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The Influence of Entrepreneurial Orientation and Entrepreneurial Motives on Competitive Advantage and Performance of MSMEs in Jember Regency

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Abstract: The problem underlying this research is the importance of MSME performance as a key indicator in assessing success and its impact on the economy, where performance is influenced by various internal and external factors including effective management, product innovation, and supportive government policies. This study aims to determine and analyze the influence of entrepreneurial orientation and entrepreneurial motives on competitive advantage and its impact on MSME performance in Jember Regency. This study uses a quantitative approach with a survey method. The population in this study were all MSME actors in Jember Regency totaling 647,416 business units. Sampling used a purposive sampling technique with the Slovin formula to obtain 100 respondents. Data analysis used Structural Equation Modeling-Partial Least Square (SEM-PLS) with the help of the WarpPLS 8.0 application. The results of the study indicate that entrepreneurial orientation has a significant effect on competitive advantage and performance of MSMEs. Entrepreneurial motives are also proven to have a significant effect on competitive advantage and performance of MSMEs. Furthermore, competitive advantage has a significant effect on the performance of MSMEs in Jember Regency. These findings indicate that increasing entrepreneurial orientation and entrepreneurial motivation supported by competitive advantage can encourage an increase in overall MSME performance.

Keywords : Entrepreneurial Orientation, Entrepreneurial Motives, Competitive Advantage, MSME Performance

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the economy of various countries, including Indonesia. MSMEs contribute significantly to job creation, poverty reduction, and local economic development. According to data from the Indonesian Ministry of Cooperatives and SMEs, MSMEs contribute around 60% of the national GDP and absorb more than 90% of the workforce in the private sector. At the global level, MSMEs also play a vital role in increasing innovation and driving inclusive [1] economic growth. However, despite their great potential, MSMEs often face various challenges that hinder their growth and sustainability, including access to financing, technology, and global markets [2]. Amidst increasingly tight business competition, MSMEs are required to continue to innovate and improve their performance in order to survive and thrive.

Jember Regency, as one of the regions in East Java, has quite large economic potential. Economic growth indicated by the increase in Gross Regional Domestic Product at Current Prices (GRDP HDB), Business Identification Number (NIB), Level of Compliance of MSME Taxpayers Reporting SPT and MSMEs

Having BPJS Employment during the 2019-2023 period shown in table 1.1 indicates a research phenomenon. The growth of GRDP HDB indicates an increase in overall economic activity in a region. This growth provides opportunities for MSMEs to develop and contribute to the economy. If the MSME sector has a significant contribution to GRDP HDB, then the growth of the MSME sector will drive overall regional economic growth. The increase in the number of NIBs indicates an increase in the number of MSMEs that are officially registered. This indicates a conducive business climate and awareness of MSME actors to run their businesses legally. NIB also makes it easier for MSMEs to access various government facilities and programs, such as capital, training, and marketing. MSMEs that have NPWP generally have wider access to various financial services and business partnerships. The high level of MSME taxpayer compliance can increase investor and financial institution trust in the MSME. High MSME tax compliance shows an awareness of the importance of MSME contributions to state revenues. MSMEs that comply with taxes also tend to have better financial management. Workers who have social protection tend to be more productive and loyal to the company. This can improve the overall performance of MSMEs.

The relationship between these variables creates a conducive business environment for MSMEs to grow and develop. For example, high GRDP, good tax compliance rates, and extensive BPJS Ketenagakerjaan ownership can attract investors to invest in the area and can be a competitive advantage in itself.

Table 1 Number of MSMEs and NIB Issued in Jember Regency 2019-2023

No	Year	Number of MSMEs	NIB Issued by Jember Regency
	2019	-	43
	2020	628,622	49
	2021	628,987	177
	2022	629,814	336
	2023	647,416	29,823

Source: Central Statistics Agency, Jember Regency Cooperatives Office

MSME performance is a key indicator in assessing the success and impact of this sector on the economy. Good performance can be measured through various aspects, such as sales growth, increased profits, and market expansion. Research shows that MSME performance is greatly influenced by internal and external factors, including effective management, product innovation, and supportive government policies [3]. In Indonesia, a study conducted by [4]showed that MSMEs that were able to adopt digital technology experienced significant performance improvements compared to MSMEs that were still conventional. However, many MSMEs still face obstacles such as limited resources and low access to market information [5].

To face these challenges, competitive advantage is a key factor for MSMEs to survive and thrive in a competitive market. [6] stated that competitive advantage can be achieved through differentiation, low cost, and focus strategies . MSMEs that are able to utilize product uniqueness, innovation, and operational efficiency tend to have a stronger competitive advantage [7]. In Indonesia, many MSMEs utilize local advantages such as natural raw materials and handicrafts to compete in the international market . Research by

[8] shows that MSMEs that develop business networks and improve product quality succeed in strengthening their position in the global market.

In addition to competitive advantage, entrepreneurial orientation *also* plays an important role in the success of MSMEs. This concept includes innovation, proactivity, and the courage to take risks. [9] states that companies with a strong entrepreneurial orientation are better able to adapt to market changes and create new opportunities. Studies by [10] also show that entrepreneurial orientation has a positive correlation with company performance, including MSMEs. In the context of Indonesian MSMEs, entrepreneurial orientation is an important factor in driving innovation and business growth. The results of the study [11] showed that MSMEs with high entrepreneurial orientation are more successful in facing market challenges and innovating compared to those with low ones. Based on the results of research [12] on MSMEs in Jelambar, MSMEs that are innovative, proactive and able to take risks can facilitate the adaptation process in a dynamic environment. In other words, the orientation strategy formed in entrepreneurial orientation [13] affects the performance of MSMEs so that entrepreneurial orientation has a significant effect on MSME performance. According to [14]the level of entrepreneurial orientation, it affects MSMEs in the manufacturing sector in performing better and being proactive in market changes so that they can maintain their position in the market. According to [15], a high entrepreneurial orientation has a significant influence on the entrepreneur's ability to determine the right business strategy so as to produce quality products, better offers, diverse products, and the best service to their customers.

However, the results of the study [16] showed that there was no significant influence between entrepreneurial orientation and business performance but had a positive direction. The results of this study are in line with research conducted by [17] which stated that entrepreneurial orientation is not significant to performance because the results obtained showed a lack of diversity in the value of the entrepreneurial orientation variable which indicates that performance has not been able to explain the relationship between these variables. These results are also supported by [18] who said that entrepreneurial orientation has no significant effect on performance. Entrepreneurial orientation still cannot influence performance without the encouragement or motivation of entrepreneurs and an innovation that is present in developing SMEs.

Furthermore, entrepreneurial motives *are* also important factors that drive individuals to start and grow a business. Some of the main motivations include the drive for independence, personal achievement, and the desire to contribute to society. According to a study by [19], entrepreneurial motivation not only influences the decision to start a business, but also its long-term success. In Indonesia, research by [20]found that motivations such as the need for autonomy and the desire to improve the family's economic conditions are the main drivers for many MSME entrepreneurs. Strong motivation also helps MSME entrepreneurs to survive in difficult situations and continue to try to develop their businesses. The results of the study [21] showed that entrepreneurial motivation has a direct effect on business growth. In the study [22] which showed that motivation has a significant effect on performance. While the results of the study [23] showed that there was no significant influence between the entrepreneurial motivation variable and business performance. [22]stated that there was no significant and positive influence between motivation and business performance.

This study aims to empirically test the influence of entrepreneurial orientation and entrepreneurial motivation on competitive advantage and performance of MSMEs in Jember Regency. By understanding the relationship between these variables, it is expected to contribute to the development of policies that support the growth and sustainability of MSMEs in Jember Regency. In addition, the results of this study can also be

a reference for MSME actors, academics, and related parties to improve the performance and competitiveness of MSMEs

METHOD

Research design

The research methods used in this study are descriptive and verification methods. Descriptive method according to [24] is a research that attempts to collect data, critically analyze the data and conclude it based on facts during the research period or the present. Verification method is a research method that aims to determine the relationship between two or more variables or a method used to test the truth of a hypothesis [24]

Population, Sample, Sampling

In this study, the population that is the focus is the owners of MSMEs in Jember Regency, which amount to 647,416 MSME units. From this population, a sample of 100 respondents was taken, with calculations using the Slovin formula to determine the number of representative samples. The sampling technique used is purposive sampling, which means that the selection of respondents is carried out by considering certain criteria that are relevant to the objectives of the study. With purposive sampling, this study can ensure that the respondents involved are MSME owners who have the appropriate experience and understanding of the variables studied, namely entrepreneurial orientation, entrepreneurial motives, competitive advantage, and MSME performance. This method is expected to provide more accurate and relevant results to the characteristics of the MSME population in Jember, as well as produce reliable conclusions to formulate recommendations for the development of MSMEs in the region.

Instrument

Data analysis in this study used the Structural Equation Modeling-Partial Least Square (SEM-PLS) method with the help of the WarpPLS 8.0 application. The SEM-PLS method was chosen because it is able to analyze latent variables with indicators that are both reflective and formative simultaneously[25]. In this study, the measurement model (outer model) will be evaluated through convergent validity tests (loading factor> 0.7 and AVE> 0.5), discriminant validity (square root of AVE> correlation between constructs), and reliability (composite reliability and Cronbach's alpha> 0.7) to ensure the feasibility of indicators in measuring their latent variables. For the structural model (inner model), the evaluation is carried out by looking at the R-squared value (R^2) which shows the ability of exogenous variables to explain endogenous variables, the Q-squared value (Q^2) to measure the predictive relevance of the model, and the path coefficient and p-value for testing the research hypothesis. WarpPLS 8.0 was chosen because it has advantages in estimating non-linear relationships between variables through the warping algorithm, and is equipped with features to calculate effect size (f^2), full collinearity VIF, and various model fit indicators such as average path coefficient (APC), average R-squared (ARS), and average variance inflation factor (AVIF) which are useful for assessing the overall quality of the model.

RESULTS AND DISCUSSION

Inner Model Evaluation

inner model aims to determine and test the relationship between *exogenous* and *endogenous constructs* that have been hypothesized. The presentation of the structural equation analysis table (*inner model*) can be seen as follows:

Hypothesis Testing

Calculation of Direct Influence Path Coefficient

The research hypothesis test aims to determine whether there is an influence of the independent variable on the dependent variable by analyzing regression. Regression analysis is used to measure the strength of the relationship between two or more variables, also to show the direction of the relationship between the independent variable and the dependent variable. The structural model test image in PLS is presented as follows:

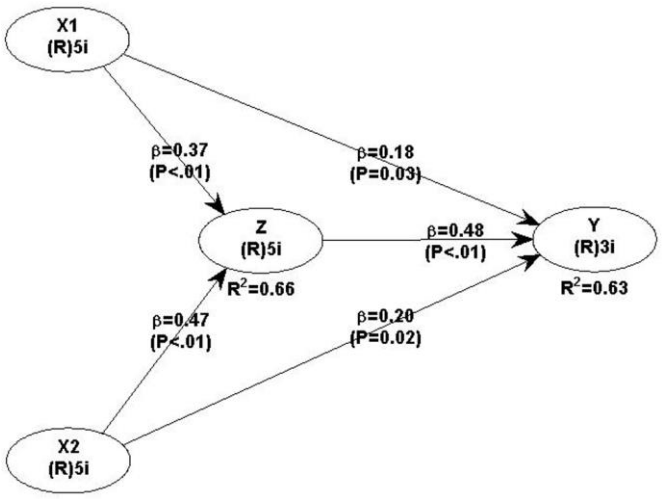

Figure 2 PLS Structural Model Test Results

Based on the image above, the results of the hypothesis test using the Warp PLS application are presented in a table as follows:

Table 2 Direct Influence Path Coefficient Values

No	Hypothesis	*Path coefficients*	*P values*	Information
1	H1	0.369	0.001	Significant
2	H2	0.475	0.001	Significant
3	H3	0.178	0.032	Significant
4	H4	0.202	0.018	Significant
5	H5	0.477	0.001	Significant

The influence of *entrepreneurial orientation* (X1) on competitive advantage (Z)

Based on Table 2, it can be seen that for testing the *Entrepreneurial orientation variable* (X1) against Competitive Advantage (Z), *the Path coefficient value* is 0.369 with *a ρ-value* of 0.001. Because the *ρ - value* is smaller than α (0.001 < 0.05), H0 is rejected, thus there is a significant influence *of Entrepreneurial orientation* (X1) on Competitive Advantage (Z).

The influence of *entrepreneurial motives* (X2) on competitive advantage (Z)

Based on Table 2, it can be seen that for testing the *Entrepreneurial motives variable* (X2) against Competitive Advantage (Z), *the Path coefficient value* is 0.475 with *a ρ-value* of 0.001. Because the *ρ - value* is smaller than α (0.001 < 0.05), H0 is rejected, thus there is a significant influence *of Entrepreneurial motives* (X2) on Competitive Advantage (Z).

The Influence of *Entrepreneurial Orientation* (X1) on MSME Performance (Y)

Based on Table 2, it can be seen that for testing the *Entrepreneurial orientation variable* (X1) on the performance of MSMEs (Y), the *Path coefficient value* is 0.178 with *a ρ -value* of 0.032. Because the *ρ - value* is smaller than α (0.032 < 0.05), H0 is rejected, thus there is a significant influence *of Entrepreneurial orientation* (X1) on the performance of MSMEs (Y).

The Influence of *Entrepreneurial Motives* (X2) on MSME Performance (Y)

Based on Table 2, it can be seen that for testing the *Entrepreneurial motives variable* (X2) on the performance of MSMEs (Y), the *Path coefficient value* is 0.202 with *a ρ -value* of 0.018. Because the *ρ - value* is smaller than α (0.018 < 0.05), H0 is rejected, thus there is a significant influence *of Entrepreneurial motives* (X2) on the performance of MSMEs (Y).

The Influence of Competitive Advantage (Z) on MSME Performance (Y)

Based on Table 2, it can be seen that for testing the Competitive Advantage (Z) variable on MSME performance (Y), the *Path coefficient value* is 0.477 with *a ρ -value* of 0.036. Because the *ρ - value* is smaller than α (0.036 < 0.05), H0 is rejected, thus there is a significant influence of Competitive Advantage (Z) on MSME performance (Y).

Indirect Influence Path Influence

Indirect influence testing is done by looking at the results of testing the paths that are passed, if all paths passed are significant then the indirect influence is also significant, and if there is a non-significant path then the indirect influence is said to be non-significant. The indirect influence path coefficient is presented in table 3

Table 3
Indirect Influence Path Coefficient

No	Hypothesis	*Path coefficients*	*P values*	Information
6	H6	0.176	0.005	Significant
7	H7	0.226	0.001	Significant

The indirect effect of *entrepreneurial orientation* (X1) on the MSME performance variable (Y) through the *intervening variable* Competitive advantage (Z) is 0.176, which is smaller than the direct effect of the *entrepreneurial orientation variable* (X1) on the MSME performance variable (Y), which is 0.178.

The indirect effect of the *entrepreneurial motives variable* (X2) on the performance of MSMEs (Y) through the *intervening variable* Competitive advantage (Z) is 0.226, which is greater than the direct effect of the *entrepreneurial motives variable* (X2) on the performance variable of MSMEs (Y), which is 0.202. Thus, it can be stated that *entrepreneurial orientation* (X1) and *entrepreneurial motives* (X2) affect the performance of MSMEs (Y) through Competitive advantage (Z) with a smaller value than its direct effect.

From the calculation above, the independent variable that has the strongest influence on the Competitive Advantage variable (Z) is the *entrepreneurial motives variable* (X2) which is 0.475. While the independent variable that has the strongest influence on the UMKM performance variable (Y) is Competitive Advantage (Z) which is 0.477. And the independent variable that has an influence on the UMKM performance variable (Y) through the *intervening variable* Competitive Advantage (Z) is the *entrepreneurial motives variable* (X1) which is 0.226.

Coefficient of Determination

The results of the analysis of the influence of *entrepreneurial orientation* and *entrepreneurial motives* on competitive advantage show a coefficient of determination or R2 ^{of} 0.660, from these results it means that all independent variables (*entrepreneurial orientation* and *entrepreneurial motives*) have a contribution of 66.0% to the dependent variable (competitive advantage), and the remaining 34.0% is influenced by other factors not included in the study.

The results of the analysis of the influence of *entrepreneurial orientation , entrepreneurial motives* and Competitive advantage on MSME performance, shows a determination coefficient value or *R square* of

0.633, from these results it means that all independent variables (*entrepreneurial orientation* , *entrepreneurial motives* and competitive advantage) have a contribution of 63.3% to the dependent variable (MSME performance), and the remaining 26.7% is influenced by other factors not included in the study.

Discussion

The Influence of *Entrepreneurial Orientation* on Competitive Advantage

Based on the test results of the *Entrepreneurial orientation variable* (X1) against Competitive Advantage (Z), the *Path coefficient value* is 0.369 with *a ρ -value* of 0.001. Because the *ρ - value* is smaller than α (0.001 < 0.05), H0 is rejected, thus there is a significant influence *of Entrepreneurial orientation* (X1) on Competitive Advantage (Z). This means that *entrepreneurial orientation* has a significant influence on the Competitive Advantage of MSMEs in Jember Regency, which is proven to be true or H1 is accepted. This is due to the *entrepreneurial orientation aspect* which is able to increase the Competitive Advantage of MSMEs in Jember Regency. The aspects of *Entrepreneurial orientation* are Innovativeness, Proactiveness, Risk-taking, Autonomy and Competitive Aggressiveness.

The results of this study confirm the importance of entrepreneurial orientation in strengthening the competitiveness of MSMEs in Jember Regency. The entrepreneurial orientation variable, which includes aspects such as innovativeness, proactiveness, risk-taking, autonomy, and competitive aggressiveness, has a significant impact on competitive advantage. Innovativeness, for example, allows MSMEs to continue to create new products and improve production processes, which then provide differentiation in the market. By innovating, MSMEs can attract more customers and reduce dependence on conventional products or services, thereby increasing competitiveness in local and regional markets.

In addition, proactiveness and risk-taking also play an important role in encouraging MSMEs to be more courageous in facing business challenges and taking market opportunities that have not been explored by competitors. Proactiveness helps MSMEs to always be one step ahead by continuously monitoring market trends and changes in consumer needs, while risk-taking encourages the courage to take risky decisions that have the potential to provide great benefits. This is very relevant for MSMEs in Jember who compete not only with local business actors, but also with business actors from outside the region. The ability to act proactively and take strategic risks supports the creation of a strong competitive advantage.

Furthermore, autonomy and competitive aggressiveness are aspects of entrepreneurial orientation that also encourage MSMEs to have competitive advantages. Autonomy allows each individual in MSMEs to make quick decisions without having to go through long bureaucracy, so that they are more responsive to market dynamics. On the other hand, competitive aggressiveness increases the readiness of MSMEs to face competitors with more offensive strategies , either through price, product quality, or service. The combination of autonomy and competitive aggressiveness allows MSMEs in Jember to be more flexible and resilient in competition, so that they can create a stronger position in the market and continue to grow amidst tight competition.

The results of this study show significant similarities with previous research conducted by [6] found that partnership strategies and competitive advantages can improve the performance of MSMEs in the creative industry, where entrepreneurial orientation is one of the factors that contribute to competitive advantage. [26] showed the influence of entrepreneurial orientation on competitive advantage in culinary MSMEs in Padang Utara District. Finally, [27] found that entrepreneurial orientation has a positive influence on the performance of MSMEs in the food and beverage sector, which indirectly shows an increase in competitive advantage.

The Influence of *Entrepreneurial Motives* on Competitive Advantage

Based on the test results of the *Entrepreneurial motives variable* (X2) against Competitive Advantage (Z), the *Path coefficient value* is 0.475 with *a ρ -value* of 0.001. Because the *ρ - value* is smaller than α (0.001 < 0.05), H0 is rejected, thus there is a significant influence *of Entrepreneurial motives* (X2) on Competitive Advantage (Z). This means that *entrepreneurial motives* have a significant influence on the Competitive Advantage of MSMEs in Jember Regency, which is proven true or H2 $_{is}$ accepted. This is due to the *entrepreneurial motives aspect* which is able to increase the Competitive Advantage of MSMEs in Jember Regency. The aspects of *entrepreneurial motives* are need for achievement, risk taking, tolerance for ambiguity, passion and locus of control

The results of this study indicate that entrepreneurial motives have a significant role in increasing the competitive advantage of MSMEs in Jember Regency. Entrepreneurial motives that include need for achievement, risk-taking, tolerance for ambiguity, passion, and locus of control, provide a strong impetus for MSME actors to strive more optimally in facing competition. For example, the need for achievement or the need to achieve achievements encourages business actors to set high goals and work hard to achieve them. With a strong motivation to succeed, MSME actors in Jember are more encouraged to continue to innovate and improve their business strategies, thus helping them create a competitive advantage in the market.

Furthermore, the risk-taking and tolerance for ambiguity aspects in entrepreneurial motives are factors that enable MSMEs to face uncertainty in business with a more optimistic attitude. Risk-taking, or the courage to take risks, makes MSMEs ready to face challenging situations, such as expanding the market or developing new products. Likewise with tolerance for ambiguity, which is the ability to survive in ambiguous or uncertain conditions. By having a high tolerance for ambiguity, MSMEs can more easily adapt to changes and uncertainties in the market, which ultimately strengthens their competitiveness.

On the other hand, passion and locus of control also have a significant impact in supporting competitive advantage. Passion, or enthusiasm in doing business, makes MSME actors more enthusiastic and motivated to continue developing their business even though they are faced with challenges. This passion is often a driving factor for MSME actors to do their best, both in improving product quality, customer service, and innovation. In addition, locus of control, namely the belief that a person has control over the success of their business, also motivates business actors to be responsible and act proactively in making business decisions. The combination of passion and locus of control provides a significant boost for MSMEs in Jember to continue to grow and become more competitive in the market. This study is in line with the results of previous research conducted by [20] which found that business motivation affects the performance of BUMDes businesses in Bekasi Regency, which indicates an increase in competitive advantage. [28] showed that the performance of MSME entrepreneurs in DIY was influenced by entrepreneurial orientation during the COVID-19 pandemic, where entrepreneurial motivation is an important component of this orientation. Finally, Setiawan and [29] found that entrepreneurial orientation, which includes motivational aspects, influences the performance of SMEs in Sibolga City, which indirectly indicates an increase in competitive advantage.

The Influence of *Entrepreneurial Orientation* on MSME Performance

Based on the test results of the *Entrepreneurial orientation variable* (X1) on the performance of MSMEs (Y), the *Path coefficient value* is 0.178 with *a ρ -value* of 0.032. Because the *ρ - value* is smaller than α (0.032 < 0.05), H0 is rejected, thus there is a significant influence of *Entrepreneurial orientation* (X1) on the performance of MSMEs (Y). This means that *entrepreneurial orientation* has a significant effect on the performance of MSMEs in Jember Regency, proven true or H3 $_{is}$ accepted. The results of this test indicate a strong positive relationship between transformational leadership and the performance of MSMEs in

Jember Regency. The path coefficient value of 0.178 indicates that an increase in *entrepreneurial orientation* practices is correlated with a significant increase in MSME performance.

The results of this study reveal that entrepreneurial orientation has a significant influence on the performance of MSMEs in Jember Regency. With a path coefficient of 0.178 and a ρ -value of 0.032, these results indicate that aspects of entrepreneurial orientation, such as innovativeness, proactiveness, risk-taking, autonomy, and competitive aggressiveness, are able to provide positive encouragement for achieving better performance for MSMEs. Innovativeness, for example, plays a role in encouraging creativity and innovation in products or services, which can increase the attractiveness and added value for consumers. MSMEs that continue to innovate tend to have better performance because their products or services are more easily adapted to dynamic market needs.

In addition, the proactiveness and risk-taking aspects also contribute significantly to improving MSME performance. Proactiveness allows MSMEs to always be one step ahead in identifying new opportunities, such as responding to market trends or unmet consumer needs. By being proactive, MSMEs in Jember can more quickly take strategic steps that increase operational effectiveness and efficiency, thereby contributing positively to performance. On the other hand, risk-taking or the courage to take risks helps MSMEs overcome business obstacles and take advantage of greater opportunities, which ultimately has a positive impact on overall performance.

Furthermore, autonomy and competitive aggressiveness also play an important role in supporting the performance of MSMEs in Jember. Autonomy allows members or employees in MSMEs to be more independent in making decisions that are relevant to their tasks, thereby increasing responsiveness and ability to overcome operational constraints. Meanwhile, competitive aggressiveness encourages MSMEs to compete actively, either through product innovation, service improvement, or competitive pricing strategies. By having this competitive attitude, MSMEs in Jember are able to face tight competition with more confidence and aggression, which directly increases their productivity and performance achievements in the market.

This is supported by research conducted by [5] who found that digital transformation, which is often driven by entrepreneurial orientation, has a positive impact on the performance of MSMEs in Indonesia during the pandemic. [30] showed that the implementation of entrepreneurial orientation can improve the performance of MSMEs, as happened in the Jati Indah Furniture MSME in Malang. Finally, [31] found that entrepreneurial orientation has a positive effect on the performance of culinary MSMEs, which can be a reference for MSMEs in various sectors in Jember Regency.

The Influence of *Entrepreneurial Motives* on MSME Performance

The results of this study indicate that entrepreneurial motives have a significant influence on the performance of MSMEs in Jember Regency. With a path coefficient of 0.202 and a ρ-value of 0.018, these results show that aspects of entrepreneurial motives, such as need for achievement, risk-taking, tolerance for ambiguity, passion, and locus of control, positively contribute to improving MSME performance. For example, the need for achievement motivates MSME actors to set ambitious business targets and strive to achieve them with hard work and good planning. When entrepreneurs have a strong drive to achieve goals, they tend to be more disciplined and results-oriented, so that MSME performance increases.

Furthermore, risk-taking and tolerance for ambiguity play a role in increasing the resilience of MSMEs in Jember in facing uncertain situations. Courage in taking risks allows MSMEs to dare to step out of their comfort zone, for example in adopting new technology or expanding the market to other regions. Tolerance for ambiguity, namely the ability to face uncertainty with a calm attitude, helps MSMEs to be more flexible and adaptive to market or regulatory changes. When MSMEs are able to accept and adapt to

risk and uncertainty, they will be better prepared to face challenges, which ultimately contributes positively to their business performance.

In addition, passion and locus of control also have a major impact on the performance of MSMEs in Jember. Passion, or enthusiasm in doing business, drives business actors to continue to improve the products or services they offer, so that the quality of their performance is maintained. This passion provides deep motivation, which keeps them motivated in difficult situations. Meanwhile, locus of control or the belief that business results depend on their own actions makes MSME actors feel responsible for the decisions they make. This attitude encourages them to be more proactive in optimizing business operations, responding quickly to changes, and taking steps to improve performance when needed. This combination of passion and locus of control provides a strong impetus for MSMEs in Jember to achieve better and more sustainable performance.

This study has significant similarities with [28] research which shows that the performance of female MSME entrepreneurs in DIY is influenced by entrepreneurial orientation during the COVID-19 pandemic, where entrepreneurial motivation is an important component of this orientation. [16] found that entrepreneurial orientation, which includes motivational aspects, influences the performance of MSMEs in Sibolga City. Finally, [19] although they did not directly examine the performance of MSMEs, found that entrepreneurial motivation had a significant influence on students' entrepreneurial intentions, which could be a potential indicator of future business performance.

The Influence of Competitive Advantage on MSME Performance

The results of this study indicate that competitive advantage plays a significant role in improving the performance of MSMEs in Jember Regency. With a path coefficient of 0.477 and a ρ -value of 0.001, this study proves that competitive advantage has a strong influence on MSME performance. Aspects of competitive advantage such as price, quality, reliable delivery, innovation, and time to market are factors that help MSMEs stand out in the market. For example, competitive prices give MSMEs a unique appeal to consumers, thus encouraging sales volume growth and making a positive contribution to performance. By offering competitive prices, MSMEs in Jember can attract more customers and achieve a wider market share.

In addition to price, superior product or service quality is also an important aspect of competitive advantage that affects the performance of MSMEs. Consumers tend to choose high-quality products, and by paying attention to quality, MSMEs in Jember can increase customer loyalty. Maintained and consistent quality can build a good reputation for MSMEs, which ultimately increases their competitiveness and performance. Likewise with reliable delivery - timeliness in product delivery increases customer satisfaction, which affects the high level of repeat purchases and customer recommendations. Thus, these aspects of quality and reliability of delivery play a direct role in improving the performance of MSMEs in a competitive market.

Furthermore, innovation and time to market are two elements of competitive advantage that are very crucial in accelerating the growth of MSME performance. Innovation allows MSMEs to present new products or make significant improvements to existing products, so that they can attract the attention of consumers who are always looking for new things. Meanwhile, time to market, or the speed in introducing products to the market, allows MSMEs in Jember to take advantage of opportunities faster than competitors. MSMEs that are able to innovate and respond quickly to market needs tend to have better performance, because they can be more responsive to changes in trends and consumer demand. This good combination of innovation

and time to market helps MSMEs in Jember to continue to excel in competition and create more optimal performance.

This finding is in line with previous studies that have shown a positive relationship between IWB and MSME performance in various organizational contexts. Studies by [32], [33], and [34] have confirmed the importance of IWB in improving individual, team, and organizational effectiveness, including in the public sector context. A meta-analysis by [35] further strengthens this understanding by confirming a positive relationship between individual creativity and job performance. Thus, the results of this study not only strengthen the understanding of the importance of IWB in the context of the Regional Development Planning Agency, but also provide a strong foundation for investment in initiatives that encourage innovation among employees. These efforts are expected to contribute to improving overall organizational performance and, ultimately, increasing the effectiveness of regional development planning and implementation in Jember Regency.

The Influence of *Entrepreneurial Orientation* on MSME Performance Through Competitive Advantage

The results of the analysis on the sixth hypothesis show that the indirect effect of entrepreneurial orientation (X1) on MSME performance (Y) through the intervening variable of competitive advantage (Z) is 0.176, slightly smaller than the direct effect of entrepreneurial orientation on MSME performance, which is 0.178. This indicates that competitive advantage (Z) only provides a limited additional effect in strengthening the relationship between entrepreneurial orientation and MSME performance.

The fact that the direct influence of entrepreneurial orientation on MSME performance is greater than the indirect influence through competitive advantage shows that entrepreneurial orientation itself is a strong factor that can directly improve MSME performance. Aspects of entrepreneurial orientation such as innovativeness, proactiveness, and risk-taking directly encourage MSME actors to run their businesses in a more effective and adaptive manner to market changes. In other words, entrepreneurial orientation provides a strong enough internal drive so that MSMEs can achieve optimal performance without always requiring competitive advantage intermediaries.

However, although the contribution of competitive advantage in this relationship is relatively small, this variable is still important because it can strengthen the influence of entrepreneurial orientation as a whole. With the existence of competitive advantages such as good product quality, competitive prices, and fast time to market , the impact of entrepreneurial orientation on MSME performance will be more consistent and sustainable. Competitive advantage allows MSMEs to maintain their position in the market and face competitors more effectively, which ultimately still supports the achievement of overall business performance, although the effect of its influence is not as large as the direct influence.

The results of this study are supported by research by [14] who found that competitive advantage, which is influenced by entrepreneurial competence, plays an important role in improving the performance of SMEs in the context of e-commerce. [8] showed that the competitive advantage of SMEs is influenced by technological orientation and entrepreneurial competence, which in turn can have an impact on business performance. Finally, [7] through a systematic literature study, indicated that competitive advantage built through financial literacy can contribute to improving the performance of SMEs in Indonesia.

The Influence of *Entrepreneurial Motives* on MSME Performance Through Competitive Advantage

The test results on the seventh hypothesis show that the indirect effect of entrepreneurial motives (X2) on MSME performance (Y) through the intervening variable of competitive advantage (Z) is 0.226,

which is greater than the direct effect of entrepreneurial motives on MSME performance, which is 0.202. This shows that competitive advantage strengthens the influence of entrepreneurial motives in encouraging the achievement of optimal performance for MSMEs. In other words, entrepreneurial motivation becomes more effective in improving MSME performance when the MSME has a competitive advantage in the market.

Competitive advantage, manifested in aspects such as product quality, competitive price, innovation, and delivery time, maximizes the impact of entrepreneurial motives such as need for achievement, risk-taking, tolerance for ambiguity, passion, and locus of control. For example, a strong motivation to achieve can have a greater impact on MSME performance if accompanied by advantages in quality and competitive product prices. By having a significant advantage in the market, MSMEs motivated by passion and measured risk have a greater chance of growing rapidly and achieving higher business results.

This finding also shows that both entrepreneurial orientation (X1) and entrepreneurial motives (X2) have a greater influence on MSME performance when through competitive advantage. This means that although entrepreneurial orientation and motives have a significant direct impact, their impact can be enhanced by ensuring that MSMEs have a strong and superior position in the market. In the long term, focusing on developing competitive advantages will help MSMEs in Jember achieve more stable and competitive performance, thus ensuring business sustainability in the face of dynamic competition.

The results of this study are supported Kurniawati et al. (2021) found that digital transformation, which is often driven by entrepreneurial orientation, has a positive impact on the performance of MSMEs in Indonesia during the pandemic. Malelak et al. (2023) showed that the implementation of entrepreneurial orientation can improve the performance of MSMEs, as happened in the Jati Indah Furniture MSME in Malang. Finally, Sowang and Hidayah (2023) found that entrepreneurial orientation has a positive effect on the performance of culinary MSMEs, showing the consistency of the influence of EO on the performance of MSMEs in various sectors..

CONCLUSION

Based on the results of this study, it can be concluded that entrepreneurial orientation and entrepreneurial motives have a significant influence on the competitive advantage and performance of MSMEs in Jember Regency. The competitive advantage variable acts as an intervening variable that strengthens the influence of both variables on MSME performance, especially on entrepreneurial motives which show a greater indirect influence than its direct influence. This shows that, although entrepreneurial orientation and motivation can directly improve MSME performance, the impact will be more optimal when MSMEs have a strong competitive advantage, which is manifested in aspects of quality, competitive price, innovation, and time to market. The combination of entrepreneurial motivation and orientation with adequate competitive advantage can be an important strategy for MSMEs to maintain and improve their performance amidst increasingly competitive competition.

The implication of this study is that MSMEs in Jember need to pay attention to developing entrepreneurial orientation and fostering entrepreneurial motivation as a foundation for improving performance. In addition, it is important for MSMEs to focus on creating competitive advantages through improving product quality, competitive pricing strategies, continuous innovation, and speed of marketing time. By strengthening competitive advantages, MSMEs can maximize the benefits of their entrepreneurial orientation and motivation, resulting in more optimal and sustainable business performance. Local governments and MSME supporting institutions in Jember are also advised to provide training and facilitation programs that focus on im-

proving innovation capabilities, competitiveness, and risk management to help MSMEs achieve their best performance potential.

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