Decision
H1:EO-CA	0.487			3,966	0,000	Significant
H2:DC-CA	0.483			6,393	0.000	Significant
H3:IC-CA	0.056			0,488	0,625	Insignificant
H4:EO-FP	0.752	-0.052	0,062	5,271	0,000	Significant
H5:DC-FP	0.122	0.122	0,065	1.574	0,116	Insignificant
H6:IC-FP	0.056	-0.009	0,025	0.891	0,373	Insignificant
H7:CA-FP	0.300			0,315	0.753	Insignificant

Note.OS=originalsample;LL=lowerlimit;UL=upperlimit;significant;*p<.05

CA=competitiveadvantage;DC=dynamiccapability;EO=entrepreneurialorientation;FP=firmperformance; IC = innovation capability

H1:EO→CA(0.427,p=0.000, significant)

This result agrees with that of[62], who also discovered a favorable correlation between an entrepreneurial mindset and an organization's ability to compete. According to their research, innovative and aggressive techniques provide businesses with a more entrepreneurial mindset a leg up in the marketplace.

H2:DC→CA(0.483,p=0.000, significant)

[56]It has been shown that Dynamic Capability has a favorable effect on Competitive Advantage. This shows that companies that can integrate, grow, and reconfigure their internal and external skills are able to stay competitive even when things change fast. In this case, the substantial outcome is consistent with their conclusions.

H3:IC→CA(0.056,p=0.625, insignificant)

Contrary to [57], This research failed to establish a meaningful association, contradicting the arguments of those who claimed that innovation capability is a primary driver of competitive advantage. This discrepancy may be attributable to innovation's lesser impact on the competitive environment of the companies polled or to industry-specific variables.

H4:EO→FP(0.752,p=0.000, significant)

Consistent with findings from [69], there is a strong positive relationship between Entrepreneurial Orientation and Firm Performance. Entrepreneurial firms are typically better at seizing opportunities, leading to improved firm performance.

H5:DC→FP(0.122,p=0.116,insignificant)

While previous studies [70] have shown that Dynamic Capabilities positively affect Firm Performance, this study's result indicates an insignificant relationship. The difference might be attributed to the firm's inability to fully capitalize on their dynamic capabilities or industry-specific constraints.

H6:IC→FP(0.056,p=0.373, insignificant)

This result contrasts with the findings of [71], who suggested that Innovation Capability directly enhances Firm Performance. The insignificant result here might suggest that innovation efforts are not immediately translated into performance gains in the sample studied.

H7:CA→FP(0.300,p=0.753, insignificant)

[58] posited that CompetitiveAdvantageshouldleadtobetterFirmPerformance,butthisstudy did not find a significant link. This could imply that competitive advantage in itself does not always guarantee improved performance without the support of other factors such as resource management or market conditions.

The way organizations react to opportunities and difficulties is strongly influenced by entrepreneurial orientation (EO), which in turn has a substantial effect on firm performance (FP). Rapid adaptation and expansion in highly competitive marketplaces are hallmarks of aggressive, creative, and risk-taking businesses with high EO. Firms that prioritize entrepreneurship tend to get superior performance outcomes, according to studies. Factors like Innovation Capability (IC) and Dynamic Capability (DC) take longer to manifest since improving performance isn't an instantaneous result of creating new capabilities or breakthroughs. Even if you have a competitive advantage (CA), you may need an entrepreneurial spirit to make the most of it. That is why EO is so important; it helps businesses take advantage of possibilities more quickly, which in turn boosts their performance.

7. THE THEORETICAL IMPLICATIONS

Using small and medium-sized enterprises (SMEs) in the food and beverage industry in the Jabodetabek area as a case study, this research provides a novel and thorough examination of strategic management theories by examining the relationships between entrepreneurial orientation, dynamic capability, and innovation capability as well as firm performance through the mediating variable of competitive advantage. This study adds to the existing body of knowledge by shedding light on the complex relationships between these factors and how they influence business

results in emerging economies. The resource-based view (RBV) is advanced by this work, which highlights the importance of dynamic and innovative capacities as key drivers of firm performance and sustainable competitive advantage. In the cutthroat and ever-changing food and beverage industry, one of the most important factors is having a competitive edge, which is directly improved by an entrepreneurial mindset. This research adds to the literature by showing that a company's competitive advantage acts as a go-between when determining the connection between internal resources and external performance measures. In addition, the study casts doubt on the long-held belief in the direct relationship between dynamic capabilities and competitive advantage, casting doubt on the classic RBV view and positing instead an indirect relationship. The importance of further study into the routes by which dynamic skills contribute to firm performance in various industrial contexts and geographical locations is highlighted by our improved knowledge of these processes.

8. PRACTICAL IMPLICATIONS

The Findings Of This Study Have Important Implications For Policymakers And Practitioners concerned with the long-term growth of small and medium-sized enterprises (SMEs) in the food and drink sector. In order to successfully traverse the complicated market, the results indicate that managers and owners of SMEs should have an entrepreneurial attitude marked by innovation, initiative, and risk-taking. In order to boost their business performance, SMEs should work on cultivating these attributes. This will help them get a competitive edge. According to the research, businesses need to be able to quickly detect, grab, and reorganize their resources in reaction to changes in the external market. To help their companies successfully adapt to new trends and technology, managers should put money into systems and procedures that foster quick learning and adaptability. A key differentiator in a saturated market is the capacity to innovate. Small and medium-sized enterprises (SMEs) should prioritize research and development, incorporate customer input, and consistently reinvent goods and processes to meet the different demands and preferences of consumers. Evidence from this study should encourage policymakers to back programs that help small and medium-sized enterprises (SMEs) become more entrepreneurial and provide easier access to technology that boost innovation and flexibility. These findings may help shape policies and initiatives that specifically target small and medium-sized enterprises (SMEs) in fast-paced industries like food and drink, allowing them to thrive and contribute to overall economic growth.

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