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## Entrepreneurial Orientation and Innovation on Competitive Advantage

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**Abstract :** Competitive advantage is the main goal for companies in a dynamic and competitive business environment. Two important factors that influence competitive advantage are entrepreneurial orientation and innovation. Entrepreneurial orientation encourages companies to always look for new opportunities in the market, while innovation allows companies to continuously adapt and offer unique products or services. This article aims to examine the influence of entrepreneurial orientation and innovation on competitive advantage based on existing literature. The results of this study are (1) Entrepreneurial orientation has a significant influence on Competitive Advantage. (2) Innovation has a significant influence on Competitive Advantage. (3) Entrepreneurial orientation and Innovation have a simultaneous influence on competitive advantage.

**Keywords:** Entrepreneurial Orientation, Innovation, Competitive Advantage

### INTRODUCTION

In a competitive business world, companies need to continuously seek ways to maintain and strengthen their competitive advantage. Competitive advantage allows companies to gain a better position compared to competitors and maintain business sustainability in the long term. Two important factors that support the achievement of competitive advantage are entrepreneurial orientation and innovation. Entrepreneurial orientation refers to a company's strategy that is proactive, risk-oriented, and focused on exploiting new market opportunities. On the other hand, innovation involves the process of developing new ideas, products, services, or business processes that provide added value to the company and its customers. These two elements complement each other in an effort to create sustainable competitive advantage.

Based on this background, the questions in this review article are: 1) Does entrepreneurial orientation affect competitive advantage? 2) Does innovation affect competitive advantage? 3) Are entrepreneurial orientation and innovation simultaneously influence competitive advantage?

**METHOD**

This study uses a literature review approach by collecting and analyzing relevant scientific articles, journals, and books related to entrepreneurial orientation, innovation, and competitive advantage. Sources of information are taken from various academic databases, such as Google Scholar, Scopus, and ScienceDirect, with a publication year range between 2010 and 2024. The selected literature includes research in various industries, both manufacturing and services, to provide a holistic view of the topics discussed.

**RESULTS AND DISCUSSION**

Reviewing relevant articles as a basis for formulating research hypotheses by explaining the results of previous studies, based on relevant research as shown in Table 1 below.

**Table 1 Research Results**

No	Author (Year)	Previous Research Results	Similarities With This Article	Differences With This Article	H
1	Syukron & Ngatno (2016)	<ul style="list-style-type: none"> <li>Market orientation and entrepreneurial orientation, both independently and together, are able to drive product innovation.</li> <li>Market orientation also has a direct influence on competitive advantage, in addition to its indirect influence through product innovation.</li> <li>Product innovation acts as a partial mediator between market orientation and competitive advantage. This means that part of the influence of market orientation on competitive advantage occurs through the mechanism of product innovation. (Syukron &amp; Ngatno, 2016).</li> </ul>	This study also examines the influence of Entrepreneurial Orientation and Innovation on Competitive Advantage.	This study examines other factors, namely: Market Orientation	<b>H1 &amp; H2</b>
2	The Last Supper (2017)	<ul style="list-style-type: none"> <li>Market orientation has a significant influence on competitive advantage:</li> <li>Innovation has a significant impact on Competitive Advantage:</li> <li>Entrepreneurial Orientation has a significant influence on Competitive Advantage</li> <li>Market Orientation has a significant influence on Marketing Performance:</li> <li>Innovation has a significant impact on Marketing Performance:</li> <li>Entrepreneurial Orientation has a significant influence on Marketing Performance:</li> </ul>	This study also examines Entrepreneurial Orientation and Innovation towards Competitive Advantage.	This study examines other factors, namely: Entrepreneurial Orientation	<b>H1 &amp; H2</b>

	<ul style="list-style-type: none"> <li>Competitive Advantage has a significant influence on Marketing Performance (Jayaningrum, 2017) .</li> </ul>				
3	Rahmadi et al., (2020)	<ul style="list-style-type: none"> <li>Market Orientation has a significant influence on Competitive Advantage</li> <li>Entrepreneurial Orientation has a significant influence on Competitive Advantage</li> <li>Innovation has a significant influence on Competitive Advantage (Rahmadi et al., 2020)</li> </ul>	This study also examines Entrepreneurial Orientation and Innovation towards Competitive Advantage.	This study examines other factors, namely: Entrepreneurial Orientation	<b>H1 &amp; H2</b>
4	Fatmawati et al. (2016)	<ul style="list-style-type: none"> <li>Market Orientation has a significant influence on Competitive Advantage</li> <li>Entrepreneurial Orientation has a significant influence on Competitive Advantage</li> <li>Competitive advantage has a positive and significant effect on marketing performance</li> </ul>	This study also examines Entrepreneurial Orientation towards Competitive Advantage.	This study uses competitive advantage as an intervening variable.	<b>H1 &amp; H2</b>
5	Batara et al., 2023	<ul style="list-style-type: none"> <li>Market Orientation has a significant influence on Competitive Advantage</li> <li>Entrepreneurial Orientation does not have a significant influence on Competitive Advantage</li> <li>Training has a significant influence on Competitive Advantage</li> <li>Management capability has a significant influence on Competitive Advantage</li> <li>Market Orientation, Entrepreneurial Orientation, Training and Management Capability simultaneously have a positive and significant effect on Competitive Advantage (Batara et al., 2023) .</li> </ul>	This study also examines Entrepreneurial Orientation towards Competitive Advantage.	This study examines other factors, namely: Training and Management capabilities and Market orientation.	<b>H1 &amp; H2</b>
6	The Untamed (2015)	<ul style="list-style-type: none"> <li>Entrepreneurial orientation has a significant influence on competitive advantage</li> <li>Market Orientation has a significant influence on Competitive Advantage</li> <li>Entrepreneurial orientation and market orientation have a significant influence on company performance.</li> <li>Competitive Advantage as an intervening variable has a significant effect on Company Performance</li> </ul>	This study also examines the influence of Entrepreneurial Orientation towards Competitive Advantage	This study uses competitive advantage as an intervening variable.	<b>H1 &amp; H2</b>

		<ul style="list-style-type: none"> <li>Competitive Advantage successfully partially mediates the relationship between the variables Entrepreneurial Orientation and Market Orientation on Company Performance (Usvita, 2015)</li> </ul>			
7	Lestari et al. (2019)	<ul style="list-style-type: none"> <li>Entrepreneurial orientation has a significant influence on competitive advantage</li> <li>Entrepreneurial innovation has a significant influence on competitive advantage</li> <li>Entrepreneurial orientation has a significant influence on culinary competitiveness (Lestari et al., 2019)</li> </ul>	This study also examines Entrepreneurial Orientation and Innovation towards Competitive Advantage.	This study also analyzes the influence of entrepreneurial orientation on company performance.	<b>H1 &amp; H2</b>
8	English: Verbyani & Handoyo, 2021	<ul style="list-style-type: none"> <li>Entrepreneurial orientation has a significant influence on competitive advantage</li> <li>Market Orientation has a significant influence on Competitive Advantage</li> </ul>	This study also examines Entrepreneurial Orientation towards Competitive Advantage.	This study examines other factors, namely: Market Orientation	<b>H1</b>
9	Puspasari & Rahardjo, (2017)	<ul style="list-style-type: none"> <li>Entrepreneurial orientation has a positive influence on competitive advantage</li> <li>Product innovation has a positive effect on competitive advantage</li> <li>Partner support has a positive effect on competitive advantage. (Puspasari &amp; Rahardjo, 2017)</li> </ul>	This study also examines the influence of entrepreneurial orientation and innovation on competitive advantage.	This study examines other factors, namely: Partner Support	<b>H2</b>

**Discussion**

**a. orientation towards competitive advantage**

Entrepreneurial orientation is one of the key factors that can provide a competitive advantage for a company. By encouraging innovation, taking risks, and being proactive, companies can create added value for customers, win the competition, and achieve sustainable growth. Entrepreneurial orientation is an attitude and behavior that encourages individuals or organizations to always seek new opportunities, take risks, and innovate. When a company has a strong entrepreneurial orientation, they will be more proactive in facing market challenges and creating added value for customers (Estiarto et al., 2023) .

The results of this study strengthen the opinion of Ulfa & Ali (2024) who stated that companies with an entrepreneurial orientation are very focused on developing new, innovative products or services. This innovation is not only limited to products, but also includes business processes, business models, and distribution channels. Continuous innovation will help companies differentiate themselves from competitors and create competitive advantages. Entrepreneurial-oriented companies are not afraid to take risks. They dare to try new things and get out of their comfort zone. Although not all risks will be successful, the courage to take risks will open up opportunities to achieve faster growth (Hartini, 2012) .

Entrepreneurial companies are more flexible in facing market changes. They can quickly adjust their business strategies to respond to these changes. This flexibility is very

important in a dynamic business environment. Entrepreneurial companies do not just wait for opportunities to come, but actively seek and create new opportunities. This proactive attitude allows the company to become a market leader. Entrepreneurial companies are very focused on customer needs and wants. They always try to create products or services that provide added value to customers (Ulfa & Ali, 2024) .

Entrepreneurial orientation has a significant impact on a company's competitive advantage. According to research conducted by Rauch et al. (2009), companies with a high entrepreneurial orientation are better able to take advantage of opportunities that arise in the market and reduce the impact of uncertainty. The proactive attitude and risk-taking of entrepreneurially oriented companies enable them to innovate faster than competitors, resulting in superior products or services in the market. (Rauch et al., 2009) .

Furthermore, Covin and Slevin (1993) explained that entrepreneurial orientation increases the company's ability to compete aggressively with competitors, creating adaptive and flexible strategies to environmental changes. Thus, companies can build competitive advantages that are difficult for competitors to imitate (Covin & Slevin, 1993) .

#### **b. Innovation towards competitive advantage**

Innovation is the process of introducing new ideas, products, services, or processes that are different and better than those that already exist. Innovation is not only limited to the development of new products, but also includes improvements in production processes, new business models, or even unique marketing approaches. Innovation plays an important role in creating competitive advantage by offering products and services that are different from competitors. According to Hamid (2023), innovation allows companies to get out of the constraints of price competition and create added value that is difficult for competitors to imitate. Product innovation, for example, allows companies to attract new market segments or maintain the loyalty of existing customers by improving product features or quality (Hamid et al., 2023) .

Salsabilla & Ali, ( 2024 ) emphasized that innovation can improve a company's operational efficiency, allowing companies to offer products or services at lower costs or with faster delivery times. This provides a significant competitive advantage in a market that is very sensitive to price and speed of service. Innovation plays a very crucial role in creating competitive advantage for a company. Innovation allows companies to create products or services that are unique and different from competitors. Thus, companies can attract new customers and retain existing customers. Innovation often produces products or services that have added value for customers. For example, new, more sophisticated features, better quality, or more competitive prices (Salsabilla & Ali, 2024) .

The results of this study are also supported by the opinion of Pratama & Ali, (2024) who stated that innovation can open up new markets that have not been previously explored. Innovative products or services can create new demand and expand the company's market share. Innovation in the production or management process can increase company efficiency, reduce production costs, and increase profitability. Customers tend to be more loyal to companies that continue to innovate and offer the latest products or services. Innovation is the key to survival and growth in an increasingly competitive business environment. Companies that are able to continuously innovate will have a better competitive advantage and can achieve long-term success. (Pratama & Ali, 2024) .

Innovation is one of the main factors that drives competitive advantage. Companies that continuously innovate have better performance compared to companies that only rely on operational efficiency or pricing strategies (ER Lestari, 2019) . Innovation allows companies to differentiate themselves from competitors, either by improving product quality, offering new features, or through more efficient processes. In addition, innovation

also plays an important role in maintaining customer loyalty and attracting new market segments. Customer-oriented innovation creates products and services that are in line with consumer needs and preferences, thereby increasing the company's competitiveness in the long term. (Irawan, 2020) .

### c. **Entrepreneurship and Innovation Orientation towards Competitive Advantage**

Entrepreneurial orientation is an attitude and behavior that encourages individuals or organizations to always seek new opportunities, take risks, and innovate. When a company has a strong entrepreneurial orientation, they will be more proactive in facing market challenges and creating added value for customers. Entrepreneurial-oriented companies are always looking for new opportunities to grow and develop. They are not only satisfied with the status quo, but always look for ways to improve performance and achieve higher goals. Companies with an entrepreneurial orientation dare to take risks to try new things. They are not afraid to fail, because they see failure as part of the learning process (Estiaro et al., 2023) .

The results of this study are in accordance with the opinion of Azhari & Ali, ( 2024 ) that entrepreneurial-oriented companies are more flexible in dealing with market changes. They can quickly adjust their business strategies to respond to these changes. Entrepreneurial-oriented companies create an organizational culture that encourages innovation. Employees feel encouraged to provide new and creative ideas because they know that these ideas will be heard and considered. Entrepreneurial-oriented companies are very focused on customer needs and wants. They always strive to create products or services that provide added value to customers (Hia et al., 2022) .

Azhari & Ali, 2024 revealed that *Startups* generally have a very strong entrepreneurial orientation. They often create innovative products or services and disrupt existing markets. Large companies that succeed in maintaining their competitive advantage usually have a strong entrepreneurial culture. They encourage their employees to continue to innovate and seek new business opportunities (Azhari & Ali, 2024) .

Entrepreneurial orientation is one of the key factors that can drive innovation in a company. By encouraging employees to think creatively, take risks, and focus on customers, companies can create innovative products or services and provide added value to customers. In short, entrepreneurial orientation is like the gasoline that drives the innovation engine. The stronger the entrepreneurial orientation in a company, the greater the company's potential to produce sustainable innovation (Estiaro et al., 2023) .

Studies show that the combination of entrepreneurial orientation and innovation has a greater impact on competitive advantage than either factor alone. Entrepreneurial orientation provides a basis for companies to innovate, by encouraging risk taking and exploration of untapped market opportunities (Supranoto, 2009) .

On the other hand, innovation allows companies to implement new ideas that arise from entrepreneurial orientation, resulting in products or services that are unique and difficult for competitors to imitate. Companies that successfully integrate entrepreneurial orientation with innovation have a better ability to create and maintain competitive advantage in a competitive market. (Azhari & Ali, 2024) .



### Conceptual Shells

Based on the problem statement, relevant discussions, and research, the conceptual framework of this article is derived as shown in Figure 1 below.

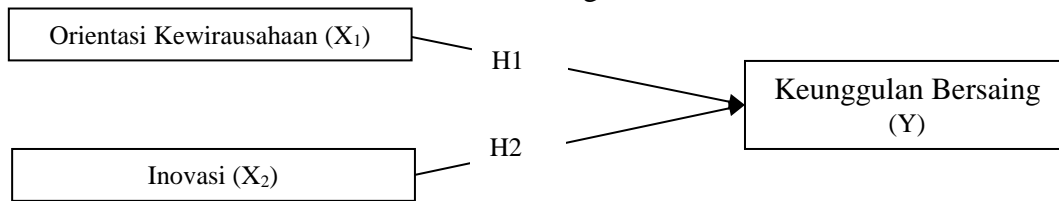


Figure 1. Conceptual Framework

the Conceptual Framework image above , then: Entrepreneurial Orientation and Innovation influence Purchasing Decisions. Apart from the two variables that influence Purchasing Decisions , there are many other variables including:

- 1) Market Orientation (Syukron & Ngatno, 2016) , (Jayaningrum, 2017) , (Rahmadi et al., 2020) , (Verbyani & Handoyo, 2021)
- 2) Training and Management Skills (Batara et al., 2023)
- 3) Partner Support (Puspasari & Rahardjo, 2017)

### CONCLUSION

This literature review shows that: 1) Entrepreneurial orientation has a significant influence on Competitive Advantage . 2) Innovation has a significant influence on Competitive Advantage . 3) Entrepreneurial orientation and Innovation have a simultaneous influence on Competitive Advantage. Entrepreneurial orientation and innovation play an important role in creating sustainable competitive advantage. Entrepreneurial orientation encourages companies to seek new opportunities and take risks in the face of market uncertainty, while innovation allows companies to develop better and different solutions from competitors. The combination of these two factors creates a strong synergy in increasing the company's competitiveness .

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