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The Role of Entrepreneurial Orientation, Knowledge Management, and Partnership on the Competitive Advantage

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Abstract

This research examines the influence of entrepreneurial orientation, knowledge management, and partnership strategy on business performance through competitive advantage in Batik Micro Enterprises in Semarang City. Small businesses are crucial to the national economy, creating jobs and boosting the GDP. Yet, small batik businesses struggle with tough competition, lack of new product ideas, and limited market reach. We gathered information from 25 small batik businesses in Semarang City using a survey method. We analysed this data using statistical techniques, specifically the SEM PLS method with Smart-PLS 3.0 software, to test our research hypotheses. Our research shows that entrepreneurial mindset, knowledge management, and strategic partnerships positively impact competitive advantage, which in turn improves the performance of small batik businesses in Semarang City. The findings of this study underline the importance of strategic insight for Micro Business actors in increasing the competitiveness of their business in order to compete with each other. Another contribution of this research can provide recommendations for the Government or related institutions in determining the approach to support the development of Micro Batik Businesses in Semarang City.

Keywords

Business Performance, Entrepreneurial Orientation, Knowledge Management, Partnership, Competitive Advantage.

1. Introduction

Small and medium-sized businesses are vital to Indonesia's economy, significantly contributing to job creation and economic growth. Siahaan (2020) observed that MSMEs are vital in driving economic growth and generating new employment opportunities, particularly in the context of ongoing economic transformation. In Semarang City, the MSME sector is also instrumental in supporting the local economy. Despite their crucial role, MSMEs face numerous challenges, such as a lack of innovation and intensifying competition. To remain relevant and thrive in this dynamic environment, MSMEs need to enhance their competitive advantage. In today's globalized and free-market world, small businesses, especially micro-entepreneurs, face many challenges. The Semarang City Cooperative and Micro Enterprise Service Strategic Plan 2016-2026 identifies several key challenges. These include limited institutional capacity to support micro-enterprise development, low product quality that does not meet market standards, a shortage of entrepreneurial skills and knowledge to face global competition, difficulties in marketing products to broader markets, and low productivity, impacting overall economic viability. Capacity building is crucial for empowering micro-enterprises to address these challenges. This involves providing training, mentorship, and financial resources, as well as facilitating market access and improving infrastructure. The data on micro-enterprises in Semarang in 2024 is presented in Figure 1 below.

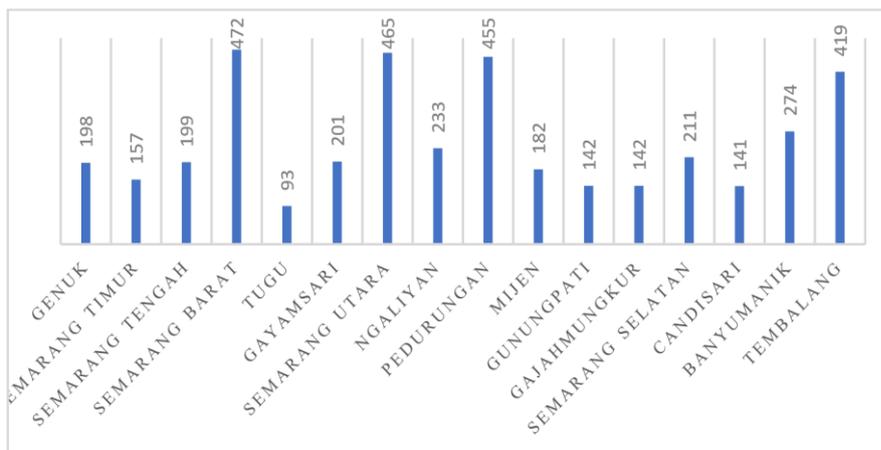


Figure 1. Semarang City Micro Business Data 2024

Several studies, such as those conducted by Alam & Tui (2022) and Ahmatang & Sari (2022), have found a positive correlation between business performance and competitive advantage. However, Bahren et al. (2019) found no significant impact of business performance on competitive advantage, indicating inconsistency. The influence of an entrepreneurial mindset on business performance remains unclear. Some studies, like those by Hamel & Wijaya, (2020); See, Yolanda et al. (2024), found a positive connection. However, other studies, such as those by Soelaiman et al. (2021) and Feranita & Setiawan (2020), didn't find a significant impact. Research on how knowledge management affects small business performance has also produced mixed results. While some studies, like those by Alliyah et al. (2019) and Sugiarti et al. (2019), found a positive impact, others, such as Santoso et al. (2020) and Setiyono et al. (2022), had different findings. Likewise, the effect of strategic partnerships on business performance remains unclear. Halik (2020) and Panulu & Gunarto (2022) found a positive relationship. This study aims to delve deeper into these complex

relationships, considering the specific context and characteristics of small businesses. We hope this research will provide more consistent findings and support the development of sustainable and competitive small businesses.

Scholars disagree on how entrepreneurial mindset affects the competitive advantage of small businesses. Rahmadi et al. (2020) and Husyam & Huda (2020), found a positive relationship, indicating that MSMEs with a strong entrepreneurial orientation are more competitive. However, Fadhillah et al. (2021) and Feranita & Setiawan (2020) found no significant impact, suggesting that other factors may influence this relationship. Studies show mixed findings on the link between knowledge management and competitive advantage. While Laila et al. (2021) and Purba et al. (2024) reported a positive relationship, Nasution et al. (2021) found no significant connection. Similarly, the impact of partnership strategy on competitive advantage also remains inconsistent. Husyam & Huda (2020) and Purba et al. (2024) found a significant positive impact, while Quynh & Huy (2019) found no significant impact. These findings highlight the complexity of the relationship between partnership strategy and MSME competitive advantage.

A fascinating phenomenon for research in Semarang's micro batik enteIDRRises is how these small businesses navigate the challenges of maintaining and developing their market presence. Despite batik's significant cultural value and its integral role in Indonesian identity, many micro batik enteIDRRises in Semarang face difficulties in product innovation, accessing broader markets, and adopting modern production processes. This is corroborated by the Semarang City Cooperative and Micro EnteIDRRise Service Strategic Plan 2021-2026, which highlights micro-enteIDRRises' limited institutional capacity, low product quality, and the lack of entrepreneurial skills and knowledge to compete globally. On the other hand, balancing the preservation of traditional batik's uniqueness while adapting to modern market demands presents another challenge. Moreover, support from the government and relevant stakeholders for the development of micro batik enteIDRRises is often inadequate. This phenomenon warrants further investigation as it can provide deeper insights into how Semarang's micro batik enteIDRRises can overcome these challenges and achieve sustainability through innovation and effective entrepreneurial strategies. This research can also identify strategic steps to enhance the competitiveness and performance of micro batik enteIDRRises in Semarang.

2. Literature Review

This research draws upon the Resource-Based View (RBV) Theory, which emphasizes the role of internal resources in achieving competitive advantage. For MSMEs, being adaptable businesses, it's crucial to formulate strategies that leverage their available resources. According to RBV, companies that possess VRIN resources, those that are Valuable, Rare, Inimitable, and Non-substitutable have a greater chance of sustaining a competitive edge. In the case of MSMEs, the application of RBV is evident in how Entrepreneurial Orientation, Knowledge Management, and Partnership Strategy influence Business Performance through Competitive Advantage. The legal foundation for MSMEs is established through several regulations, including Government Regulation No. 7/2021 on the Facilitation, Protection, and Empowerment of Cooperatives and MSMEs (PP UMKM), Law No. 20/2008 on Micro, Small, and Medium EnteIDRRises (UMKM Law), and Semarang Mayor Regulation No. 108/2021, which outlines the structure, roles, functions, and operational system of the Semarang City Cooperative and MicroenteIDRRise Agency.

Table 1. Characteristics of MSMEs in Indonesia

Category	Asset	Income/Year
Medium EntelDRrise	5.000.000.000 IDR – 10.000.000.000 IDR	15.000.000.000 IDR – 50.000.000.000 IDR
Small Business	1.000.000.000 IDR – 5.000.000.000 IDR	2.000.000.000 IDR – 15.000.000.000 IDR
Micro Business	1.000.000.000 IDR	2.000.000.000 IDR

The competitive business environment in the era of globalization requires businesses to improve their performance by providing some innovation. Especially in the Micro Business sector, the survival of them depends on the performance of the business (Arabeche et al, 2022). Business Performance refers to how a business achieves its goals both financially and non-financially. Business performance covers various aspects such as profitability, productivity, and customer satisfaction. The work result is measured by a certain value or standard in a certain period. By achieving optimal performance, the business can become the main pillar in supporting the national economy (Arianto, 2020). Business performance can affect the sustainability of the business in the future. Therefore, in assessing business performance, companies also conduct company performance evaluations that will increase organizational effectiveness. Narosa (2021) there are six advantages of company performance evaluations that can increase organizational effectiveness. In assessing business performance can use several indicators such as financial performance, product performance, & marketing performance.

The tight and dynamic business competition in this era requires companies to always be proactive and adaptive to maintain their leading position. One of the main keys to achieving this is building competitive advantage, an effective strategy to dominate the market and outperform competitors. The competitive advantage is not just about offering services or products, but more about creating value added that differentiates the company from others. Porter (1993) identifies two primary strategies for achieving competitive advantage: cost advantage and differentiation. The cost advantage strategy emphasizes a company's capability to produce goods or services at a lower cost than its competitors. This cost advantage allows companies to promote more competitive prices and attract more consumers. In contrast, the differentiation approach focuses on offering services or products that are different from competitors and also unique, which can be achieved through product innovation, attractive design, or extraordinary customer service. The combination of these two strategies can produce superior performance in a particular industry. In the realm of micro business, competitive advantage can also improve business and create new value for customers. Syapsan (2019) new MSMEs that are created to survive may experience slow growth and have a management system. In assessing competitive advantage can use several indicators such as price, quality, & product innovation.

According to Nuvriasari et al. (2020), entrepreneurial orientation can be seen as a compass guiding organizations towards new, undiscovered opportunities. This analogy illustrates how entrepreneurial orientation encourages companies to become proactive pioneers, ready to face challenges from new opportunities, and always follow the direction of their leaders. This shows that entrepreneurial orientation not only reflects the values held by the company but also determines the strategies implemented (Mulyana et al., 2022). Companies with strong values will continue to seek new opportunities to enter new markets and improve their performance. In the modern business era, entrepreneurial orientation is increasingly important, like a breath of fresh air that encourages companies to move quickly. The ability to innovate creatively, develop new ideas, and have adequate resources to execute new opportunities is the main key. Herlinawati (2019); Santoso et al. (2020) and Hamel

& Wijaya (2020) support this view by stating that entrepreneurial orientation plays a crucial role in achieving sustainable economic growth, increasing company competitiveness, and improving organizational performance. Overall, entrepreneurial orientation can be interpreted as a driver that directs companies to always emphasize the creation of new value and innovation. Companies with an entrepreneurial orientation actively seek innovative ways to do business, create new products and services, and enter new markets. Rochayatun et al. (2023) describe entrepreneurial orientation as a series of processes and activities that drive innovation and decision-making that is oriented towards creating added value. In assessing competitive advantage can use several indicators such as risk taking, proactive, confidence, & innovativeness.

Knowledge management entails processing data and information through efficient strategies to help organizations achieve adaptive, innovative, intelligent, and sustainable goals (Samir, 2020). For MSMEs, knowledge management is crucial for leveraging science, technology, and R&D to expand business activities (Mauludin et al., 2023). According to Sugiarti et al. (2019), key elements of knowledge management include acquisition, storage, dissemination, and utilization of knowledge. Samir (2020) identifies knowledge acquisition, sharing, and responsiveness as essential components, while Sunyoto et al. (2023) list four indicators: acquisition, creation, dissemination, and utilization.

Collaboration is the main key to achieving common goals. Partnership strategy manifests this by binding two or more parties to a mutually beneficial agreement. The foundation of this cooperation is built on trust and strong commitment between partners (Assalmani, 2021). More than just ordinary cooperation, partnership strategy presents a deeper dimension. Micro and Small Enterprises (MSMEs) need to think creatively to increase their competitiveness in facing increasingly tight business competition. One approach that is increasingly popular is establishing partnerships. Various studies, including the work of Alliyah et al. (2019); Rinawati & Sadewo (2019); Anwar et al. (2020); Imtihan & Kardoyo (2019) and Sarwoko et al. (2021), show that partnerships are an effective key in advancing MSMEs. Partnerships provide a significant boost for MSMEs. Through this collaboration, MSMEs can overcome existing deficiencies and strengthen limited resources (Amirudin et al., 2024). By forming partnerships, small businesses can expand their market reach, improve their product and service quality, and optimize their production processes. A partnership strategy involves collaborating with other companies or organizations to gain a competitive edge, stimulate growth, or achieve other goals (Quyen, 2020). Partnership strategies can involve various forms of cooperation such as partnerships between companies, partnerships between companies and suppliers, or partnerships between companies and related institutions (Ratnawati, 2019). Indicators in the partnership strategy according to Aulia et al. (2023) such as capital access, development, management linkages and mutually beneficial business.

- H1.** Competitive advantage has a positive effect on business performance
- H2.** Entrepreneurial orientation has a positive effect on business performance.
- H3.** Knowledge management has a positive effect on business performance.
- H4.** Partnership strategy has a positive effect on business performance.
- H5.** Entrepreneurial orientation has a positive effect on competitive advantage.
- H6.** Knowledge management has a positive effect on competitive advantage.
- H7.** Partnership strategy has a positive effect on competitive advantage.

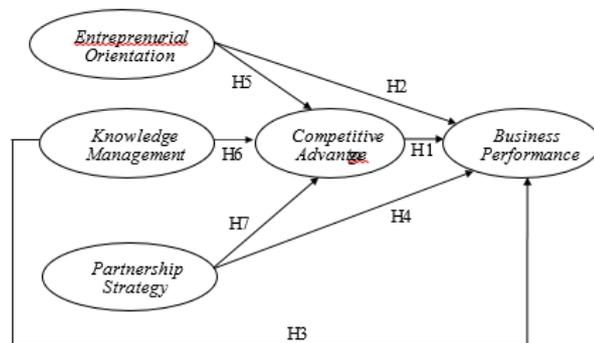


Figure 2. Theoretical Framework

3. Methods

This study employed a quantitative approach, gathering data via a survey of small batik business owners in Semarang. The questionnaire measured variables like entrepreneurial orientation, knowledge management, partnership strategy, competitive advantage, and business performance, using a Likert scale for consistent, quantifiable responses. Each question was tailored to capture aspects of the variables studied. Data analysis included descriptive analysis, which outlined respondent characteristics and the status of micro batik businesses, and quantitative analysis using PLS-SEM through Smart-PLS 3.0 to test variable relationships and hypotheses.

The operational definitions of the variables in this study are described as follows. Entrepreneurial Orientation (EO) refers to the importance of entrepreneurial orientation in achieving sustainable economic growth and enhancing competitive advantage, as highlighted by Santoso et al. (2020). This variable is measured using four indicators: risk-taking (EO1), proactiveness (EO2), confidence (EO3), and innovativeness (EO4). Knowledge Management (KM) involves the process of efficiently and effectively processing data or information to achieve organizational goals. It fosters adaptive, innovative, intelligent, and sustainable organizations, as emphasized by Samir (2020). The indicators for this variable are knowledge acquisition (KM1), knowledge creation (KM2), dissemination of knowledge (KM3), and utilization of knowledge (KM4).

Partnership Strategy (PS) is identified as an effective approach for developing micro and small enterprises, significantly enhancing their competitiveness, as discussed by Alliyah et al. (2019). The indicators for this variable include access to capital (PS1), mentorship (PS2), management linkages (PS3), and profitable business (PS4). Business Performance (BP) measures the effectiveness of a company's strategy, as stated by Putri et al. (2022). It is assessed through financial performance (BP1), product performance (BP2), and marketing performance (BP3). Lastly, Competitive Advantage (CA) represents a strategy to achieve relative superiority over competitors, as revealed by Mauludin et al. (2023). This variable is evaluated using three indicators: price (CA1), quality (CA2), and product innovation (CA3).

4. Results

Character of the respondents in this study, 4 were male (16%) and 21 were female (84%), showing a slightly higher male participation. The largest age group was over 40 years (11 respondents, 44%), followed by ages 31-40 (10 respondents, 40%) and ages 21-30 (4 respondents, 16%). Most respondents had a high school education (16 respondents, 64%), with fewer holding a diploma (6 respondents, 24%) or a bachelor's degree (3 respondents, 12%). Regarding income, the majority (22

respondents, 88%) earned between IDR1,000,000 and IDR5,000,000, while 3 respondents (12%) earned between IDR6,000,000 and IDR15,000,000.

Table 2. Respondents Profile

Character of Respondent		Frequency	Percentage
Gender	Male	4	16%
	Female	21	84%
Age	17-20	0	0%
	21-30	4	16%
	31-40	10	40%
	>40	11	44%
Education Level	High School	16	64%
	Diploma	6	24%
	Bachelor/Master/Doctor	3	12%
Number of employees	1-3	6	24%
	4-7	11	44%
	8-11	3	12%
	12-15	5	20%
Monthly Sales Turnover	IDR1.000.000 – IDR5.000.000	22	88%
	IDR6.000.000 – IDR15.000.000	3	12%
	IDR16.000.000 – IDR25.000.000	0	0%
	> IDR30.000.000	0	0%

Table 3. Factor Loadings and Convergent Validity Analysis

Construct	Loading	Cronbach's Alpha	Composite Reliability	AVE
Business Performance		0.76	0.86	0.67
	0.76			
	0.81			
	0.88			
Competitive Advantage		0.77	0.87	0.68
	0.79			
	0.83			
	0.86			
Entrepreneurial Orientation		0.72	0.82	0.54
	0.73			
	0.75			
	0.65			
	0.80			
Knowledge Management		0.72	0.82	0.53
	0.72			
	0.81			
	0.75			
	0.63			
Partnership Strategy		0.78	0.86	0.61
	0.63			
	0.90			
	0.74			
	0.82			

Table 3 shows that all item loadings exceed 0.5, confirming their validity, consistent with Imam Ghozali's (2014) guideline that a loading factor above 0.5 indicates a strong correlation with the measured construct. Convergent validity was also established, as all Average Variance Extracted (AVE) values were above 0.5. Additionally, the variables demonstrated reliability, with Cronbach's Alpha and Composite Reliability values exceeding 0.7, meeting Ghozali's criteria. Structural capital, assessed through R-Square (R^2) values, shows an R^2 of 0.16 for business performance and 0.59 for competitive advantage.

Table 4. Discriminant Validity

Construct	Business Performance	Competitive Advantage	Entrepreneurial Orientation	Knowledge Management	Partnership Strategy
Business Performance	0.82				
Competitive Advantage	0.58	0.83			
Entrepreneurial Orientation	0.43	0.57	0.74		
Knowledge Management	0.23	0.68	0.67	0.73	
Partnership Strategy	0.42	0.60	0.57	0.64	0.78

Table 4 results indicate that each indicator's loading value on its own construct is higher than its cross-loading values with other constructs. This confirms that all constructs or latent variables have strong discriminant validity, as each indicator is more aligned with its respective construct than with other constructs.

Table 5. Path Coefficients

Hypothesis	Mean	STDEV	T-Statistic	p-value	Remarks
CA -> BP (H1)	0.37	0.18	2.41	0.01	Significant
EO-> BP (H2)	0.38	0.19	2.10	0.02	Significant
KM-> BP (H3)	-0.18	0.27	1.04	0.15	Not Significant
PS -> BP (H4)	0.39	0.20	1.88	0.03	Significant
EO -> CA (H5)	0.04	0.16	0.17	0.43	Not Significant
KM-> CA (H6)	0.51	0.17	3.24	0.00	Significant
PS-> CA (H7)	0.12	0.19	0.47	0.32	Not Significant

The test results show a t-statistic of 2.41, which is higher than the t-table value of 1.64, and a significant p-value of 0.01, which is less than 0.05. This suggests that competitive advantage significantly influences business performance. The studies by Alam & Tui (2022) and Ahmatang & Sari (2022), reinforce the view that entrepreneurial orientation positively affects business performance. The finding that competitive advantage significantly impacts business performance in the Batik MSMEs of Semarang emphasizes that strong competitiveness can drive business performance improvements. In this context, the competitive advantages of Batik MSMEs, such as unique designs, product quality, and the cultural value embedded in batik products, are factors that attract consumers and enhance market loyalty. When MSMEs capitalize on their competitive advantage, they can not only maintain their market share but also expand their consumer reach, increase sales, and improve profitability (Davlyatbekovna, 2024). This indicates that Batik MSMEs in Semarang that focus on strengthening their competitive advantage through innovation, quality enhancement, and product differentiation tend to experience overall business performance improvements. This finding also provides insight into the fact that building competitiveness is a crucial strategy for Batik MSMEs to survive and grow in a competitive market.

The results of the test show a t-statistic value of 2.10 > t-table value of 1.64, with a significant p value of 0.02 < 0.05. This indicates that entrepreneurial mindset

significantly affects business performance. The studies by (Hamel & Wijaya, 2020; See, Yolanda et al., 2024) support the idea that entrepreneurial mindset positively influences business performance. The findings of this study, which show that Entrepreneurial Orientation significantly impacts business performance in Batik MSMEs in Semarang, suggest that proactive, innovative, and risk-taking behaviours among Batik MSME owners can contribute to improvements in their business performance. In this context, MSMEs that actively apply entrepreneurial orientation are more adaptable to changing trends and market needs, enabling them to innovate more quickly in design, production techniques, or marketing strategies. With the courage to take risks, Batik MSMEs can also explore new opportunities, such as expanding into national or international markets or leveraging digital technology for marketing and sales (Lubis, 2022). The application of entrepreneurial orientation helps Batik MSMEs in Semarang not only to maintain competitiveness but also to improve their overall business performance through increased sales, market expansion, and enhanced customer loyalty.

The test results show a t-statistic value of 1.04, which is less than the t-table value of 1.64, with a p-value of 0.15, which is greater than 0.05. This indicates that knowledge management does not significantly impact business performance. This finding is in line with previous empirical studies by (Santoso et al., 2020; See, Feranita & Setiawan, 2020), which also found that knowledge management does not have a significant effect on business performance. However, the application of knowledge management in Batik MSMEs in Semarang is significant in improving business performance by enhancing innovation, operational efficiency, and decision-making. Effective knowledge management allows artisans to share new production techniques and designs, creating more competitive and high-quality products. It also improves efficiency by documenting best practices, reducing costs, and accelerating production processes. Additionally, knowledge management enables customer data analysis for more informed decisions in marketing and product development, thus increasing customer satisfaction and loyalty. Overall, knowledge management strengthens the competitiveness and business performance of Batik MSMEs in an increasingly competitive market (Ramadhan et al., 2024).

The test results indicate a t-statistic of 1.88 > t-table value of 1.64, with a significant p value of 0.03 < 0.05. This proves that partnership strategy significantly affects business performance. This finding is consistent with previous empirical studies by Halik et al. (2020) and Panulu & Gunarto (2022), which demonstrated that partnership strategy significantly influences business performance. The application of partnership strategy in Batik MSMEs in Semarang significantly impacts business performance by expanding networks and improving access to resources, technology, and broader markets. Partnerships with other parties, such as raw material suppliers, distributors, or design partners, enable Batik MSMEs to improve production efficiency, reduce costs, and introduce product innovations more quickly. Additionally, collaborations with various parties open up opportunities to enter new markets, strengthen brand presence, and enhance competitiveness. With the right partnership strategy, Batik MSMEs can accelerate growth and increase profitability, directly impacting improved business performance.

The test results indicate a t-statistic of 0.17 < t-table value of 1.64, with a significant p value of 0.43 > 0.05. This proves that entrepreneurial orientation does not significantly affect competitive advantage. This finding is consistent with previous empirical studies by Fadhillah et al. (2021) and Feranita & Setiawan (2020), which demonstrated that entrepreneurial orientation does not have a significant impact on competitive advantage. The results indicate that entrepreneurial orientation does not significantly influence competitive advantage in Batik MSMEs in Semarang, suggesting that entrepreneurial orientation alone is insufficient to create a competitive edge in this sector. The spirit of innovation, risk-taking, and

proactivity that characterizes entrepreneurial orientation appears to be less effective without support from other factors, such as access to capital and managerial knowledge. Batik MSMEs in Semarang may face challenges related to marketing networks or financial resources, thus entrepreneurial orientation does not directly impact competitiveness. Furthermore, batik products require a deep understanding of culture and complex production techniques, which often demand knowledge management rather than just entrepreneurial orientation. This finding suggests that Batik MSMEs in Semarang need to balance entrepreneurial orientation with other strategies, such as culture-based innovation and more systematic knowledge management, to achieve better competitiveness.

The test results indicate a t-statistic of $3.24 > t$ -table value of 1.64, with a significant p value of $0.00 < 0.05$. This proves that knowledge management significantly affects competitive advantage. This finding is consistent with previous empirical studies by Laila et al. (2021); Purba et al. (2024), which demonstrated that knowledge management significantly influences competitive advantage. The research findings indicate that knowledge management has a significant impact on competitive advantage in Batik MSMEs in Semarang, suggesting that effective knowledge management can enhance the competitiveness of business actors. In the Batik MSME sector, knowledge management can be applied by storing and sharing knowledge related to batik production techniques, operational management, and effective marketing strategies (Asif, 2021). For instance, through archiving and utilizing local knowledge about Semarang's distinctive batik motifs and environmentally friendly dyeing techniques, MSMEs can create unique products that align with modern market preferences. This not only helps businesses retain loyal customers but also attracts new customers who value authenticity and product quality, thereby strengthening the competitive position of MSMEs in both local and national markets.

The results of the test show a t-statistic value of $0.47 < t$ -table value of 1.64, with a significant p value of $0.32 > 0.05$. This proves that partnership strategy does not significantly affect competitive advantage. This finding is consistent with previous empirical studies by Quynh & Huy (2019), which demonstrated that partnership strategy does not significantly impact competitive advantage (Syamsuddin et al., 2023). The research findings indicate that partnership strategy does not significantly influence competitive advantage in Batik MSMEs in Semarang, suggesting that forming partnerships alone is not sufficient to enhance competitiveness in this sector. Although partnerships are often an effective way for MSMEs to access resources and broader market opportunities, in the case of Batik MSMEs in Semarang, this may be less optimal if the partnership is not accompanied by deeper strategies, such as product innovation or knowledge management. In the batik sector, competitive advantage is more closely related to the ability to produce unique, high-quality products rooted in traditional craftsmanship and innovation. Dependence on partnerships may not be effective if MSMEs lack strong control over the production process and internal management. This finding highlights the importance for Batik MSMEs in Semarang to focus on strategies for enhancing internal skills and culture-based product innovation in order to build more significant competitiveness.

5. Conclusion

The findings highlight that entrepreneurial orientation, knowledge management, and partnership strategy significantly influence business performance through competitive advantage. Hypothesis testing shows that Competitive Advantage notably impacts Business Performance, as indicated by a p-value of 0.01, confirming its positive effect on performance. Entrepreneurial Orientation also has a significant effect, with a p-value of 0.02, demonstrating its impact on business outcomes. Conversely, Knowledge Management shows no significant effect on Business

Performance, with a p-value of 0.15. Partnership Strategy, however, does influence performance, evidenced by a p-value of 0.03. The results further indicate that Entrepreneurial Orientation does not significantly affect Competitive Advantage (p-value 0.43), whereas Knowledge Management does enhance it (p-value 0.00). Meanwhile, Partnership Strategy has no significant impact on Competitive Advantage, as shown by a p-value of 0.32.

The study concludes that Competitive Advantage influences Business Performance, driven by factors such as Entrepreneurial Orientation and Partnership Strategy, while Knowledge Management fosters Competitive Advantage. Despite inconsistent past findings on Knowledge Management and Partnership Strategy's impact on Business Performance, these elements remain relevant for innovation and market access. To strengthen their competitive edge, Semarang City's Micro Batik EntelDRises should emphasize skill development and culture-based product innovation rather than relying solely on partnerships. The study recommends that government and relevant institutions support Micro Batik EntelDRises by providing training, resource access, and infrastructure enhancements to boost their market competitiveness. This study is limited by its focus on Micro Batik EntelDRises in Semarang City with a small sample size. Future research should consider broader sample populations and alternative analysis approaches to improve the study's applicability.

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