

THE EFFECT OF ENTREPRENEURIAL ORIENTATION AND INNOVATION CAPABILITY ON UMKM COMPETITIVENESS AND ITS IMPACT ON UMKM MARKETING PERFORMANCE IN LHOKSEUMAWE CITY

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Abstract

This study examines the influence of entrepreneurial orientation and innovation capability on the competitiveness of MSMEs and their impact on the marketing performance of MSMEs in Lhokseumawe City. The sample in this study were active MSME actors and had 133 businesses. Data collected through questionnaires were analyzed using data analysis methods using Structural Equation Modeling (SEM) which was operationalized with the Analysis of Moment Structure (AMOS) tool. The results of the study indicate that entrepreneurial orientation and innovation capability have a significant effect on competitiveness and marketing performance. And competitiveness has a direct effect on marketing performance. Then in testing the indirect effect, competitiveness was found to play a role as a partial mediating variable in the relationship between entrepreneurial orientation and innovation capability on marketing performance. The results of this study are expected to be important information for the government and MSME managers in Lhokseumawe City in order to make policies for the development of micro, small and medium enterprises

Keywords: *Entrepreneurial Orientation, Innovation Capability, Competitiveness, Marketing Performance*

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have an important role in driving national economic growth and stability. The role of MSMEs can be seen from their contribution to job creation, the spread of economic activities, and their role as the backbone of a resilient informal sector. In Indonesia, MSMEs contribute around 60.34% to Gross Domestic Product (GDP) and absorb more than 97% of the national workforce (Kemenkop UKM, 2024). With the number of business units reaching more than 64 million, this sector has shown resilience in facing economic shocks, including during the COVID-19 pandemic. Therefore, developing the competitiveness and marketing performance of MSMEs is very crucial for the sustainability of the regional and national economy.

Lhokseumawe City as the center of economic growth in Aceh has a growing population of MSMEs, especially in the trade, industry, and transportation sectors. Based on data from the Lhokseumawe City Trade and Cooperatives Office (2024), there were 5,739 MSMEs actively operating until 2022. These sectors are the main driving force for the local community's economic activities, while also showing high local entrepreneurial dynamics. However, in an increasingly competitive and digitalized business environment, MSMEs face major challenges in maintaining competitiveness and improving their marketing performance. One of the keys to answering these challenges is strengthening entrepreneurial orientation and innovation capabilities in business management.

Entrepreneurial orientation is a strategic foundation that reflects the proactive, innovative, and risk-taking attitudes of business actors. Previous studies have shown that entrepreneurial orientation has a positive influence on company growth and performance (Wales et al., 2019; Muniroh et al., 2023). However, contradictory findings have also emerged, such as in the study of Aditi et al. (2023), which stated that entrepreneurial orientation does not always have a significant effect on performance or competitiveness. This indicates the need for contextual studies that consider mediating variables, such as

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the competitiveness of MSMEs themselves. Thus, entrepreneurial orientation needs to be further studied in the local context of Lhokseumawe to see its specific impact.

On the other hand, innovation capability refers to a company's ability to develop and implement new ideas to improve products, processes, and organizational systems. According to Elgarhy and Abou-Shouk (2023), innovation capability acts as a strategic resource that can create more value for customers and increase competitive advantage. However, several studies show that innovation capability does not always have a direct effect on MSME marketing performance (Larios-Francia & Ferasso, 2023). Therefore, competitiveness can be an important mediator that bridges the relationship between innovation and marketing outcomes. In the context of Lhokseumawe MSMEs, strengthening innovation is expected to be able to create products and services that are relevant to local and regional market demand.

Competitiveness is a company's ability to maintain a superior market position and create added value that is difficult for competitors to imitate. According to Barney (1991), sustainable competitive advantage arises when a company is able to access and manage unique resources that are not easily duplicated. Several indicators of competitiveness that are relevant to MSMEs include product quality, competitive prices, brand image, and managerial capabilities (Hussain et al., 2020). In this study, competitiveness is not only seen as the end result, but also as a mediator between the company's internal strategy and external performance in marketing. Thus, understanding the role of competitiveness in the MSME ecosystem is very important in forming a long-term business development strategy.

Marketing performance is one of the important indicators in assessing the success of MSMEs in reaching the market and retaining customers. According to Abubakar (2018) and Puspaningrum (2020), marketing performance includes sales growth, customer satisfaction, brand loyalty, and promotional effectiveness. Internal factors such as entrepreneurial orientation and innovation capabilities and external factors such as market dynamics influence this success. Therefore, improving marketing performance requires synergy between entrepreneurial strategy and innovative capabilities aimed at winning market competition. By strengthening these two factors, MSMEs are expected to be able to increase their contribution to local economic development.

Based on this background, it is important to conduct research that analyzes the influence of entrepreneurial orientation and innovation capability on the competitiveness of MSMEs and their impact on marketing performance in Lhokseumawe City. This research will not only explain the direct relationship between variables, but also the mediating role of competitiveness in strengthening the relationship. With a quantitative approach and SEM analysis, the results of this study are expected to provide theoretical and practical contributions to the development of MSMEs. The findings of this study can also be a reference for local governments, business actors, and academics in formulating strategies to increase the competitiveness and marketing of MSMEs. Thus, this research is expected to be able to answer various actual challenges in managing micro and small businesses in the era of global competition.

LITERATURE REVIEW

Micro, Small, and Medium Enterprises (MSMEs) have long been recognized as one of the main pillars of the economy in various countries, including Indonesia. MSMEs are considered to have high adaptive capabilities to economic and social changes, and make a major contribution to labor absorption and gross domestic product (Fitzgerald, 2019). Based on data from the Ministry of Cooperatives and SMEs, MSMEs contribute more than 60% to Indonesia's GDP and employ around 97% of the national workforce (Kemenkop UKM, 2024). Therefore, the competitiveness and sustainability of MSMEs are important concerns in national and regional economic development. A study of the factors that influence the competitiveness and performance of MSMEs is very relevant in this context. Entrepreneurial orientation is a strategic concept that emphasizes innovative, proactive, and risk-taking attitudes in running a business. Covin and Lumpkin (2011) define entrepreneurial orientation as a company's tendency to recognize and pursue opportunities through innovative approaches and bold decision-making. The main dimensions of entrepreneurial orientation are innovativeness, proactiveness, and risk-taking (Lumpkin & Dess, 1996). In various studies, entrepreneurial orientation has been shown to

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improve business performance and competitive advantage, especially in the context of MSMEs (Wales et al., 2019; Muniroh et al., 2023). However, several studies also show inconsistent results, so it needs to be studied in a specific context such as Lhokseumawe City.

Innovation capability is an important dimension in supporting business competitiveness amidst increasingly tight market competition. This capability includes the ability to develop, implement, and manage new ideas in the form of products, processes, and business systems (Elgarhy & Abou-Shouk, 2023). Lee and Yoo (2021) emphasized that innovation capability allows companies to continuously innovate in response to market changes. The study by Mohammad et al. (2019) shows that MSMEs with high innovative capabilities tend to have advantages in adjusting marketing strategies. However, mixed results are also found in the literature, such as in the study by Larios-Francia and Ferasso (2023), which shows that innovation does not always have a direct impact on MSME marketing performance.

Competitiveness is the ability of a company to survive and excel in a dynamic competitive environment. According to Barney (1991), sustainable competitive advantage is achieved through strategies that are not easily imitated by competitors. Several indicators of MSME competitiveness include product quality, competitive prices, managerial capabilities, corporate image, and product differentiation (Dirisu et al., 2019; Hussain et al., 2020). In the context of MSMEs, competitiveness is also closely related to adaptive ability, market orientation, and sustainable innovation. Pratono et al. (2019) stated that focused value creation and innovation are key factors in maintaining competitive advantage for MSMEs.

Marketing performance is an important indicator in assessing the success of business strategies implemented by MSMEs. According to Puspaningrum (2020), marketing performance includes sales growth, customer loyalty, and promotional effectiveness. Abubakar (2018) added that marketing performance can also be measured through consumer perceptions of service quality and customer satisfaction. Gilmor (2020) classifies marketing performance measurements into complementary financial and non-financial metrics. In the context of MSMEs, marketing effectiveness is greatly influenced by limited resources, innovation capabilities, and distribution networks owned by business actors.

The relationship between entrepreneurial orientation, innovation capability, competitiveness, and marketing performance has been widely studied in various contexts. The study by Muniroh et al. (2023) shows that entrepreneurial orientation directly affects competitiveness and indirectly affects marketing performance through competitiveness. Likewise, innovation capability has been shown to act as a driver of competitive advantage which then increases marketing achievement (Elgarhy & Abou-Shouk, 2023). However, several studies such as those conducted by Cahyani et al. (2021) and Erni Susana & Mardiana Andarwati (2021), show that the relationship between innovation capability and competitive advantage is not always significant. This shows the importance of examining the role of competitiveness as a mediating variable in the relationship model.

Based on the literature review, it can be concluded that entrepreneurial orientation and innovation capability are strategic internal factors that contribute to increasing the competitiveness and marketing performance of MSMEs. However, the differences in empirical results indicate the need for a more in-depth and contextual analysis. This study proposes a conceptual model that tests the direct and indirect effects of both variables on marketing performance through competitiveness. With an empirical approach and SEM method, this study is expected to provide a more complete understanding of the mechanism for improving MSME performance, especially in Lhokseumawe City. The results are expected to be a basis for policy makers and business actors in increasing the competitiveness of the MSME sector at the local and national levels.

METHOD

This study uses a quantitative approach that is causal in nature, aiming to test the cause-and-effect relationship between variables. This approach was chosen because it allows testing theoretical models systematically and measurably through the collection of numerical data. In this case, the research model tests the direct influence of entrepreneurial orientation and innovation capability on the competitiveness of MSMEs, as well as their indirect influence on marketing performance. This study also tests the mediating role of competitiveness in the relationship. Thus, this method is suitable for obtaining a comprehensive empirical understanding of the relationship between variables in the context of MSMEs.

The subjects of this study were active MSMEs in Lhokseumawe City, Aceh Province. This city was chosen because it has quite significant MSME growth, as well as being the center of local economic activity. Based on data from the Department of Industry and Cooperatives (2024), the number of active MSMEs in this city reached 5,739 business units. The research sample was taken from 133 respondents using a purposive sampling technique, namely selecting respondents who meet certain criteria. These criteria include business actors who have been operating for at least two years and have active marketing activities.

RESULTS AND DISCUSSION

Model Suitability Test Results

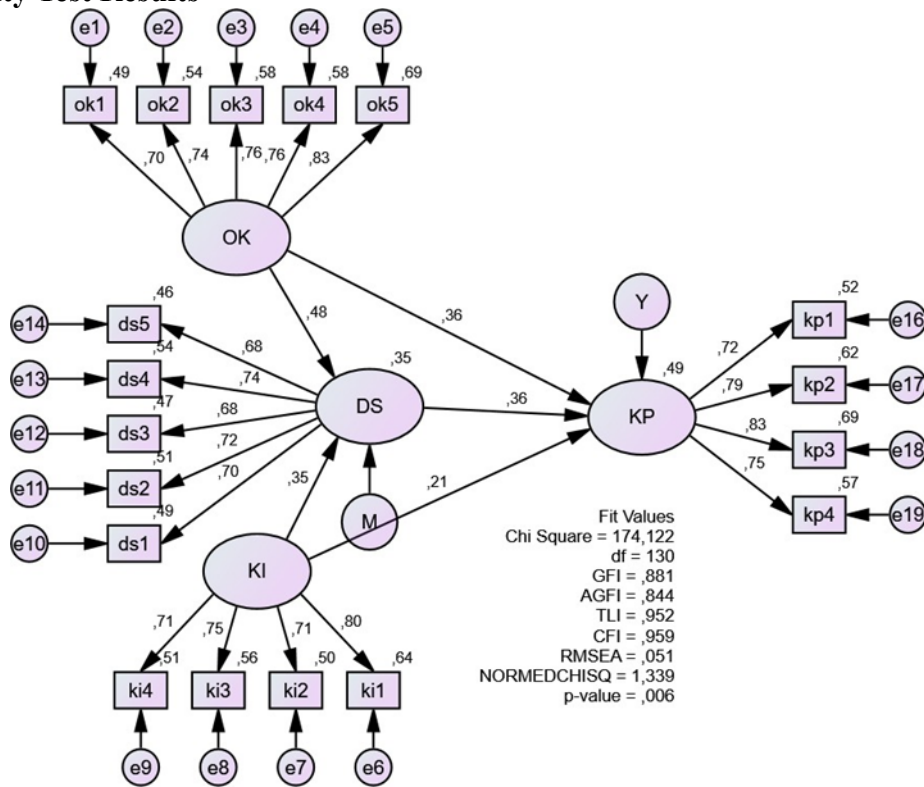


Figure 1 Structural Model Before Modification

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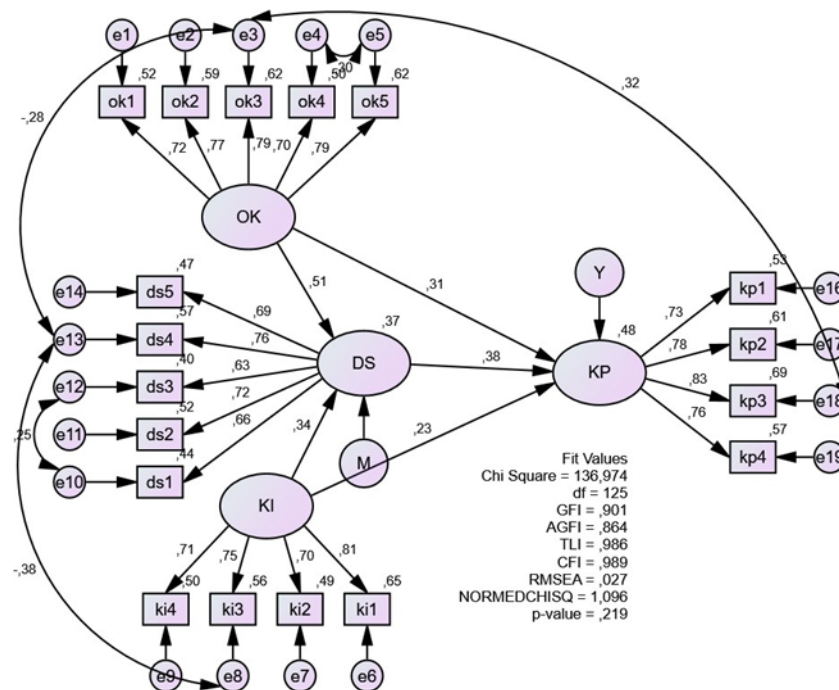


Figure 2 Structural Model After Modification

Table 1
The Influence of Exogenous Variables on Endogenous Variables

			Stand. Estimate	Estimate	SE	CR	P
DS	<--	OK	0.505	0.415	0.094	4,403	***
DS	<--	KI	0.34	0.252	0.079	3,178	0.001
KP	<--	OK	0.314	0.288	0.101	2,858	0.004
KP	<--	KI	0.226	0.187	0.081	2,321	0.02
KP	<--	DS	0.383	0.427	0.141	3,034	0.002

Source: Amos Output (2024)

Information:

- OK = Entrepreneurial Orientation
- KI = Innovation Capability
- DS = Competitiveness
- KP = Marketing Performance

Based on the equation above, the form of influence of exogenous variables on endogenous variables can be explained as follows:

1. The coefficient value of the influence of entrepreneurial orientation on the competitiveness of MSMEs is 0.505 or 50.5% with a probability value of 0.000 which is much smaller than the alpha value (α) = 0.05. This means that entrepreneurial orientation has a positive and significant effect on the competitiveness of MSMEs in Lhokseumawe City.
2. The coefficient value of the influence of innovation capability on the competitiveness of MSMEs is 0.34 or 34% with a probability value of 0.001 which is much smaller than the alpha value (α) = 0.05. This means that innovation capability has a positive and significant effect on the competitiveness of MSMEs in Lhokseumawe City.
3. The coefficient value of the influence of entrepreneurial orientation on the marketing performance of MSMEs is 0.314 or 31.4% with a probability value of 0.004 which is much smaller than the

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alpha value (α) = 0.05. This means that entrepreneurial orientation has a positive and significant effect on the marketing performance of MSMEs in Lhokseumawe City.

4. The coefficient value of the influence of innovation capability on the marketing performance of MSMEs is 0.226 or 22.6% with a probability value of 0.02 which is much smaller than the alpha value (α) = 0.05. This means that innovation capability has a positive and significant effect on the marketing performance of MSMEs in Lhokseumawe City.
 5. The coefficient value of the influence of MSME competitiveness on MSME marketing performance is 0.383 or 38.3% with a probability value of 0.002 which is much smaller than the alpha value (α) = 0.05. This means that MSME competitiveness has a positive and significant effect on MSME marketing performance in Lhokseumawe City.
- a. Direct Influence
 - 1) The direct influence of the entrepreneurial orientation variable on competitiveness is 0.505 (50.5%) and on marketing performance is 0.314 (31.4%).
 - 2) The direct influence of the innovation capability variable on competitiveness is 0.34 (34%) and on marketing performance is 0.226 (22.6%).
 - 3) The direct influence of competitiveness on marketing performance is 0.383 (38.3%).
 - b. Indirect Influence
 - 1) The indirect effect of entrepreneurial orientation on marketing performance through competitiveness is 0.193 (19.3%).
 - 2) The indirect effect of innovation capability on marketing performance through competitiveness is 0.13 (13%).
 - c. Total Influence
 - 1) The total influence of entrepreneurial orientation on competitiveness is 0.505 (50.5%) and on marketing performance is 0.508 (50.8%).
 - 2) The total influence of innovation capability on competitiveness is 0.34 (34%) and on marketing performance is 0.356 (35.6%).
 - 3) The total influence of competitiveness on marketing performance is 0.383 (38.3%).

DISCUSSION

The Influence of Entrepreneurial Orientation on the Competitiveness of MSMEs in Lhokseumawe City

The results of this study indicate that there is an influence between entrepreneurial orientation on competitiveness, as explained in Table 5.21. This influence is proven by the value of the standardized estimate coefficient or regression weight or gamma coefficient of 0.505 or 50.5%, with a CR critical ratio value (identical to t-count) which is much greater than the minimum CR required of 1.96, namely ($4.403 \geq 1.96$) and a probability that is smaller than the error rate (alpha) α 0.05 of ($0.000 \leq 0.05$), thus it can be stated as a significant influence and therefore it can be concluded that the statement of hypothesis 1 which states that entrepreneurial orientation has a significant effect on the competitiveness of MSMEs is accepted (accept H1).

The results of this study are in line with research conducted by Ferreira et al., (2020), which found that entrepreneurial orientation is an important factor in increasing the competitiveness of MSME businesses, and they stated that the entrepreneurial orientation of MSME actors reflects the company's tendency to engage in "pursuing new market opportunities and renewing existing areas of operation". Then the results of the study by Elgarhy & Abou-Shouk, (2023), found that the entrepreneurial orientation variable had a significant effect on the competitiveness of travel agents in Egypt. The findings of the study by Muniroh et al., (2023), specifically showed that entrepreneurial attitudes significantly and positively influenced the competitive advantage of MSMEs engaged in food processing, which answered the problems and objectives of this study.

The Influence of Innovation Capability on the Competitiveness of MSMEs in Lhokseumawe City

The results of this study indicate that there is an influence between innovation capability and competitiveness, as explained in Table 5.21. This influence is proven by the value of the standardized estimate coefficient or regression weight or gamma coefficient of 0.34 or 34%, with a CR critical ratio value (identical to t-count) which is much greater than the minimum CR required of 1.96, namely ($3.178 \geq 1.96$) and a probability that is smaller than the error rate (alpha) $\alpha 0.05$ of ($0.001 \leq 0.05$), thus it can be stated as a significant influence and therefore it can be concluded that the statement of hypothesis 2 which states that innovation capability has a significant effect on the competitiveness of MSMEs is accepted (accept H2).

The results of this study have strengthened previous studies, such as research by Ndubisi et al., (2015), product service innovation, process innovation, and administrative innovation will produce high quality marketing performance. Furthermore, a study conducted by Julyanthry et al., (2021), found a strong influence between innovation capability and business competitiveness. The same thing was also conveyed by Ferreira et al., (2020), who stated that innovation factors can significantly increase the competitiveness of a business. In a study of travel agents in Egypt, Elgarhy & Abou-Shouk, (2023) reported that innovation capability significantly affects company competitiveness.

The Influence of Entrepreneurial Orientation on Marketing Performance of MSMEs in Lhokseumawe City

The results of this study indicate that there is an influence between entrepreneurial orientation on marketing performance, as explained in Table 5.21. This influence is proven by the value of the standardized estimate coefficient or regression weight or gamma coefficient of 0.314 or 31.4%, with a CR critical ratio value (identical to t-count) which is much greater than the minimum CR required of 1.96, namely ($2.858 \geq 1.96$) and a probability that is smaller than the error rate (alpha) $\alpha 0.05$ of ($0.004 \leq 0.05$), thus it can be stated as a significant influence and therefore it can be concluded that the statement of hypothesis 3 which states that entrepreneurial orientation has a significant effect on the marketing performance of MSMEs is accepted (accept H3).

The results of this study are in line with studies conducted in various countries, including western countries, which found a positive and significant relationship between market orientation and company performance, such as the study by Urde et al., (2013) which found that entrepreneurial orientation and market orientation were also found to significantly affect marketing performance. The results of the study are also in line with several studies from the perspective of developing countries such as (Astuti et al., 2021; Fatikha et al., 2021; Manali et al., 2022), they found various small and medium-scale companies or businesses whose business actors have entrepreneurial behavior and talents that positively and significantly affect their marketing performance, and are included in studies in the field of tempeh chips business and in culinary businesses in Bekasi (A. Kuncoro et al., 2021; Nursal et al., 2022).

Furthermore, in the perspective of MSMEs in Pakistan, the results of the study showed that the dimensions of entrepreneurial orientation are positively and significantly related to the business performance of MSMEs (J. Hussain et al., 2021; Javed et al., 2021). Elgarhy & Abou-Shouk, (2023) found a direct and significant influence between entrepreneurial orientation and the marketing performance of travel businesses in Egypt. This finding is also in line with the research of Yaskun et al., (2023), showing that market orientation, entrepreneurial orientation, and competitive advantage have a major impact on how well a business performs.

The Influence of Innovation Capability on Marketing Performance of MSMEs in Lhokseumawe City

The results of this study indicate that there is an influence between innovation capability and marketing performance, as explained in Table 5.21. This influence is proven by the value of the standardized estimate coefficient or regression weight or gamma coefficient of 0.226 or 22.6%, with a CR critical ratio value (identical to t-count) which is much greater than the minimum CR required of

1.96, namely ($2.321 \geq 1.96$) and a probability that is smaller than the error rate (alpha) $\alpha 0.05$ of ($0.02 \leq 0.05$), thus it can be stated as a significant influence, and therefore it can be concluded that the statement of hypothesis 4 which states that innovation capability has a significant effect on MSME marketing performance is accepted (accept H4).

The results of this study are in line with the research of Elgarhy & Abou-Shouk, (2023), which found that innovation capability significantly affects the marketing performance of travel businesses in Egypt. Furthermore, in the results of social research conducted by Putra et al., (2021) concluded that low human resource innovation has a significant impact on the low marketing performance of small and medium enterprises in Bener Meriah Regency. In another study, Taleb et al., (2023), stated that innovation capability significantly affects the performance of micro businesses.

The Influence of Competitiveness on Marketing Performance of MSMEs in Lhokseumawe City

The results of this study indicate that there is an influence between competitiveness and marketing performance, as explained in Table 5.21. This influence is proven by the value of the standardized estimate coefficient or regression weight or gamma coefficient of 0.383 or 38.3%, with a CR critical ratio value (identical to t-count) which is much greater than the minimum CR required of 1.96, namely ($3.034 \geq 1.96$) and a probability that is smaller than the error rate (alpha) $\alpha 0.05$ of ($0.002 \leq 0.05$), thus it can be stated as a significant influence, and therefore it can be concluded that the statement of hypothesis 5 which states that competitiveness has a significant effect on the marketing performance of MSMEs is accepted (accept H5).

In testing the direct influence of competitiveness on marketing performance, it was validated in the research of Elgarhy & Abou-Shouk, (2023), which found a significant influence. In the context of small and medium business, competitive strategies can significantly improve the marketing performance of MSMEs (Sulastini & Darmawi, 2022). Then in research in the batik industry, Rokhman et al., (2023), stated that competitive advantage is an important strategy to improve the performance of MSMEs in East Java.

Sustainable competitive advantage significantly affects market performance (Hidayati & Muslikh, 2023). Other studies have found that entrepreneurial orientation through the dimensions of innovation and proactivity has a significant effect on SME performance (Isichei et al., 2020; Ogundare & van der Merwe, 2023). From the results of Karnowati & Handayani, (2022), it can be concluded that entrepreneurial orientation requires business performance and market orientation to influence competitive advantage.

MSME Competitiveness Acts as a Mediating Variable in the Relationship between Entrepreneurial Orientation and MSME Marketing Performance in Lhokseumawe City

The role of mediating variables can be done through the assessment of path coefficients obtained from standardized regression coefficients (Beta, β). According to Baron & Kenny, (1986), the influence of mediation occurs if there are 4 (four) following criteria: 1) The independent variable affects the dependent variable. 2) The independent variable affects the mediating variable. 3) The mediating variable must affect the dependent variable. 4) Full mediation occurs if the influence of the independent variable on the dependent variable directly is not significant, but the influence is significant when involving the mediating variable. While partial mediation occurs if the influence of the independent variable on the dependent variable, both directly and indirectly, is significant. To see the competitiveness variable mediating the influence between entrepreneurial orientation and marketing performance can be assessed through the required assumptions through the calculation of the sobel test, namely by looking at the significance of the C 'value. Based on Figure 5.14, it can be explained that the significance of path a consists of the relationship between entrepreneurial orientation and competitiveness of 0.000, the significance of path b consists of the relationship between competitiveness and marketing performance of 0.002, and the significance of path c consists of the relationship between entrepreneurial orientation and marketing performance of 0.004. The significance of the three paths meets the criteria of the theory

(Baron & Kenny, 1986). Furthermore, to assess the indirect influence relationship, it can be assessed through the calculation of the significance value of path c' of 0.015.

The calculation of the significance of path c' is done using the Sobel calculator or Sobel Test. The results of the calculation of the mediation effect as shown in Figure 5.14 can be explained that the coefficients of path a , path b and path c are significant, and path c' is also significant, so it can be concluded that the sixth hypothesis statement (H6) which reads "Competitiveness plays a role as a mediating variable in the relationship between entrepreneurial orientation and marketing performance of MSMEs in Lhokseumawe City is accepted (accept H6), with a role as partial mediation. These findings are in line with the study conducted by Rokhman et al., (2023), which states that competitiveness is a mediating factor in the indirect relationship with MSME marketing performance. Sustainable competitive advantage is a mediating factor in the relationship between entrepreneurial orientation and marketing performance (Hidayati & Muslikh, 2023). The competitive advantage of MSMEs in the food sector can encourage managers to improve their entrepreneurial abilities and orientation towards MSME marketing performance (Muniroh et al., 2023).

The results of the study by Aditi et al., (2023), show that Entrepreneurial Orientation has no effect on Competitiveness, and competitiveness does not mediate the direct relationship between Entrepreneurial Orientation and Business Performance. Furthermore, the results of Prajogo's study, (2020), found that high entrepreneurial orientation can improve MSME performance through competitive advantage.

MSME Competitiveness Plays a Role as a Mediating Variable in the Relationship between Innovation Capability and MSME Marketing Performance in Lhokseumawe City

The role of mediating variables can be done through the assessment of path coefficients obtained from standardized regression coefficients (Beta, β). According to Baron & Kenny, (1986), the mediation effect occurs if there are 4 (four) following criteria: 1) The independent variable affects the dependent variable. 2) The independent variable affects the mediating variable. 3) The mediating variable must affect the dependent variable. 4) Full mediation occurs if the influence of the independent variable on the dependent variable directly is not significant, but the influence is significant when involving the mediating variable. While partial mediation occurs if the influence of the independent variable on the dependent variable, both directly and indirectly, is significant. To see the competitiveness variable mediating the influence between innovation capability and marketing performance can be assessed through the required assumptions through the calculation of the sobel test, namely by looking at the significance of the C' value.

Based on Figure 5.14, it can be explained that the significance of path a consists of the relationship between innovation capability and competitiveness of 0.001, the significance of path b consists of the relationship between competitiveness and marketing performance of 0.002, and the significance of path c consists of the relationship between entrepreneurial orientation and marketing performance of 0.002. The significance of the three paths meets the criteria of the theory (Baron & Kenny, 1986). Furthermore, to assess the indirect influence relationship, it can be assessed through the calculation of the significance value of path c' of 0.021. The calculation of the significance of path c' is carried out using the Sobel calculator or Sobel Test. The results of the calculation of the mediation effect as shown in Figure 5.14 can be explained that the coefficients of path a , path b and path c are significant, and path c' is also significant, so it can be concluded that the sixth hypothesis statement (H7) which reads "Competitiveness plays a role as a mediating variable in the relationship between innovation capability and marketing performance of MSMEs in Lhokseumawe City is accepted (accept H7), with a role as partial mediation. The results of this study are in line with several previous studies that tested the mediating role of competitiveness in the relationship between innovation capability and marketing performance in various industries, in various countries. Competitiveness was found to play a role as a partial mediator in the indirect relationship between innovation capability and travel marketing performance in Egypt (Adam et al., 2017). Competitive advantage was also found to play a role in the indirect relationship between innovation and marketing performance of MSMEs (Fadhillah et al., 2021).

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Competitive advantage and company performance in SMEs in Malang Regency are significantly influenced by innovation capability, innovation culture, HR capability, and customer orientation as intervening variables (Erni Susana & Mardiana Andarwati, 2021). Competitive advantage was also found to act as a mediating variable in the relationship between product innovation and marketing performance of SMEs (Suryaningsih et al., 2019). The dimensions of innovation competence that affect SME performance are significantly influenced by Service innovation and process innovation and competitive advantage as mediating variables (Sari et al., 2023).

CONCLUSION

Based on the research results as described in the discussion section, several conclusions can be formulated as follows:

1. Entrepreneurial orientation was found to have a significant influence on the competitiveness of MSMEs in Lhokseumawe City.
2. Innovation capability was found to have a significant influence on the competitiveness of MSMEs in Lhokseumawe City.
3. Entrepreneurial orientation was found to have a significant influence on the marketing performance of MSMEs in Lhokseumawe City.
4. Innovation capability was found to have a significant influence on the marketing performance of MSMEs in Lhokseumawe City.
5. Competitiveness was found to have a significant influence on the marketing performance of MSMEs in Lhokseumawe City.
6. Competitiveness was found to play a role as a mediating variable in the indirect relationship between entrepreneurial orientation and the marketing performance of MSMEs in Lhokseumawe City.
7. Competitiveness was found to act as a mediating variable in the indirect relationship between innovation capability and marketing performance of MSMEs in Lhokseumawe City.

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