

# The influence of entrepreneurial orientation, knowledge management, and marketing innovation on sustainable competitive advantage

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## Abstract

This research aims to analyze the impact of entrepreneurial orientation, knowledge management, and marketing innovation on Small medium-sized Enterprises (SMEs) sustainable competitive advantage. With 100 respondents and purposive sampling, the study employed quantitative methodologies. SMEs actors in Magelang Regency who have been in business for two years make up the sample criteria. Using SPSS software, the analysis of data method employs multiple linear regression analysis. According to the study's findings, knowledge management and an entrepreneurial mindset significantly and favorably impact long-term competitive advantage. However, SMEs' lasting competitive edge is unaffected by marketing innovation. Further research must be conducted in other regions with distinct SMEs sectors, as research constraints are observed in samples that are still in one region. It is anticipated that the results of this research will help in the formulation of policies pertaining to the enhancement of SMEs' competitiveness.

## Keywords

Entrepreneurial orientation, Knowledge management, Marketing innovation, Sustainable competitive advantage, SMEs

## Introduction

Due to their capacity to stimulate the economy, lower poverty rates, and generate employment, micro, small, and medium sized enterprises (SMEs) are productive business players that are crucial to the growth of a country's economy. According to research conducted by the Indonesian Chamber of Commerce and Industry in 2023, MSMEs grew by 1.52% over the previous year. With 66 million employees, SMEs were able to account for 61% of the IDR 9,580 trillion GDP and employ 117 million people, or 97% of the workforce. The number of MSMEs keeps rising year, indicating that business sectors are becoming more competitive [1].

**Published:**  
May 2, 2025

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Selection and Peer-  
review under the  
responsibility of the 6<sup>th</sup>  
BIS-HSS 2024 Committee

The number of SMEs in Magelang Regency is the smallest compared to the number of SMEs in the cities/regencies of the Kedu residency area (Central Java Cooperatives and SMEs Service, 2024). In addition, many SMEs in Magelang Regency have started their businesses but have failed due to various problems such as difficulties in obtaining raw materials, access to capital, marketing systems, and so on. Seeing the importance of the role of SMEs in increasing income and improving the regional and national economy, both in terms of the number of businesses, job creation, and in terms of national economic growth as measured by domestic products. So it is very important to maintain and develop SMEs so that they continue to exist in the face of the competition that occurs [2].

High business competition has an impact on changes that occur in business competition, including changes in customer needs, product management, and market share. So that business actors must have a competitive advantage in the market by creating products with superior value, being able to capture opportunities and understand market conditions [3]. Sustainable competitive advantage is an important element that a business must have so that its sales value increases by being able to adapt to changing market conditions and responding to these changes by seeking existing opportunities so that business actors are able to plan the right strategies to survive in the market and win the competition [4].

The purpose of this research is to evaluate and assess how knowledge management, marketing innovation, and an entrepreneurial mindset affect long-term competitive advantage in food and beverage MSMEs in Magelang Regency. It is anticipated that this study will be able to contribute in both academic and practical ways. Academically, this study is anticipated to serve as a reference for the advancement of management studies science, particularly in the domains of business and entrepreneurship, so that students conducting similar research can use it as a guide. Practically speaking, it is anticipated that this study will offer insights, constructive recommendations, and motivation for MSME players to establish a long-term competitive edge for MSMEs in the food and beverage sector in Magelang Regency.

## Literature Review and Hypothesis Development

### *Resource Based View Theory*

According to the Resource Based View Theory (RBV), a company's resources are all of its assets, capabilities, organizational procedures, company attributes, information, knowledge, and so forth that it controls and that enable it to develop and execute strategies that boost productivity and effectiveness. Physical capital resources, human capital resources, and organizational capital resources are the three types of company resources [5].

While not all company resources have the potential for sustainable competitive advantage, a company is said to have a sustainable competitive advantage when it

employs a value creation strategy that is not concurrently adopted by existing or potential competitors and when other companies are unable to replicate the advantages of this strategy. Company resources must possess the four qualities of valuable, rare, imitable, and non-substitutable in order to have this potential [5].

### *Sustainable Competitive Advantage*

SCA, or sustainable competitive advantage, is the outcome of a company's strategy and refers to the advantages that a business can sustain over an extended period of time. A company is said to have a sustainable competitive advantage when it employs a value creation strategy that its current rivals do not also employ and when other businesses are unable to replicate the advantages of the strategy. A sustainable competitive advantage can be achieved when an advantage is hard for rivals to copy.

Barney explains that company resources must meet the VRIN criteria (Valuable, Rare, Imitability, Non-substitutable) to achieve sustainable competitive advantage [5].

### *Entrepreneurial Orientation*

EO is the ability to build something new and different, creative, innovative abilities and resources that are the basis for expanding opportunities to achieve success, entrepreneurial orientation is the orientation of a company that has principles and strives to identify and is able to take advantage of existing opportunities, is a reflection of how organizations identify and take advantage of opportunities that have not been utilized [6]. According to [5] insight into innovation is included in human capital resources, so that by creating innovations based on entrepreneurial character, sustainable competitive advantage can be created.

H1: Entrepreneurial orientation towards sustainable competitive advantage

### *Knowledge Management*

Knowledge Management includes the activities of identifying, creating, and distributing good and correct knowledge between functions in the company, according to [1] the implementation of knowledge management in the company will have an impact on the company being able to save time and costs, increase knowledge assets, be able to increase the ability to adapt, and be able to increase company productivity. According to [5] knowledge is a human capital resource that can create sustainable competitive advantage, where knowledge is a strategic asset that is a capability and resource that is very difficult to imitate and commercialize because knowledge is rare.

H2: Knowledge management has a positive and significant effect on sustainable competitive advantage

### *Marketing Innovation*

Implementing new marketing techniques that involve major adjustments to product design, packaging, placement, promotion, or pricing strategies is known as marketing innovation. It is also thought to be crucial to protect products through copyright and patents. In order to increase sales volume, determine effective market segmentation

and competitive prices, and offer product characteristics that increase customer willingness to pay for the product and increase competitive advantage, marketing innovation refers to the implementation of new marketing procedures that link significant transformations in product design, packaging, product placement, or pricing strategies.

H3: Marketing innovation has a positive and significant effect on sustainable competitive advantage

## Method

By analyzing the issues around a phenomenon and looking for potential connections and interactions between variables, this study employs a quantitative approach. The data utilized in this study is primary data, and the sample size was determined using a purposive sampling approach with 100 respondents. The respondents were distributed using a questionnaire that contained a list of statements with replies for each item. The sample requirements are Magelang Regency's Food and Beverage UMKM Actors. The next requirement is to have a business that has been in operation for at least two years. It is presumed that a business has passed the crisis period if it has been in operation for at least two years. Validity and reliability tests are used in the data analysis process. When evaluating a questionnaire's validity, the Confirmatory Factor Analysis is used to assess whether or not the indicators' grouping according to the latent variables is consistent in the construct; the Barlett of Sphericity test is used to assess whether or not there is a correlation between variables; and the Kaiser Meyer Olkin factor analysis of sampling adequacy (KMO MSA) is used to assess the degree of intercorrelation between variables and bias. A questionnaire that serves as an indication of a variable is measured using a reliability test; a questionnaire is considered trustworthy if the responses from respondents are consistent over time and have a Cronbach alpha greater than 0.70 [7].

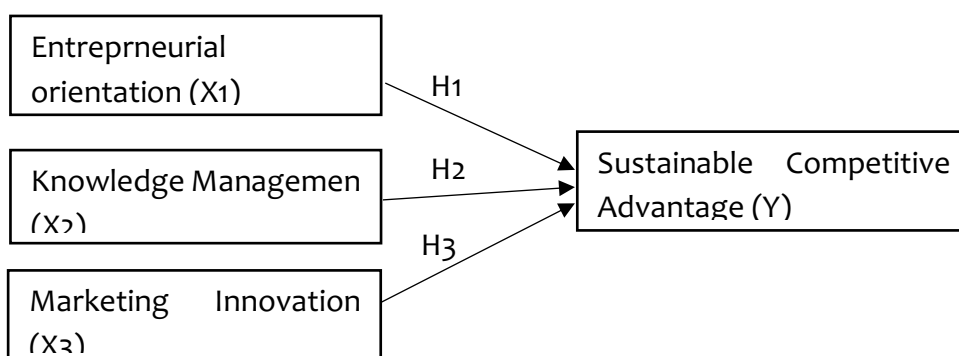


Figure 1. Research Model

The research framework is depicted as follows in Figure 1: Sustainable Competitive Advantage (Y) is the dependent variable in this study, whereas entrepreneurial orientation (X1), knowledge management (X2), and marketing innovation (X3) are the

independent factors. To explain the linear relationship between the independent and dependent variables, the data analysis method employs multiple linear regression analysis. The purpose of the analysis is to ascertain whether the independent variable has a positive or negative impact on the dependent variable. Furthermore, the R square determination test is used to assess the degree to which the independent variable influences the dependent variable.

## Results and Discussion

Based on the KMO MSA test, a value of 0.875 was obtained and the Barlet test sig was 0.00. Both values meet the instrument validity test based on the CFA analysis because the KMO value is greater than 0.50 and the Barlet test sig is less than 0.05, which means it can be processed for further testing. For the reliability test, all independent variables (entrepreneurial orientation, knowledge management, and marketing innovation) and dependent variables (sustainable competitive advantage) have a Cronbach's Alpha value greater than 0.70. This means that the questionnaire used in this study is said to be reliable.

For the hypothesis test, the Adjusted R-square value was 0.384. This indicates that the variables of knowledge management, marketing innovation, and entrepreneurial orientation account for 38.4% of the variance in the sustainable competitive advantage variable, with variables outside the scope of this study influencing the remaining 61.6%. According to RBV theory, enduring competitive advantage will result from resources that are difficult to replicate exactly [5]. In addition to entrepreneurial orientation, knowledge management, and marketing innovation, other elements that can affect sustainable competitive advantage include digital technology, social media, and market orientation [6]. Furthermore, to ascertain the direction and degree of influence that the three independent variables (X) have on the dependent variable (Y), multiple linear regression analysis is employed. The data processing outcomes are displayed in Table 1.

Table 1. Multiple Linear Regression Analysis					
Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	8,691	1,641	5,297	0
	EO x1	0,25	0,139	1,801	0,075
	KM x2	0,308	0,147	2,098	0,039
	MI x3	0,208	0,129	1,607	0,111
a. Dependent Variable : SCA					

The equation  $Y = 8.691 + 0.250X_1 + 0.308X_2 + 0.208X_3 + 1.641$  can be used to explain the test findings. With a significance threshold of 5% and freedom (df) =  $n-k-1 = 100-3-1 = 96$ , the t-test is employed to ascertain the impact of each dependent variable separately on the dependent variable. The t-table value is 1.660881. Additionally, the following is a description of the hypothesis test results:

The effect of entrepreneurial orientation on sustainable competitive advantage. Based on the results of the t-test that has been carried out, it can be seen that the calculated  $t$  is  $1.801 > t \text{ table } 1.660881$  and the significance value is  $0.075 > 0.05$ . These results indicate that the entrepreneurial orientation variable has a positive and significant effect on sustainable competitive advantage so that  $H_1$  is accepted. Entrepreneurial orientation is one of the important factors in increasing sustainable competitive advantage by implementing entrepreneurial components in creating, innovating and being creative with new unique products offered to attract customer interest, risk-taking decisions that play a major role in the chances of success in winning the competition.

According to the Resource Based View (RBV) paradigm, the secret to gaining a sustained competitive advantage is to have resources that are rare, valuable, and hard for rivals to copy [5]. Using resources from business actors in the food and beverage MSME sector in Magelang Regency, entrepreneurial orientation is a representation of resources utilized as a reference to obtain sustainable competitive advantage in this study. By applying the courage to take risks, be proactive, innovative, honest and never give up, they will be able to create more value in the competition. The study's findings are consistent with research [8] that shows an entrepreneurial attitude significantly and favourably affects MSMEs' ability to maintain a competitive edge over time. A company that adopts an entrepreneurial mindset will be able to innovate and provide goods that are distinct from those of its rivals.

The effect of knowledge management on sustainable competitive advantage. The computed  $t$  is  $2.098 > t \text{ table } 1.66088$ , and the significance level is  $0.039 > 0.05$ , according to the findings of the t-test that was conducted. The findings support  $H_2$  by demonstrating that the knowledge management variable significantly and favorably affects sustainable competitive advantage. The findings clarify that as knowledge management grows, so will the sustainable competitive advantage. In order to provide superior value that business actors can use to develop strategies and make decisions that will help them win the competition, knowledge must be created, disseminated, and applied.

In accordance with the ~~Resource Based View~~ (RBV) theory, it explains that valuable, unique, rare and difficult-to-imitate resources by competitors are the basis for achieving sustainable competitive advantage [5]. In this study, knowledge management is a representation of resources or resources used as a reference to increase sustainable competitive advantage by creating knowledge obtained from various sources, distributing knowledge from business owners to employees, and applying useful knowledge in decision making so that with systematic knowledge can improve the quality of business actors in facing competition. This study supports research that shows knowledge management significantly and favorably affects sustained competitive advantage [1,8]. This is because knowledge is produced and disseminated in a fair business environment.



The effect of marketing innovation on sustainable competitive advantage. Based on the t score,  $1.607 < t \text{ table } 1.660881$  and the significance level is  $0.111 > 0.05$ . The results show that the marketing innovation variable does not affect sustainable competitive advantage so that H3 is rejected. In accordance with the RBV theory, it explains that valuable, unique, rare and difficult-to-imitate resources by competitors have a major role in creating sustainable competitive advantage [5]. In this study, marketing innovation is a representation of resources that can increase sustainable competitive advantage.

The results of the study showed that innovation related to new concepts and media online which are used as communication services, consultations and maintaining relationships with customers do not affect sustainable competitive advantage. Researchers suspect that innovation in Food and Beverage MSMEs is more on the side of business actor resources as evidenced by the creation of new product variants such as adding or mixing toppings for food and drinks to create new flavours, then how to find opportunities to increase sales by business actors receiving orders in large quantities and then distributing the orders to other business actors so that the large number of orders will be fulfilled and not disappoint customers. The study findings diverge from those of studies by [8] which found that marketing innovation significantly and favourably affects durable competitive advantage. The study's findings support the assertion that marketing innovation has little bearing on long-term competitive advantage.

The study's first implications are that company actors should be able to meet market demands that generate higher value by maximizing the role of entrepreneurial orientation through suitable risk-taking and consumer-oriented innovation skills. By optimizing the notion of knowledge management to sustain and enhance their business, MSME actors can then assess knowledge management in relation to the impact of implementing new information more thoroughly, hence increasing their competitive advantage.

## Conclusion

Sustainable competitive advantage is positively and significantly impacted by entrepreneurial orientation. Competitive advantage can be increased by putting up a lot of effort, never giving up, acting honorably, and adopting a proactive and creative mindset when developing novel products. Sustainable competitive advantage is positively and significantly impacted by knowledge management. By doing various effective ways to obtain new knowledge and distribute it to employees will add value in the form of structured knowledge that is useful in facing business competition. Marketing innovation does not affect sustainable competitive advantage. The higher the implementation of marketing innovation that is carried out does not affect sustainable competitive advantage. These results prove that innovations carried out related to new online concepts and media used to build and maintain relationships with

customers, product packaging services, consulting services and communication with customers do not affect sustainable competitive advantage.

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