Mediation role of business performance on entrepreneurship orientation and market orientation to create MSME competitiveness in pandemic times

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ABSTRACT

The COVID-19 pandemic that disrupted national economic activities had an impact on the MSME sector. This study examines the mediating role of company performance in supporting competitive advantage during the pandemic, which is a difficult time for MSMEs. This research collaborates entrepreneurial orientation and market orientation so that it can be predicted the factors that support MSMEs in creating competitive advantage. The sample of this research is the owners or business actors of MSMEs in the Cilacap district as many as 100 respondents and PLS SEM is used as a method to analyze the data. The results show that business performance acts as a full mediation for entrepreneurial orientation and competitive advantage. Market orientation has a direct effect on competitive advantage, but business performance does not mediate market orientation and competitive advantage. From these results, it can be concluded that entrepreneurial orientation requires business performance and market orientation to influence competitive advantage.

Article history:
Received 19 July 2022
Received in rev. form 25 August 2022
Accepted 29 August 2022

Keywords:
Business Performance, Entrepreneurship Orientation, Market Orientation, MSME Competitiveness

JEL Classification:
L11, L12, L25, M31, H12

Introduction

The Corona virus outbreak that has hit almost all countries has had a huge impact on the world's economic conditions. Indonesia is one of the countries experiencing this impact where the MSME sector, which is the mainstay in supporting national economic growth, feels the negative impact directly. A survey conducted by the Katadata Insight Center (KIC) on 206 MSME respondents in the Jabodetabek area with a micro scale business showed that 63.9% MSMEs experienced a decline in turnover of more than 30% and found it difficult to maintain business during the pandemic (Setyowati, 2020). As a result, many MSMEs have difficulty paying capital loans, paying operational cost bills and paying employee salaries. Changes in consumer behavior which are severely limited by government policies to prevent the spread of the coronavirus have also changed the market and the map of business competition (Bahtiar, 2021).

Companies that are able to survive in the pandemic era are companies that have entrepreneurial characteristics and are able to adapt to market changes. Entrepreneurial orientation is a very important driving factor of business activity and business performance (Rauch et al., 2009). The entrepreneurial orientation is rooted in the organizational strategy-making process that combines planning, analysis, decision-making, organizational culture, values and mission (Hart, 1992). Along with the increasingly tense pandemic conditions, organizations feel it is very necessary to take the right action in business. According to (Rauch et al., 2009) entrepreneurial orientation can be seen as the process of making business strategies used by key decision makers to maintain the organization, achieve organizational goals and create competitive advantage. However, some literature finds weaknesses that MSMEs have, including...
difficulty adapting to environmental changes, having limited knowledge and being slow to face fast-moving market competition (Mustikowati & Tysari, 2015). This makes it difficult for MSMEs to improve performance and weaken competitiveness (Lantu et al., 2016). Another obstacle faced by MSMEs is that they have not been maximally oriented to entrepreneurship (Kim et al., 2015); (Na, 2019). The results of the research by Wiklund and Shepherd (2005) (Rauch et al., 2009)) show a positive relationship between entrepreneurial orientation and business performance. However, research by Frank et al (2010) shows that entrepreneurial orientation has a negative effect on business performance. Research by Limpkin and Dess 2001 also shows a weak relationship between entrepreneurial orientation and business performance. The emerging gap makes researchers interested in re-examining the relationship between entrepreneurial orientation and business performance.

MSMEs are required to be able to adapt to the changing environment due to the Covid-19 pandemic. Consumers have new behaviors, but MSMEs must remain observant in seeing market opportunities and be able to adapt to conditions. Market-oriented organizations show the company's commitment to provide feedback, information and fulfill the needs and desires of consumers at this time or in the future (Afsharhaseemi et al., 2013). Market orientation is the most effective culture to achieve business performance and create superior value continuously (Narver & Slater, 1990). However, the view of the importance of market orientation on business performance has not been maximally carried out by MSMEs. The findings (Wicaksono & Nuvriasari, 2012) show that MSMEs have not been maximally market-oriented, which explains that marketing activities are still carried out conventionally and have not utilized information technology as an effort to accelerate services and expand market access.

There is a lot of literature that explores the influence of entrepreneurial orientation and market orientation on business performance. (Ferreras-Méndez et al., 2021); (Hernández-Perlines et al., 2021) proves that entrepreneurial orientation has a positive relationship to business performance. (Wilson et al., 2014); (Lee et al., 2015); (Dabrowski et al., 2019) proves that market orientation has a positive impact on business performance. Although there are many studies on the constructs of entrepreneurship orientation and market orientation that prove their effect on business performance, there has not been much research that explains the process of this influence occurring during the pandemic. Furthermore, entrepreneurial orientation and market orientation are still obstacles that have not been maximally carried out by MSMEs (Nuvriasari et al., 2018); (Mustikowati & Tysari, 2015). Therefore, it is necessary to conduct research to analyze the role of entrepreneurship orientation and market orientation in supporting business performance and increasing the competitiveness of MSMEs during the Covid-19 pandemic.

Literature Review

Theoretical and Conceptual Background

This research is built based on strategic management theory that develops through three main paradigms, namely Resource Based View (RBV), Market Based View (MBV) and Dynamic Capabilities Theory (DCT). The theory of RBV and MBV states that internal and external factors affect the company's performance (Hansen & Wernerfelt, 1989). RBV theory tends to be oriented to the internal of the company which argues that companies compete by measuring dynamic resources and capabilities (Barney, 1991). Dynamic capability is an organization's ability to build and integrate its competencies to deal with a rapidly changing environment (D. J. Teece, 2017).

MBV theory is a concept based on the model developed by (Porter, 1980) Competitive Force Model which is oriented to external companies. MBV Theory explains that to achieve business performance, companies need to give emphasis to market orientation (Hoskisson et al., 2004); (Porter, 1985). The theory of Dynamic Capabilities explains the company's ability to create and assimilate knowledge and skills so that it still has an advantage in a competitive environment that is always changing rapidly (David J. Teece et al., 1997).

Competitive Advantage (CA)

MSMEs in Indonesia already have a fairly high role and contribution in the national economy, but do not yet have high competitiveness that is able to encourage economic growth and people's income (Lantu et al., 2016). Competitive advantage is indispensable in competition in the global market where it will provide greater challenges and opportunities. CA is an organization's ability to gain an economic advantage over competitors in the market within the same industry (Porter, 1985). The company has the ability to understand the market structure so that it is observant in choosing an effective marketing strategy (Riyanto, 2018). Indicators of competitive advantage in this study refer to opinions (Kotler & Armstrong, 2014) which include the advantages of product differentiation, market segmentation, market entry and information technology advantages. Competitive advantage can be pursued through high company performance by utilizing resources optimally.

The concept of competitive advantage developed from Porter's generic strategies, namely differentiation, low-cost leadership and focus (Porter, 1980). Competitive advantage can be created from the added value and benefits that the company offers to consumers where if the company is able to excel through one of the three indicators of the generic strategy, the company has a competitive advantage (Aaker, 1995). Several studies conducted research on competitive advantage including (Paulus, 2022); (Sundjito, 2018); (Man et al., 2002) which combines the concept of competitive advantage with entrepreneurial orientation which concludes that competitive advantage is a dynamic and sustainable process. Competitive advantage is dynamic so it is difficult to maintain. The competitive advantage of SMEs can be maintained by the organization's ability to increase market share, the ability to manage
resources, the ability to assess competitive strategies and the ability to continue to create competitive advantages (Man et al., 2002). Business performance affects competitive advantage because basically consumers will choose products that are superior or have the best quality (Desfiani, 2010). Research (Fadila & Yuniarti, 2021) shows that business performance has a positive and significant impact on the competitive advantage of SMEs.

**Entrepreneurial Orientation (EO)**

The problem faced by MSMEs according to (Sri Susilo, 2010) is the low entrepreneurial competence of micro-scale businesses. The main key for an MSME to be able to compete is a business owner with an entrepreneurial spirit and an innovation spirit (Sri Susilo, 2010). Entrepreneurial characters who have an important role in increasing competitiveness are visionary, ambitious, and performance-oriented (Hunter & Lean, 2014). Entrepreneurship-oriented companies will strive to produce products that are more innovative and brave to face and take risks (Rahmadi et al., 2020). Entrepreneurial orientation is also seen as being able to improve the performance of a company which is considered a profitable strategy for companies to compete effectively in the same market place (Porter, 1985).

The dimensions that are key to MSMEs are the characteristics of entrepreneurial orientation, namely the willingness to continue to innovate, the tendency to act independently, the courage to take risks and the tendency to be aggressive towards competitors as well as being proactive about market opportunities (Tambunan, 2008). (Sundjoto, 2018) concludes in his study, that EO plays an important role in developing innovative products and results so as to create CA. Indicators of the entrepreneurial orientation variable refer to (Miller, 1983) namely innovation, proactivity and the courage to take risks. One of the goals of the company's orientation strategy is to create innovations that have an impact on increasing company performance (Doluca et al., 2018). Several previous studies have shown that entrepreneurial orientation has a positive effect on business performance (Kusa et al., 2021); (Yanto, 2021); (Lantu et al., 2016); (Rachmania et al., 2012). Based on the description above, the following hypothesis can be drawn:

H1: Entrepreneurial orientation has a positive effect on competitive advantage.

H2: Entrepreneurial orientation has a positive effect on business performance.

**Market Orientation (MO)**

Market orientation is a series of activities carried out by companies by collecting information related to consumer activities and several factors that shape these needs (Ozkaya et al., 2015). The information obtained by the company is then used to determine strategies in an effort to improve company performance. The motive that underlies the company's market orientation strategy is a dynamic market and the desires and needs of consumers that are always changing with the times (Sumiati, 2019).

The company's objective in reviewing market orientation is to improve company performance through information obtained from consumers and market conditions. Market orientation is one of the important factors that determine the performance of micro, small and medium enterprises (Shameem, 2021). Market orientation variable indicators in this study refer to (Narver & Slater, 1990) which explains that the components of market orientation include customer orientation, competitor orientation and inter-functional coordination. Increased company performance as a result of companies carrying out market orientation can be measured by an increase in sales, profits, number of employees and an increase in market share (Migdadi et al., 2017). Market orientation has a positive impact on competitive advantage and business performance (Udriyah, 2019). Based on the description above, the following hypothesis can be drawn:

H4: Market orientation has a positive effect on business performance.

H5: Market orientation has a positive effect on competitive advantage.

**Business Performance (BP)**

According to Wiklund (1999) the measure of an organization's performance is growth, while Beal (2000) measures performance with the ability to earn a profit (profitability). Good company performance can be seen through high marketing performance which is reflected in increased sales volume, broad market share and increased profits (ferdian, 2003). The company's performance is said to be good if the existing resources can increase productivity, creativity and innovation. Performance can be seen from the comparison between the results achieved and the targets set by the business unit within a certain period of time (Sumiati, 2019).

Business performance is the result of business processes that have been carried out by the company as measured by financial or non-financial information (Yanto, 2021). Relatively superior performance can be achieved by the company by achieving the specified target through better efficiency and effectiveness to compete with competitors (Wu, 2009). The performance measurement used in this study refers to (Radyanto & Prihastono, 2020) which includes 5 important aspects, namely financial aspects, production aspects, marketing aspects, HR aspects and organizational and institutional aspects. To achieve superior competitiveness can be done by achieving optimal performance (Lestari, 2020).

H6: Business performance has a positive effect on competitive advantage.
H7: Business performance mediates entrepreneurial orientation towards competitive advantage.
H8: Business performance mediates market orientation towards competitive advantage.
H9: Marketing orientation mediates entrepreneurial orientation towards competitive advantage.

**Research and Methodology**

**Respondents**

Respondents in this study amounted to 100 MSMEs in Cilacap district with the criteria of MSMEs being domiciled in Cilacap district and operating for at least 2 years. Data collection techniques with non-probability sampling method. Data collection was carried out by distributing questionnaires to MSME business owners by way of email and contact telephone numbers. Of the 108 questionnaires sent, there were 8 which were declared damaged so that the response rate obtained was 92.5%.

**Data Analysis**

The data were analyzed through several stages, namely descriptive statistical analysis to describe the characteristics of the respondents. The next stage is the data is analyzed using the Partial Least Square (PLS) model by testing the validity and reliability first. The measure of the success of the validity test with a loading factor and Average variance Extrated (AVE) > 0.5. The measure of the success of the reliability test uses the composite reliability parameter > 0.6 (Ghozali, 2015). The next step is to test the relationship of latent variables with the inner model and outer model with bootstraping.

**Analysis and Findings**

**Result**

**Characteristics of Respondents**

The results of descriptive statistics show that the majority of business owners in this study are women by 71% with a productive age of 20-40 years. As many as 52% of respondents have a bachelor's degree and 75% of respondents have been running an MSME business for more than 2 to 5 years. Respondents who answered that the initial capital used came from their own capital by 85% and 48% admitted that the initial capital was less than 5 million.

**Measurement**

Validity and reliability tests were carried out at an early stage by measuring the outer model. The loading factor must have a value > 0.6 and if it is less than 0.6 then the indicator must be removed from the model. Table 1 presents the loading factor process where there are several indicators with a correlation value of <0.6 that are excluded from the model. The validity test is then reprocessed until the loading factor has a correlation value of >0.6. The results of loading factor running 3 show that all indicators have a value > 0.6 so that the construct is declared to have good convergent validity.
Table 1: Variables, Indicators, Loading Factor, AVEs and Composite Reliability

<table>
<thead>
<tr>
<th>Variables</th>
<th>Indicators</th>
<th>Loading Factors</th>
<th>Cronbach's Alpha</th>
<th>AV E</th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Running 1</td>
<td>Running 2</td>
<td>Running 3</td>
<td></td>
</tr>
<tr>
<td>Market Orientation (MO)</td>
<td>MO1</td>
<td>0.747</td>
<td>0.749</td>
<td>0.749</td>
<td>0.815</td>
</tr>
<tr>
<td></td>
<td>MO2</td>
<td>0.795</td>
<td>0.796</td>
<td>0.798</td>
<td></td>
</tr>
<tr>
<td></td>
<td>MO3</td>
<td>0.675</td>
<td>0.672</td>
<td>0.670</td>
<td></td>
</tr>
<tr>
<td></td>
<td>MO4</td>
<td>0.654</td>
<td>0.649</td>
<td>0.648</td>
<td></td>
</tr>
<tr>
<td></td>
<td>MO5</td>
<td>0.787</td>
<td>0.789</td>
<td>0.789</td>
<td></td>
</tr>
<tr>
<td></td>
<td>MO6</td>
<td>0.662</td>
<td>0.665</td>
<td>0.666</td>
<td></td>
</tr>
<tr>
<td>Entrepreneurial Orientation (EO)</td>
<td>EO1</td>
<td>0.725</td>
<td>0.725</td>
<td>0.725</td>
<td>0.862</td>
</tr>
<tr>
<td></td>
<td>EO2</td>
<td>0.772</td>
<td>0.784</td>
<td>0.785</td>
<td></td>
</tr>
<tr>
<td></td>
<td>EO3</td>
<td>0.805</td>
<td>0.817</td>
<td>0.817</td>
<td></td>
</tr>
<tr>
<td></td>
<td>EO4</td>
<td>0.554</td>
<td>Rejected</td>
<td>Rejected</td>
<td></td>
</tr>
<tr>
<td></td>
<td>EO5</td>
<td>0.799</td>
<td>0.801</td>
<td>0.801</td>
<td></td>
</tr>
<tr>
<td></td>
<td>EO6</td>
<td>0.869</td>
<td>0.877</td>
<td>0.877</td>
<td></td>
</tr>
<tr>
<td>Competitive Advantage (CA)</td>
<td>CA1</td>
<td>0.498</td>
<td>Rejected</td>
<td>Rejected</td>
<td>0.813</td>
</tr>
<tr>
<td></td>
<td>CA2</td>
<td>0.345</td>
<td>Rejected</td>
<td>Rejected</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CA3</td>
<td>0.567</td>
<td>Rejected</td>
<td>Rejected</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CA4</td>
<td>0.494</td>
<td>Rejected</td>
<td>Rejected</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CA5</td>
<td>0.623</td>
<td>0.620</td>
<td>0.615</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CA6</td>
<td>0.543</td>
<td>Rejected</td>
<td>Rejected</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CA7</td>
<td>0.711</td>
<td>0.806</td>
<td>0.808</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CA8</td>
<td>0.691</td>
<td>0.768</td>
<td>0.774</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CA9</td>
<td>0.720</td>
<td>0.762</td>
<td>0.763</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CA10</td>
<td>0.744</td>
<td>0.807</td>
<td>0.807</td>
<td></td>
</tr>
<tr>
<td>Business Performance (BP)</td>
<td>BP1</td>
<td>0.824</td>
<td>0.808</td>
<td>0.806</td>
<td>0.887</td>
</tr>
<tr>
<td></td>
<td>BP2</td>
<td>0.424</td>
<td>Rejected</td>
<td>Rejected</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BP3</td>
<td>0.838</td>
<td>0.832</td>
<td>0.834</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BP4</td>
<td>0.809</td>
<td>0.824</td>
<td>0.828</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BP5</td>
<td>0.823</td>
<td>0.838</td>
<td>0.836</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BP6</td>
<td>0.687</td>
<td>0.721</td>
<td>0.733</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BP7</td>
<td>0.615</td>
<td>0.596</td>
<td>Rejected</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BP8</td>
<td>0.727</td>
<td>0.740</td>
<td>0.745</td>
<td></td>
</tr>
</tbody>
</table>

Prediction of the relationship between latent variables or structural model is seen through R-square. The value of R Square is presented in Table 2 which shows that the value of R Square for business performance is 0.167, which means that the contribution of entrepreneurship and market orientation to business performance is 16.7%. While competitive advantage can explain its relationship with business performance, entrepreneurial orientation and market orientation by 34.1%. Market orientation can explain its relationship with entrepreneurial orientation by 41.0%.

Table 2: Value of R Square

<table>
<thead>
<tr>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Performance (BP)</td>
<td>0.167</td>
</tr>
<tr>
<td>Competitive Advantage (CA)</td>
<td>0.341</td>
</tr>
<tr>
<td>Market Orientation (MO)</td>
<td>0.410</td>
</tr>
</tbody>
</table>
Table 3 shows the results of the bootstrapping statistical test with findings H2, H3, H and H6 were accepted, while H1 and H4 were rejected. Hypothesis H7 shows that BP mediates EO and CA results. In H8, BP does not mediate MO and CA and in this study also found H9 results which show MO mediates EO and CA.

Table 3: Variables, Indicators, Loading Factors, AVEs, and Composite Reliability

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Relationships</th>
<th>Original Sample</th>
<th>T-Statistics</th>
<th>P-Value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>EO → CA</td>
<td>0.101</td>
<td>0.798</td>
<td>0.425</td>
<td>Received</td>
</tr>
<tr>
<td>2</td>
<td>EO → BP</td>
<td>0.431</td>
<td>4.316</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>3</td>
<td>EO → MO</td>
<td>0.641</td>
<td>7.125</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>4</td>
<td>MO → BP</td>
<td>-0.035</td>
<td>0.340</td>
<td>0.734</td>
<td>Received</td>
</tr>
<tr>
<td>5</td>
<td>MO → CA</td>
<td>0.379</td>
<td>2.616</td>
<td>0.009</td>
<td>Accepted</td>
</tr>
<tr>
<td>6</td>
<td>BP → CA</td>
<td>0.262</td>
<td>2.521</td>
<td>0.012</td>
<td>Accepted</td>
</tr>
<tr>
<td>7</td>
<td>EO → BP → CA</td>
<td>0.113</td>
<td>2.390</td>
<td>0.017</td>
<td>Accepted</td>
</tr>
<tr>
<td>8</td>
<td>MO → BP → CA</td>
<td>-0.009</td>
<td>0.301</td>
<td>0.764</td>
<td>Received</td>
</tr>
<tr>
<td>9</td>
<td>EO → MO → CA</td>
<td>0.243</td>
<td>2.028</td>
<td>0.043</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Discussion

Relationship of EO to CA

The results show that H1 has a PV value of 0.425 above 0.05 and a coefficient value of 0.101 so it can be stated that EO has no effect on CA. The findings contradict the results of the study (Utama et al., 2020); (Pratono, 2019). The findings also contradict the opinion (Anderson et al., 2009) which states that companies that have an entrepreneurial orientation have a competitive advantage. The existence of these different findings can be explained during the Covid 19 pandemic, MSMEs have not been able to move quickly to keep up with changes in drastically changing environmental conditions. It takes a long time for MSMEs to be able to adapt to changes in competition where technology is the main medium in marketing. Existing resources have not been able to support change so that the entrepreneurial orientation has not been considered by MSMEs. With the weakness of these internal factors, MSMEs are only trying to survive and have not been able to focus on creating a competitive advantage (Violinda, 2018). From these findings, MSME actors need to pay attention to internal factors, especially the mentality of entrepreneurship as capital to face pandemic conditions. Business Actors must be faster in adapting to environmental changes. Not only in pandemic conditions, changes in the environment and markets can change at any time due to political, security and disaster influences. For this reason, entrepreneurial characteristics are needed to deal with this

Relationship of EO to BP

The results showed that H2 had a P-value of 0.000 above 0.05 and a coefficient of 0.431, so it can be stated that EO has a positive effect on BP. This study is consistent with research results (Hernández-Perlines et al., 2021); (Kusa et al., 2021); (Lantu et al., 2016)
which is in line with the view that entrepreneurial orientation is a resource as an organization's competitive advantage (Murphy et al., 1996). The pandemic condition is a condition with uncertainty and carries a great risk for the organization if it is rash in making decisions. For this reason, the entrepreneurial characteristics of MSME actors are needed. MSME business actors can take strategic steps, namely focusing on new business opportunities that have a high risk in the midst of the Covid pandemic and are more aggressive in looking for potential opportunities in uncertain conditions (Miller, 1983). It takes courage to take risks to achieve business performance. The pandemic condition cannot be read, so expertise needs speculation and sharp input for MSME owners to not carry out the strategy. From these findings, it is necessary to aggressively improve the performance of MSME actors as a competitive advantage by developing product innovations using local natural resources that are increasingly competitive. MSME Business Actors should continue to follow the development of market trends, especially during the Covid pandemic.

**Relationship of EO to MO**

The results show that EO has a positive effect on MO in line with the results of a study conducted by (Setyawati, 2013); (Matsumo et al, 2002) with the finding that entrepreneurial orientation encourages market orientation. MSME actors have the entrepreneurial ability to be proactive in dealing with market changes by using online marketing media. Business actors dare to take risks by implementing new marketing strategies to achieve the expected profit. Innovation is also carried out as a strategy to fulfill consumer desires by creating new products or programs that have special or unique features in accordance with market demands during the pandemic. Significant market changes need to be supported by the courage to take risks, creativity in arranging business and product innovation according to market demand.

**MO's relationship to BP**

The results show that MO has no effect on BP. The results of this study are different from (Shameem, 2021); (Migdadi et al., 2017); (Narver & Slater, 1990) which states that there is a positive relationship between MO and BP. Market conditions during the pandemic are full of uncertainty so that business performance as measured by profits and increased production cannot be achieved. Marketing strategies focused on consumers and competitors cannot be implemented due to changing market conditions and changing consumer behavior. Marketing activities that change from direct and conventional transactions to online also cause performance to be unable to achieve the predetermined marketing targets. MSMEs cannot adapt quickly to environmental changes so that marketing orientation does not affect the performance of MSMEs. Research that supports this result is (Setyawati, 2013) which states that market orientation does not have a direct influence on business performance.

**MO's relationship to CA**

The relationship between MO and CA shows a significant positive direction which can be explained that the higher the MO, the higher CA will be created. This finding is consistent with research results (Zhou et al., 2009); (Guimarães et al., 2018) which states that market orientation which is closely related to customers and competitors can create a competitive advantage, namely superior value that competitors do not have in the market. Market orientation becomes very important when during a pandemic, consumers change their behavior. Some changes in consumer behavior during the pandemic are that consumers are more considerate of the health side for themselves and their families and consumers tend to be more private and the driving factor in consumer purchasing decisions is dominated by psychological factors (Karnowati, 2020) so that market orientation must be considered for MSMEs who want to survive in the future pandemic. Significantly changing market orientations need to be analyzed so as to create effective strategies to deal with market competition.

**BP's relationship to CA**

The results of the study show that BP has a positive effect on CA. This research is in line with several previous studies, namely (Fadila & Yuniarti, 2021); (Desfiandi, 2010). Business performance is the result of implementing a company's strategy which is often a benchmark for evaluating an organization. Consumers will basically choose products that have the best quality and are superior in the market so that a company's good performance can create a competitive advantage. Competitors' strengths and weaknesses and dynamic market conditions require MSMEs to continue to be able to provide superior value by way of product differentiation that is adapted to market conditions. MSMEs can seek increased business performance by utilizing existing resources, analyzing the situation and focusing on the goals to be achieved by the company so that they can build a competitive advantage in the target market.

**Business Performance Mediation Role**

BP can mediate the relationship of EO to CA where it can be stated that business performance indirectly has an intervening effect of the relationship between entrepreneurial orientation and competitive advantage. EO does not have a direct effect on CA, but the presence of BP can mediate the effect of EO on CA. BP has a full mediation role so that it can be stated that it is important for BP to be formed so that EO can affect CA. To achieve competitive advantage, it can be done through optimizing the performance of MSMEs. Optimization of the performance of an organization can be created with the support of existing resources. For this reason, MSME players need to focus on efforts to achieve performance to create competitive advantages.

The findings of the mediation of BP on MO and CA showed that BP could not mediate the relationship between MO and CA. Directly the effect of MO on CA shows a positive and significant direction. However, the presence of the BP variable between MO and CA
does not mediate the relationship between the two, so it can be stated that the presence or absence of BP does not have a role to mediate the relationship between MO and CA. This study also found the full mediating role of MO on the relationship between EO and CA. In Table 3 it can be seen that EO has no direct effect on CA. However, in the results of hypothesis 9, the indirect relationship between EO and CA can be mediated by BP. So it can be stated that MO has a role as a full mediation so that BP is important to be formed to create a relationship between EO and CA. From these findings, it is evident that the performance of the MSME business should not be ignored in any difficult conditions. MSMEs can achieve competitive advantage through the achievement of business performance.

Conclusion

The dynamism of market competition during the covid pandemic has an impact on MSME business actors to be able to implement the best strategy. In the midst of drastically changing market conditions and high business risks, MSME business actors are still trying to achieve business performance and create competitive advantages. The findings of this study indicate the role of business performance as a full mediation of the relationship between EO and CA. This study also reveals the role of full mediation MO on the relationship between EO and CA. It can be concluded that EO needs BP in order to create CA, without BP, EO cannot have a direct effect on CA.

EO does not have a direct effect on CA, but with MO, EO can have an indirect effect on CA. This can be interpreted that MO has an important role as a full mediation of the relationship between EO and CA. In facing difficult conditions during the pandemic, MSMEs only tend to persist and ignore CA. This study proves that there are opportunities for MSME business units to continue to create competitive advantages with the role of business performance and market orientation as mediators of EO. Further research is expected to analyze the competitive advantages that have been successfully created by MSMEs during the pandemic. Further studies are also expected to add respondents and a wider area.

Acknowledgement

Author Contributions: Conceptualization, Methodology, Data Collection, Formal Analysis, Writing—Original Draft Preparation, Writing—Review And Editing by authors with equal participation. All authors have read and agreed to the published the final version of the manuscript.

Institutional Review Board Statement: Ethical review and approval were waived for this study, due to that the research does not deal with vulnerable groups or sensitive issues.

Data Availability Statement: The data presented in this study are available on request from the corresponding author. The data are not publicly available due to privacy.

Conflicts of Interest: The authors declare no conflict of interest.

References


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